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*This brochure provides information about the qualifications and business practices of Mitchell Sinkler & Starr (MS&S). Please contact us at 215-665-1450 or [info@mssadvisors.com](mailto:info@mssadvisors.com) if you have any questions about the contents of this brochure. 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 Mitchell Sinkler & Starr is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## **Item 2: Material Changes**

Effective May 20, 2013, changes were made to Mitchell Sinkler & Starr's Fee Schedule (Item 5 Fees & Compensation, Page 4).

### Item 3: Table of Contents

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## **Item 4: Advisory Business**

### **Background**

Mitchell Sinkler & Starr (MS&S) was established as a partnership in 1969 under the name Mitchell & Sinkler, and later incorporated under that name in 1972. It is the purpose of the firm to provide its clients with a high standard of service and investment advice.

Mitchell Sinkler & Starr is prepared to handle various types of accounts including those of individuals, families, endowment funds, foundations, estates, and trusts. Because continuous personalized attention is given to each client, the number of new accounts accepted for supervision is carefully monitored. Clients are encouraged to participate in the investment strategy and decision-making process, for we believe there is a correlation between a well defined client / advisor relationship and optimal investment performance.

The firm is also prepared to manage accounts on a fully discretionary basis.

As of December 31, 2012, our assets under management totaled \$995 million. Of that amount, \$873 million were managed in advisory (non-discretionary) accounts and \$122 million in discretionary accounts.

Mitchell Sinkler & Starr is registered under the Investment Advisors Act of 1940. A signed contract is required for each account, a sample copy of which is available upon request.

William W. Wylie, Jr., President, Nicholas W. Carper, Vice President, and W. Gregory Richardson, are the current stockholders of the Corporation.

### **Our Philosophy**

Working closely with our clients to establish the goals and objectives of each portfolio is the start of our investment process. This discussion leads to conclusions about the appropriate allocation to a variety of asset classes, income requirements, time horizon, the need for liquidity, and the need for principal stability. In the long-term, portfolios are fully invested with little effort made to time markets.

Both “top-down” and “bottom-up” approaches are utilized in the management process. Considerable time is spent evaluating economic conditions that affect capital markets, individual countries and regions, and specific industries, allowing portfolio managers to shape an account’s strategy related to the staged investment of cash, the laddering of fixed income portfolios, the weighting of industry sectors in equity portfolios, and the level of commitment to non-US markets. Conversely, when evaluating specific holdings for clients, every effort is made to understand and pass judgment on the suitability of fixed income or equity investments in relation to client objectives and the Firm’s research.

Based on the unique goals and objectives of each individual client, Mitchell Sinkler & Starr recommends, as appropriate, the purchase and sale of publically traded securities, including, but not limited to, common stock, individual bonds, and exchange-traded funds.

These recommendations will reflect any restrictions clients may impose on investing in certain securities or types of securities.

Mitchell Sinkler & Starr does not engage in short-term trading, speculative margin purchases or short sale strategies in client accounts.

## Item 5: Fees & Compensation

MS&S is compensated for its services by applying the following fee schedule to the market value of the account on the last day of the calendar quarter. The fee schedule is stated as an annual fee, so each account is charged one fourth the calculated fee based on the quarter-end market value of the account, payable in advance. Contracts are effective from the initial date until the last day in a calendar quarter in which one party shall notify the other in writing of its desire to cancel. No refunds are given if the contract is cancelled by the client prior to the end of the last quarter for which the account has been billed. For custody accounts, clients may elect to be billed or to have fees deducted directly from their MS&S account. For non-custody accounts, clients may elect to be billed or authorize MS&S to collect fees from their custodian.

MARKET VALUE OF ACCOUNT	ANNUAL FEE
\$2 Million (Minimum)	0.60%
\$2 Million to \$5 Million	\$12,000 + 0.40% of assets over \$2 Million
\$5 Million to \$10 Million	\$24,000 + 0.20% of assets over \$5 Million
Over \$10 Million	\$34,000 + 0.10% of assets over \$10 Million

A fee reduction of 10% will be considered for accounts of non-profit organizations. Reduced fees for related accounts may be negotiated at MS&S's discretion.

At times, client assets may be invested in mutual funds or exchange traded funds. When invested in these funds, clients are essentially paying two management fees – one to MS&S and the other to the manager of the mutual fund or money market fund. SEI Corp. manages money market funds that are used by MS&S's and SEI's clients. MS&S may be reimbursed for its sub-accounting of investments in these funds by SEI. This reimbursement does not reduce the income received by MS&S clients invested in these funds.

The purchase and sale of securities in client accounts will result in brokerage and other transaction costs. For more information, please refer to "Item 12: Brokerage Practices" in this brochure.

## **Item 6: Performance- Based Fees & Side-by-Side Management**

Not applicable.

## **Item 7: Types of Clients**

MS&S is prepared to handle various types of accounts, including those of individuals and families, estates and trusts, and foundations and non-profit organizations.

MS&S imposes a minimum size restriction of \$1,000,000 for new accounts, and for at least a single account within a group of accounts. MS&S may waive the size restriction at its own discretion.

## **Item 8: Methods of Analysis**

### *Our Philosophy*

#### *Overview*

Working closely with our clients to establish the goals and objectives of each portfolio is the start of our investment process. This discussion leads to conclusions about the appropriate allocation to a variety of asset classes, income requirements, time horizon, the need for liquidity, and the need for principal stability. In the long-term, portfolios are fully invested with little effort made to time markets.

Both “top-down” and “bottom-up” approaches are utilized in the management process. Considerable time is spent evaluating economic conditions that affect capital markets, individual countries and regions, and specific industries, allowing portfolio managers to shape an account’s strategy related to the staged investment of cash, the laddering of fixed income portfolios, the weighting of industry sectors in equity portfolios, and the level of commitment to non-US markets. Conversely, when evaluating specific holdings for clients, every effort is made to understand and pass judgment on the suitability of fixed income or equity investments in relation to client objectives and the Firm’s research.

Mitchell Sinkler & Starr does not engage in short-term trading, speculative margin purchases or short sale strategies in client accounts.

#### *Equity Investing*

The primary objective of investing in equities is to provide long-term growth of principal and income, in excess of the inflation rate, with minimum risk. Risk can be thought of in terms of volatility but Mitchell Sinkler & Starr is more inclined to define it in terms of business failure. We recognize the value of tax deferred compounding and in general invest in companies with strong balance sheets, sustainable margins, higher than average returns on equity and invested capital, and disciplined management teams. In a perfect world, equity investments would be held indefinitely but when investment changes are recommended, tax consequences are considered. Low cost legacy holdings receive appropriate attention.

Equity portfolios are structured to reflect the client's need for income and principal stability, and their appetite for risk. While portfolios are often compared to benchmarks, we do not manage to indices but focus on individual holdings that meet our criteria and our client's objectives. We favor companies that consistently produce corporate earnings growth faster than their peers, are leaders in their markets, have well defined dividend policies, and products and business plans we can understand. We are sensitive to price, both relative and absolute, in relation to anticipated earnings, earnings growth, cash flow and corporate assets.

While our client's holdings include both large and small domestic companies, as capital markets have become more global we have increasingly invested in non-US equities to take advantage of changing currency exchange rates and fast growing economies around the world.

#### *Fixed-Income Investing*

Mitchell Sinkler & Starr manages fixed income portfolios for both taxable and tax-exempt clients. An allocation to fixed income securities acts to insure an income stream and to provide stability of principal value. For taxable clients, investment grade, tax-exempt municipal bonds are most often the tax-efficient choice. The Firm evaluates the credit worthiness of municipal issuers, the unique aspects of each bond series, and the client's need for specific state tax exemption.

For charitable or retirement accounts which have no need for tax-exempt income, investment grade Government, Agency, and corporate bonds are used to satisfy portfolio needs. Yield spreads, availability, and future liquidity are a few of the determinants in the selection process.

Mitchell Sinkler & Starr has found it inefficient and unreliable to employ interest rate forecasts in the process of active fixed income portfolio management. Rather, we choose to ladder maturities in portfolios out to roughly fifteen years, depending on client objectives and market conditions, in an effort to maintain an average maturity of approximately five to seven years. This provides the opportunity to reinvest redemptions and maturities at the long end of the ladder to stabilize the income stream and minimize transaction costs.

#### *Risk of Loss*

Throughout our investment process, and particularly in the recommendation of specific securities, Mitchell Sinkler & Starr places an emphasis on quality. Measures of quality include, but are not limited to, criteria described above in our overview of equity and fixed income investing.

Nevertheless, investing in securities involves risk of loss that clients should be prepared to bear. To more fully understand these risks, which include the possibility of loss or impairment of investment income as well as the possibility of loss or impairment of principal or investment capital, MS&S portfolio managers discuss these risks with clients on an ongoing basis as part of the Firm's account management process.

## Item 9: Disciplinary Information

MS&S is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of the firm or the integrity of its management.

MS&S and its employees have not been involved in any legal or disciplinary events.

## Item 10: Other Financial Industry Activities & Affiliations

Not applicable

## Item 11: Code of Ethics

Pursuant to SEC rule 204A-1, Mitchell Sinkler & Starr maintains a *Code of Ethics and Policy on Personal Investing* for all employees to preclude conflicts of interest between employee transactions and client accounts and to ensure that the interests of clients come first. The *Code and Policy* apply to all full and part time employees of Mitchell Sinkler & Starr, all spouses of employees, and any accounts in which any of these persons have a direct or indirect interest. In addition to the policies set forth in the *Code of Ethics*, Mitchell Sinkler & Starr has adopted the *Code of Ethics and Standards of Professional Conduct* of the CFA Institute. A copy of our complete *Code of Ethics and Policy on Personal Investing*, including the CFA's *Code of Ethics and Standards of Professional Conduct* is available upon request.

MS&S may recommend to clients the purchase or sale of securities (or related securities) in which it, or its officers, employees, or related persons have a financial interest. MS&S may give advice and take actions in the performance of its duties to its clients that differ from the advice given, or the timing and nature of actions taken, with respect to other clients' accounts and/or employee accounts that may invest in some of the same securities recommended to clients.

It is possible that officers or employees of MS&S may buy or sell securities or other instruments that MS&S has recommended to clients and may engage in transactions for their own accounts in a manner that is inconsistent with MS&S' recommendations to a client.

Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a client. MS&S has adopted policies and procedures designed to detect and prevent such conflicts of interest and, when they do arise, to ensure that it effects transactions for clients in a manner that is consistent with its fiduciary duty to its clients and in accordance with applicable law. All transactions in non-exempt securities are required to be pre-cleared and in compliance with MS&S' Code of Ethics and Policy on Personal Trading to ensure that there is no conflict of interest or insider trading. Additionally, employees are required to report personal securities transactions to an officer of the company on a monthly basis.



## Item 12: Brokerage Practices

MS&S's brokerage practices are clearly described in the Firm's *Trade Management for Best Execution Statement of Policy*. Copies of the *Policy* are available upon request. The principal objective of the *Policy* is to obtain best executions for clients for all transactions entered on the clients' behalf. The overriding goal is to add value by reducing frictional trading costs, with the ultimate aim of achieving better investment performance and maximizing the value of client portfolios. MS&S has a fiduciary responsibility always to act in the best interest of its clients and always to place the interests of its clients before the interests of the firm and the individuals in it.

Trades executed on behalf of the Firm's clients are either 'directed' (the broker has been chosen by the client) or 'non-directed' (MS&S is authorized to select the appropriate broker for the specific trade).

If clients do not direct MS&S to use a particular broker, MS&S can select the broker or dealer to execute transactions for non-directed accounts and to negotiate commission rates for such transactions. MS&S will use its best efforts to have transactions executed at prices that are advantageous to clients and at commission rates that are reasonable in relation to the benefits received. MS&S may consider a number of factors when selecting a broker or dealer to effect a transaction, including its financial strength and stability, its reputation and access to the markets for the security being traded, the efficiency with which the transaction will be effected, and the value of research products and services that a broker lawfully may provide to assist MS&S in its investment decision-making.

For non-directed brokerage, MS&S determines the commission rate – currently \$0.10 per share – by evaluating the costs to our clients, the type of trades required, both generally and specifically, and the potential benefits to the Firm and its clients through "soft dollar" research. MS&S periodically reviews the commission schedule to make certain that it continues to be reasonable in relation to continuously changing market conditions. MS&S takes the position that, although clients could take their transactions to brokers who would execute their trades at lower rates, the soft dollar acquisition of research material is of fundamental and direct benefit to clients.

MS&S is not a broker dealer, is not affiliated with any broker dealers, and has no other economic relationships with broker dealers that might create a conflict of interest. As well, MS&S does not receive client referrals from potential or selected brokers. Therefore, the selection of non-directed brokers is purely based on the criteria listed above and described in more detail in the *Policy*.

Under MS&S' investment advisory contracts with clients, clients are entitled to make transactions through a broker or dealer of their own choice (directed). Some clients already have a relationship with a broker and they will instruct MS&S to execute all transactions for their account through that broker. If a client directs MS&S to use a particular broker or dealer, the client has the sole responsibility for negotiating commission rates and other transaction costs with the directed broker. The client should also know that a disparity may exist between the commissions borne by the account and the commissions borne by MS&S' other clients that do not direct MS&S to use a particular broker. The client should further understand that by instructing MS&S to execute all transactions through the directed broker, the client may not necessarily obtain commission rates and execution as favorable as

those that would be obtained if MS&S was able to place transactions with other broker-dealers. The client also may forego benefits that MS&S may be able to obtain for its other clients through, for example, negotiating volume discounts or aggregated trades.

Clients should recognize that, regardless of whether they have directed brokerage or not, the advice given and the actions taken with respect to their accounts may differ from advice given or the timing and nature of action taken with respect to other managed accounts. As such, a client may pay more or less for a security than another due to timing and market volatility. Clients should further recognize that transactions in a specific security may not be accomplished for all accounts at the same time or at the same price.

In all cases, MS&S will attempt, on a “best efforts” basis, to aggregate the purchase or sale of securities across accounts in order to eliminate the possibility of one account gaining a priority in time over another account. However, this can be complicated by several factors, including whether the accounts are advisory or discretionary, where the account is custodied, and whether the client(s) has (have) directed the brokerage. Complete details are described in the Firm’s *Policy*.

#### Research and Other Soft Dollar Benefits

MS&S engages in “Soft Dollar” arrangements with its selected brokers for the purpose of acquiring investment research and analysis. Some of the factors considered in the evaluation of broker’s research are breadth of coverage, the relevance and “fit” of the universe of stocks with the types of stocks recommended by MS&S and owned by MS&S clients, the mode of research delivery, and the cost of the research in terms of commission dollars.

Over the past year, MS&S received institutional Wall Street research reports from the research departments of the brokers with whom it elected to direct brokerage business (Merrill Lynch and Morgan Stanley). The Firm also had the option, but may or may not have exercised the option, to interact directly with research analysts employed by the same brokerage firms at meetings, by conference calls, e-mail and other forums.

Additionally, over the past year, MS&S applied soft dollar payments for third-party research which included Bloomberg, an electronic database and financial news and research tool, Standard & Poor’s Advisor Insight, a web-based program containing “independent” company specific research, Capital Economics, a research firm specializing in economic analysis, and security pricing and research related services provided by SEI Corp.

“Soft dollar benefits” can create the potential for conflicts of interest. These conflicts include, but are not limited to, the fact that the Firm receives a benefit without paying for it (the cost is borne by our clients) and the selection or recommendation of a particular broker could be made based on the interests of members of the Firm, rather than in the interests of our clients. MS&S is aware of these potential conflicts and has put in place policies and procedures, including regular reviews of our existing non-directed brokerage arrangements and the value of all research and benefits received. These practices are described in detail in the *Trade Management for Best Execution Statement of Policy*.

The extent to which commission rates or net prices charged by brokers reflect the value of research provided cannot be readily determined. To the extent that analytical research helps in the formation of investment policy and security selection, the research is used to service all accounts whether a specific account is paying for it through brokerage commissions or not. Research services may be useful in servicing some or all clients. In addition, some research may not necessarily be used by MS&S in servicing the clients whose commission dollars provided for the research. Certain client investment styles or strategies may result in the generation of a small amount of brokerage commissions due to a lack of active trading in their accounts.

Some clients direct MS&S to effect securities transactions for their account through a particular broker. As a result, clients who grant MS&S complete discretion with respect to the selection of a broker subsidize research products and services provided to clients who direct the use of a particular broker, or whose accounts generate minimal brokerage commissions since the commission dollars generated by transactions for such clients are not available to pay for research services and products that may be received from other brokers.

MS&S tracks the volume of brokerage commissions directed to the brokers selected for their research services and attempts to divide commissions in accordance with the value of research provided by the broker. It is believed that lower commission rates could be obtained if no institutional research services were received in return for directed brokerage.

### **Item 13: Review of Accounts**

MS&S's portfolio managers are responsible for the ongoing review of client accounts. The frequency of these reviews is a function of the needs of the client and the health of global economies and financial markets. For most clients, contact is maintained on a regular basis (by phone, letter, email, and in person) to discuss the status of their accounts and investment recommendations. However, changes in a client's investment goals or life circumstances may necessitate more or less contact for some period of time.

Although each account will normally be handled by an individual manager with an assigned backup, a client may always contact another portfolio manager in the event the assigned managers are unavailable. The interchange of ideas and discussion of investment strategies is a continuous process among the portfolio managers.

All clients are furnished with quarterly appraisals of their portfolios. Monthly statements are available upon request, and client information is accessible online. Additionally, in conjunction with each client's portfolio manager, customized reports may be utilized in the ongoing review of client's accounts, including, but not limited to, historical analysis, portfolio analysis, and client goals and objectives.

### **Item 14: Client Referrals & Other Compensation**

Not applicable.

## **Item 15: Custody**

As part of the service provided to our clients, we are prepared to handle the many details necessary for the proper custodial maintenance of accounts. We will keep all basic account records, provide custody of securities, maintain and process cash balances, collect income, be alert to rights offerings, stock splits and dividends, and called and matured bonds. We will also vote proxies on behalf of our clients (see “Item 17: Voting Client Securities”).

Custody accounts also receive annual tax information showing capital gains and losses and income receipts for those securities held in our custody.

In order to provide these custody services to clients that choose MS&S as their custodian, MS&S has entered into a sub-custodian agreement with SEI Private Trust Company, our qualified custodian. Securities are held in nominee name by SEI. Cash additions of customer funds are deposited in an agency account maintained by MS&S through SEI at Wachovia Bank, and then credited to the client’s individual account at MS&S. Money market funds at SEI Corp., our provider of computer services for records keeping, are available for investment of cash reserves.

Custody clients receive statements from SEI on either a monthly or quarterly basis. These statements include lists of assets as well as transactions for the statement period. Clients are encouraged to carefully review these statements upon receipt and call their account managers with any questions they may have.

Our non-custody clients -- those clients that choose to custody their securities elsewhere -- in addition to the monthly or quarterly statements they receive from their custodian, also receive a list of assets from SEI on a quarterly basis. These clients are urged to compare the asset list from SEI to the statement they receive from their qualified custodian. In the event there are discrepancies between the two statements, clients are encouraged to call their portfolio manager while recognizing that their official custodial statement may vary from our statement due to, but not limited to, accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

The majority of MS&S’ accounts are ‘Advisory,’ and the advisory contract says that specific consent must be obtained from the client before changes to investment are made.

However, MS&S also enters into ‘Discretionary’ contracts for select clients who agree to provide the Firm with full authority to determine which securities, and how much of each security, should be bought and sold in the discretionary account. In these cases, and as part of the ongoing portfolio management process, MS&S encourages discretionary clients to place any appropriate restrictions on the Firm. For example, a large position in a low cost stock might fall outside of the Firm’s discretionary authorization. In this case, written instructions from the client are sufficient.

## **Item 17: Voting Client Securities**

When requested by clients, MS&S will accept authority to vote client securities. Our policy is to vote proxies in the interest of maximizing shareholder value. Consideration will be given to both the short- and long-term implications of the proposal to be voted when considering the optimal vote. Our complete *Statement of Proxy Voting Policy and Procedures* is available upon request.

We have currently identified no conflicts of interest between our clients' interests and our own within our proxy voting process. Nevertheless, if MS&S determines that it is facing a material conflict of interest in voting a proxy (e.g., an employee of MS&S may personally benefit if the proxy is voted in a certain way), our procedures provide for a Proxy Voting Committee to convene and to determine the appropriate vote. If a conflict of interest pertaining to proxy voting arises, as a policy, MS&S will provide the clients for which a proxy is received with a description of the nature of the conflict and allow the clients to vote their proxies entirely in accordance with their own preferences.

If a client is interested in directing our vote in a particular solicitation for shares held in their account, they should contact their portfolio manager. Clients may also request from their portfolio manager information on how MS&S voted the securities held in their account.

Clients always have the option to elect to vote their own proxies. In this case, clients will receive proxies and other solicitations directly from their custodian or the appropriate transfer agent. Clients who vote their own shares are free to discuss with their portfolio manager any questions about a particular vote they may have.

## **Item 18: Financial Information**

There are no known financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to our clients.