

**Item 1: Cover Sheet**

**INFORMATIONAL BROCHURE**

**December 9, 2011**

Stonebridge Partners, LLC  
81 Main Street  
Suite 505  
White Plains, New York, 10601

Andrew Magyar  
(914) 682-2700

**This brochure provides information about the qualifications and business practices of Stonebridge Partners, LLC. If you have any questions about the contents of this brochure, please contact us at (914) 682-2700 or via email at [amagyar@stonebridgepartners.com](mailto:amagyar@stonebridgepartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Stonebridge Partners, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2: Statement of Material Changes**

Stonebridge Partners, LLC is registering with the U.S Securities & Exchange Commission. This is its first ADV Part 2.

In the future, Stonebridge Partners may amend this Part 2 to reflect changes in business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Part 2 or a Summary of Material Changes shall be provided to each investor annually and if a material change occurs.

### Item 3: Table of Contents

#### TABLE OF CONTENTS

Item	Description	Page
1	Cover Sheet	1
2	Statement of Material Changes	2
3	Table of Contents	3
4	Advisory Business	4
5	Fees and Compensation	5
6	Performance Based Fees	6
7	Types of Clients	6
8	Methods of Analysis, Investment Strategies and Risk of Loss	6
9	Disciplinary Information	7
10	Other Financial Industry Affiliations	7
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	7
12	Brokerage Practices	8
13	Review of Accounts	9
14	Client Referrals and Other Compensation	9
15	Custody	9
16	Investment Discretion	9
17	Voting Client Securities	9
18	Financial Information	10

INFORMATIONAL BROCHURE  
STONEBRIDGE PARTNERS, LLC

**4. Advisory Business**

Stonebridge Partners, LLC (“Stonebridge Partners”) has been in business since 1986. Stonebridge Partners is the general partner of Stonebridge Partners Equity Fund, L.P., Stonebridge Partners Equity Fund II, L.P., Stonebridge Partners Equity Fund III, L.P., Stonebridge Partners Equity Fund IV, L.P. and (to be formed) Stonebridge Partners Equity Fund V, L.P. (each, a “Fund”, and collectively, the “Funds”), private equity funds offered to qualified investors. Investors and potential investors in the Funds should consult the Funds’ offering documents, including the Limited Partnership Agreements and Private Placement Memorandums, for a complete discussion of the Funds and the risk factors associated with each Fund.

The Funds pursue manufacturing based businesses with revenues typically between \$30 million and \$200 million in the North American private company universe.

*For additional discussion of the Funds, and their investment objectives and risks, please see response to Item 8.*

**5. Fees and Compensation**

**A. Fees Charged**

All of the Funds except for Stonebridge Partners Equity Fund V, L.P. (“Stonebridge V”) have finished their respective investment periods and are in the wind-down or monitoring stage. Stonebridge V is seeking investors and has not yet had its first closing. Discussions in this ADV Part 2 related to fees are general in nature. Specific disclosures regarding the fees associated with each Fund are found in the offering documents.

Generally, Stonebridge Partners receives a management fee, and if applicable under the terms of the Fund’s Private Placement Memorandum, a performance based fee known as a “carry”.

Management Fee

Generally, each Fund pays a management fee (the “Management Fee”) to Stonebridge Partners payable quarterly in advance equal to 2% per annum, based on the total amount of committed capital in the Fund. During the period commencing at the end of the Commitment Period (as such term is defined by each Fund’s Private Placement Memorandum) and ending on the termination of the Fund, an reduced amount (which may vary according to the Fund in question) of the aggregate Capital Contributions (as such term is defined in each Fund’s Private Placement Memorandum) used to make unrealized investments.

Performance Based

Generally, the Funds (and therefore each investor in the Funds) will pay a 20% performance-based fee to Stonebridge Partners. However, the performance fee will not be paid until the

investors achieve a base rate of return of 8% on their invested capital to date. In addition the performance fee is also subject to a “clawback” which means that once the Fund has wound up its investments, if Stonebridge Partners collects more performance-based fee than it should have been entitled, Stonebridge Partners must restore the overage to the Fund.

#### Co-Investments

From time to time, investors in one of the Funds, or investors outside of the Funds, may elect to participate in one or more investments along with a Fund. This happens when an outside investor wishes to participate in an investment in a specific portfolio company rather than investing in a Fund, or when a Fund investor wishes to increase their exposure to a specific portfolio company. These co-investments can allow Stonebridge Partners to increase the overall investment in the portfolio company. Fees for these co-investors may be varied and are negotiated by the Fund’s general partner.

#### B. Fee Payment

Fees are paid quarterly, in advance, and are directly debited from the Fund. Investors in the Funds acknowledge this arrangement when they execute subscription documents for a Fund.

#### C. Other Fees

The Fund will bear all legal, organizational and offering expenses, including the out-of-pocket expenses of Stonebridge Partners and its agents, actually incurred in the formation of the Fund. The Fund will also pay all costs and expenses relating to its operations, including, but not limited to: professional fees, fees related to investments, interest, taxes, and meetings with investors. Stonebridge Partners will be responsible for its own operations, including salaries, expenses incurred locating investments, its auditing, custodial, bookkeeping and accounting, fees and expenses, insurance and general administrative costs and expenses.

Stonebridge Partners will bear full economic responsibility for any fees payable to any placement agent. Investors in the Funds will not bear any such fees.

*Please refer to the respective offering documents for each Fund for additional discussion of fees and expenses paid by investors in the Fund.*

#### D. Pro-rata Fees

Due to the nature of the Funds, investors will be committed to investing a specified amount into a Fund at designated times. Investors will not generally be permitted to withdraw from a Fund or become an investor in a Fund after a Fund closes. Accordingly, there should be no need to calculate *pro-rata* fees.

#### E. Compensation for the Sale of Securities.

None of the employees of Stonebridge Partners is a registered representative of a broker-dealer. None of the employees of Stonebridge Partners will receive any compensation for executing trades on behalf of the Fund aside from Stonebridge Partners’ receipt of fees described above.

### 6. **Performance Based Fees.**

*Please see response to Item 5.*

**7. Types of Clients.**

Investors in Stonebridge Partners' funds and co-investors are of varied backgrounds. They may include endowments, retirement plans, corporations, fund of funds, high net-worth individuals, investment partnerships and banks

**8. Methods of Analysis, Investment Strategies and Risk of Loss**

Stonebridge Partners has an Investment Committee, which is comprised of senior firm professionals. Full biographies of each member are contained in each Fund's offering documents.

Stonebridge Partners is an operationally focused private equity firm that pursues controlled investments in niche manufacturing businesses in the US. Stonebridge Partners makes a concentrated number of control investments where it can provide active, operational oversight to each business. The first four Fund have made numerous investments since the firm was founded in 1986.

**Direct Sourcing:**

Stonebridge Partners will focus their efforts on proactively sourcing potential transactions through a combination of proprietary analysis and an extensive network of contacts. In Stonebridge Partners avoids structured auction processes, which allows for more flexible diligence and relationship building with management. Stonebridge Partners seeks private company investments.

**Execution:**

Given the nature of the transactions pursued by the Fund, Stonebridge Partners spends a significant amount of time and resources undertaking thorough due diligence on each investment opportunity. Each potential target's diligence is led by a senior professional. Stonebridge Partners utilizes a rigorous process to analyze, structure, document and approve potential transactions.

The initial diligence is completed, all senior professional review the findings and decide whether to proceed or withdraw. If they elect to proceed, additional diligence is performed. Stonebridge Partners' professionals assess material operational and financial elements of a business, and utilize outside advisors and consultants, as appropriate, to facilitate the process.

The entire professional staff at Stonebridge Partners is updated on the progress of each potential transaction by the deal team throughout due diligence. All investment professionals can provide

input, express concerns and question assumptions throughout the process, but the ultimate investment decision rest with the Investment Committee.

## **Value Creation**

Stonebridge Partners' approach to private equity investment is to have an interactive, hands-on relationship with its portfolio company management teams, deploying a combination of operating and financial expertise in each of its portfolio companies. This approach is meant to give Stonebridge the ability to proactively influence the trajectory of a portfolio company's earnings performance, through professionalizing its manufacturing and commercial operations which in turn promotes multiple expansion upon exit.

Stonebridge Partners' active collaboration with management begins during the due diligence phase with establishment of a formal plan for the investment and then progresses to routine interaction aimed at developing systems and metrics to measure company performance, at optimizing both manufacturing efficiencies and marketing efforts, at selective executive recruitment when necessary, developing an acquisition strategy and solving competitive issues as they arise.

## **Exit**

The final element of the investment process is to exit investments in a value maximizing manner. Stonebridge considers macro factors such as the overall economy and the status of the mergers and acquisition market and the credit environment. Professionals also collaborate with portfolio company management teams to evaluate company specific issues such as growth capital spending cycles, the competitive landscape or management succession issues. When it deems the timing to be appropriate, Stonebridge Partners engages middle market investment banking firms to conduct professional sales processes aimed at maximizing exit value.

## **RISK FACTORS**

*Please see the Funds' offering documents with regard to risks associated with investing with the Funds.*

All investments risk the loss of capital. No guarantee or representation is made that a Fund will achieve its investment objective or that an investor will receive a return of its capital. In addition, there will be occasions when Stonebridge Partners and its affiliates may encounter potential conflicts of interest in connection with a Fund. In evaluating whether to make an investment in a Fund, potential investors should consider all information contained in the offering documents. The following discussion is not a complete list of all potential risks. For a more complete discussion, investors should thoroughly review their respective Fund's offering documents.

### ***Private Equity Investments***

The Funds are subject to numerous risks generally related to investing in securities and the additional risks associated with investing in non-marketable securities and nonpublic companies. The securities or other interests acquired by the Funds will have restrictions on resale and, even in

the absence of such restrictions, may not be marketable. The ability of the Funds to profit from investments will be highly dependent upon the ability of the portfolio companies to progress in their development to the point where they can become an attractive merger or acquisition candidate or affect a public offering. Numerous factors may impede or prevent a company from reaching this point, including inadequate capital, unfavorable competitive developments, inadequate management, loss of key persons, technology obsolescence and lack of market acceptance. Companies may face significant capital shortfalls for a wide variety of reasons. Product development, modernization of technology or acquisition and integration of a new unit or subsidiary may prove more expensive or take more time than projected and the growth in revenues may be slower than expected. In any such event, the Fund invested with that portfolio company may be asked to provide additional capital. If the Fund is unable or refuses to provide the additional capital, the portfolio company may obtain the needed funds from another source, thereby diluting the earlier investment by the Fund. Alternatively, the inability of a portfolio company to obtain the needed financing may result in the failure of that portfolio company and a partial or total loss of the investment in such portfolio company.

#### ***Projections are Only Estimates***

Stonebridge Partners will generally determine the appropriate capital structure of each portfolio company in which the Funds invest based upon financial projections for that company. Projected operating results will normally be based primarily on management judgments. In all cases, projections are only estimates of future results based upon assumptions made at the time the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from the projections. Also, general economic conditions, which are not predictable, can have a material adverse impact on the accuracy of projections.

#### ***Operating and Financial Risks of Portfolio Companies***

Companies in which the Funds invest could deteriorate as a result of, among other factors, an adverse development in their business, a change in the competitive environment, or an economic downturn. As a result, companies which were expected to be stable may operate, or expect to operate, at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive position, or may otherwise have a weak financial condition or be experiencing financial distress.

#### ***Financial Market Fluctuations***

General fluctuations in the interest rates and market prices of securities may adversely affect the value of the portfolio companies in which the Funds invest. Instability in interest rates and the securities markets may also increase the risks inherent in the Funds' investments. The ability of a particular portfolio company to refinance debt securities may depend on its ability to sell new securities in the debt and equity markets, to borrow from banks or otherwise.

#### ***Illiquidity of Portfolio Investments***



The Funds' investments in portfolio companies generally will be illiquid and not readily marketable, and the transferability of such investments generally will be restricted under the terms of the documents governing such investments. There can be no assurance that the Funds will be able to liquidate a particular interest in any portfolio company at the time and upon the terms it desires. Less marketable or illiquid investment positions may be more difficult to value than more marketable assets, due to the unavailability of reliable market quotations and other factors. The ability of the Funds to successfully exit and achieve liquidity on its investments is dependent in large part on the condition of and valuations available in the public equity markets and valuations available in private negotiated transactions at the time, neither of which can be projected with any certainty. The sale of less marketable securities or other assets may require more time and result in lower prices, due to higher brokerage charges or dealer discounts and other selling expenses, than the sale of more marketable assets. The disposition of illiquid assets may involve distributions in kind to the investors.

### ***Use of Leverage***

Typically, the Funds will invest in portfolio companies that employ significant debt. While investments in leveraged companies offer the opportunity to improve rates of investment return and/or reduce the overall cost of capital for such companies, leverage generally magnifies both the opportunities for gain and the risks of loss from investments. The Funds' investments are expected to include portfolio companies whose capital structures may have a significant degree of leverage. Leverage often imposes restrictive financial and operating covenants on portfolio companies in addition to the burden of debt service, and may impair a portfolio company's ability to finance future operations and capital needs. As a result, recessions, operating problems, competitive pressures, or a general deterioration in business and industry conditions may have a more pronounced effect on the profitability or survival of such portfolio companies. Moreover, any rise in interest rates may significantly increase portfolio company interest expense, causing losses and/or the inability to service debt levels. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the Fund invested in that portfolio company may suffer a partial or total loss of capital invested in the portfolio company.

### ***Co-Investments***

From time to time, investors in one of the Funds, or investors outside of the Funds, may elect to participate in one or more investments along with a Fund. This happens when an outside investor wishes to participate in an investment in a specific portfolio company rather than investing in a Fund, or when a Fund investor wishes to increase their exposure to a specific portfolio company. These co-investments can allow Stonebridge Partners to increase the overall investment in the portfolio company without unduly concentrating the Fund's investments

## **RISKS RELATING TO AN INVESTMENT IN THE FUND**

### ***Past Performance; No Assurance of Investment Return***

The past investment performance of Stonebridge's prior investments is not necessarily indicative of future results for any Fund. While the Funds intend to make investments which have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted IRR for each Fund will be achieved. On any given investment, total loss of principal is possible. There is no assurance that the Funds will be able to generate returns for its investors or that returns will be commensurate with the risks of investing in the type of companies and transactions described herein. An investment in any of the Funds should only be considered by persons who can afford a loss of their entire investment. An investment in any of the Funds requires a long-term commitment, with no certainty that a Fund will realize its rate of return objectives or that capital loss will not occur. There can be no assurance that investment objectives will be achieved, or that an investor will receive a return of its capital.

#### ***Insufficient Investment Opportunities***

A Fund may be unable to find a sufficient number of attractive opportunities at appropriate prices to meet its investment objectives. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, investors will be required to pay annual management fees during the Commitment Period based on the entire amount of their Capital Commitments.

#### ***Conflicts of Interest***

*Performance Allocation.* The existence of Stonebridge Partners' performance-based fee may create an incentive for Stonebridge Partners to make more speculative investments on behalf of the Funds. The capital commitments of Stonebridge Partners and its professionals should tend to reduce this incentive.

### **9. Disciplinary Information**

None to report.

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

There are no contractual relationships between Stonebridge Partners and any other party within the financial industry.

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

- A. A copy of our Code of Ethics is available upon request. Our Code of Ethics includes discussions of our fiduciary duty to clients, political contributions, gifts, entertainment, and trading guidelines.
- B. Not applicable.
- C. Due to the nature of Stonebridge Partners' business and investment strategy, it is unlikely, if not impossible, that an employee could place a trade in a recommended security before a client. However, Stonebridge Partners requires that all employee securities holdings be

reviewed by the Compliance Officer at least quarterly so that the Compliance Office may ensure that each employee's trading activity does not present a conflict of interest.

- D. Due to the nature of Stonebridge Partners' business and investment strategy, it is unlikely, if not impossible, that an employee could place a trade in a recommended security at the same time as a client. However, Stonebridge Partners requires that all employee securities holdings be reviewed by the Compliance Officer at least quarterly so that the Compliance Office may ensure that each employee's trading activity does not present a conflict of interest.

## **12. Brokerage Practices**

Stonebridge only clients are the Funds and the investors of the Funds. There are no day-to-day brokerage trades placed on behalf of clients.

## **13. Review of Accounts**

The portfolio is reviewed by the Investment Committee at least quarterly.

## **14. Client Referrals and Other Compensation**

Stonebridge Partners does not currently compensate any other person for referring clients to Stone Bridge. If this ever were to change, any client who was referred by a person receiving compensation from us would be made aware of the compensation, and any additional registration requirements would be addressed.

## **15. Custody**

Stonebridge Partners has custody of client funds through its management of the Funds. The Funds are audited by RSM McGladrey, a PCAOB registered firm.

## **16. Investment Discretion**

Please see Item 4 for a discussion of investment discretion.

## **17. Voting Client Securities**

Stonebridge Partners will have discretion to vote proxies related to any publicly traded portfolio company. Each proxy will be voted on a case-by-case basis.

## **18. Financial Information**

Stonebridge Partners does not require the prepayment of fees more than six (6) months or more in advance and therefore has not provided a balance sheet with this brochure.

Stonebridge Partners has discretion over the Fund's investments. There are no material financial circumstances or conditions that would reasonably be expected to impair our ability to meet our contractual obligations to our clients.