

Item 1 – Cover Page

Stonebridge Capital Management, Incorporated

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March 30, 2012

This Brochure provides information about the qualifications and business practices of Stonebridge Capital Management, Incorporated (“We”, “Us” or “Our”). If you have any questions about the contents of this Brochure, please contact us at 310-277-1450 or dnewman@stonebridgecapital.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.

We are a registered investment adviser. Registration of an Investment Adviser does not imply a certain level of skill or training. The oral and written communications of an Adviser should provide you with information to help you determine whether to hire or retain an Adviser.

Additional information about us also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The United States Securities and Exchange Commission's rules for Part 2 of Form ADV (the “Brochure”) require registered investment advisers to disclose in their annual updated Brochure whether there have been any material changes since the last annual update. We have not made any material changes to our Brochure since the date of our last annual updated Brochure on March 31, 2011.

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Item 4 – Advisory Business

Principal Owners

Stonebridge Capital Management, Incorporated (“We”, “Us” or “Our”) is owned by four employees, Richard C. Barrett, President, Managing Director, Principal and Portfolio Manager; Matthew W. Markatos, Executive Vice President, Managing Director, Principal and Portfolio Manager; Debra L. Newman, Managing Director, Principal, Chief Financial Officer and Chief Compliance Officer; and Karen H. Parris, Executive Vice President, Managing Director and Chief Operating Officer.

Types of Advisory Services

We provide a broad range of investment supervisory and management services including assisting clients in setting investment objectives, establishing appropriate policy guidelines, selecting specific securities and investments, and managing portfolios on a day to day basis. In addition, we may work closely with clients’ other advisors on matters relating to financial, tax, estate and retirement planning. However, we do not serve as a client’s tax advisor, legal counsel or auditor and recommend that clients consult with such other professionals as appropriate.

We provide two types of portfolio management: individualized management tailored to a client’s particular investment objectives; and specialized investment strategy management. Without regard to which type of portfolio management you may select, we may invest all or a portion of your portfolio in shares of a wide variety of investment companies (“funds”) registered under the Investment Company Act of 1940, as amended (“Company Act”), including open-end funds and closed-end funds, whether managed by us or others, as long as such funds have investment objectives consistent with your stated investment objectives and are not specifically prohibited by your investment guidelines. Fees for our investment services are discussed in Item 5 below.

Individualized Portfolio Management

If you select this approach, we tailor our advisory services to your individual needs by customizing portfolios to reflect your unique investment objectives and special circumstances. With this approach, you may impose restrictions on investing in certain securities or certain types of securities. Accordingly, asset allocation and specific security selections may vary significantly among these client accounts. It is not uncommon for a security or investment to be bought or sold for one or more clients, and not for others. We encourage you to participate in the establishment and periodic review of the guidelines to be followed in managing your portfolio.

While we and our clients typically agree on asset allocation guidelines, going forward we may not always be able to follow them precisely after the time of purchase due to market fluctuations or events. We view the asset allocation guidelines as targets and at times, there may be a zero allocation to a particular asset class if, based on our assessment of market conditions, a zero

allocation is appropriate under the circumstances. Similarly, your portfolio may in very unusual market circumstances, hold 100% in cash. Cash in your portfolio will be swept into money-market funds by the custodian of your portfolio. Therefore, you should understand that the agreed upon asset allocation guidelines are an attempt to set desirable ranges of investing in various asset categories at time of purchase of securities, but your portfolio may not always reflect the agreed upon asset allocation guidelines. You should closely review your monthly statements, including current asset allocation, and contact us with any account-related questions.

While we believe that this flexible customized approach improves the potential for successfully achieving your goals and objectives, there are certain inherent disadvantages compared with more rigid “cookie cutter” methods. For example, because we are not implementing investment decisions simultaneously across all, or even most accounts, our opportunity to bundle buy/sell orders into larger blocks is greatly reduced. Inability to block trade may result in higher transaction costs for you than might otherwise be the case. In addition, because each account is reviewed individually, and often with prior client consultation, the timing and execution prices of portfolio transactions will vary between clients. You should carefully review the section on brokerage practices and trade allocation policy under Item 12 of this Brochure, below.

We may manage individualized accounts on a discretionary or nondiscretionary basis. When implementing investment decisions, we usually review discretionary accounts and make portfolio changes where appropriate, prior to contacting nondiscretionary clients with the same recommendations. This methodology may result in nondiscretionary accounts underperforming discretionary accounts.

For all of the foregoing reasons, performance across individualized client portfolios has varied significantly year to year, and is expected to continue to vary. Please also see item #8 below.

Specialized Investment Strategy Portfolio Management

We also offer the following two specialized investment strategies: Large Cap Growth and Small Cap Growth. If you select these strategies, you will be able to impose restrictions on investing in certain securities or certain types of securities as long as they do not have a material impact on our portfolio management.

These two strategies vary based primarily on the market capitalization of the companies whose shares are purchased for portfolios, maximum typical percentage of cash or cash equivalents held in the portfolio and maximum typical portfolio turnover ratios, as follows:

<u>Equity Strategy</u>	<u>Market Cap For 80% of the Portfolio at the Time of Purchase</u>	<u>Max. % Cash</u>	<u>Turnover Rate</u>
Large Cap Growth	Above \$5 billion	10%	25-150%
Small Cap Growth	\$100 million to \$3 billion	10%	25-250%

We may invest a maximum of 20% of large cap growth portfolios in domestic companies with less than \$5 billion market capitalization which we believe may have higher growth rates than larger companies. We may also invest a maximum of 10% of large cap growth portfolios in ADRs. We currently invest a significant portion of large cap growth portfolios in the technology, health care and industrial sectors, but this allocation may change depending upon our macroeconomic outlook. Large cap growth portfolios typically hold approximately 25 to 35 different equity securities. Other managers may invest large cap growth portfolios in substantially a larger number of equity securities than 25 to 35.

We may invest a maximum of 20% of small cap growth portfolios in micro-capitalization domestic companies (those with less than \$100 million market capitalization) which we believe may have prospects for superior earnings growth. Similarly, we may invest a maximum of 20% of small cap growth portfolios in ADRs, including ADRs of companies located in countries with emerging securities markets. We currently invest a significant portion of small cap growth portfolios in the technology and health care sectors, but this allocation may change depending upon our macroeconomic outlook. Small cap portfolios typically hold approximately 30 to 50 different equity securities. Other managers may invest small cap portfolios in a substantially larger number of equity securities than 30 to 50.

As with individualized portfolio management, based on our assessment of market conditions, your portfolio may not be fully invested and in very unusual market circumstances, your portfolio could be 100% in cash. Cash in your portfolio will be swept into money-market funds by the custodian of your portfolio. However, you may instruct us to keep your portfolio fully invested regardless of our assessment of market conditions and we will comply with such an instruction. Please see item 8 below for more information on our investment strategies. You may also request additional information from us about our various investment strategies.

Types of Investments

In accordance with your investment objectives, we may invest your account in exchange-listed securities, securities traded over-the-counter, equities of domestic issuers (both common and preferred shares), American depositary receipts representing interests in equities of foreign issuers ("ADRs"), United States government securities, warrants, corporate debt securities, commercial paper, certificates of deposit and municipal securities. We may also offer advice on private funds that invest in venture capital and on direct investments in real estate, oil and gas, and venture capital if you request such advice. We do not invest in private placements except on a nondiscretionary basis at the specific request of a client. Private funds are subject to embedded advisory fees, often including performance fees, and other expenses similar to registered funds as described above.

In addition, we may invest your assets in exchange traded funds ("ETFs"). An ETF is a type of investment company with the investment objective of achieving the same return as a particular market index, sector, industry or commodity. Shares of an ETF are sold at current market prices in the secondary market. An ETF is similar to an index fund in that it will primarily invest

in the securities of companies that are included in a selected market index. An ETF will invest in either all of the securities or a representative sample of the securities included in the index. Individual companies may offer a range of ETF types under one product line. Because these ETF families are constructed and operated by different companies, there are differences in terms of how they are made up, what indices or sectors they cover and the bogey they attempt to track.

Unsupervised Assets

You may hold securities or other property in your custody or brokerage accounts for which we do not provide investment advisory services ("Unsupervised Assets"). We do not provide investment advisory services of any kind with regard to Unsupervised Assets and no investment advisory fee will be charged on such assets. We will have no duty, responsibility or liability with respect to the Unsupervised Assets or any other assets not listed on the quarterly appraisal provided by us to you. We will not take the Unsupervised Assets into consideration when managing the portion of your account for which we provide discretionary or non-discretionary investment advice.

Amount of Client Assets

As of 12/31/2011, we had a total of \$391,488,145 of client assets under management; \$292,506,388 of client assets were under discretionary management and \$98,826,998 of client assets were under non-discretionary management.

Item 5 – Fees and Compensation

Fee Schedule

Advisory fees for each of the investment strategies offered by us are based on all assets under our management including cash in your portfolio that is typically invested in money-market funds. Our fee schedule for all strategies is as follows:

<u>Portfolio Assets</u>	<u>Annual Fee</u>
First \$25 million	1.00%
Next \$25 million	.75%
Over \$50 million	.60%

All our fees are negotiable.

Under certain limited circumstances, we may also negotiate a fixed fee with you. In all cases, fees are mutually agreed to by both us and you before initial billing. Fees vary substantially among different clients depending upon the nature of the assignment, size of the portfolio to be managed, services to be provided, and the extent of personal contact desired by the client and

may be subject to breakpoints. In some cases, certain related accounts of a client (e.g., small IRAs or UGTMA's) may be managed free of charge. We also manage accounts of our employees and their family members free of charge. You may be able to obtain the same services as we offer at other firms at a lower cost.

Description of Billing Practices

You may select if you want our fees to be deducted from your account at your custodian or for us to bill you for our fees. The custodian will send quarterly statements showing all transactions in the account, including fees paid to us, directly to you. We will receive either paper or electronic copies of custodians' statements.

We charge our fees, including fixed fees, in advance. However, in very limited circumstances, we may agree to have our fees paid in arrears. The written agreement between us sets forth the manner in which you have agreed to pay our fees. We bill our fees quarterly. Asset-based fees are based on the market value of the account at the end of the previous reconciled quarter, which is typically approximately three months prior to the billing date. For example, fees billed in advance for the first quarter of the year will be based on the market value of an account as of the end of the third quarter of the previous year. Thus, if an account appreciates in market value in the fourth quarter or you add cash or securities to the account, you will not be billed on those additions until the second quarter. The opposite is true if you withdraw cash or securities or the account declines in market value. In that situation, your fee will be based on the market value of your account prior to the withdrawal or decline in market value. For purposes of calculating advisory fees, the market value of the portfolio shall consist of the market value of securities and other investments held in the account, plus any accrued income on such investments, and will not be reduced by any margin or other indebtedness of yours with respect to such securities or other investments. We, at our discretion, may aggregate assets of portfolios that have a family or business relationship to each other for purposes of calculating the advisory fee applicable to each account.

Your investment advisory agreement with us may be terminated by either you or us immediately upon written notice. In the event that the advisory agreement is terminated for any reason, by either party, if you are billed in advance, any unearned fee will be refunded to you based on the time remaining in the current billing period as of the date of termination. If you are billed in arrears, you will be billed pro-rata only for the portion of the billing period we managed your account.

Other Fees and Expenses

In addition to our investment advisory fees, you are responsible for all brokerage and other transaction costs, transfer taxes or other costs associated with securities transactions as well as any custodian fees. For additional information about our brokerage practices, please see item 12 below. In addition, if your account is invested wholly or partially in mutual or other fund shares or your uninvested assets are swept into money market mutual funds for short-term cash

management purposes, either by us or by your custodian, your account will also incur the additional fees and expenses assessed by such funds to the extent of your investment in the funds. Generally, no-load funds are the preferred vehicle.

Assets invested in shares of investment companies, whether registered or unregistered (other than investment companies that are advised by us) are included in calculating the value of an account for purposes of computing our fees, and the same assets are also subject to additional advisory and other fees and expenses, as set forth in the prospectuses or offering memoranda of those investment companies, paid by the investment companies but ultimately borne by investors. Thus, if we invest your portfolio in shares or units of investment companies, you will pay two management fees, one to the fund manager and one to us. Other expenses embedded in funds include, among other things, brokerage, accounting and legal fees. In addition, funds other than no-load funds may have front-end or contingent deferred sales charges, early redemption fees and other fees such as 12b-1 fees or shareholder service plans. At your request, we may also invest a portion of your portfolio in private placements, some of which may be investment companies exempt from Company Act registration, which have imbedded advisory fees, brokerage and other costs similar to registered funds. When these fees are totaled, the sum can be meaningful and adversely impact potential returns on the investment.

We serve as investment adviser to the Stonebridge Funds Trust ("Trust"), a U.S. registered open-end, no-load management investment company, and its two series ("Stonebridge Funds"): Stonebridge Small-Cap Growth Fund and Stonebridge Institutional Small-Cap Growth Fund. The annual fees charged by us to each Stonebridge Fund are set forth in the Trust's prospectus. We may solicit you to invest in the Stonebridge Funds, and may invest your assets over which we have investment discretion in shares of the Stonebridge Funds. We do not charge our advisory fee on your assets invested in the Stonebridge Funds. Thus, in this case, you pay only one advisory fee to us as manager of the Stonebridge Fund and that fee is reflected in the net asset value of the Stonebridge Fund. For additional information about the Stonebridge Funds, please see item 10 below.

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

We do not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of your assets) for any of the services we currently provide, but we may in the future.

Performance-based fees create an incentive for an adviser to recommend riskier or more speculative investments. Performance-based fees also provide an incentive for an adviser to favor accounts with performance-based fees by allocating more profitable trading opportunities to them or using the best trade ideas to trade their portfolios first. We currently address the potential conflicts of interest presented by performance-based fees through our trade allocation procedures which are designed not to favor any client portfolio over any other. If, in the future, we charge performance-based fees, we will periodically compare the performance of portfolios

with performance fees against our other client portfolios to determine if there has been any pattern of favoritism.

Item 7 – Types of Clients

We provide portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, public funds, charitable organizations, trusts, estates, U.S. businesses and a registered mutual fund, the Trust, which has two series, the Stonebridge Small-Cap Growth Fund and the Stonebridge Institutional Small-Cap Growth Fund. (For more information about these funds, please request a copy of the Trust's prospectus.) In the future, we may provide portfolio management services to other types of clients.

Generally, we do not take new clients with portfolios less than \$5 million. However, smaller accounts are taken under certain circumstances such as in the case of friends or family members of existing clients, or where substantial future additions are expected to be made to the portfolio.

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

Methods of Analysis

We utilize fundamental analysis in making investment decisions for your portfolio regardless of the type of portfolio management you select. Please see item 4 for a description of our investment strategies. We employ a bottom-up approach to building your portfolio.

Equity Securities

We select equity securities by studying macro-economic and industry trends to determine where the best opportunities for growth might be found. We carefully analyze companies operating within these growth areas of the economy to determine their particular strengths and weaknesses, as well as their global competitive position. We use fundamental valuation measures to determine the best relative values given present market prices of stocks being considered for your portfolio.

Our primary criterion for selling a particular stock in a client's portfolio, regardless of whether a client selects individualized portfolio management or a specialized investment strategy, is whether the stock's current market price is greater than the target price generated by our estimate of the company's long-term fundamental value. We may also sell stocks in a large cap growth or small cap growth portfolios when necessary for diversification purposes if an investment position becomes greater than 5% of your portfolio due to market appreciation. In addition, we may increase or decrease cash positions and/or purchase or sell securities when conditions warrant as part of our overall investment strategy.

Tactical considerations, including public reports concerning the trading activity in a company's stock by its executives, revenue and earnings trends, market share trends, corporate reinvestment rates and the direction of composite earnings estimates are also important factors in our decision to sell stocks out of your portfolio.

Fixed Income Securities

If you have selected individualized portfolio management, we select fixed income securities for your portfolio based on your income tax bracket, current duration strategy and our current minimum credit rating standards. We review the safety and liquidity of fixed income securities we select for your portfolio. We conduct credit analyses and duration analyses of potential fixed income securities and select securities based on your investment objective and risk tolerance. Our fixed income strategy for your portfolio typically changes with market cycles.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

The risk of loss will vary depending upon the type of portfolio management you have selected, your investment objectives and risk tolerance. However, all client portfolios could lose money.

Risks of Equity Securities

The principal risks of loss associated with any equity securities in client portfolios are:

- **Market Risk**—The market values of securities owned by your portfolio may decline, at times sharply and unpredictably.
- **Active Management Risk**—Because your portfolio is actively managed, it could underperform passively managed portfolios with similar investment objectives.
- **Common Stock Risk**—Stocks may decline significantly in price over short or extended periods of time, particularly when overall economic activity decreases. Price changes may occur in the market as a whole, or they may occur in only a particular country, company, industry, or sector of the market.
- **Growth Stock Risk**—There is the risk that growth stocks may underperform other types of stocks and the market as a whole. In addition, growth stocks can be more volatile than other types of stocks.
- **Non-U.S. Investment Risk**—Non-U.S. companies or U.S. companies with significant non-U.S. operations may be subject to risks in addition to those of companies that principally operate in the United States. These risks include currency risk, foreign securities market risk, foreign tax risk, information risk, investment restriction risk, and political and economic risks.

- **Emerging Markets Risk**—Investments in companies located in, or with significant operations in, emerging market countries are subject to special political, economic, and market risks that can make emerging market investments more volatile and less liquid than investments in developed markets.
- **Mutual Fund Risk**—An investment in a mutual fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Risks of Debt Securities

The principal risks of loss associated with debt securities to the extent they are held in client customized portfolios are:

- **Interest Rate Risk**—Interest rate increases can cause the value of debt securities to decrease. If interest rates rise, the prices of bonds will fall. The prices of equity securities may also be adversely affected by changes in interest rates.
- **Bond Market Risk**—The market values of bonds may decline, at times sharply and unpredictably. Lower-quality bonds may suffer larger price declines and more volatility than higher-quality bonds in response to negative issuer-specific developments or general economic news.
- **Income Risk**—Income from any fixed income securities in your portfolio could decline during periods of falling interest rates.
- **High-Yield Securities Risk**—High-yield securities generally are less liquid, have more volatile prices and have greater credit risk than investment grade securities.
- **Call Risk**—If an issuer calls higher-yielding bonds, performance could be adversely impacted.
- **Credit Risk**—Credit risk is the risk that an issuer of a bond may be unable or unwilling to make interest and principal payments when due and the related risk that the value of a bond may decline because of concerns about the issuer's ability to make such payments; lower-quality bonds generally carry greater credit risk. Below investment grade ("high yield" or "junk") bonds, while generally offering higher yields than investment grade bonds with similar maturities, involve greater risks, including the possibility of default or bankruptcy, and are regarded as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.
- **Tax Risk for Tax-Exempt Municipal Bonds**—Income from municipal bonds could be declared taxable because of unfavorable changes in tax laws, adverse interpretations by the Internal Revenue Service or state tax authorities, or noncompliant conduct of a bond issuer. In addition, a portion of otherwise exempt-

interest payments may be taxable to those *clients* subject to the federal alternative minimum tax.

- ***Political and Economic Risks of Municipal Securities***—The values of municipal securities may be adversely affected by local political and economic conditions and developments. Adverse conditions in an industry significant to a local economy could have a correspondingly adverse effect on the financial condition of local issuers.
- ***Mortgage-Backed Securities Risk***—The value of mortgage-backed securities can fall if the owners of the underlying mortgages pay off their mortgages sooner than expected, which could happen when interest rates fall, or later than expected or not at all, which could happen when interest rates rise or economic conditions more generally deteriorate. If the underlying mortgages are paid off sooner than expected, we may have to reinvest this money in mortgage-backed or other securities that have lower yields. The downturn in the housing market and the resulting recession in the United States has negatively affected, and may continue to negatively affect, both the price and liquidity of mortgage-backed securities. Mortgage-backed securities are also subject to extension risk, which is the risk that rising interest rates could cause mortgages or other obligations underlying the securities to be prepaid more slowly than expected, resulting in slower prepayments of the securities. This would, in effect, convert a short- or medium-duration mortgage-backed security into a longer-duration security, increasing its sensitivity to interest rate changes and causing its price to decline.

Additional Risks for Large Cap Growth and Small Cap Growth Portfolios

- ***Concentration Risk***— As a result of the relatively small number of positions in a *client's* portfolio, the negative performance of only a few equities could cause a significant loss in the portfolio. Similarly, the concentration of a client's portfolio in this small number of positions may increase its risk and volatility compared with a more diversified portfolio that other firms may offer.
- ***Technology Company Concentration Risk***—Market or economic factors impacting technology companies could have a major effect on the value of your portfolio. Stock prices of technology companies are particularly vulnerable to rapid changes in product cycles, government regulation, high personnel turnover and shortages of skilled employees, product development problems, and aggressive pricing and other forms of competition. In addition, technology stocks, particularly those of smaller, less seasoned companies, tend to have high price/earnings ratios and to be more volatile than the overall market.

Additional Risk for Small Cap Growth Portfolios

- ***Small-Cap Stock Risk***—Small-cap stocks involve substantial risk. Prices of small-cap stocks may be subject to more abrupt or erratic movements, and to wider

fluctuations, than stock prices of larger, more established companies or the market averages in general. Small cap companies tend to have more limited product lines, markets, financial resources and competitive strengths than larger companies. Small-cap companies may be dependent on a smaller management group than larger, more established companies. It may be difficult to sell small-cap stocks at the desired time and price, particularly when they are performing poorly.

Item 9 – Disciplinary Information

Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no such information to report at this time.

Item 10 – Other Financial Industry Activities and Affiliations

As noted above, we serve as investment adviser to a registered investment company, the Trust, which has two series, the Stonebridge Small-Cap Growth Fund and the Stonebridge Institutional Small-Cap Growth Fund. Please refer to the discussion of “Investment Company Fees” in Item 5 for a description of the arrangements between us and the Stonebridge Funds. The following officers of our firm also serve as officers of the Trust:

Richard Clark Barrett - President and Chairman, Board of Trustees

Matthew William Markatos - Vice President

Debra Lynn Newman - Chief Compliance Officer, Vice President and Treasurer

Please see item 12, Trade Aggregation Practices, Trade Allocation Policy and IPO Policy, for a discussion of how we handle the conflicts associated with trading your portfolio and the Stonebridge Funds’ portfolios. Please also see item 13 for a discussion of how many portfolios the senior portfolio managers supervise.

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

We have established and adopted the following Code of Ethics (the “Code”) which sets forth standards of conduct expected of personnel employed by us.

Code of Ethics

The Code includes the high standards of conduct that we have always sought to observe and applies to all our officers, directors, employees or related personnel, regardless of their position and access to investment information (collectively, “Employees”). Recognizing that Employees are in a position of trust with respect to you, the Code’s standards of conduct consist of certain core principles including, but not limited to, the fact that Employees are required to: place your

interests ahead of our or any Employee's own investment interests; act at all times with the utmost integrity and propriety; avoid taking advantage of their position in relation to you; use reasonable care and exercise professional judgment; consider whether conduct is not only legal, but also ethical and in your best interest; and maintain, as appropriate, the confidentiality of your information and investment information.

The Code also restricts Employees' personal securities transactions by requiring pre-clearance of most personal securities transactions by any two members of the Management Committee of our Board of Directors. Pre-clearance includes obtaining approval and written acknowledgment from each portfolio manager that there is no conflict between the client accounts for which the portfolio manager is responsible and the proposed transaction. With certain limited exceptions, Employees may not buy or sell securities which are being purchased or sold for client accounts until after such trading is completed for all participating client accounts.

If all client transactions are completed before the end of the trading day, then Employees who have received pre-approval may trade the same securities as we have previously traded for client accounts and may receive more favorable prices than client accounts. Employees may not enter into transactions contrary to recommendations or actions we have taken for clients until one 1) calendar day after trading for clients is completed, although trading contrary to client recommendations or actions is rarely permitted.

Our employees are also prohibited from purchasing securities in an initial public offering. However, subject to the preclearance requirement described above, our employees may purchase securities in the aftermarket. Our employees must receive written permission from the President to purchase any private placement. Typically, we do not purchase private placements for our clients. We grant permission when we believe the investment would not be suitable for our clients or if there are sufficient securities for both our clients and our employees to purchase the private placement.

Orders for accounts managed on a discretionary basis by us for Employees and their family members are typically combined and traded with orders for client accounts. They are not subject to the blackout periods set forth in the Code unless the security to be acquired is of limited availability or the security to be sold has low trading volume. In such cases, we will complete client trades prior to investing on behalf of Employees or their family members. To the extent that Employee or family member accounts are invested in funds or other commingled investment vehicles, we will trade the Employee or family member accounts alongside client accounts. When traded with orders for client accounts, accounts of Employees and their family members will receive the same price, and pay the same commissions as all other accounts in the combined order unless a client has directed brokerage to a particular broker. In the latter situation, a client may pay a higher commission than an Employee or family member account. Please see discussion of Trade Allocation Policy in Item 12, below.

With minor exceptions, Employees are required to report personal securities transactions quarterly and holdings annually and must direct their brokers to send copies of all brokerage statements and confirmations relating to all personal securities transactions in which they have

a beneficial ownership interest. These confirmations and statements are submitted to and reviewed by our CCO.

The Code attempts to eliminate conflicts of interest that arise when Employees trade the same securities as we trade for clients. These procedures are designed to ensure, to the greatest extent possible, that Employees do not receive a better price than you on particular transactions, but given timing issues and market fluctuations, there can be no guarantee that, in every instance, you will receive a better price than an Employee.

The Code also requires all our Employees to comply with ethical restraints relating to clients and their accounts, including restrictions on giving gifts to, and receiving gifts from, clients, brokers, our vendors or third party suppliers in violation of our gift policy and restrictions on political contributions to clients or prospective clients or their representatives. We will provide a copy of our Code to any client or prospective client upon request.

Insider Trading Policy

We and our Employees may, from time to time, come into possession of material nonpublic and other confidential information, which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, we and our Employees may be prohibited from improperly disclosing or using such information for our personal benefit or for the benefit of any other person, regardless of whether such other person is our client. Accordingly, should such persons come into possession of material nonpublic or other confidential information with respect to any company, they may be prohibited from communicating such information to, or using such information for the benefit of our clients, and have no obligation or responsibility to disclose such information to, nor responsibility to use such information for the benefit of our clients.

We have adopted procedures to prevent the misuse of material information by us and our Employees. Among other things, these provisions include requirements that our Employees report to the President any information which may be considered material, nonpublic or "inside" information, refrain from trading on or communicating such information to others and maintain any such information in an appropriate manner to prevent inadvertent disclosure or use.

Any Employee who fails to comply with the Code or observe the above-described policies risks serious sanctions, including dismissal and personal liability.

Participation or Interest in Client Transactions

We may act as investment manager to numerous client accounts as well as a U.S. registered investment company. We may give advice and take action with respect to the Stonebridge Funds or any accounts we manage, or for our own account, that may differ from action we take on behalf of you. We are not obligated to recommend, buy or sell, or to refrain from recommending, buying or selling any security for your account that we or our employees may buy or sell for our own accounts or for the accounts of any other client. We are not obligated to

refrain from investing in securities held by the Stonebridge Funds or accounts that we manage except to the extent that such investments violate the Code.

From time to time, our employees and principals may have interests in securities owned by or recommended to our clients. In particular, we may manage accounts for our employees and their family members alongside client accounts. As these situations may represent a potential conflict of interest, the Code described above includes procedures relating to personal securities transactions and insider trading that are designed to prevent actual conflicts of interest. In addition, we have adopted trade aggregation and allocation procedures, which permit block trading of employee and family accounts with your and other client accounts under certain circumstances. See discussions of Trade Aggregation Practices and Trade Allocation Policy in Item 12 below.

We may recommend to you that you invest in the Stonebridge Funds and may invest your assets over which we have investment discretion in shares of the Stonebridge Funds. To avoid any conflict of interest involved in such practices, we do not charge a fee on any of your assets invested in the Stonebridge Funds.

Principal, Agency Cross and Cross Trading Policy

We do not engage in principal or agency cross transactions with our clients. There may be circumstances under which we deem it appropriate to cause one or more of our clients to sell a security and one or more of our clients to purchase the same security at or about the same time as a result of specific events such as extraordinary cash flows, account liquidations, or tax-driven transactions, among other events. Consistent with our fiduciary obligations to our clients and the requirements of best execution, we may, under such circumstances, arrange to have the purchase and sale transaction effected between you and another client ("cross trades").

A cross trade would be effected on the basis of the current market price of the security or at a price reasonably determined to reflect the fair value of the security, which may be based on independent dealer quotes or information obtained from recognized pricing services. Cross transactions are generally executed at the market closing price. Cross transactions may also be executed through third-party brokers, including an ECN or ATS. We will not receive compensation (other than our advisory fee), directly or indirectly, for effecting a cross trade between our advisory clients. Since, in such transactions, we will represent both client-seller and client-buyer, we may have a conflict of interest given the obligation to obtain best execution. You, therefore, should consider the possible costs or disadvantages of this potential conflict versus the potential benefit of obtaining reduced transaction or execution costs that may be obtained from such cross trades.

When any client involved in a cross trade is an investment company, the transaction will be effected pursuant to procedures adopted under Company Act Rule 17a-7. With respect to accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), we comply with both Company Act Rule 17a-7 and ERISA Section 408(b) (19) when engaging in cross trades. In particular, cross transactions may only be effected with ERISA

accounts which have specifically authorized us, in writing, to effect cross transactions and which have assets of \$100 million or more, without regard to what portion of the total plan assets we manage. Quarterly cross trade reports are provided to such ERISA clients. Cross trades involving accounts, which are neither investment companies nor subject to ERISA may involve the payment of commissions by participating accounts. In general, however, we will endeavor to arrange for the private accounts to split the commission charged on the round trip trade ticket rather than each paying separate commissions when possible.

Item 12 – Brokerage Practices

Order flow, transaction costs, custodial arrangements and related trading issues are complex. If you have questions concerning these issues after reading the information provided below, we encourage you to discuss them with your portfolio manager. Your selection of management style, brokerage firms and custodians may impact the order in which your trades are placed, whether your orders may be aggregated with other clients, and transaction costs. Thus, commission rates on a per share basis generally vary significantly from trade to trade and aggregate commission costs incurred during any particular period vary from client to client.

How We Select Brokers

Our policy is to seek the best qualitative executions for your account, rather than the lowest possible commission costs. While it is not always possible to measure “qualitative” execution with any precision, our objective in selecting brokers and dealers and in effecting portfolio transactions is to seek to obtain the best combination of price and execution with respect to your portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other judgmental factors are considered as they are deemed relevant.

We consider a wide range of factors, including, among others:

- Our knowledge of negotiated commission rates and spreads currently available
- Nature of the security being traded
- Size and type of the transaction
- Nature and character of the markets for the security to be purchased or sold
- Desired timing of the trade
- Activity existing and expected in the market for the particular security
- Confidentiality
- Capability to execute, clear, and settle trades (buy and sell securities for your account) and our experience with the broker-dealer
- Our knowledge of actual or apparent operational problems of any broker-dealer
- Capability to facilitate transfers and payments to and from accounts

(wire transfers, check requests, bill payment, etc.)

- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds ETFs, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see also item #14)

When buying or selling securities in dealer markets such as fixed income securities, we may, subject to best execution, deal directly with market makers either on a commission basis or on a “net” basis, without paying the market maker any commission, commission equivalent or markup/markdown other than the “spread.” Net trades mean that the market maker profits from the “spread,” that is, the difference between the price paid (or received) by us and the price received (or paid) by the market maker in trades with other broker-dealers or other customers. Most NASDAQ securities are now traded on a commission basis as more and more market makers shift from principal to agency trading.

We may, but do not generally, use an Electronic Communications Network (“ECN”) or Alternative Trading System (“ATS”) for a variety of transactions, including over-the-counter trades, when, in our judgment, the use of an ECN or ATS may result in equal or more favorable overall executions for the transactions. We will pay a commission to an ECN or ATS that when added to the price is still better than the overall execution price that might have been attained trading “net” with a market maker.

For purposes of increasing the size of potential orders and reducing related commission costs, we seek to identify and primarily use professional brokers affiliated with strong national firms who are capable of providing a broad range of quality brokerage services for clients. We may recommend that you open a brokerage account with one of these firms with the goal of having a sufficient number of clients with each such broker to create a stronger bargaining position for all client accounts and better opportunities for aggregation of orders. However, this twofold goal is not always achieved for account specific reasons and management style as described in Item 4 above.

In particular, we may recommend, and clients may choose, to custody their funds and securities with Charles Schwab & Co., Inc. (“Schwab”), or with the institutional division of Merrill, Lynch, Pierce, Fenner & Smith Incorporated (“Merrill”), both of which are registered broker-dealers and SIPC members. We are independently owned and operated and are not affiliated with either

firm. Schwab and Merrill will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we may recommend that you use Schwab or Merrill as custodian/broker, you will decide whether to do so and will open your account with the brokerage firm by entering into an account agreement directly with the firm. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab or Merrill, we may use other brokers to execute trades for your account as described below.

Both firms offer services to unaffiliated independent investment advisers whose clients maintain their accounts with such firms. Services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. The firms' benefits include, among others, execution capabilities for block trade orders, prime brokerage services, and access to the firms' institutional trading desks. Transactions in securities, particularly block trades, may be executed through Schwab or Merrill when we believe doing so is consistent with obtaining best execution or when clients have directed us to execute through such firms.

Clients whose accounts are held by either firm generally do not pay a separate fee for custody. The broker-dealers are compensated by account holders through commissions or other transaction-related fees for trades executed through the firms. The broker-dealers also charge trade-away fees for transactions executed at a brokerage firm other than the firm that holds client assets and that settle into accounts held by the custodial firm.

We may have a conflict of interest in recommending Schwab and Merrill because, as discussed below, we receive investment research and other services as a result of client accounts maintained at these firms. We believe that these benefits are shared by our clients in our management of their accounts, but you should consider whether the advantages to both us and you of maintaining an account at either firm are outweighed by other considerations.

Commission Rates or Equivalents Policy

We have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker or dealer on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting portfolio transactions to the extent consistent with the interests and policies of the accounts. Although we generally seek competitive commission rates, we will not necessarily pay the lowest commission or commission equivalent.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services, which will help us in providing investment management services to you. We may, therefore, use a broker who provides useful research and securities transaction services even though a lower commission

may be charged by a broker who offers no research services and minimal securities transaction assistance. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Research and Other Soft Dollar Benefits

When appropriate under our discretionary authority and consistent with our duty to obtain best execution, we may direct brokerage transactions for your account to broker-dealers who provide us with research and brokerage products and services. Client accounts' brokerage commissions used to acquire research or brokerage in these arrangements are known as "soft dollars." Broker-dealers typically provide a bundle of services including research and execution of transactions. The services provided can be either proprietary (created and provided by the broker-dealer, including tangible products as well as access to analysts and traders) or third party (created by a third party but provided by the broker-dealer). We may use your account's brokerage commissions to acquire either type of services. Please also see the discussion under Client Directed Brokerage Transactions below.

Section 28(e) of the Securities Exchange Act of 1934, as amended, and related SEC interpretative positions, provide a "safe harbor" which allows an investment adviser to pay for research and brokerage services with the commission dollars generated by client account transactions. Brokerage and research services that may be provided under Section 28(e) include (i) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (ii) furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (iii) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement, and custody). In determining whether a service or product qualifies as research or brokerage, we evaluate whether the service or product provides lawful and appropriate assistance to us in carrying out our investment decision-making responsibilities.

When we use your account's brokerage commissions to obtain proprietary research or third-party research services, we receive a benefit because we do not have to produce or pay for the research we receive from broker-dealers. At no cost to us, we may supplement our own research and analysis activities, receive the views and information of individuals and research staffs of other securities firms, and gain access to persons having special expertise on certain companies, industries, areas of the economy and market factors.

We do not enter into any agreement or understanding with any broker-dealer that would obligate us to direct a specific amount of brokerage transactions or commissions in return for research or execution services. However, broker-dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent. These arrangements change over time.

There is a conflict of interest in these soft dollar arrangements because we may have an incentive to select or recommend broker-dealers based on our interest in receiving research services, rather than on our clients' interest in receiving the most favorable execution in order to pay for research services. In addition, as a result of these arrangements, we may have an incentive to trade your account more frequently or in a greater volume than necessary. We monitor our discretionary brokerage allocation to assure that, to the extent consistent with best execution, trades are executed through brokerage firms that provide us with quality research and investment information and typically allocate more brokerage to those firms that provide us with better research than other firms.

When we seek proprietary or third-party research from a brokerage firm, we generally negotiate a substantial discount on brokerage commissions. However, when we use client accounts' brokerage commissions to obtain proprietary or third-party research services from a brokerage firm, we may cause client accounts to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

As a general matter, we use brokerage and research services obtained with client accounts' brokerage commissions to service all of our clients. However, each and every brokerage or research service may not be used for the benefit of each and every account, may not always benefit the specific account that generated the soft dollars nor benefit all accounts equally. We do not usually allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate because we believe that, in the aggregate, the research we receive benefits our clients and assists us in fulfilling our overall duty to our clients. We use brokerage commissions generated by our clients' portfolios to purchase both proprietary and third party research designed to improve and enhance our investment decision-making process.

During 2011, we acquired the following research and brokerage services with client accounts' brokerage commissions:

- Access to research databases containing technical and fundamental data on company statistics, publicly traded stocks, mutual funds and indexes, news and a quotation system;
- Access to equity research databases to produce cash flow valuations of equities and to analyze the composition of various indices that clients frequently use as benchmarks for their performance;
- Real-time quotation services from the New York Stock Exchange;
- Research publications with forecast and analysis of trends in major U.S. investment markets, economic commentary on interest and bank rates and information on Emerging Technologies and their impact on business and society; and

- Software that portfolio managers and analysts used to analyze the characteristics of individual client portfolios.

We do not currently use soft dollars to pay for any portion of any “mixed use” items (products or services that provide both research and non-research benefits). We pay hard dollars for services that do not fall fully within the safe harbor. However, if we should choose to obtain a particular mixed-use product, we may use soft dollars for the research portion and pay cash for the non-research portion. Although the allocation between soft dollars and cash is not always capable of precise calculation, we will make a good faith effort to allocate such items reasonably.

During the fiscal year ending December 31, 2011, we directed client accounts’ brokerage transactions to one brokerage firm in order to receive both proprietary and third-party research services. During this same period, we followed the procedures listed below to direct client accounts’ brokerage transactions to this brokerage firm.

- Annually, our Investment Policy Committee, composed of the President, who is a portfolio manager, and the other portfolio manager, reviewed and approved each of our soft dollar arrangements and brokerage allocations for soft dollar proprietary and third-party research services as well as recommended changes where appropriate.
- Annually, our Investment Policy Committee reviewed the quality of the research information provided by each brokerage firm with which we had a soft dollar arrangement.
- We did not make any formal or contractual commitments for any soft dollar obligations.
- We had copies of each agreement between a broker-dealer and a third-party vendor to provide research services to us.
- We obtained monthly statements from each broker-dealer that paid for any research or brokerage services with client commissions and the CCO or her designee reconciled these statements to our records and resolved any discrepancies with each broker-dealer.
- The CCO reviewed the files to determine that: (1) all soft dollar arrangements have been approved by the our Investment Policy Committee; (2) all soft dollar arrangements involve the payment of services that assist us in investment decision making or provision of brokerage services; and (3) we received soft dollar statements from each broker providing soft dollar research and/or brokerage services and the statements are reconciled with our records.

Directed Brokerage

On occasion, clients may direct us to use a specific brokerage firm ("Directed Broker"), or may have their accounts custodied at a brokerage firm ("Custodial Broker"). When a client has a Directed Broker, we are required to direct all transactions for the client's account to this broker unless otherwise prohibited by law (e.g., ERISA). If you use a Directed Broker, you should understand that as a result of such direction, we may be unable to achieve the most favorable execution of your transactions. Directing brokerage may cost you more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

Moreover, such direction prevents us from effectively negotiating brokerage commissions or spreads on your behalf. If you use a Directed Broker, you should also consider whether the commission expenses, execution, clearance and settlement capabilities of the Directed Broker are comparable to those that we could otherwise attain for you.

When you have a Custodial Broker, we direct transactions for your account to this broker to the extent consistent with our duty to seek best execution. We consider commissions generated by transactions directed to a Directed Broker or Custodial Broker to be nondiscretionary commissions and, therefore, are not included in the calculation of soft dollar credits. Discretionary commissions of our clients are generally used to pay for third-party research or execution services.

We attempt to aggregate client trades when possible. However, if you direct us to use a designated broker, your account will likely be unable to participate in block trades. We may, at our discretion, execute a trade for a directed account as part of a block trade under the following circumstances: (1) the designated broker is also the executing broker-dealer for a block trade ticket; or (2) the executing broker-dealer for the block trade is willing to "step out" the directed account's portion of the trade in a way that does not disadvantage other participating accounts and the designated broker is willing to accept a trade handled in such manner.

Except in the circumstances described above, we may, and routinely do, execute trades for directed accounts after trades have been executed for nondirected accounts. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the clients with Directed or Custodial Brokers receiving a price that is less favorable than the price obtained for the batched order.

You should carefully consider the advantages and disadvantages associated with selecting a particular bank or brokerage firm to custody your account. In many instances, selecting a particular firm may result in directing us to execute transactions for your account through the brokerage firm acting as custodian or through a broker-dealer affiliate of the bank custodian with all of the potentially negative consequences and costs identified above. We generally request that clients who wish to direct brokerage to a specific broker personally negotiate commission

discounts with their directed brokerage firms. Accounts domiciled with bank custodians may provide greater opportunities for commission discounts and order aggregation; however, banks charge a variety of fees for custody services, which may result in no real net saving. Account size and activity are the determining factors. Clients sometimes select brokers to custody their portfolios in order to avoid bank trust department custodian fees and/or to receive other services such as portfolio monitoring.

As noted above, we participate in both the Schwab and Merrill programs for advisers. Through participation in these programs, our clients who elect to place their accounts in custody with Schwab or Merrill also receive brokerage services at commission rates established by the firms in connection with transactions, which we execute through their trading facilities. Neither Schwab nor Merrill exercise investment discretion over these client accounts. In deciding to enter into these programs and to utilize their brokerage and custody services, we took into consideration the firms' execution, clearance and settlement capabilities; their financial strength and resources; the quality of their service; and the commission rates offered on client transactions for program participants. We pay certain fees to the firms in connection with our participation in the various account services we receive. In accordance with the terms of the programs, we may direct certain brokerage transactions to other brokers with settlement of the transaction in the clients' account at their respective custodian. The firms charge clients a nominal service fee to settle transactions placed with brokers other than the client's custodian.

Trade Aggregation Practices

We may, but are not required to, aggregate orders being placed for execution at the same time for the accounts of two or more clients when we believe such aggregation is appropriate and in the best interest of our clients. Aggregate or "block" orders may enable us to seek more favorable executions and net prices for the combined order because commission rates are generally determined by both the price of the stock and the total number of shares purchased or sold in the transaction. Therefore, if the transactions of multiple clients can be combined in a single order ticket, lower commissions per share may be obtained. As an example, if 20 clients each want to buy 1,000 shares of IBM, purchasing a 20,000 share block order will generally result in a lower commission rate per share than buying 20 separate lots of 1,000 shares for each client.

We attempt to aggregate orders when possible, but we are often unable to do so because of the customized management style described in Item 4 above. In addition, transactions in fixed income securities are generally done on an individual basis or for a small group of clients' accounts and, therefore, are typically done in odd lots. As a result, we may be unable to obtain as favorable an execution as an investment management firm with a larger block of fixed income securities' transactions may obtain.

All aggregated orders are subject to our Trading Policies. The Trading Policies are designed to meet applicable legal standards and to ensure that no client or account will be favored over another. Under the Trading Policies, we may aggregate orders for all client accounts, including

employee accounts and the Stonebridge Funds, subject generally to certain procedures. These procedures, among other things, involve the preparation, prior to the entry of an aggregated order, of a written statement identifying the participating client accounts, the proposed allocation of the order, and the amount (either in dollars or number of shares) that the portfolio manager will accept for each account. However, in cases where we are unable to completely fill an aggregated order for client accounts, employee and family accounts will not participate in the allocation of the block order until after orders for all client accounts have been filled.

Subject to the same exception for employee and family accounts, each client account participating in a aggregated order will participate at the average share price for all shares traded and will typically share commissions or other transaction costs on a pro rata basis; except that, aggregated orders traded on an ECN (e.g., Financial Information eXchange) may result in some client accounts paying a lower rate in commissions than other client accounts, as determined by the executing broker-dealer, pursuant to special discounted rates offered by the executing broker-dealer based on the number of shares executed at the client account level and the client account custodian.

We review our Trading Policies and sample on a random basis aggregated trades at least annually to ensure that client accounts are not being unfairly disadvantaged as a result of order aggregation practices.

As discussed above, we frequently recommend that clients hold their accounts at Schwab or Merrill, which can facilitate both order aggregation and cross trading, when appropriate. However, client accounts may be custodied at a variety of other brokerage firms or banks. We may be unable to aggregate the orders of clients whose accounts are custodied at different brokerage firms or banks if some clients have entered into arrangements with their custodian under which certain clients receive free custody or other services in exchange for directing us to execute all trades through a specific brokerage firm. See discussion above concerning the effects of Directed Brokerage. When possible, we will aggregate the orders in the same security for all fully discretionary client accounts custodied at the same brokerage firm and will aggregate the orders for all fully discretionary client accounts custodied at banks. To be fair to clients at each custodian, we make every attempt to sequence trades according to our rotation policy so that trade orders for fully discretionary accounts custodied at one brokerage firm, which are placed first on one trade will be placed last for the next trade, and so on.

In addition, as noted above, orders for nondiscretionary accounts may be placed behind aggregated orders for discretionary accounts trading in the same security because we must obtain client approval before placing an order on behalf of a nondiscretionary account. As a result, if you request notification prior to placing an order, you may receive a worse price than clients that have not made such a request and have granted us full trading discretion.

Transactions for directed brokerage accounts may also wait behind fully discretionary accounts because such trades can only rarely be aggregated with orders for other accounts. As noted

above and as required by the Code, transactions for employee and family accounts may wait behind all other client accounts in certain circumstances.

Trade Allocation Policy

Given our assets under management, management style, and typical investments, we are generally able to obtain a complete fill of each security purchase or sale order, whether the order is for a single account or a block ticket for several accounts. However, if for some reason an aggregated order is placed and can only be partially filled, we follow our Trading Policies in allocating such orders among participating client accounts.

When an aggregated order is partially filled, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial preallocation statement. The order must also be allocated in a manner that does not consistently advantage or disadvantage particular clients or groups of client accounts, as determined by us from time to time. We attempt first to allocate the partial execution pro rata across all such accounts. If this is not feasible, orders are allocated to clients on an alphabetical rotation basis. However, adjustments to the allocation may be made to avoid de minimis allocations to client accounts or to avoid deviations from pre-determined holding limits established for any account.

If an order will be allocated in a manner other than that stated in the initial preallocation statement, a written explanation of the change generally must be provided to, and (in most cases) approved by, the CCO no later than the morning following the execution of the trade. As noted above in the order aggregation discussion, we do not permit employee or family accounts to obtain securities from a partially filled block order until after all other client accounts have been filled. This policy may require the CCO to review and revise the preallocation statement to exclude orders for employee or family accounts from participation in the allocation until after orders for all client accounts have been satisfied.

IPO Policy

Initial public offerings of securities ("IPOs"), particularly "hot issues" or those expected to trade at a premium in the secondary market, which are generally in short supply at the time of issuance, are not generally purchased for individually managed accounts. However, if a client asks for our assistance in obtaining an IPO allocation, we would attempt to obtain an allocation from one or more of the brokerage firms with which we do business, but we cannot guarantee that such order can be obtained or filled. If more than one client requests the same offering and we obtain a partial fill, we will follow the allocation procedure set forth above.

We manage two funds under the Trust, an open end registered investment company described in Items 4 and 8 above. From time to time, the Stonebridge Funds may invest in IPOs. These investments are made when the issue in question fits with the Stonebridge Funds' strategy of investing in rapidly growing smaller capitalization companies. If you have an interest in smaller companies, we may encourage you to invest in one of the Stonebridge Funds rather than directly in these riskier stocks.

Trade Errors

It is our policy for clients to be made whole for any errors caused by us. If a trade error caused by us results in a loss, we will make the client whole and absorb the loss. If a trade error caused by us results in a gain, the client will typically keep the gain. If there is a trade error caused by someone other than us that results in a loss, we will attempt to have the third party make the client whole.

Item 13 – Review of Accounts

Review of Accounts

We conduct internal reviews of all accounts and investment positions on an ongoing basis rather than on a fixed schedule. We place considerable reliance upon computer-based portfolio management systems to monitor accounts and positions. A senior portfolio manager is assigned to each client account and conducts ongoing supervision of that account. In-depth reviews may be triggered by changes in client objectives, major changes in our investment strategy, or abnormally volatile markets. Senior portfolio managers each have direct responsibility for making investment decisions for approximately 10-45 client relationships including the Stonebridge Funds.

Nature and Frequency of Reports to Clients

You or, pursuant to your instructions, your other advisers, will receive written confirmations of transactions, written quarterly summaries of the asset mix and market value of the portfolio, a written year end summary of capital gains and losses, periodic written research reports on subjects of interest, and updates of the portfolio upon request. We will hold in person meetings with you as often as appropriate, given your individual circumstances.

Item 14 – Client Referrals and Other Compensation

Other Compensation

As discussed above in Item 12, we participate in the Schwab and Merrill programs for advisers and often recommend that clients open their investment accounts with either of these firms. While there is no direct linkage between investment advice given and participation in these programs, we receive certain economic benefits, which we would not otherwise receive if no clients participated in the program by maintaining custody of their accounts at these firms. The benefits which we receive may include:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk serving program participants exclusively; access to block trading;
- Ability to have access, for a fee, to an electronic communications network for

client order entry and account information; receipt of compliance publications;

- The ability to have client advisory fees directly debited from client accounts (in accordance with applicable federal and state requirements) and access to certain investment companies which generally are available only to institutional investors;
- Provision of pricing and other market data;
- Assistance with back-office functions, record keeping, and client reporting;
- Access to educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

The benefits received through participation in these programs do not depend upon the amount of transactions directed to Schwab or Merrill. The conflicts of interest related to our participation in these programs are described above in Item 12.

These programs also result in investment benefits for clients as discussed in the Research and Soft Dollar Benefits section of item 12 above since retail investors would not ordinarily be provided access to institutional research, mutual funds and other investments. These services are made available to independent investment advisers at no charge to them so long as a total of at least \$10 million worth of client assets is maintained in accounts at each firm and is not otherwise contingent upon our committing to either firm any specific amount of brokerage or other business. Neither firm charges our clients a custody fee for maintaining their accounts as long as the asset threshold is maintained, but, as described in Item 12 above, charge clients nominal fees for settling transactions executed at other brokerage firms into their custody accounts.

In addition, we have entered into a subadvisory agreement with an independent advisory firm whereby the independent adviser has engaged us to manage accounts designated by the independent adviser. The independent adviser pays our fee for managing these accounts.

Client Referrals

We may enter into agreements with third parties involving cash payments for client solicitation activity. No such agreement is currently in effect. However, any such referral arrangement will comply with regulatory requirements. If a brokerage firm referred you to us, we may also execute your transactions through this firm, but only if you have specifically directed us to do so.

Item 15 – Custody

We do not act as custodian of your accounts. You select the custodian, a brokerage firm or bank, to hold the assets of your portfolio. You should receive at least quarterly account statements from the broker dealer, bank or other qualified custodian that holds and maintains the assets in your portfolio managed by us. We urge you to carefully review such statements and compare such official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Depending on the terms of the agreement that we have entered into with clients, we may be given discretionary authority to manage a client's account. Discretionary investment authority varies significantly among clients. Our authority is set forth in our agreement with clients. If you have selected discretionary management, you are free to set specific limitations on such authority and many clients do so. You are encouraged to participate in establishing specific policy guidelines for your portfolio, such as asset mix, risk and return objectives, and any specific investments to be avoided or other limitations. You must provide us any investment guidelines or restrictions in writing.

In addition, various securities and/or tax laws as well as internal compliance policies may impose additional restrictions on investments that we are able to make for your portfolio.

We also advise nondiscretionary accounts in which clients have requested to be contacted prior to our placing an order to purchase or sell a security for the client. Transactions for nondiscretionary accounts may be placed after transactions for discretionary accounts trading in the same security. As a result, clients requesting notification prior to placing an order may receive a worse price and, therefore, may experience worse performance, than clients that have not made such a request and have granted us full trading discretion.

Item 17 – Voting Client Securities

Under our Proxy Voting Policy, we do not generally vote proxies for clients. However, we have adopted and implemented written policies and procedures reasonably designed to ensure that when we vote proxies, client securities are voted in the best interest of our clients. The procedures explain how we address material conflicts that may arise between our interests and those of our clients. In cases where clients have delegated voting authority to us, we are responsible for ensuring that votes are cast and records are maintained. If you delegate proxy voting authority to us, you will not be able to direct us on how to vote proxies for your account. We vote all proxies pursuant to delegated authority in accordance with the MSCI Institutional Shareholder Services group's ("ISS") Proxy Voting Guidelines, unless ISS has disclosed a conflict of interest that would prevent ISS from giving an impartial voting recommendation.

In the event of a material conflict of interest, we may eliminate the conflict by choosing one of several options which include, but are not necessarily limited to: (1) “mirror vote” the proxies in the same proportion as the votes of other proxy holders that are not our clients; (2) if practical, notify affected clients of the conflict of interest and seek a waiver of the conflict; or (3) if agreed upon in writing with the client, forward the proxies to affected clients allowing them to vote their own proxies.

Clients for whom we do not vote proxies should expect to receive proxies and other solicitation materials directly from their custodians. If we receive your proxies in this situation, we will forward them to you. If you have not delegated proxy voting authority to us and you do not receive a proxy from your custodian, please contact us and we will try to obtain the proxies for you.

You may obtain a complete copy of our written proxy voting policies and procedures. If you delegated proxy voting authority to us, you may obtain information on how we voted proxies for your account by requesting such information from us at the address and phone listed on page 1 of this Brochure. We will not disclose proxy votes for a client to other clients or third parties, other than as required for the Stonebridge Funds, unless specifically requested, in writing, by the client. However, to the extent that we may serve as a subadviser to another adviser to you, we will be deemed to be authorized to provide voting records on your account to such other adviser.

Item 18 – Financial Information

Investment advisers are required to disclose any financial condition reasonably likely to impair their ability to meet contractual and fiduciary commitments to clients. We have no such information to report at this time.

Additional Information

Class Actions

We do not typically handle class actions for our clients because we believe the time and effort required to process class actions does not result in any worthwhile economic benefit to a client given that the ultimate recovery for any one client is typically minimal. When we receive notice of a class action affecting you, we will forward the class action material to you for processing. However, upon your written request, we will advise you on the class action and if so requested, will process class action forms for securities that are in your account or were purchased by us for your account. In addition, if the class action involves securities that are not presently in your account or were not purchased for you by us, then we will not process the class action forms.

Privacy Notice

We collect nonpublic information about you from the following sources:

- Information we receive about you on applications or other forms;
- Information you give us orally; and
- Information about your transactions with us or with others.

We do not disclose any nonpublic personal information about our customers or former customers without the client's authorization, except as permitted by law or in response to inquiries from governmental authorities. We restrict access to your personal and account information to those personnel who need to know that information to provide products and services to you. We also may disclose that information to unaffiliated third parties (such as to brokers or custodians) only as permitted by law and only as needed for us to provide agreed services to you. We maintain physical, electronic and procedural safeguards to guard your nonpublic personal information.

Brochure Supplement

Item 1 – Cover Page

RICHARD C. BARRETT

Stonebridge Capital Management, Incorporated

1801 Century Park East, Suite 1800

Los Angeles, CA 90067

310-277-1450

www.stonebridgecapital.com

March 30, 2012

This Brochure Supplement provides information about Richard Barrett that supplements the Stonebridge Capital Management, Inc. Brochure provided above. You should have received a copy of that Brochure. Please contact us at 310-277-1450 or dnewman@stonebridgecapital.com if you did not receive our Brochure or if you have any questions about the contents of this supplement.

Additional information about Richard Barrett is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Richard Barrett was born in 1941. He earned a B.S. in Business & Mathematics in 1964 from the University of Connecticut and an MBA in 1976 from Pepperdine University. He is President and Managing Director of our firm and has been with the firm since 1979.

Mr. Barrett fulfilled the requirements to use the Chartered Financial Analyst (“CFA”) designation in 1974. This designation is issued by the CFA Institute. The minimum qualifications to receive this designation are:

- Undergraduate degree and four years of professional experience involving investment decision making, or
- Four years qualified work experience (full time, but not necessarily investment related)
- Completion of a self-study program (250 hours of study for each of the three levels)
- Passage of three course exams

There are not any continuing education requirements.

Mr. Barrett earned the Chartered Investment Counselor (“CIC”) designation in 1980. This designation is issued by the Investment Advisor Association (“IAA”). The minimum qualifications to receive this designation are:

- Be employed by a member firm of the IAA in an eligible occupational position for at least one year;
- Have a minimum of five cumulative year's work experience in one or more [eligible occupational positions](#);
- Spend more than 50 percent of time in a position involving a combination of investment counseling and portfolio management activities;
- Submit three letters of recommendation; and
- Hold the CFA designation

There are not any minimum education requirements or examinations. Annually, the charter holder must certify to the IAA that he is employed by an IAA firm member in an eligible occupational position and has not been the subject of disciplinary proceedings.

Item 3- Disciplinary Information

Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. We have no such information to report at this time.

Item 4- Other Business Activities

Mr. Barrett is not engaged in any other business activities outside of Stonebridge Capital Management.

Item 5- Additional Compensation

Mr. Barrett does not receive any compensation in addition to his salary, other than a share of profits as an owner of the firm.

Item 6 - Supervision

Mr. Barrett is supervised in general by our firm's Board of Directors of which he is a member. Mr. Barrett's trading activity, investment advice, and communication with clients is reviewed by our Chief Compliance Officer, Debra Newman. She can be reached at 310-277-1450.

Brochure Supplement

Item 1 – Cover Page

MATTHEW W. MARKATOS

Stonebridge Capital Management, Incorporated

1801 Century Park East, Suite 1800

Los Angeles, CA 90067

310-277-1450

www.stonebridgecapital.com

March 30, 2012

This Brochure Supplement provides information about Matthew Markatos that supplements the Stonebridge Capital Management, Inc. Brochure provided above. You should have received a copy of that Brochure. Please contact us at 310-277-1450 or dnewman@stonebridgecapital.com if you did not receive our Brochure or if you have any questions about the contents of this supplement.

Additional information about Matthew Markatos is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Matthew Markatos was born in 1973. He earned a B.A. in Mathematical Economics in 1995 from Pomona College. He is Executive Vice President and Managing Director of our firm and has been with the firm since 2000.

Mr. Markatos fulfilled the requirements to use the Chartered Financial Analyst (“CFA”) designation in 1999. This designation is issued by the CFA Institute. The minimum qualifications to receive this designation are:

- Undergraduate degree and four years of professional experience involving investment decision making, or
- Four years qualified work experience (full time, but not necessarily investment related)
- Completion of a self-study program (250 hours of study for each of the three levels)
- Passage of three course exams

There are not any continuing education requirements.

Mr. Markatos earned the Chartered Investment Counselor (“CIC”) designation in 2001. This designation is issued by the Investment Advisor Association (“IAA”). The minimum qualifications to receive this designation are:

- Be employed by a member firm of the IAA in an eligible occupational position for at least one year;
- Have a minimum of five cumulative year's work experience in one or more [eligible occupational positions](#);
- Spend more than 50 percent of time in a position involving a combination of investment counseling and portfolio management activities;
- Submit three letters of recommendation; and
- Hold the CFA designation

There are not any minimum education requirements or examinations. Annually, the charter holder must certify to the IAA that he is employed by an IAA firm member in an eligible occupational position and has not been the subject of disciplinary proceedings.

Item 3- Disciplinary Information

Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. We have no such information to report at this time.

Item 4- Other Business Activities

Mr. Markatos is not engaged in any other business activities outside of Stonebridge Capital Management.

Item 5- Additional Compensation

Mr. Markatos does not receive any compensation in addition to his salary, other than a share of profits as an owner of the firm.

Item 6 – Supervision

Mr. Markatos is supervised in general by our firm's Board of Directors of which he is a member and by our firm's Chief Executive Officer, Richard Barrett. Mr. Barrett's phone number is 310-277-1450. Mr. Markatos' trading activity, investment advice, and communication with clients is reviewed by our Chief Compliance Officer, Debra Newman. She can be reached at 310-277-1450.