

WRAP FEE PROGRAM BROCHURE

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This wrap fee program brochure provides information about the qualifications and business practices of SFE Investment Counsel Inc. (SFE). If you have any questions about the contents of this brochure, please contact us at (213) 612-0220 or tmccasland@sfeic.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about SFE also is available on the SEC's website at www.adviserinfo.sec.gov.

Please note that the use of the term "registered investment adviser" and description of SFE as "registered" does not imply a certain level of skill or training. You are encouraged to review this wrap fee program brochure and brochure supplements for information on the qualifications of our firm and its employees.

Item 2 – Material Changes

Under SEC rules that became effective in 2011, registered investment advisers like SFE have new requirements as to how we provide disclosure information about our firm. This wrap fee program brochure contains important information about SFE for current and prospective clients. It is prepared as instructed by the SEC in Part 2 of Form ADV. The narrative format of this brochure is different from our previous versions. It contains additional detailed information to help you better understand how we conduct our business.

In the future, if our brochure is amended and it contains material changes from our last annual update, we will identify and discuss those changes in this section. As this is the first version of our brochure, there are no material changes to report.

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Item 4 – Services, Fees and Compensation

Services

SFE provides a separately managed account program for qualifying accounts through our *All Inclusive Investment Management Agreement*. This agreement allows SFE to provide investment supervisory services under a “wrap fee” arrangement. SFE will utilize our affiliate Stern Fisher Edwards Inc to execute client transactions without commission charges, and provide custodial services through its clearing firm National Financial Services LLC. These services are provided for a single asset-based fee, plus a service fee per transaction. Accounts are managed on an individualized basis according to the client's investment objectives, financial condition and risk tolerance.

The All Inclusive Managed Account (“Program”) is a comprehensive investment advisory program sponsored by SFE. All trades are executed through our affiliated broker-dealer, Stern Fisher Edwards Inc, without commission. Under the Program, each client is provided discretionary investment advisory services designed to develop and implement an investment strategy tailored to the client's financial needs. The Program fee is an asset-based fee that includes the management fee paid to SFE for its services as portfolio manager as well as compensation paid to Stern Fisher Edwards Inc for its custody (through clearing firms) and brokerage services.

As part of our service, SFE evaluates each client's financial condition and risk tolerance in order to tailor its asset allocation and securities recommendations to meet the client's investment objectives and individual needs. Before specific recommendations are made about allocating assets or selecting which securities to buy or sell, an SFE client manager conducts an initial consultation with the prospective client. During this free consultation, we will ask the client about his or her investment goals, financial condition and risk tolerance. We then make an initial recommendation to the client and solicit client feedback. Any necessary changes are made. Once satisfied with the proposal, the client will sign an SFE *All-Inclusive Investment Management Agreement*, which serves as the contract between the client and SFE. It specifies the precise nature of services to be rendered by SFE and fees to be paid by the client. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

Management Fees

SFE offers investment advisory services to separately managed accounts under the Program for a fee based upon a percentage of assets under management. This fee is negotiable. Annualized rates are as follows:

<u>Account Assets</u>	<u>Annualized Rate</u>
First \$5 million	1.50%
Next \$5 million	1.25%
Next \$10 million	1.00%
Over \$20 million	0.75%

Fees for assets valued at less than one million dollars may differ from the above schedule and are determined by mutual agreement with the client.

Our wrap fee program may cost clients more or less than if they purchase such services separately. In deciding whether to invest through the Program, a client should consider such factors as the amount of the wrap fee, the trading activity in the client's account, and the value of the custodial and other services that are provided. The client should also realize that the Program fee might exceed the aggregate cost of such services if they were to be provided separately and if the sponsor were free to negotiate commissions and seek best price and execution for the client's account. Please bear in mind that asset-based fee arrangements, such as the Program, when compared with the traditional commission option (where a commission is paid on each security transaction), generally result in lower costs during periods when trading activity is heavier. However, asset-based fee arrangements may result in higher costs during periods when trading activity is lighter.

Other Fees and Expenses

Our wrap fee separately managed account program offers commission-free trades that are required to be executed through Stern Fisher Edwards Inc as a condition to this contract. Please note that even though no commissions are charged, each transaction is subject to a service fee (currently \$6.50) imposed by our broker-dealer that is used to partially offset the costs of clearing the trade. Other minor fees are also imposed on sale transactions as required by regulations.

Clients with such holdings may indirectly pay charges assessed by a mutual fund, index fund, exchange traded fund, or bank deposit program. Charges may include fund management fees, distribution fees and other costs imposed by the fund company. These expenses are disclosed in the fund's prospectus or offering memorandum. Other account custodial charges that the client may be responsible for include special service fees, wire transfer fees, foreign taxes and IRA fees.

Stern Fisher Edwards Inc receives certain 12b-1 distribution fees from mutual funds, including money market accounts, included in client investments. Such service fees are based on the amount of the funds held in each account and invested in mutual funds or money market accounts. Fees vary depending upon the mutual fund and money market account in which client funds are invested. The minimum and maximum of such fees, expressed as a percentage of the funds invested in a particular fund, generally range between 0.00% and 0.25% annually. Stern Fisher Edwards Inc may also receive a portion of the fees received by its clearing firm from client funds invested in their bank deposit or money market sweep programs, based upon the amount of funds held in each account. The amount of such income, expressed as a percentage of the funds invested in a particular sweep program, will vary within the range of 0.00% and 0.25% annually as disclosed in the prospectus.

On occasion, certain fees and/or commissions may be paid to Stern Fisher Edwards Inc by its investment banking clients issuing securities recommended by us. Such compensation varies by transaction and is disclosed in the offering memorandum or other documentation. No additional fees or commissions are paid by our managed client for these types of securities.

Clients should also be aware that since Stern Fisher Edwards Inc executes advisory client transactions on an agency basis, the market-maker for a particular security may charge a markup or markdown reflected in the executed price on over-the-counter securities transactions.

Compensation

As the portfolio manager for the Program, SFE receives all of the management fees paid by our clients. Both SFE and Stern Fisher Edwards Inc are owned and managed by the same persons. Accordingly, we do not share or allocate any portion of the fees with Stern Fisher Edwards Inc. We choose to provide brokerage services under the Program to our clients without compensation to Stern Fisher Edwards Inc. Costs to provide such brokerage services are born directly by Stern Fisher Edwards Inc and indirectly by us.

Our advisors are principally compensated by salary. We also provide an incentive bonus to our advisors based upon fees generated by our management programs. Because our wrap program fees are generally higher than those of our other programs, the amount of incentive compensation may be more than what a person would receive if the client participated in another SFE program. This compensation may also be higher than if the client paid separately for investment advice, brokerage, and other services. Therefore we may have a financial incentive to recommend our wrap fee program over other programs or services.

Item 5 – Account Requirements and Types of Clients

For our All Inclusive Managed Account portfolios, we generally have a minimum charge of \$500 per quarter. SFE provides investment advice to individuals, retirement plans, charitable organizations, trusts, estates, corporations and other business entities.

Item 6 – Portfolio Manager Selection and Evaluation

SFE acts as the sole portfolio manager for the All Inclusive Investment Management Program described in this brochure. The following provides additional information about us.

Advisory Services

SFE specializes in offering investment supervisory services with a personal touch. We provide investment advice to clients, and make investments for clients, based upon the individual needs of the client. These needs include the nature of other client assets and their personal and family obligations. We design and execute strategies to meet client financial objectives and actively manage the investment portfolio within those guidelines. We emphasize continuous and regular account supervision with some incidental planning and consultations.

A successful financial strategy often requires a team of trusted advisors including accountants, attorneys, administrators, and consultants, working in concert on behalf of the client. Client priorities and relationships determine which of these leads the effort. SFE has extensive experience in this collaborative model. We often take the lead role – managing all of the client's assets and coordinating with other trusted professionals. In the institutional market, SFE is comfortable in a supporting role – managing a portfolio in accordance with a specific mandate.

SFE's investment philosophy is founded upon our belief that asset allocation is the single most important determinant of portfolio performance. Accordingly, we adjust equities, fixed income, and cash positions in response to market and economic conditions to fulfill client objectives. Generally we are not market timers and prefer to invest for the long term. Through our disciplined investment approach, SFE seeks to produce equity returns that consistently outperform the S&P 500 Index while taking less-than-market risk. We strive to preserve capital and achieve long term appreciation by employing an opportunistic, total return approach to managing client accounts.

For equity investments, we seek companies of quality and value – the best in their fields. SFE focuses on companies that have established a competitive advantage in their industries, and/or have strong global franchises and generate significant revenue from their international operations. To aid in our selections, we subscribe to many sources of independent research and perform our own fundamental and technical security analysis. Many of our equity selections are chosen for their dividend yield to enhance total return.

Fixed income allocations are primarily comprised of investment grade United States (US) government and agency securities, corporate bonds, exchange traded funds (ETFs), and tax-exempt municipal bonds (as appropriate), with maturities ranging from 2-10 years. These allocations typically reduce portfolio volatility and risk. Maturities are adjusted as needed to capture the sweet spot on the yield curve. Selected securities will be readily marketable and diversified by issuer.

SFE's core strength is the management of concentrated portfolios of US equities, frequently with a fixed income allocation. Portfolios are customized to meet specific client objectives. We typically construct a portfolio of 20-25 equity positions from our "*Merit Monitor*". The Merit Monitor is a list of stocks that have been approved for purchase by the SFE Investment Committee. This committee, comprised of SFE investment-adviser owners, meets weekly to review and update the list. As part of its asset allocation target, a portfolio may consist of individual stocks, bonds, ETFs, mutual funds, bank deposit programs and other public and private securities or investments.

SFE provides three types of advisory services more fully described below: separately managed accounts; dual-contract relationships; and model portfolio services.

Separately Managed Account (SMA)

SFE provides an SMA program for qualifying accounts through our *All Inclusive Investment Management Agreement*. This agreement allows SFE to provide investment supervisory services under a "wrap fee" arrangement. SFE will utilize Stern Fisher Edwards Inc to execute client transactions without commission charges, and provide custodial services through its clearing firm National Financial Services LLC. Please see below for further information on this program.

For SMAs, the client's individual investment strategy is tailored to their specific needs and may include some or all of the security types mentioned above. Each portfolio will be initially designed to meet particular investment goals, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been created, our portfolio management team strives to review the portfolio twice each quarter, and if necessary, rebalances the portfolio based upon the client's individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

Wrap Fee Program

Our wrap fee and traditional fee SMAs are managed on an individualized basis according to the client's investment objectives, financial condition and risk tolerance. We do not manage wrap fee accounts in a different fashion than our traditional managed (non-wrap fee) accounts.

The All Inclusive Managed Account ("Program") is a comprehensive investment advisory program sponsored by SFE. All trades are executed through our affiliated broker-dealer, Stern Fisher Edwards Inc, without commission. Under the Program, each client is provided discretionary investment advisory services designed to develop and implement an investment strategy tailored to the client's financial needs. The Program fee is an asset-based fee that includes the management fee paid to SFE for its services as portfolio manager as well as compensation paid to Stern Fisher Edwards Inc for its custody (through clearing firms) and brokerage services.

Performance-Based Fees and Side-By-Side Management

SFE does not accept fees based on a share of capital gains or on capital appreciation of the assets of a client. We have no conflicts of interest because our client accounts are not managed side-by-side with accounts that are charged a performance-based fee.

Methods of Analysis

SFE uses a disciplined approach when we formulate investment advice and manage assets. We strive to produce returns that consistently outperform our benchmarks while taking less-than-market risk. Our goal is to achieve long term growth and preserve capital by employing an opportunistic, total return approach to managing client accounts.

SFE's core competence is managing concentrated portfolios of US listed equities, often with fixed income components. These portfolios are customized to meet specific client needs, risk tolerances and objectives. We use fundamental, technical and cyclical methods of analysis to identify potential investments.

Our equity analysis begins with a top-down evaluation of industry sectors to identify macro-economic trends and market cycles. This means we analyze the economy and various industries to make informed decisions as to which industry sectors are attractive, or unattractive, for investment. We then conduct a bottom-up analysis of select companies that will be affected by these trends. Our goal is to further identify companies that are the most attractive in each industry sector for inclusion in client portfolios.

Prior to purchase, we employ fundamental analysis tools to evaluate a company's characteristics in order to estimate and measure its intrinsic value. We want to understand a company's strengths and weaknesses, historical performance, growth potential, competitors, and management team. In addition, we also utilize technical analysis techniques as a means to reduce price and timing risk.

Fixed income securities are selected for portfolios based upon the client's investment objective and risk tolerance. We review and assess the tax aspects, credit quality, maturity, interest rate, liquidity and diversification of the securities to make sure they are appropriate for an account. The

economic cycles and current market interest rates are also considered in our fixed income decisions.

Voting Client Securities

We do not have authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

Item 7 – Client Information Provided to Portfolio Managers

SFE is the sole portfolio manager for the All Inclusive Investment Management Program. Therefore, we do not need to communicate with any other manager.

Item 8 – Client Contact with Portfolio Managers

We believe communication with our clients is extremely important. We do not place any restrictions on your ability to contact and consult us as your portfolio manager.

Item 9 – Additional Information

Disciplinary Information

Advisors are required to disclose legal or disciplinary events that are material to the evaluation of our advisory business or the integrity of our management. SFE does not have any events to report.

Other Financial Industry Activities and Affiliations

All of our management persons are registered representatives of Stern Fisher Edwards Inc, a broker-dealer and affiliate of SFE. The eight employee-owners of SFE also have identical ownership interests in Stern Fisher Edwards Inc. We do not feel this affiliation creates a material conflict of interest with clients.

For an account held at our affiliate Stern Fisher Edwards Inc, it is important to know that we may benefit from any compensation paid to Stern Fisher Edwards Inc by our clients. We indirectly receive compensation from the sale of securities or other investment products through this affiliated

broker-dealer. Likewise we would also receive compensation from asset-based sales charges and distribution fees from the sale of mutual funds, including money market accounts, included in client investments. Such service fees are based on the amount of the funds held in each account and invested in mutual funds or money market accounts. Fees vary depending upon the mutual fund and money market account in which client funds are invested. The minimum and maximum of such fees, expressed as a percentage of the funds invested in a particular fund, generally range between 0.00% and 0.25% annually. Stern Fisher Edwards Inc may also receive a portion of the fees received by its clearing firm from client funds invested in their bank deposit or money market sweep programs, based upon the amount of funds held in each account. The amount of such income, expressed as a percentage of the funds invested in a particular sweep program, will vary within the range of 0.00% and 0.25% annually as disclosed in the prospectus. On occasion, certain fees and/or commissions may be paid to Stern Fisher Edwards Inc by its investment banking clients issuing securities recommended by us. Such compensation varies by transaction and is disclosed in the offering memorandum or other documentation. No additional fees or commissions are paid by our managed client for these types of securities.

As a broker-dealer, when Stern Fisher Edwards Inc executes securities transactions as agent or broker on behalf of our clients, it receives compensation that is disclosed on the confirmation of each transaction. Clients should also be aware that since Stern Fisher Edwards Inc executes advisory client transactions on an agency basis, the market-maker for a particular security may charge a markup or markdown on over-the-counter securities transactions.

Code of Ethics

We believe in holding our employees to the highest possible ethical and regulatory standards and subject all employees to our Code of Ethics ("Code"). Our Code is based on the principle that all employees of SFE have a fiduciary duty to place the interest of clients ahead of their own and the firm. Employees must not engage in activities, interests, and relationships that might interfere with making decisions in the best interests of SFE's advisory clients. SFE's Code states general principles that cover the following standards of business conduct:

1. Compliance with Laws and Regulations
2. Conflicts of Interest
3. Insider Trading
4. Personal Securities Transactions
5. Gifts and Entertainment
6. Confidentiality
7. Other Outside Activities
8. Marketing and Promotional Activities

The Code also addresses compliance procedures, record-keeping, and administration and enforcement of the Code. We require our personnel to conduct business with the highest level of ethical standards and to comply with federal and state securities laws at all times. Upon employment and annually thereafter, all employees will sign an acknowledgement that they have read, understand, and agree to comply with our Code. Our firm and all employees must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. Upon request, we will provide a copy of the Code to any client or prospective client.

Participation or Interest in Client Transactions

We do not act as a principal where we would buy securities from or sell securities to a managed client. SFE will not effect transactions in which an advisory client's securities are sold to or bought from another advisory or brokerage client, so called "cross transactions".

Personal Trading

SFE employees may own some of same securities that we recommend to clients. These securities are usually widely-held stocks or exchange-traded funds. Our personal trades are immaterial in size and therefore do not impact the trading volume or price of such securities. These securities may have been purchased either before or after the same stock is purchased for a client. We recognize that the personal investment transactions of members of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members of our firm, it is logical and even desirable that there be common ownership of some securities. We feel common ownership aligns our interest with that of our clients, and does not present a conflict.

Occasionally, SFE or a related person buys or sells securities for itself that are also recommended to clients. We take steps to insure that advisory clients obtain transaction benefits that are no less favorable than our own. If an SFE employee buys or sells a security for client accounts at or about the same time the security is bought or sold for their own account, such transactions will be accomplished as a block trade (aggregate orders) in order to ensure execution at the same price. If client transactions have been executed during such trading day and an employee's trade was not included therein as a block trade, trades will be executed on behalf of employee only at the close of such trading day at prices no more favorable than those obtained for clients during such day. All trades executed in the same security during any one trading day shall be reviewed and, if necessary, prices may be adjusted to assure that SFE or a related person does not receive a more favorable price than any advisory client.

In order to eliminate possible conflicts of interest and ensure that client interests are placed ahead of those of SFE and its personnel, our Personal Trading Policy also requires all related person transaction orders and executions be reviewed daily by management to verify that such trades conform to these criteria. In addition, the Chief Compliance Officer reviews employee holdings on a quarterly basis for any potential conflicts.

Review of Accounts

Advisory accounts are continuously monitored by the individual client's primary investment counselor. In addition, each account is typically reviewed twice each quarter by the portfolio management team and client manager. Weekly Investment Committee meetings are held to review client portfolio transactions from the prior week. The Investment Committee is comprised of all eight employee-owners of SFE, namely Earl W. Fisher (Chairman), Fred M. Edwards (Vice Chairman), Jon M. Kmett (President), Charles E. Bohlen, Jr. (Vice President), Teri M. McCasland (Vice President), Edward J. Ternan (Vice President), David J. Thomsen (Vice President) and James T. Moylan (Senior Portfolio Manager).

During these reviews, the Investment Committee looks at specific client account holdings and recent transactions. The review is conducted to verify that the account is in line with the client's investment objectives and risk tolerance and is appropriately positioned based on market conditions. Any changes in client financial status or objectives are noted, as well as recent performance of the account. Such issues as market conditions, industry trends, economic and interest rate forecasts and related tax implications are also considered in the reviews.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, or by client request.

Advisory clients receive monthly brokerage statements from Stern Fisher Edwards Inc or their account custodian. These reports include account holdings, description of activities, current market value and an income summary. In addition, on a quarterly basis, SFE provides a written report that includes an appraisal of the portfolio, a performance report, and our quarterly commentary on the economy and equity market. The portfolio appraisal includes the asset and sector allocations as a percentage of portfolio value, the market value and cost basis of each holding, and the annual income and yield of the securities.

Client Referrals and Other Compensation

SFE generally has no arrangement where we receive an economic benefit from non-clients in connection with giving investment advice or other advisory services to our clients. However, please refer to the discussion above, under the heading *Other Financial Industry Activities and Affiliations*, for a discussion of certain other compensation received by our affiliate broker-dealer Stern Fisher Edwards Inc. Although SFE and Stern Fisher Edwards Inc are separate and distinct corporate entities, Stern Fisher Edwards Inc reimburses SFE monthly for certain administrative costs, such as payroll and operational functions, through a services agreement.

SFE does not have any arrangement where we directly or indirectly compensate any person who is not our employee for client referrals.

Financial Information

SFE is required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. We have nothing to disclose in this regard.

Item 10 – Requirements for State-Registered Advisers

We are an SEC registered adviser and therefore not registered with any state securities authorities.