



LODESTAR

FORM ADV PART 2A: FIRM BROCHURE

Lodestar Investment Counsel, LLC
150 S. Wacker Drive
Chicago, Illinois 60606

Firm Contact
Kimberly Geary—Chief Compliance Officer

Website Address
www.ldstr.com

March 30, 2016

This brochure provides information about the qualifications and business practices of Lodestar Investment Counsel, LLC (Lodestar). Lodestar is registered as an Investment Adviser with the United States Securities and Exchange Commission (SEC). Registration with the SEC alone does not imply a certain level of skill or training. For information on the background and qualifications of Lodestar's Portfolio Managers, please reference the Brochure Supplement. If you have any questions about the contents of this brochure, please contact us at (312) 630-9666. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Lodestar Investment Counsel, LLC is available on the SEC's website at www.adviserinfo.sec.gov.



TABLE OF CONTENTS

Advisory Business	3
Fees and Compensation	4
Performance-Based Fees	4
Types of Clients We Serve	4
Methods of Analysis, Investment Strategies, and Risk of Loss	5
Disciplinary Information	5
Other Financial Industry Activities and Affiliations	5
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	6
Brokerage Practices	6
Research and Other Soft Dollar Benefits	7
Brokerage for Client Referrals	7
Bundled Trades and Directed Brokerage	8
Review of Accounts	8
Client Referrals and Other Compensation	9
Custody	9
Investment Discretion	9
Voting Client Securities	10
Financial Information	10
Exhibit I—Summary of Material Changes	11



ADVISORY BUSINESS

Lodestar Investment Counsel, LLC was formed in 1989 as a registered investment adviser (RIA). The firm is majority owned by its Co-Presidents and Managing Directors, Robert H. Dearborn and Peter W. Flanzer.

Our services are designed to provide a risk-averse approach to long-term capital management that is tailored to each client's unique financial circumstances. Before we begin to plan a portfolio, through conversations with our client, we develop an understanding of their investment goals and risk tolerance as well as any pertinent financial circumstances and constraints.

In conjunction with each client, we determine an appropriate investment strategy. Once the strategy is mutually agreed upon, the investment process commences. Specific investments are selected in keeping with the investment strategy, taking into account any investment restrictions that may be imposed upon the portfolio by the client. In short, portfolios are individually managed in a manner that is designed to meet the specific objectives of each particular client.

In general, the focus of our investment approach is on high quality financial assets, primarily stocks, bonds, and money market securities. Stock investments are made primarily in large capitalization companies that are leaders in their respective industries. We focus on stocks that we believe are undervalued based upon a variety of measures (i.e. financial strength, earnings, dividends etc.) Please see page 5 "Methods of Analysis, Investment Strategies, and Risk of Loss" for detailed discussion. Investments in fixed income securities are predominately made in bonds that are rated investment grade, usually with maturities that do not exceed ten years. Notwithstanding these general statements, our portfolio managers bring their own experience and perspective to each relationship, which contributes to variation in the composition and focus of client portfolios.

The composition of an investment portfolio is dependent upon the investment goals of each client, and may be comprised of one or more of the following security types:

Equity Securities	Certificates of Deposit
Municipal Securities	Option Contracts
Corporate Debt	Publicly Traded Master Limited Partnerships
United States Government Securities	Guaranteed Insurance Contracts
Mutual Funds/Exchange Traded Funds	Commercial Paper

Each portfolio at Lodestar Investment Counsel is individually managed. Portfolios are under constant supervision and investment reviews are performed regularly to ensure compliance with investment objectives. We believe our portfolio managers are well qualified to assess individual client needs, they adhere to sound fiduciary principles, and they conduct the business of managing client portfolios accordingly. On December 31, 2015 Lodestar had approximately \$1.1 billion in regulatory assets under management. Assets are typically managed on a discretionary basis, however we do offer our services on a non-discretionary basis.



FEES AND COMPENSATION

Lodestar Investment Counsel is customarily compensated on the basis of fees calculated as a percentage of assets under management. On occasion we will consult with a client on a negotiated fixed fee basis.

Our standard fee schedule is outlined in the table that follows, however the fees charged to a particular account may be subject to negotiation and could vary from this schedule.

Percentage Fee	Account Size
1%	On the first \$1,000,000
3/4 of 1%	On amounts from \$1,000,001 to \$5,000,000
Negotiated	On amounts over \$5,000,000

Lodestar's fees are assessed and payable quarterly in advance. Our clients may elect to pay us directly or choose to have their custodian charge their account and pay Lodestar accordingly. This election is made when an account is initiated with us. In the event that a client chooses to cancel their advisory agreement with us before the end of a billing period, any prepaid fees will be prorated through the end of the period and refunded to the client. Prorated fees are subject to a 30-day notification provision.

Custodial fees, transaction costs, and other expenses associated with the management of a client portfolio shall be paid by the client. Lodestar does not receive any fee or commission from the sale of investment products that we recommend to our clients, nor do we participate in wrap fee programs. Managing client portfolios on a fee basis is our sole business. Please reference "Brokerage Practices" and "Research and Other Soft Dollar Benefits" on pages 6 & 7 for detailed discussion of Lodestar's brokerage practices.

PERFORMANCE-BASED FEES

Lodestar's fees are primarily based on the value of portfolio assets under management. We do not receive any fees or other compensation based upon the investment performance of accounts.

TYPES OF CLIENTS WE SERVE

Lodestar Investment Counsel provides investment management services to individuals, trusts, family offices, corporate and individual retirement plans, and charitable organizations.

In order to ensure the highest level of personalized service, our minimum client relationship size is typically \$1 million in investable assets. We do work with clients with total assets of lesser value on a case by case basis.



METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Lodestar's portfolio managers possess extensive experience in traditional portfolio management. We employ various methods of security analysis to assist us in formulating investment strategies. Broadly speaking, these methods include both fundamental and technical analysis. Our research process incorporates internally generated efforts together with services and information received from outside vendors.

In general, fundamental analysis focuses on the individual attributes of a company such as the strength of the company's management and the viability of its business model. We study profitability, price earnings ratios, debt ratios, dividend yields, revenue stream sources, growth prospects, and management stock ownership. We consider the characteristics of the industry in which the company operates and any other variables that we anticipate may impact the company's profitability.

The basic tenets of technical analysis include analyzing stock trends, asset price volatility and chart patterns as well as other general market information. This may include looking at relative strength measurements, market cycles, and investor behavior.

With respect to bond investments, we generally focus on securities that are investment grade rated. We review the credit ratings that we receive from major credit rating services, and use these ratings to supplement other information received on specific bonds from third party brokers and vendors. Our bond management approach is designed to generate a high quality stream of current income for our clients and, in the case of balanced accounts, to moderate the portfolio risk associated with stock holdings.

In sum, our overall investment approach is geared toward generating strong long-term investment returns without assuming undue portfolio risk. We believe that investment portfolios should be custom managed to meet the specific investment goals, risk tolerances, and other constraints that are unique to each client. Our approach is conservative in nature, however risk is inherent in any investment program and, as a result, the investment returns in client portfolios will fluctuate and accounts may lose value.

DISCIPLINARY INFORMATION

Lodestar Investment Counsel, LLC has been in business since 1989, and neither the firm nor members of the firm's management have ever been the subject of any legal or disciplinary event that would be material to a client's or a prospective client's evaluation of Lodestar's business or the integrity of its management.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Lodestar Investment Counsel is an independent investment adviser and is not affiliated with any other company.



CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Lodestar Investment Counsel has adopted a Code of Ethics which applies to all of its supervised persons. A copy of our Code of Ethics is available to any client or prospective client upon request. The Code of Ethics is predicated upon the following principles:

- Supervised persons of Lodestar shall always place the interest of clients ahead of the interest of the firm or its employees.
- Personal securities transactions shall be conducted in a manner as to avoid any actual or apparent conflict of interest, or any abuse of an individual's position of trust and responsibility.
- Supervised persons shall always be aware of how their actions may look in hindsight, and never take inappropriate advantage of their positions.

The Code of Ethics further provides that supervised persons must comply with all applicable federal securities laws. It also imposes certain trading restrictions on persons who are likely to know about Lodestar's trading activity. It is common for employees of Lodestar to own securities that are also owned by the firm's clients. In order to avoid conflicts of interest related to this common ownership, we have trading preclearance procedures in place. These procedures include prohibitions on the purchase or sale of most equity securities on the same day as those same securities may be purchased or sold by any Lodestar client. All securities transactions are reviewed daily by senior management and compliance personnel to assure compliance with these procedures.

BROKERAGE PRACTICES

Lodestar Investment Counsel considers several factors in determining the brokers through which we execute securities transactions on behalf of our clients. As an initial matter, we seek a combination of the most favorable commission and best price obtainable on each transaction, and we select brokers on the basis of their execution capability and trading expertise. This is generally defined as best execution.

Additionally, the custodian selected by our clients may impact the financial or other terms of the brokerage arrangements we would consider for the execution of any particular transaction. Certain custodians offer flat trading charges that may outweigh benefits of trading through an unaffiliated broker, and other custodians offer arrangements which make trading through unaffiliated brokers more attractive. Similarly, directed brokerage relationships designated by our clients will impact our selection of brokers. Also, transactions that involve a small number of shares are generally subject to a minimum brokerage commission.

Moreover, the direction of transactions to brokers, and the commission rates charged, may also be based upon the quality and amount of research services that they provide to us (and indirectly to our clients).



RESEARCH AND OTHER SOFT DOLLAR BENEFITS

Research products and services paid for with soft-dollars are of the type described in Section 28(e) of the Securities and Exchange Act of 1934. These products and services provide assistance to us in the performance of our investment decision-making responsibilities and are designed to augment our own internal research and investment strategy capabilities.

Lodestar receives both proprietary and non-proprietary research, and these services include a wide variety of written reports on individual companies and industries, current and historical statistical information, comparative performance evaluation, technical measurement services, general economic data, information on federal and state legislative developments, and changes in accounting practices. These services may also include direct access to research analysts throughout the financial community, corporate management personnel, industry experts, economists, and services from recognized experts on investment matters that are of particular interest to us and, by extension, to our clients. In selecting brokers that provide these services, we may cause our clients to pay higher commissions than those charged by some other brokers. Also, because we could pay for these services out of our own assets, we may have an incentive to select or recommend a broker based upon receiving these research services, thus potentially creating a conflict of interest. Nonetheless, it is our policy and intention to select brokers based upon the best interests of our clients.

These research services are used to carry out our investment management responsibilities with respect to all of our client accounts. Accordingly, these benefits accrue to all of our clients and not only to the accounts that paid the commissions for which research services were obtained. Further, Lodestar does not seek to allocate soft dollar benefits to client accounts proportionately to the credits the accounts generate.

BROKERAGE FOR CLIENT REFERRALS

The primary factor in broker selection for a particular transaction is the portfolio manager's confidence in receiving a favorable net execution. A secondary factor in this decision may include, though is not limited to, the consideration of client referrals. From time to time, brokers referring clients to Lodestar Investment Counsel may be paid commissions over and above those that might be paid for normal services, though only with the knowledge and approval of the client.

In general, unless a client directs us otherwise, the selection of the brokerage firm to use for securities transactions is determined by Lodestar.



BUNDLED TRADES AND DIRECTED BROKERAGE

Lodestar strives to treat all clients in a fair and equitable manner in all dealings, including trade-related activities. In situations where securities are purchased or sold for more than one client portfolio, the trades for those portfolios may be aggregated and executed through one or more brokerage firms. In transacting an aggregated trade of this type, the following policies and procedures are in place with respect to aggregation.

- Client transactions may be aggregated if the portfolio manager believes that the best execution standard may be met for each client portfolio participating in the transaction. Client portfolios participating in an aggregated transaction receive the average price of the transaction and share transaction costs on a pro rata basis, subject to any minimum transaction costs that may apply.
- It is understood that not all clients owning or intending to own a particular security will be a part of an aggregated transaction. Orders may be entered at different times on the same day, or on other days, based upon the portfolio manager's discretion. Due to this fact, it is likely that client accounts which are not part of an aggregated transaction will pay or receive a different per share amount, which could be better or worse than that paid/received through the aggregated transaction.
- Clients who designate a specific broker for transactions will likely receive a different trade execution than an aggregated transaction, which could be advantageous or disadvantageous to those clients. Those clients that designate a specific broker for transactions must do so in writing.

Lodestar Investment Counsel is not affiliated with any broker-dealer.

REVIEW OF ACCOUNTS

Securities transactions are reviewed by the account manager, a member of senior management, and the Chief Compliance Officer. Accounts are reviewed by the primary manager at least monthly, or more frequently as circumstances warrant, such as unusual market activity, price volatility, security specific issues, or by changes in a client's investment circumstances. All securities under Lodestar's management are under constant supervision.

Detailed written reports, including asset allocation, industry diversification, yield, cost basis, market value, income, and transaction activity are delivered to our clients quarterly, or as otherwise mutually agreed upon between Lodestar and the client.



CLIENT REFERRALS AND OTHER COMPENSATION

Lodestar Investment Counsel, LLC has arrangements with certain third party firms where we compensate these firms for referring clients to us. These agreements vary in nature, the terms of which are negotiated between Lodestar and the third party. Any such referral arrangements are disclosed to the clients that are referred to us, and approved by the client in writing.

Typically, the referral payments comprise a portion of the ongoing investment management fees paid to Lodestar by the client.

CUSTODY

Lodestar Investment Counsel does not serve as custodian for any of our client assets. Thus, our clients retain a third party custodian to serve this role on their behalf. The custodian must be a bank, broker-dealer, or other qualified institution.

In general, clients receive account statements from the custodian of their assets on a monthly basis. Certain custodians send statements quarterly if there is little or no activity in an account.

Clients receive statements from Lodestar Investment Counsel on a quarterly basis, or as otherwise agreed upon between Lodestar and the client. We encourage our clients to compare the account statements received from the custodian with those received from us to ensure that all account transactions are accurate.

INVESTMENT DISCRETION

Lodestar Investment Counsel accepts discretionary authority to manage securities accounts on behalf of its clients. Lodestar's clients are permitted to impose reasonable limitations on this authority. However, Lodestar will not enter into an investment advisory arrangement with any prospective client whose investment objectives may be considered incompatible with our basic investment philosophy or strategies or where a prospective client seeks to impose unduly restrictive investment guidelines.

Lodestar's discretionary investment management contract grants the firm full discretionary power in placing orders for the purchase or sale of securities on behalf of a client. Members of our firm may not exercise any discretionary power without first obtaining this written authority from the client.



VOTING CLIENT SECURITIES

Lodestar does not accept authority to vote client securities. Under certain custody arrangements, our clients may appoint their custodian to vote proxies on their behalf, otherwise our clients reserve the sole right to vote such proxies. Under circumstances where a client retains the right to vote their securities, they will receive the proxy materials directly from their custodian.

Our clients may contact their portfolio manager at any time with questions about a particular solicitation.

FINANCIAL INFORMATION

Financial information is only required by firms that engage in certain billing practices, and Lodestar Investment Counsel does not engage in these practices. Notwithstanding, we are aware of no financial circumstances that would prevent us from meeting our contractual obligations to our clients.



EXHIBIT I – SUMMARY OF MATERIAL CHANGES

No material changes have been made to this brochure since the last annual update on March 30, 2015.