

Northbrook Investment Management, LLC

Investment Management Services

[FORM ADV, PART 2A -- BROCHURE]

This brochure provides information about the qualifications and business practice of Northbrook Investment Management, LLC (“Northbrook”). If you have any questions about the contents of this brochure, please contact us at 517-347-0347 and/or kklein@northbrookinvestment.com. 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 Northbrook also is available on the SEC’s website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Northbrook is 124197.

Northbrook 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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Item 2 -- Material Changes

This is our first brochure prepared in accordance with the SEC’s “Uniform Requirements for the Investment Adviser Brochure and Brochure Supplements” and therefore we do not have any material changes to identify for you. When we make material changes to our brochure or to any brochure supplements, we will identify those changes under this heading.

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Item 4 -- Advisory Business

Northbrook Investment Management, LLC (“we” or “Northbrook”) is an independent registered investment advisor that was founded by Kenneth J. Klein, Robert J. Gregory and Michael S. Flintoff in July 2001 and began operations in 2002. Our objective is to attain long-term capital appreciation for our clients. We manages investment portfolios for private accounts, institutional accounts, benefit plans, small businesses, and high net worth individuals and families. Our firm manages three distinct investment portfolios: a select stock portfolio for long-term capital growth; a portfolio comprised of exchange-traded funds (“ETFs”) and index funds to achieve global equity diversification; and a fixed income portfolio for income, liquidity and asset allocation. At present, our principal owners (those who own 25% or more of our firm) are Mr. Klein, Mr. Gregory, and Mr. Flintoff

We provide asset allocation, investment selection, investment strategies and portfolio management on both a discretionary and non-discretionary basis. Overall client portfolio asset allocation and investment strategies are made according to the investment objectives and risk tolerances of each client, and also the client’s stated investment restrictions (if any) and special circumstances. As a portfolio manager and relationship-oriented firm, we emphasize

individualized attention to a client's investment plan, assets and investment needs. Asset allocation and investment strategies are made on a consultative basis with the client or the client's designated financial advisors, financial planners, attorneys or accountants. In addition, we anticipate providing advisory services not involving investment supervisory services, although we do not currently offer such services. These services may include providing advice as to specified types of investments and securities, such as private equity, domestic or foreign equity or debt securities, or a client may request general securities advice or an investment strategy as to an entire portfolio but not in a manner meeting the definition of investment supervisory services.

Generally, clients will sign an investment advisory agreement giving us discretionary investment authority over their account. Discretion refers to our authority to select securities and make investment purchase and sale decisions for a client's account. Investment advisory agreements may be terminated at any time by either the client or us upon written notice. Most investments and recommendations consist primarily of securities, ETFs and index mutual funds. We focus primarily on index mutual funds that have lower expense ratios and are "no load" (i.e., where the investor does not pay any sales fee or commission) and which do not pay 12b-1 fees or any deferred sales fees (so-called "back-end loads"). For ETFs, we focus on those with low management fees and expense ratios. As of December 31, 2010, we managed about \$61 million of client assets on a discretionary basis and another \$2.5 million of client assets on a non-discretionary basis.

Item 5 -- Fees and Compensation

Northbrook is a fee only investment manager and does not sell any financial products or charge any commissions. For discretionary accounts, we charge an annual fixed fee based on the account's market value at the end of each calendar quarter. We have two standard fee schedules for each portfolio, one for accounts that are invested in stocks directly (Stock Portfolios) and the other for accounts that are invested in either ETFs and index mutual funds (ETF Portfolios) or fixed income securities (Fixed Income Portfolios).

The standard fee schedule for our "Stock Portfolio" accounts is as follows:

<u>Account Market Value</u>	<u>Fee (% of assets)</u>
First \$1,000,000 of assets	1.25% of assets
Assets in excess of \$1,000,000	1.00% of assets

The minimum account size is \$200,000

The minimum annual fee is \$2,500

The standard fee schedule for our "ETF Portfolio" and our "Fixed Income Portfolio" accounts is as follows:

<u>Account Market Value</u>	<u>Fee (% of assets)</u>
First \$1,000,000 of assets	1.00% of assets
Assets in excess of \$1,000,000	0.75% of assets

The minimum account size is \$200,000
The minimum annual fee is \$2,000

For certain accounts, we and a client may enter into a “wrap fee” arrangement with an unaffiliated broker-dealer pursuant to which the client will pay an annual percentage fee that will include investment advisory services as well as all brokerage fees. Such arrangements will be considered to the extent that Northbrook and a client deem them to be more beneficial to the client.

In connection with the performance of investment supervisory services on a non-discretionary basis, or for non-investment supervisory services, we may agree to an annual fee, generally at 1% of assets, and such fees are negotiable. For financial consulting services not involving securities, an hourly or annual fee is negotiated, based on the nature of the services to be provided.

The use of ETFs and index mutual funds have inherent expenses and will typically create a layering of management fees and expenses for those client accounts.. The normal fees and expenses associated with a mutual fund or an ETF (such as investment advisory, administration, distribution, transfer agent, custodial, legal, audit and other customary business-related fees and expenses) will apply as well as the agreed upon investment management fee from us.

Item 6 -- Performance-Based Fees and Side-By-Side Management

We do not charge or accept “performance-based fees”, which are fees based on a share of capital gains on, or capital appreciation of, the assets of a client.

Item 7 -- Types of Clients

We provide discretionary portfolio management services primarily to institutions, individuals, including high net worth individuals and those persons who are “accredited investors” (as defined by SEC rules), benefit plans, tax deferred plans and self-directed retirement plans such as 401(k) and 403(b) accounts owned by these individuals. We also provide portfolio management services to pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other institutional accounts. Our minimum account sizes described above (See Item 5) may be waived or lowered for individuals who are related to other clients or to our management persons.

Item 8 -- Methods of Analysis, Investment Strategies and Risk of Loss

Our security analysis methods include fundamental analysis of financial data and reports, business analysis and business valuations, as well as the evaluation of technical factors and analysis of cyclical patterns. The objective of the business value stock strategy is to obtain long-term capital gains primarily through the extensive fundamental and comparative analysis of global equities. We seek to identify substantially undervalued securities and attempt to sell them at full price based on the assessed business value underlying each equity. Business valuations consider both growth and value as well as the quality of each company evaluated. We gather information for our analysis from economic and company data, media publications, financial newspapers and periodicals, industry data, research materials prepared by other experienced and

reliable sources, rating agency reports and filings made with the Securities and Exchange Commission and other available data bases and research services. Securities may be purchased for the long or short term and may, with client approval, include short term trading or tax strategies, use of margin and writing of options, including covered options or other option strategies.

Investing in securities involves market risk and the risk of loss that a client should be prepared to bear. We do not guarantee our investment results or performance, but we are long term investors and do not engage in frequent trading of a client's account, which will adversely affect performance, particularly through increased brokerage and other transaction costs and taxes.

Item 9 -- Disciplinary Information

Following a routine examination of our books and records, the Michigan Office of Financial Regulation indicated to us that from 2004 to 2006 we had collected performance fees in violation of Section 102(b)(1) of what was then the Michigan Uniform Securities Act, in spite of the fact that certain clients has chosen the option of paying a fee based on the annual positive performance of their account. Without admitting or denying these allegations, we refunded to all affected clients the amount of performance fees that had been based on the positive performance of their account and we agreed to pay a civil fine of \$2,000.

Except for the foregoing, neither our firm nor any of our management persons have been involved in any legal or disciplinary proceedings during the past 10 years that is material to a client's (or a prospective client's) evaluation of our advisory business or the integrity of our management. Specifically, there have been no criminal or civil actions involving our firm or our management persons, there have been no administrative proceedings before the United States Securities and Exchange Commission or any other foreign, federal or state regulatory agency, and there have been no proceedings by a self-regulatory organization involving our firm or any of our management persons.

Item 10 -- Other Financial Industry Activities and Affiliates

We are not registered as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities, nor do we have an application pending to register as any of such entities. In addition, none of our management persons are registered representatives of a broker-dealer, and none are registered as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities, nor do any of our management persons have an application for such registration pending. We do not recommend or select other investment advisers for our clients, nor do we have any business relationships with any other investment advisers that would create a material conflict of interest for us.

Two of our owners are also owners and partners in a public accounting firm known as Flintoff and Klein, C.P.A. These owners frequently refer clients of their public accounting firm to us for investment advisory services. We does not pay any compensation or other form of remuneration to this public accounting firm or its owners on account of these referrals.

Item 11 -- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

We have adopted a Code of Ethics that complies with SEC Rule 204A-1. This Code governs the personal securities trading activities of our “access persons”, which include any owner, manager, employee or other person who provides investment advice on our behalf and who is subject to supervision and control by us. Our Code recognizes that all supervised persons owe a fiduciary duty to our clients, including a duty to conduct their personal securities transactions in a manner that does not interfere with the transactions of a client or otherwise take unfair advantage of the relationship with a client. The Code contains specific principles of conduct, prohibits certain types of securities trading activities by an access person, requires pre-clearance for certain securities transactions by an access person and requires “access persons” to file an initial holdings report and quarterly transactions reports with our Chief Compliance Officer. A copy of our Code of Ethics will be provided to any client who requests one, without charge.

We do not buy or sell for client accounts any securities in which we or any of our “related persons” have a material financial interest. From time to time, we may execute cross trades between clients, and when doing so, we will utilize an independent broker for execution of the trade and to determine a fair price for the security involved.

Northbrook does not buy or sell securities for its own account that are recommended to clients. However, our managers from time to time may invest in the same securities that we buy or sell for our clients, provided that they comply with the following policies: (1) no security may be purchased from or sold to a client’s account, (2) securities not held by a client may be purchased or sold without approval of a client, provided that U.S. government securities and mutual funds may be purchased or sold without client approval even if a client holds such securities in his or her account, (3) securities held by a client may be purchased by a manager no sooner than 24 hours after the most recent client transaction, and any such purchase must be authorized by our other manager, and (4) securities held by a client may be sold by a manager at any time if we do not intend to sell such securities for the client’s account or after all sales for the client’s account have been completed, and any such sale must be authorized in writing by our other manager. The last two policies on personal trading do not apply to trades made by or on behalf of a manager if the trade is conducted as part of a “batched trade” which includes trades being made on behalf of one or more clients and with respect to which all participants in the batched trade receive the same terms for the trade. Personal securities transactions by our managers are subject to our Code of Ethics and internal compliance procedures, which include disclosure and reporting requirements designed to prevent actual or potential conflicts of interest with transactions recommended or executed in client accounts. We require all employees who maintain brokerage account(s) to provide compliance personnel with confirmations relating to transactions in their accounts and periodic statements for the same.

Item 12 -- Brokerage Practices

Selecting or Recommending Broker-Dealers. Depending on the terms of the investment advisory agreement, and subject to client restrictions, we may be given authority to make the following determinations without obtaining prior consent of the client:

- which securities are to be bought or sold;
- the total amount of securities that will be bought or sold;
- the broker or dealer through which securities will be bought or sold; and
- the commission rates or prices at which securities transactions are effected.

In determining the ability of a broker or a dealer to obtain the best execution for securities transactions, Northbrook considers a number of factors, including (but not limited to) the broker's or dealer's execution capabilities necessary for the transaction, the importance of speed, efficiency and confidentiality, the broker's or dealer's familiarity with sources from which or to which particular securities may be bought or sold, and the reputation and perceived soundness of the broker or dealer.

We do not have any duty or obligation to seek advance competitive bidding for the most favorable commission rate applicable to any particular transaction, or to select any broker or dealer solely on the basis of its purported or posted commission rates. However, we will take reasonable steps to be aware of the current level of charges by eligible brokers or dealers and to minimize the transaction expenses incurred, to the extent consistent with the interests and policies of the accounts. Although we generally seek competitive commission rates, we do not necessarily pay the lowest commissions or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or commission equivalents than would be the case with other transactions requiring more routine services.

Consistent with obtaining best execution, brokerage commissions generated from a client account may be directed to brokers or dealers in recognition of research services furnished by them, as well as for services rendered in the execution of securities transactions. As a general matter, such research services are used to service all of our accounts. However, each and every research service may not be used for the benefit of each and every account, and brokerage commissions paid by one account may apply toward payment for research services that may not be used by that account. In considering whether to effect securities transactions for client accounts through brokers or dealers who provide research services, we will, in good faith, determine whether the amount of commission or commission equivalent to be paid is reasonable in relation to the value of the brokerage and research services received.

We do not make commitments to any broker or dealer to compensate that broker or dealer by placing transactions with them in exchange for client referrals. However, when more than one broker or dealer is considered capable of providing the best combination of price and transaction costs for a particular transaction, we may select the broker or dealer who has in the past referred clients to us. This situation represents a conflict of interest between us and the referring broker or dealer and our clients.

Directed Brokerage. A client may direct us to use a particular broker or dealer to execute transactions under terms and arrangements that the client has negotiated. Where this occurs, we may not be in a position to negotiate the lowest commissions or spreads for the client, or to achieve best execution of trades. In addition, transactions for a client who has directed us to use a certain broker or dealer may not be batched for purposes of execution (see below). Accordingly, the designation by a client of a particular broker or dealer may result in higher

commissions, greater spreads, or less favorable prices than might be realized if we are empowered to select a broker or dealer and negotiate for best commission.

Aggregating Transactions. From time to time we may be in the position of buying or selling the same security for a number of clients at approximately the same time. Because of market fluctuations, the prices obtained on such transactions on a single day may vary substantially. In such situations, some clients will receive prices more favorable than other clients. To more equitably allocate the effects of such market fluctuations, we may use an averaging procedure for certain transactions, under which purchases or sales of a particular security will be combined (“batched”) for all accounts trading in the same security on the same day. In such cases, the prices shown on confirmation reports for these purchases or sales will be the average execution price for the batch. In certain situations, batched orders entered may not be completely filled, and in such event we will pro-rate the completed portion of the order to ensure that all clients participating in the batched order will receive an allocated portion of the completed transaction.

Item 13 -- Review of Accounts

Kenneth J. Klein and Robert J. Gregory, our managers, or Edward Brynn, our Director of Equity Research, review the investment accounts under management. Each quarter they review the transactions and positions for each account and a “return on investment” and performance review occurs at a minimum interval of every six months. Performance and account position reports are generated at least semi-annually. Such reports include current account positions and return on investment calculations for the applicable period.

Monthly statements are typically provided by a client’s broker/custodian. We also provide monthly and/or quarterly portfolio appraisals detailing portfolio structure, holdings, income, etc. Clients are encouraged to compare our statements with the statements received from their broker/custodian and to confirm that the investments we report are in fact held by the custodian. Market updates informing clients of relevant developments are provided at least quarterly. In-person visits are scheduled periodically or at a client’s discretion to ensure communication and understanding of portfolio activities and accomplishments.

Item 14 -- Client Referrals and Other Compensation

We have entered into marketing arrangements with an unaffiliated third party solicitor who we compensate for referring prospective clients to us. We may enter into similar arrangements with other individuals from time to time. When required by law, each marketing arrangement will be governed by a written agreement between us and the third party solicitor that complies with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. In particular, clients will be provided with a copy of this brochure, a separate disclosure of the nature of the marketing or referral arrangement and any other documents required by law. Any referral fees we pay to a third party solicitor will not be passed on to, or paid by, our clients.

Item 15 -- Custody

We do not hold custody of any client funds or securities. While we normally provide our clients with regular periodic statements of their account’s status and performance, we encourage our

clients to compare the information contained in the statements we provide with the information that each client receives from the custodian of their account.

Item 16 -- Investment Discretion

When a client desires to provide us with complete authority to select which securities will be bought or sold and the total amount of securities to be bought or sold the investment account agreement will contain a limited power of attorney designating us as the client's attorney-in-fact for these purposes. Clients may place limitations on our powers, including limitations related to specific investment objectives or policies or limitations requiring some form of prior notice before we are allowed to execute transactions. Any limited power of attorney may be terminated by a client at any time without prior notice, but termination must be in writing (including email communications).

Item 17 -- Voting Client Securities

Our typical investment management agreement with clients provides that we will follow the instructions of our client when determining how proxies shall be voted, but in the absence of any direction from a client, we will have discretion and authority to vote any proxies that are solicited by companies held in the accounts of clients with equity portfolios. We have adopted a formal proxy voting policy that will be provided to any client who requests a copy of it, without charge. If there situations should arise where the interests of a client may possibly conflict with our interests with respect to any shareholder proposals for which proxies are being solicited, we will request the client's instructions with respect to the vote, and will place the client's interests first.

Item 18 -- Financial Information

We are not required to include in this brochure our balance sheet for the most recent fiscal year, because we do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance.

We are not aware of any financial condition that would impair our ability to meet our contractual commitments to our clients. Neither our firm nor any of our management persons have been the subject of a bankruptcy petition at any time during the past 10 years.