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**1/3/2011**

**FORM ADV PART 2  
BROCHURE**

**This Brochure provides information about the qualifications and business practices of Stonebridge Investment Counsel, Inc. If you have any questions about the contents of this Brochure, please contact us at (615) 309-0832. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Stonebridge Investment Counsel, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Stonebridge Investment Counsel, Inc. is 122477.**

**Stonebridge Investment Counsel, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

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## Advisory Business

Form ADV Part 2A, Item 4

### **Description of Services and Fees**

We are a registered investment adviser primarily based in Brentwood, Tennessee. We are organized as a corporation under the laws of the State of Tennessee. We have been providing investment advisory services since 2002. Mitchell Martin and Louise Taylor are our principal owners. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Asset Management Services**
- **Recommendation of Independent Advisers**
- **Financial Planning Services**
- **General Consulting Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this Brochure, the words “we”, “our” and “us” refer to Stonebridge Investment Counsel, Inc. and the words “you”, “your” and “client” refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm’s officers, employees, and all individuals providing investment advice on behalf of our firm.

#### *Investment Policy Statement*

For new clients seeking asset management services, we may require the prior preparation of an Investment Policy Statement (IPS). The IPS shall address various investment-related areas, including investment objectives, guidelines and policies such as time horizon, portfolio construction and asset allocation, risk tolerance, performance expectations and rebalancing. The fixed fee for this initial service shall range between \$1,500 and \$10,000 depending upon the level and scope of the review and preparation process.

#### **Asset Management Services:**

We provide discretionary asset management services on a continuous basis. Included in the annual fee is an in-office meeting, at your option, to review account performance and the IPS.

The fee schedules for the assets placed under our discretionary management are as follows:

<i>Equity Mandate</i>	Minimum Annual Fee	\$7,500
Assets Under Management	Annualized Fee	
First \$5,000,000	1.25%	
Next \$5,000,000	1.00%	
Next \$15,000,000	0.75%	
Excess Above \$25 million	Negotiable	

<i>Balanced Mandate</i>	Minimum Annual Fee	\$6,000
Assets Under Management	Annualized Fee	
First \$5,000,000	1.00%	
Next \$5,000,000	0.750%	
Next \$15,000,000	0.625%	
Excess Above \$25 million	Negotiable	

<i>Global Fixed Income Mandate</i>	Minimum Annual Fee	\$4,000
Assets Under Management	Annualized Fee	
First \$5,000,000	0.65%	
Next \$10,000,000	0.50%	
Next \$15,000,000	0.40%	
Excess Above \$30 million	Negotiable	

<i>Domestic Fixed Income Mandate</i>	Minimum Annual Fee	\$3,000
Assets Under Management	Annualized Fee	
First \$5,000,000	0.50%	
Next \$10,000,000	0.40%	
Next \$15,000,000	0.30%	
Excess Above \$30 million	Negotiable	

These fees are payable quarterly in arrears, computed on the value of the account on the last day of the quarter. The fee is prorated for a partial quarter.

Generally, our fees are not negotiable for accounts less than \$25 million; however, our fee schedules may vary from the above listed schedules depending upon various factors including, the dollar amount of assets to be managed and the composition and number of related accounts that may constitute a private client relationship as well as negotiations with the client.

We generally require a minimum of \$250,000 to open and maintain an advisory account. Additionally, we charge a minimum annual fee, which ranges between \$3,000 and \$7,500, depending on the nature of the services provided. We may waive this requirement, in whole or in part, at our discretion, based upon certain criteria such as anticipated future earning capacity and the significant potential for increasing their assets under management. In circumstances where we waive the minimum account size requirement, the minimum annual fee will never exceed 2.50% of the account balance.

Our agreement for services will continue in effect until terminated by either party. You may terminate the management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. Refunds are not applicable as fees are payable in arrears.

Our Agreement and the custodial/clearing agreement shall authorize the custodian to debit your account for the amount of our investment advisory fee and to directly remit that management fee in accordance with regulatory procedures.

Asset allocation is the central theme of our investment philosophy. Therefore, we currently recommend that clients use portfolio structures that are diversified across multiple asset classes as well as styles and sectors. To implement these asset management strategies, we primarily utilizes equity and fixed income securities, exchange traded funds, mutual funds, options, and alternative investment strategies, on a discretionary basis, in accordance with the investment objective(s) of the client as set forth in the IPS prepared by us for review and acceptance by you, the client.

#### **Recommendation of Independent Advisers**

In addition, for those clients that require an enhanced and/or specialized level of asset management service, we may also recommend that you authorize the active discretionary management of your assets by and/or among certain independent investment manager(s) and/or investment programs (the "Independent Manager(s)"), based upon your stated objectives. The terms and conditions under which you engage the Independent Manager(s) shall be set forth in a separate written agreement between you and the designated Independent Manager(s). We shall also provide you with a copy of the written disclosure statement of the Independent Manager(s). Additionally, we shall continue to render investment supervisory services to you relative to the ongoing monitoring and review of account performance, asset allocation and your investment objectives. Factors which we shall consider in recommending Independent Manager(s) include your designated investment objectives, manager investment style, distinct investment discipline, consistency and predictability of results, reputation, financial strength, reporting, pricing and research.

#### **Managed Account Program**

We participate in the Managed Accounts Program (the "Program"). To participate in the Program, our firm, SEI Investments Management Corporation ("SIMC") and the individual investors execute a tri-party agreement ("Managed Account Agreement") providing for the management of certain investor assets in accordance with

the terms thereof. Pursuant to a Managed Account Agreement, you, as the investor, appoint our firm as your investment adviser to assist you in selecting an asset allocation strategy, which would include the percentage of your assets allocated to designated portfolios of separate securities (each, a "Managed Account Portfolio") and may include the percentage of assets allocated to a portfolio of mutual funds advised by SIMC or an affiliate of SIMC. You further appoint SIMC to manage the assets in each Managed Account Portfolio in accordance with a strategy selected by you together with our firm. SIMC may delegate its responsibility for selecting particular securities to one or more portfolio managers.

The negotiable fees payable to the Firm are as follows:

<i>Portfolio Size</i>	<i>Annualized Fee*</i>
First \$500,000	1.50%
Next \$500,000	1.25%
Next \$1,000,000	1.00%
Next \$1,500,000	0.75%
Over \$3,500,000	0.50%

SIMC's advisory fee schedule for the MAP Program is as follows:

The fees payable to SIMC for Large Cap Core/Transition Strategy:

0.85% for the first \$1 million  
0.80% for the next \$2 million  
0.75% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for U.S. Equity Core and Large Cap Core Strategy:

0.90% for the first \$3 million  
0.85% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for U.S. Large Cap Growth Strategy:

0.90% for the first \$3 million  
0.85% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for U.S. Large Cap Value Strategy:

0.90% for the first \$3 million  
0.85% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for Managed Volatility/Tax-Sensitive Managed Volatility:

0.90% for the first \$3 million  
0.85% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for U.S. Midcap Strategy:

1.10% for the first \$1 million  
1.00% for the next \$2 million  
0.90% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for U.S. Small Cap Strategy:

1.20% for the first \$1 million  
1.10% for the next \$2 million  
1.00% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for International Equity Strategy:

1.20% for the first \$1 million  
1.10% for the next \$2 million  
1.00% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for Active Municipal Bond Strategy:

0.70% for the first \$1 million  
0.65% for the next \$2 million  
0.60% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for Laddered Bond Strategy:

0.30% for the first \$500,000  
0.27% for the next \$500,000  
0.25% for the next \$1 million  
0.20% for the next \$3 million

The fees payable to SIMC for Core Fixed Income Strategy:

0.70% for the first \$1 million  
0.65% for the next \$2 million  
0.60% for the next \$2 million  
Negotiable for above \$5 million

SIMC may impose minimum account balances ranging from \$50,000 to \$1,000,000 depending upon the Managed Account Portfolio chosen and whether you select the tax management feature.

Under the Program, you receive investment advisory services, the execution of securities brokerage transactions, custody services and reporting services for a single specified fee. Participation in the Program may cost you more or less than purchasing such services separately. In addition, the Program fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs. The aforementioned fees may be subject to a discount.

Additionally, the Program offers a feature called Integrated Managed Accounts ("IMAP"), which is an enhancement to the standard Program. In IMAP, SIMC selects one sub-adviser to serve as a tax manager for the entire Managed Account Portfolio. Other sub-advisers recommend securities using buy/sell lists for their specific asset class to which the investor has selected. An integration fee will be charged to your account when you select the IMAP feature. The fee will cover the integration of the equity managers, which helps result in increased coordination across the equity account, increased tax efficiency and additional features such as wash sale prevention. These additional fees only apply to the equity portion of your account that is allocated to the integrated equities portfolio; the fees do not apply to the fixed income or funds portion of your account (if any). A selection of your assets may receive a fee discount.

The fees payable to SIMC for the IMAP feature are up to 0.15% for the first \$500,000 and 0.05 % for amounts in excess of \$500,000 in assets under management.

### **GoalLink – Integrated Managed Account Program**

We participate in the GoalLink Program ("GoalLink Program"). We offer the GoalLink Program to high net worth individuals, trusts, endowments, foundations and institutions. Through the GoalLink Program, our firm serves as the primary investor contact, responsible for analyzing your current financial situation, return expectations, risk tolerance, time horizon, and asset class preference. Using the GoalLink Presentation Tool, together with our client we select an investment strategy ("Strategy") which is then submitted and reviewed by a representative of SEI Investments Management Corporation ("SIMC"). The Strategy may include a combination of individual securities and mutual funds advised by SIMC (the "SEI Funds"), based upon your selected Strategy and account size.

To participate in the Program, our firm, SIMC and you, as the individual investor, execute a tri-party agreement ("Agreement") providing for the management of certain of your assets in accordance with the terms thereof. Pursuant to the Agreement, you appoint our firm as your investment adviser to assist you in selecting the Strategy. Based upon the selected Strategy, SIMC will have investment authority of the assets and will make prescribed adjustments to the Strategy weights based on the market environment at a point in time. However, you may, at any time, impose reasonable restrictions on the management of your account or choose a new Strategy. SIMC's investment authority is effective until changed or revoked in writing. SIMC may delegate its day-to-day responsibility for selecting particular securities to one or more sub-advisers.

The SEI Funds expenses are found in the Funds' prospectus, which you should read carefully before investing. For SIMC's fees on assets held in the separate accounts, the fees are determined based on the asset classes incorporated in your account. The following sets forth the fees charged by SIMC for each specific Strategy managed in the GoalLink Program.

The fees payable to SIMC for U.S. Large Cap Core/Tax Transition Strategy:

0.85% for the first \$1 million  
0.80% for the next \$2 million  
0.75% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for Large Cap Growth, Value and Core Strategy:

0.90% for the first \$3 million  
0.85% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for Managed Volatility/Tax-Sensitive Managed Volatility:

0.90% for the first \$3 million  
0.85% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for U.S. Mid Cap Strategy:

1.10% for the first \$1 million  
1.00% for the next \$2 million  
0.90% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for U.S. Small Cap Strategy:

1.20% for the first \$1 million  
1.10% for the next \$2 million  
1.00% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for International Equity Strategy:

1.20% for the first \$1 million  
1.10% for the next \$2 million  
1.00% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for Active Municipal Bond and Core Fixed Income Strategy:

0.70% for the first \$1 million  
0.65% for the next \$2 million  
0.60% for the next \$2 million  
Negotiable for above \$5 million

The fees payable to SIMC for Laddered Bond Strategy:

0.30% for the first \$500,000  
0.27% for the next \$500,000  
0.25% for the next \$1 million  
0.20% for the next \$3 million

The fees payable to SIMC for Time Focused Fixed Income Strategy:

0.30% for the first \$5 million  
Negotiable for above \$5 million

The fees payable to our firm are as follows:

<i>Portfolio Size</i>	<i>Annualized Fee*</i>
First \$500,000	1.50%
Next \$500,000	1.25%
Next \$1,000,000	1.00%
Next \$1,500,000	0.75%
Over \$3,500,000	0.50%

Additionally, the GoalLink Program offers a feature called Integrated Managed Accounts ("IMAP"), which is an enhancement to the standard GoalLink Program, as described above. The fee for IMAP covers the integration of the equity managers, which helps result in increased coordination across the equity account, increased tax efficiency and additional features such as wash sale prevention.

The fees payable to SIMC for the IMAP Feature are up to 0.10% of the total account value (excluding zero coupon assets managed by SIMC).

Under the GoalLink Program, you receive investment advisory services, the execution of securities brokerage transactions, custody services, and reporting services for a single specified fee. Participation in the GoalLink Program may cost you more or less than purchasing such services separately. In addition, the GoalLink Program fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs.

SIMC's fees shall be a percentage of the market value of your account assets held in the Strategy. The annual fee for portfolio management services is billed quarterly in arrears based on the market value of client assets on the last day of the quarter.

#### **SEI Distribution Focused Strategies**

The SEI Distribution Focused Strategies (the "DFS Program"), which is offered to high net worth individuals through Advisors are designed to actively manage a broadly diversified portfolio of assets, bolstered by expert

manager selection, portfolio construction and oversight. The DFS Program was built to generate a consistent level of distributions. In addition to achieving distribution objectives, it is designed to provide a degree of principal preservation by leaving a positive residual value at the end of the strategies' stated investment horizon. Advisors can use these results to balance their clients' distribution objectives against their principal preservation goals. Advisors can participate in the DFS Program similar to how they participate in the MAP Program. The Advisor, SIMC and the individual Clients execute a tri-party "DFS Agreement" providing for the management of certain Client assets in accordance with the terms thereof. Pursuant to the DFS Agreement, the Client appoints the Advisor as its investment advisor to assist the Client in selecting an asset allocation strategy, which would include the percentage of Client assets allocated to a designated DFS Program strategy and may include the percentage of assets allocated to a portfolio of mutual funds advised by SIMC or an affiliate of SIMC. The Client appoints SIMC to manage the assets in each DFS Portfolio in accordance with a strategy selected by the Client together with the Advisor. SIMC may delegate its responsibility for selecting particular securities to one or more portfolio managers. SIMC may change available portfolio managers in its sole discretion with written notice to the Client. For the DFS Program, SIMC is responsible for selecting securities (generally SEI's proprietary mutual funds) underlying each portfolio and actively managing each Portfolio in accordance with its investment strategies, and, therefore, selecting the securities into which the Client's assets will be invested.

Advisor is responsible for determining a Client's initial and ongoing suitability to invest in the DFS Program, depending on the Client's goals, risks, tolerance, income needs, limitations and financial circumstances. Advisor is also responsible for meeting with Clients at least annually to determine any material changes to the Client's financial circumstances or investment objectives that may affect the manner in which such Client's assets are invested. SIMC is responsible for managing only those assets that the Client allocates to the Program in accordance with the investment strategies selected, and conducts a suitability review, both initial and ongoing, relating to such selected investment strategies.

Certain banks and other financial institutions (jointly "Banks") may offer DFS to its clients by entering into a sub-advisory agreement with SIMC, in which Bank appoints SIMC to manage the assets in each DFS account in accordance with a strategy selected by the Client and Bank. Client may appoint Bank as investment advisor under a separate written instrument, to assist client in selecting an asset allocation strategy which would include the percentage of investor assets allocated to DFS and may include the percentage of assets allocated to a portfolio of mutual funds advised by SIMC or its affiliates. SIMC is not a party to any advisory or other agreements with the Bank's end investor. Banks are solely responsible for determining a Client's initial and ongoing suitability to invest in the DFS Program, depending on the Client's goals, risks, tolerance, income needs, limitations and financial circumstances. Banks are also responsible for meeting with Clients at least annually to determine any material changes to the Client's financial circumstances or investment objectives that may affect the manner in which such Client's assets are invested.

For each of the mutual funds for which SIMC serves as investment advisor, the fund pays an advisory fee that is based on a percentage of the portfolio's average daily net assets, as described in the mutual fund's registration statement. From such amount, SIMC pays the sub-advisor(s) to the portfolio. SIMC's fee is negotiable, but it typically ranges from .10% to 2.00% of the portfolio's average daily net assets for its advisory services. Additionally, SIMC or an affiliate provides administrative, distribution and transfer agency services to all of the portfolios within the SEI Funds, as described in the SEI Funds' registration statements. These fees and expenses are paid by the SEI Funds but ultimately are borne by each shareholder of the SEI Funds.

Additionally, for the DFS Program, SIMC shall charge a maximum Program Fee of 0.20% to SIMC for providing administrative and recordkeeping services and other services to accounts invested in the DFS Program. The fee is calculated and paid to SIMC quarterly in arrears. SIMC may impose minimum account balances ranging from \$50,000 to \$1,000,000 depending upon the DFS Portfolio chosen and whether the Client selects the tax management feature.

#### **SEI Fixed Income Management Program**

Through the SEI Fixed Income Management Program, SIMC provides various account management services, short-term cash strategies and investment products to corporations, municipalities, endowments, foundations, banks and high net worth individuals ("Clients") that need a solution for their cash management needs. SIMC

serves as the primary Client contact, responsible for analyzing the Client's current financial situation, return expectations, risk tolerance, investment time horizon, cash needs and asset class preference(s). Strategy formulation is supported using market research, forecasting models and Client guidelines. Strategies may include pooled investment vehicles, individual securities, tri-party repurchase agreements, or other instruments deemed appropriate by the Client. The investment advisory fees may be up to .65% of a Client's assets in the Fixed Income Management Program, and will be calculated and charged as set forth in each Client's respective investment management agreement. SIMC may charge a lesser management based upon certain criteria (e.g. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, type of services required, account composition, negotiations with the Client, etc). SIMC may invest Client assets in affiliated money market funds and such investment may cause the Client to indirectly pay an additional fee to SIMC and/or its affiliates. This fee will be separate from, and in addition to, any fees charged by SIMC for the management of the Client's account under the terms of the investment advisory agreement entered into between SIMC and the Client. SIMC reasonably believes that based on yield, safety, charges and other relevant factors, investments in these affiliated funds would be at least as good an investment as (1) any other money market fund, (2) a money market deposit account at a bank, (3) a money market instrument, or (4) any other suitable short-term investment. The SEI Fixed Income Management Program may cost the Client more or less than purchasing such services for investment advice, brokerage and other services separately. The fee structure is determined on a client by client basis and may be negotiable

#### **SEI Investments Management Corporation Asset Allocation Program**

In the implementation of investment policy, we may recommend the SEI Asset Allocation Program (The Program). Under the Program, we serve as the investment advisor to the client, responsible for analyzing the client's current financial situation, risk tolerance, time horizon, tax sensitivity, asset class preference(s) and ongoing monitoring of performance. Based upon the client information, we will prepare an investment policy statement ("IPS"). Once the client has approved the IPS, we will choose from one of many mutual fund asset allocation models which may be provided by SEI Investments Management Corporation ("SIMC"), we custom investment portfolios or the purchase of individual mutual funds. In addition, we may invest client assets in individual securities or a combination of individual securities and mutual funds, including funds of hedge funds, in accordance with the approved investment policy.

The SEI Funds expenses, as well as other mutual funds, used to implement investment policy are found in the funds prospectus, which should be read carefully by all clients prior to investing. The aforementioned expenses are exclusive of, and in addition to, our investment advisory fee.

SEI Private Trust Company ("SPTC"), an affiliate of SIMC, shall serve as custodian for the client's account and will receive an annual custodial fee for these services. SPTC will provide clients with monthly account statements, quarterly performance reports and an annual tax report.

SPTC may impose a minimum account balance of \$250,000; however, this minimum may be waived.

SEI Investments Management Corporation, SEI Investments Distribution Corporation or SEI Private Trust Company, are not affiliated with us.

#### **Financial Planning:**

Financial planning advice will typically involve providing a variety of services, principally advisory in nature, to our clients regarding the management of their financial resources based upon an analysis of their individual client needs. An IAR of our firm will first conduct a complimentary initial consultation. After the initial consultation, if the client decides to engage our firm for financial planning services, an IAR will conduct a follow up meeting during which pertinent information about the client's financial circumstances and objectives is collected. The information normally covers present and anticipated assets and liabilities, including insurance, savings, investments and anticipated retirement or other employee benefits. Once such information has been reviewed and analyzed, a written financial plan – designed to achieve the clients' stated financial goals and objectives – will be produced and presented to the client.

The written financial plan developed for the client usually includes general recommendations for a course of activity or specific actions to be taken by the client. For example, recommendations may be made that the client make adjustments to their risk management strategy or revise existing coverage, establish an individual retirement account, increase or decrease funds in savings accounts or invest funds in securities/mutual funds. The IAR may develop tax or estate plans for clients or refer clients to an accountant or attorney for their services. The primary objective of this process is to allow Stonebridge's IAR to assist the client in developing a strategy for the successful management of income, assets and liabilities in meeting the client's long term life and wealth goals.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client to Stonebridge. We cannot offer any guarantees or promises that the client's financial goals and objectives will be met. All clients are advised that it remains their responsibility to promptly advise Stonebridge of any changes in their life and wealth goals, investment objectives and financial position.

We utilize the following financial planning fee schedule, subject to negotiation depending on the nature, complexity, and time involved in providing the client with the requested services.

**Fixed Fees:** Stonebridge will generally charge an agreed upon fixed fee, which ranges between \$1,000 and \$10,000, for financial planning and consulting services.

**Hourly Fees:** In limited circumstances, Stonebridge may, in its sole discretion, provide hourly financial planning and consulting services. The hourly fee will range from \$100 to \$400 depending on the level and scope of the service(s) required and the professional(s) rendering the advice to clients who request specific services (such as a modular plan) and do not desire a comprehensive written financial plan. The number of hours to be spent is estimated on a case-by-case basis depending on the requested services.

When the scope of the financial planning services has been agreed upon, a determination will be made as to applicable fee. The final fee shall be directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the financial plan or service requested. If the client chooses to proceed, one half of the estimated fee is due upon signing of the Financial Planning Agreement. The balance is due and payable upon completion of the contracted services. *In limited circumstances*, the cost/time could potentially exceed the initial estimate. In such cases, we will notify the client and we may request that the client pay an additional fee.

For those clients making use of Stonebridge's asset management services, the firm in its discretion, may waive, in whole or in part, the cost of IPS and/or the cost of financial planning services. For these clients there will be no additional charge for normal planning services over and above the investment management fee. Extraordinary research or analysis may involve additional costs, which will be negotiated on an individual basis prior to beginning such work. Monitoring and future plan updates are separate engagements and will be billed separately.

Clients may act on our recommendations by placing securities transactions with any brokerage firm the client chooses. The client is under no obligation to act on our financial planning recommendations. Moreover, if the client elects to act on any of the recommendations, the client is under no obligation to implement the financial plan through Stonebridge.

Either party may terminate the Agreement within five days of the date of acceptance without penalty to the client. Thereafter, the client will incur a pro rata charge, based on the hourly fees described above, for bona fide advisory services actually rendered prior to such termination. After the five-day period, either party may terminate the agreement by providing written notice to the other party. In the event there are any prepaid unearned fees, we will return a pro rata share to the client.

**General Consulting Services:**

Some clients are in need of general consulting services and do not need continuous portfolio management or a written financial plan. Such services may include some financial planning functions, or more general advice.

Consulting services are offered based on the firm's hourly fees ranging from \$100 to \$400 depending on the level and scope of the service(s) required and the professional(s) rendering the advice, where a Principal or an IAR of Stonebridge provides a professional opinion on specific wealth management areas. These areas may include, but are not limited to, asset protection (preservation), disability and income protection (protection), debt management (leverage), investment and cash flow planning (accumulation) or legacy planning (distribution) as well as tax management. The consulting fee is payable at the conclusion of each session.

The client acknowledges, in advance, that they only desire consultation in regard to the specific financial area agreed upon to be reviewed and/or analyzed. Under this arrangement, a written financial plan will not be provided to the client. Furthermore, the client agrees to hold Stonebridge harmless from any liability arising out of any area(s) that Stonebridge has not reviewed and/or analyzed.

### **Types of Investments**

We offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. Government securities, options contracts on securities, and interest in partnerships investing in real estate, private equity and private debt, among others. Additionally, we may recommend other types of investments since each client has different needs and different tolerances for risk. We may also advise you on any type of investment held in your portfolio at the inception of our advisory relationship, or on specific types of investments at your request.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of January 5, 2011, we manage approximately \$58,000,000 in client assets on a discretionary basis. We currently do not have any assets under management on a non-discretionary basis.

## ***Fees and Compensation***

Form ADV Part 2A, Item 5

Please refer to the "Advisory Business" section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

funds and exchange traded funds (ETFs). The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETFs (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. Please refer to the *Brokerage Practices* section below for additional information.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

## ***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## ***Types of Clients***

Form ADV Part 2A, Item 7

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

We generally require a minimum of \$250,000 to open and maintain an advisory account. Additionally, we charge a minimum annual fee, which ranges between \$3,000 and \$7,500, depending on the nature of the services provided. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. In circumstances where we waive the minimum account size requirement, the minimum annual fee will never exceed 2.50% of the account balance.

## ***Methods of Analysis, Investment Strategies and Risk of Loss***

Form ADV Part 2A, Item 8

### **Our Methods of Analysis and Investment Strategies**

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. Although fundamental analysis is a well recognized method of analysis, information obtained through this type of analysis may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. However, technical analysis may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- **Long Term Purchases** – securities purchased with the expectation that the value of those securities will

grow over a relatively long period of time, generally greater than one year.

- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.
- Short Sales – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- Option Writing - Generally, we do not use option writing as part of the investment strategy in managing accounts. However, when agreed to in advance, and in writing, we may utilize option writing, specifically covered calls, as an investment strategy in managing your account. Because this strategy is generally considered to carry a higher degree of risk, it will only be utilized when consistent with your tolerance for risk, and in accordance with your investment guidelines. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

As a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Custodians will default to the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we primarily recommend investment company securities (mutual funds and exchange traded funds), as well as equity securities, corporate debt securities, certificates of deposit, municipal securities, and U.S. Government securities. We may also recommend other types of securities depending on each client's individual needs. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of

every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. You should be advised of the following risks when investing in these types of securities:

There are numerous ways of measuring the risk of equity securities (also known simply as “equities” or “stock”). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies (“large cap”) tend to be safer than smaller start-up companies (“small cap”) but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Corporate debt securities (or “bonds”) are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same interest rate.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that’s used to pay the dividends; when the bond is set to mature; and, whether or not the bond can be “called” prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same dividend.

Certificates of deposit are generally the safest type of investment since they are insured by the federal government. However, because the returns are generally very low, it’s possible for inflation to outpace the return. Likewise, US Government securities are backed by the full faith and credit of the United States government but it’s also possible for the rate of inflation to exceed the returns.

Options and warrants give an investor the right to buy or sell a stock at some future time at a set price. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor’s risk can be unlimited. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months.

A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.

Mutual funds and exchange traded funds (ETFs) are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund’s investments in accordance with the fund’s investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are “no load” and charge no fee to buy into, or sell out of, the fund other types of mutual funds do charge such fees which can also reduce

returns. Mutual funds can also be “closed end” or “open end”. So-called “open end” mutual funds continue to allow in new investors indefinitely which can dilute other investors’ interests.

### ***Disciplinary Information***

Form ADV Part 2A, Item 9

Stonebridge Investment Counsel, Inc. has been registered and providing investment advisory services since 2002. Neither our firm nor any of our associated persons has any reportable disciplinary information.

### ***Other Financial Industry Activities and Affiliations***

Form ADV Part 2A, Item 10

Louise M. Taylor, Executive Vice President and Director of Stonebridge, is also the Principal of Tri Star Management (Tri Star), a full-service business management and bookkeeping firm. Clients of Tri Star may be referred to Stonebridge for investment advisory services. Stonebridge may also refer investment advisory clients to Tri Star for management and bookkeeping services. Clients are instructed that the fees paid to the Firm for advisory services are separate and distinct from the fees paid to Tri Star.

We have not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

#### **Recommendation of Other Advisers**

We may recommend that you use a third party adviser (“TPA”) based on your needs and suitability. We will receive compensation from the TPA for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any TPA we recommend.

## ***Code of Ethics, Participation or Interest in Client Transactions and Personal Trading***

Form ADV Part 2A, Item 11

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to clients and prospective clients upon request. You may obtain a copy of our Code of Ethics by calling our main number (615) 309-0832.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our associated persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## ***Brokerage Practices***

Form ADV Part 2A, Item 12

We maintain relationships with several broker-dealers; however, we will not make a specific brokerage recommendation to our clients. Where we provide independent asset management services, we will endeavor to assist clients in selecting those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. We do not obligate ourselves to seek the lowest transaction charges in all cases except to the extent that it contributes to the overall goal of obtaining the best results for your account. It is expected that our firm will receive some economic benefits, for example, research and access to investment consultants, from various full service and discount brokers in connection with utilizing their brokerage services.

**Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

**Directed Brokerage**

Some clients may instruct our firm in writing to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you will negotiate terms and arrangements for your account with the broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to aggregate trades with other client accounts (as described below at *Block Trades*). As a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you. Subject to our duty to obtain best execution, we may decline your request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

**Block Trades**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We combine orders for shares of the same securities purchased for discretionary accounts; however, we do not combine orders for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

**Review of Accounts**

Form ADV Part 2A, Item 13

Client accounts are continuously monitored by Mitchell Martin and/or by SEI Investment Management Corporation ("SIMC"). You are encouraged to discuss your needs, goals, and objectives with our firm, and to keep us informed of any changes in this information. Changes in the securities markets may trigger additional reviews and reallocations.

SIMC or its affiliates will provide reporting services, including consolidated monthly statements, quarterly performance reports, and year-end tax reports. You will also receive trade confirmations and statements, at least quarterly, directly from your account custodian(s).

We encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, please call our main office number located on the cover page of this Brochure.

## ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

We may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive either a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires, or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable

## ***Custody***

Form ADV Part 2A, Item 15

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

## ***Investment Discretion***

Form ADV Part 2A, Item 16

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advise provided by our firm on a non-discretionary basis.

### ***Voting Client Securities***

Form ADV Part 2A, Item 17

Without exception, we will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights.

### ***Financial Information***

Form ADV Part 2A, Item 18

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

### ***Additional Information***

#### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please call our main number 615-309-0832 if you have any questions regarding this policy.

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.