

Part 2A of Form ADV: Bridges Investment Management Brochure



8401 West Dodge Rd, Ste 256
Omaha, NE 68114
402-397-4700

This Brochure provides information about the qualifications and business practices of Bridges Investment Management, Inc. If you have any questions about the contents of this Brochure, please contact Mary Ann Mason, Corporate Secretary and Treasurer at 402-397-4700 or mmason@bridgesinv.com, or write to 8401 West Dodge Road, Ste. 256, Omaha, NE 68114.

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. Bridges Investment Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Bridges Investment Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Part 2A of Form ADV: Bridges Investment Management Brochure

Item 2 - Material Changes

There were no material changes made to the Brochure since the 3/31/2011 update. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Mary Ann Mason, Corporate Secretary and Treasurer at 402-397-4700 or mmason@bridgesinv.com.

Additional information about Bridges Investment Management, Inc. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Bridges Investment Management, Inc. who are registered, or are required to be registered, as investment adviser representatives of Bridges Investment Management, Inc.

Part 2A of Form ADV: Bridges Investment Management, Inc. Brochure

Item 3 – Table of Contents

Item 1 - Cover Page	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side by Side Management	5
Item 7 – Types of Clients	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9 – Disciplinary Information.....	7
Item 10 – Other Financial Industry Activities and Affiliations.....	7
Item 11 – Code of Ethics	8
Item 12 – Brokerage Practices.....	9
Item 13 – Review of Accounts.....	12
Item 14 – Client Referrals and Other Compensation	12
Item 15 – Custody.....	12
Item 16 – Investment Discretion	12
Item 17 – Voting Client Securities	13
Item 18 – Financial Information	13

Brochure Supplement(s)

The supplement shown below is not applicable to Bridges Investment Management, Inc. Therefore, Bridges is not required to include this supplement in this brochure.

- Part 2A, Appendix 1: The “Wrap Brochure” – Bridges Investment Management, Inc. does not sponsor a wrap fee program. Therefore, **Part 2A, Appendix 1** is not applicable to Bridges Investment Management, Inc.

Item 4 – Advisory Business

Bridges Investment Management, Inc. (BIM) is a full service investment management firm incorporated in 1994. BIM traces its roots to 1945 when Marvin W. Bridges, Sr. became the first investment adviser in Nebraska and the 208th in the country to register under the Investment Advisor Act of 1940. Edson L. (Ted) Bridges III is BIM's principal owner.

We provide investment management services to a wide range of clients, typically following the process outlined below:

- We will have an initial meeting with you to determine your investment goals and objectives as well as your level of risk tolerance, time horizon, tax situation and any special circumstances.
- We will then draft an investment policy statement that outlines what we have learned from our meeting which, once it meets with your approval, will provide us with the framework that will inform the management of your portfolio. The investment policy statement will articulate your primary investment goals and objectives, tolerance for risk, and any other unique circumstances. It will also establish asset allocation ranges and targets and will describe any other parameters that will guide the management of your assets.
- We will then implement the investment policy statement by purchasing, selling, and managing portfolio assets in order to fulfill your investment objectives consistent with the your tolerance for risk, time horizon, and tax situation.
- After the initial investments are made, we will continually monitor them, making tactical adjustments to individual securities as well as to the overall asset allocation as the markets provide opportunities.
- We will meet with you periodically to review the investment policy statement and make changes to it as required, as your investment objectives and tolerance for risk may change over time. We will also review our progress toward your investment objectives, and we will discuss your portfolio construction in view of relevant economic and capital markets considerations.

As of Dec 31, 2011, we manage on a discretionary basis \$519,841,113 of assets for 158 portfolios.

Item 5 – Fees and Compensation

Bridges Investment Management, Inc. (“BIM”) is primarily compensated with fees based on the assets managed by the company. Our fee schedule is listed below.

Fee Schedule:

<u>Assets Under Management</u>	<u>Basis Points</u>	<u>%</u>
0-10 million	100	1.00
10-20 million	85	0.85
20-50 million	70	0.70
50-100 million	60	0.60
100-500 million	50	0.50
+500 million	Negotiable	

The above schedule is negotiable.

We do not collect fees in advance. We collect fees quarterly based on the value of your account as of the most recently completed quarter for which services were rendered. A bill is submitted either directly to you or to the custodian of the assets managed, which then deducts the fee from your account. If your custodian pays our bill, the transaction is reported to you on the next statement produced. This is the only fee that our office will claim from your account unless there is a special project negotiated separately. Any additional projects undertaken by BIM will be completed on an hourly or flat fee basis at a rate agreed to by both parties in writing.

In some circumstances we may institute a minimum fee. This change will be fully disclosed to you before it is instituted.

You may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund’s prospectus. We do not receive compensation from any of the above mentioned fees.

If you decide to terminate our services, our Management Agreement requires 30 days notice, we will pro-rate the bill for the time span covered in that final period where services were rendered.

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

Bridges Investment Management, Inc. does not charge performance-based fees.

Item 7 – Types of Clients

Bridges Investment Management, Inc. generally provides investment services to individuals, investment companies, trusts, estates, retirement plans, corporations,

family offices, banks or thrift institutions, foundations and other charitable organizations.

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

Bridges Investment Management, Inc. utilizes a variety of security analysis methods including, but not limited to, fundamental, technical, and cyclical analysis.

We will implement investment strategies and tactics that we believe are appropriate given a client's unique investment objectives and tolerance for risk.

Our investment approach is generally long term in nature (investment time horizon longer than one year). The investment strategies, approaches, and tactics that we employ may vary depending on the goals, objectives, and risk tolerance of specific clients, but in general, our investment strategies are:

- 1) long term in nature
- 2) emphasize high quality and/or investment grade securities
- 3) utilize a range of approaches to determine valuation and establish investment attractiveness
- 4) involve appropriate industry, sector, and individual security diversification

We believe these factors serve to mitigate portfolio risk, however, investing in securities involves risk of loss that you should be prepared to bear.

We may also utilize any of the following strategies where appropriate to achieve client investment objectives: short term purchases (securities sold within one year of purchase), active trading (securities sold within 30 days of purchase); short sales; margin transactions; and option writing (including covered and uncovered options).

We primarily rely on fundamental analysis in determining which securities to include in your portfolio. Fundamental analysis involves a detailed investigation into a company's business operations and its financial statements in order to assess its future prospects, understand the risks that may be embodied in its securities, and estimate the return potential that may be possible given its future prospects and its current valuation in the market.

The material risks involved with this type of analysis include but are not limited to the following:

- Forecasting future company performance in line with past performance which may not prove achievable due to changing variables.
- Improper disclosure of financial information from the company.
- Fraudulent financial information issued by the company.

Risks associated with fixed income securities would include those listed above as well as:

- Credit Risk - the risk that the creditworthiness of the company issuing the debt experiences a material decline from the time of purchase.

- Interest Risk - the risk that interest rates move materially higher while your bond is locked into paying you a lower rate, resulting in a decline in the price of that bond, and a reduction in the amount of income that would be achievable if invested at the higher rate.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BIM or the integrity of BIM's management. BIM has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Other Investment Advisers:

Edson L. Bridges II, Edson L. (Ted) Bridges III, Brian M. Kirkpatrick, Douglas R. Plahn, Deborah L. Grant, Nancy K. Dodge, Patricia S. Rohloff and Mary Ann Mason hold various executive, officer, and director positions in BIM as well as in each of the following investment adviser firms:

- Edson L. Bridges II d/b/a Bridges Investment Advisers ("BIA") (SEC File No. 801-6004);
- Bridges Investment Counsel, Inc. ("BIC") (SEC File No. 801-3153); and
- Modern Portfolio Consultants Company ("MPC") (SEC File No. 808-70405).

Therefore, these entities are related businesses to BIM. A copy of each related firm's ADV will be made available upon request to Mary Ann Mason, Corporate Secretary at 402-397-4700 or 8401 West Dodge Road, Ste. 256, Omaha, NE 68114.

Common Control Arrangements:

In December 2000, Edson L. Bridges II, as sole proprietor of Bridges Investment Advisers ("BIA"), entered into a common control agreement with Ted Bridges, agreeing to exercise common control of BIA with respect to its management and operations, and investment advisory business, including supervision and control of BIA investment adviser representatives. This common control agreement was extended for an additional ten years in February 2011.

In December 2000, voting trusts were entered into under which Edson L. Bridges II and Ted Bridges, as co-trustees, vote the shares representing greater than 80% of Bridges Investment Management, Inc. Class A voting common stock and greater than 80% of Bridges Investment Counsel, Inc. common stock. These voting trust agreements were extended for an additional ten years in March 2011.

In March 2011, Ted Bridges, as Managing Partner of MPC, entered into a common control agreement with Edson L. Bridges II agreeing to exercise common control of MPC with respect to its management and operations, and investment advisory business, including supervision and control of MPC investment adviser representatives. This common control agreement is in effect for ten years.

The BIA common control agreement, the MPC common control agreement, and the BIC and BIM voting trusts were established to meet regulatory requirements of the Nebraska Department of Banking, Bureau of Securities requiring common control among entities that have investment adviser representatives registered with more than one registered investment adviser firm.

Investment Company:

Bridges Investment Fund, Inc. ("BIF") is an open-end, diversified investment company that has been in operation since July 1, 1963. Bridges Investment Management, Inc. is the investment adviser to BIF and employees of BIM hold executive and director positions at BIF. Therefore, BIF is a related business. BIF holds SEC File Nos. 811-1209 and 2-21600. A copy of BIF's prospectus will be made available upon request.

Banking or Thrift Institution:

Edson L. Bridges II, Edson L. (Ted) Bridges III, Brian M. Kirkpatrick, Douglas R. Plahn, Deborah L. Grant, Nancy K. Dodge, Patricia S. Rohloff and Mary Ann Mason hold various executive, officer, and director positions in BIM as well as at Provident Trust Company. Provident Trust Company is an independent, stand-alone trust company regulated by the Nebraska Department of Banking and Finance. Provident is managed by BIC, a related investment adviser (see above), under a management agreement entered into on March 26, 1991. Among other things, the agreement obligates BIC to provide personnel, equipment, and other services necessary to operate Provident. Provident serves as custodian for a number of BIM's clients. BIM also provides investment management services to accounts where Provident is trustee or agent for the trustee.

In accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940, BIM might be deemed to have custody of client funds and securities in certain circumstances where such funds and securities are held by Provident (see Item 15).

A copy of the audited annual financial statements for Provident Trust Company will be made available upon written request to Mrs. Mary Ann Mason, Corporate Secretary, 8401 West Dodge Rd, Omaha, NE 68114.

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

Bridges Investment Management, Inc. ("BIM") has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct and fiduciary duty to its clients. BIM supervised personnel are expected to adhere to the highest level of ethical standards in the conduct of their business, consistent with the long-standing history of high ethical conduct by the Bridges entities and their outstanding reputation for honesty, integrity and professionalism. Moreover, BIM supervised persons are required to comply with all applicable state and federal laws and regulations, including federal securities laws, and general fiduciary principles.

The Code of Ethics includes, among other things, provisions relating to the confidentiality of client information, the duty to place the interests of clients first at all times, a prohibition on insider trading, restrictions on the acceptance of gifts, and personal securities trading procedures for Firm personnel. BIM personnel are required to certify annually that they have read and complied with all requirements of the BIM Code of Ethics. Violations or suspected violations of the BIM Code of Ethics are to be reported to the BIM Chief Compliance Officer. Retaliation against an individual reporting a violation or suspected violation is prohibited.

A copy of the BIM Code of Ethics is available upon request. Such request should be made to Brian Kirkpatrick, Chief Compliance Officer, at (402) 397-4700, or 256 Durham Plaza, 8401 West Dodge Road, Omaha, Nebraska 68114.

In certain situations, clients of BIM may be recommended shares of Bridges Investment Fund, Inc. ("BIF") for purchase. BIF is a related business to BIM (See Item 10). Conflicts of interest could arise if clients (whose portfolio management fee is lower than that of BIF) are encouraged to purchase additional shares of BIF thereby moving upward BIF's assets and increasing revenues for Bridges Investment Management, Inc. (See Item 10). This potential conflict of interest is continuously monitored by BIM under the Code of Ethics. As a rule, BIM does not charge investment advisory fees for shares of BIF held by client accounts.

When consistent with clients' investment objectives, the Firm may cause accounts over which it has management authority to purchase or sell securities in which BIM and/or its employees have a position of interest. Subject to the Firm's Code of Ethics and applicable laws, personnel of BIM may trade for their own accounts in securities which are recommended to and/or purchased for the Firm's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of BIM's employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of many transactions and restricts trading in close proximity to client trades. Nonetheless, because in some instances employees could invest in the same securities as clients, it is possible that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between BIM and its clients.

Item 12 – Brokerage Practices

Brokers are selected based on their ability to provide our clients with the best possible execution combined with reasonable cost and other services/products provided. All of our broker relationships agree to our commission schedule which ranges from five to eight cents per share depending on the number of shares traded. Some brokers have minimum ticket charges that they may enforce on smaller trades which would cause the trade to vary from the cents per share calculation. We periodically test the market to see if our commission schedule is still competitive and adjust it accordingly.

You can choose your own broker if you wish and we will work with them. We cannot guarantee that the broker that you choose will give you the same commission schedule that our other clients receive through other brokers.

All of our broker relationships provide us with some form of research that aids in the management of your portfolio. Some brokers use a portion of the commission dollars that your trades generate to pay third parties for research products. The money used to pay for these services is referred to as “soft dollars”. We will describe all of the services received through the use of soft dollars later. As explained earlier, these brokers still abide by the same commission schedule that all of our other brokers use. Since all of our brokers provide substantially the same services, our traders will direct trades based on a number of factors including; unique abilities in a certain trade type; low minimum ticket (for small trades); soft dollar commitments; and various other factors.

To the extent that we need to generate enough commissions to pay for the services under soft dollar relationships, there could be an incentive to send trades to these specific brokers over others. In order to mitigate any conflicts of interest that arise because of this, we hold our soft dollar brokers to the same standards as any other broker when it comes to execution and cost, and have replaced soft dollar brokers when they have fallen below that standard.

The research generated by products paid for with soft dollar commissions benefit all of our clients equally regardless of whether their trade commissions paid for the research or not. It also benefits us as we do not have to pay cash for the research product provided through the use of soft dollars.

We utilize five research products that are paid for with soft dollars. They are described below along with the broker who pays for the product and the annual commitment for the product. Our current total soft dollar commitment is \$218,746.60.

Thomson Baseline – Baseline is a software product that provides us with detailed historical information on over 16,000 companies worldwide as well as pertinent economic, interest rate, currency and commodity information. The information provided includes historical prices, earnings and valuations, as well as detailed financial filings made with the SEC. The software not only provides us with the hard data but it also displays it in a concise manner when needed. Baseline is one of the cornerstones of our research product. Currently Donaldson & Co. is the broker paying for this software and our commitment will be \$79,021.60 for 2012-2013.

Creditsights – Creditsights is a research service primarily devoted to fixed income securities. This service looks at company financials and reported events and weighs in on how those events could affect the debt that the company has outstanding. The broad coverage of companies that Creditsights has allows us to get familiar with a bond that might be new to us much more quickly than without it. Donaldson & Co. is the broker paying for this service and our soft dollar commitment will be \$25,200 for 2012.

Bloomberg – The Bloomberg terminal is one of the most widely used pieces of financial equipment. Each terminal is tied into real time information on a vast array of

financial securities, indexes and news feeds. It is almost like the internet for investments. We use the two terminals in our office to access information on a large number of securities held by our clients. A high percentage of its use is dedicated toward fixed income securities and the information needed to determine the value and trading of those securities. Fintech Securities is the broker paying for this product and our soft dollar commitment for 2012 is \$56,616.

Telemet – Telemet is a software product that provides some services that are similar to those provided by Baseline and Bloomberg. While the amount of information may not be as in-depth as what is provided by these other companies, Telemet allows us to economically put real time quotes on the desktops of a number of our professionals. It also allows access to other information linked directly to our portfolio management system so that those professionals can see how certain portfolios are being affected intraday. Telemet aides in the daily monitoring of client holdings and can be the trigger for interim portfolio reviews. Fintech Securities is also the broker paying for this service with a commitment for 2012-2013 of \$26,894.

Thomson One – Thomson One is a product that is primarily used for two purposes, the first is Starmine, a service within Thomson One that ranks Wall Street analysts by their accuracy at forecasting company earnings as well as the accuracy of their buy/sell/hold recommendations. It also provides us with those individual estimates and recommendations. Starmine has further used the information gathered over time from these rankings to create several very useful indicators for judging stock values based on the level and movement of the data that goes into those indicators. Also included in Thomson One is a product that provides us with transcripts from company conference calls, meetings and events. With the large number of companies being followed, it is very difficult to have someone on every call, this allows us to go back and see exactly what management said at a particular event. Trade Manage Capital is the broker paying for this service, our commitment for 2012 is \$31,015.

As disclosed earlier we do not solicit referrals from brokers, however if a broker recommends our services to one of their clients and the client wishes to maintain the broker relationship we will honor that request. We will make sure that the client is aware of our current commission schedule and other relationships so that they can determine if there is a material cost or execution issue that may arise due to maintaining the relationship with the referring broker.

We will aggregate your trade with the trades of other clients when doing so would lead to the best execution and lowest cost for all clients involved in the trade. Combining trade orders raises the number of shares for an individual trade, lowering the commission for all. In the event that an aggregated trade cannot be filled in its entirety, the amount of the trade that is completed will be allocated pro-rata among all of the participants. BIM has adopted a formal trade aggregation policy, a copy of which can be obtained from Brian Kirkpatrick at bkirkpatrick@bridgesinv.com or 8401 West Dodge Road, Ste 256, Omaha, NE 68114.

Item 13 – Review of Accounts

Your portfolio will typically be reviewed on a quarterly basis by the portfolio manager responsible for your account. Reviews may also be done on an interim basis throughout the quarter, depending on your unique investment objectives and portfolio investment horizons. Your portfolio will also be reviewed at periods throughout the quarter on a security-by-security basis and/or due to market conditions or other factors. The reviewers will be one or more of the individuals listed below, all are members of the Investment Committee:

Ted Bridges, Edson Bridges, Deb Grant, Brian Kirkpatrick, Doug Plahn, Nancy Dodge, Patti Rohloff.

You will receive a portfolio report either monthly or quarterly. These reports will detail portfolio holdings, purchases and sales completed during the previous period. We will generally provide you with extensive written reports summarizing portfolio holdings and background statistical data on the securities held in your portfolios at periodic client meetings. Periodically, we will send out market comment reports or other reports pertaining to broad investment topics.

Item 14 - Client Referrals and Other Compensation

While client referrals are always welcome and appreciated, we do not provide any compensation or other economic benefit in exchange for referrals. In the event that a broker may refer a client to us for management services, the broker will continue to receive the benefit of trade commissions as they had previously.

We do not receive compensation or any other economic benefit from other entities for providing you with investment management.

Item 15 – Custody

In accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940, BIM is deemed to have custody of client funds and securities in certain circumstances where such funds and securities are held by Provident Trust Company, a related party to BIM. Provident is a qualified custodian. Clients of BIM who custody their assets at Provident will receive an account statement from Provident at least once each calendar quarter. We urge you to carefully review Provident statements and compare them to the account statements that BIM may provide to you. BIM's statements may vary from the custodial statements based on accounting procedures, reporting dates, or valuation methodologies.

Item 16 – Investment Discretion

In nearly every instance we would prefer having discretionary authority in the management of your account. In order to adjust to a fast paced marketplace, we are better able to serve you with this type of authorization. However, our discretion must be exercised in a manner that is consistent with the stated investment objectives for your account. When selecting securities and determining amounts, it is our policy to

observe the investment policies, limitations and restrictions that were agreed to with you at the outset of our relationship.

Some clients may place limitations on this authority when they have specific stocks or sectors that they do not wish to be invested in. For example you may not want to own tobacco stocks in your account and may place a restriction or limitation on our authority as such. A limited power of attorney is used to empower us to undertake these types of actions on your behalf.

Item 17 – Voting Client Securities

BIM has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with the Firm's fiduciary duties and SEC Rule 206(4)-6 under the Investment Advisers Act of 1940. In addition, BIM's proxy voting policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts set out in the Department of Labor Bulletin 94-2, 29 C.F.R. 2509.94-2 (July 29, 1994).

On any account where we have the authority to vote proxies, we will exercise those responsibilities solely with a goal of maximizing the long-term value of your investments. The management of BIM strongly believes that sound corporate governance is an important element in maximizing shareholder value. Our policy and guidelines on voting proxies is segmented into six areas: executive and director compensation, shareholder rights; changes in corporate control, election of directors, approval of independent auditors, and corporate/social policy issues. Proxy proposals can be complex and their economic impact is subject to professional interpretation and judgment. BIM officers and employees will use this proxy voting policy as a guideline, but each voting decision involves a unique set of facts that we will need to consider in determining whether the vote is in the best interests of the client.

BIM may abstain from voting or decline to vote proxies where, in its opinion, the cost of voting the proxy exceeds the economic value of the expected effect of the vote on the client's investment. This may occur when there are a small total number of shares owned by you or other BIM clients, or when an extraordinary effort will be required by BIM to interpret the proxy statement, such as in the case of some foreign securities.

You can obtain a record of how we voted your proxies as well as a copy of our proxy voting policies and procedures from Brian Kirkpatrick, Chief Compliance Officer of BIM. Mr. Kirkpatrick can be reached via email at bkirkpatrick@bridgesinv.com or by mail at 8401 West Dodge Rd, Ste 256, Omaha, NE 68114.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about BIM's financial condition. BIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.