

**Item 1: Cover Sheet**

**PART 2A OF FORM ADV:  
INFORMATIONAL BROCHURE**



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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 [jkepple@stonebridgepartners.com](mailto:jkepple@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 required to disclose any material changes to this ADV Part 2A here in Item 2. There are no material changes to report.

**Item 3: Table of Contents**

TABLE OF CONTENTS

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

INFORMATIONAL BROCHURE  
STONEBRIDGE PARTNERS, LLC

**Item 4:        Advisory Business**

Stonebridge Partners, LLC is the Registered Investment Advisor representing affiliated investment partnerships known collectively as Stonebridge Partners.

Since its inception in 1986, Stonebridge Partners has been the General Partner of three predecessor Funds, Stonebridge Partners Equity Fund, LP, Stonebridge Partners Equity Fund II, LP, and Stonebridge Partners Equity Fund III, LP, and is the current General Partner for Stonebridge Partners Equity Fund IV, LP (“Fund IV”). The three predecessor Funds have liquidated all investments as of 2011 and have been dissolved. Fund IV is fully invested and being actively managed to achieve targeted performance goals; it is not contemplating additional investments and is closed to new investors.

Stonebridge Partners has also sponsored investments outside of its Funds, in either co-investment partnerships which have invested alongside its Funds, or as standalone investment vehicles not associated with any Fund investment. The Firm relies primarily on institutional investors and individuals who have been previously with Stonebridge Funds as investors or members of management for the majority of its invested capital and does not advertise to or solicit contributions from the general public.

Stonebridge Partners acquires privately held companies through management buyouts in the "lower middle market" segment of manufacturing and distribution companies in the continental United States with transaction values of \$30 million to \$200 million. Stonebridge Partners does not invest in or provide investment advice on publicly traded securities.

As of December 31, 2022, Stonebridge Partners, LLC has regulatory assets under management, defined as equity investments at fair market value plus debt, of approximately \$123 Million.

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

**Item 5:        Fees and Compensation**

**A. Fees Charged**

Stonebridge Partners' current active investment vehicle is Stonebridge Partners Equity Fund IV, LP.

Predecessor Funds had sold off all investments by 2011 and have been formally dissolved as of the date of this filing. Terms of fees and compensation defined in the Limited Partnership Agreements for the predecessor Funds may differ from those of Fund IV.

Carried Interest, Advisory Fees and Transaction Fees

The Fund IV Limited Partnership Agreement describes performance based fees known as “carried interest” due the General Partner once certain performance targets are achieved.

Stonebridge Partners will also receive ongoing Advisory Fees from portfolio companies as well as

management contracts with its portfolio company investments and lender's loan agreements.

Stonebridge Partners will also sometimes receive a one-time transaction fee upon the acquisition closing of any investment, generally a percentage of the investment purchase price for its efforts to source, manage the due diligence process and arrange the equity and debt financing of the transaction. Transaction fees are paid from financing proceeds and are not charged to the Fund.

#### Performance Based Fees

The Limited Partnership Agreement of Fund IV and co-investment partnerships typically contain performance-based fees that can be earned by the General Partner. Performance fees or "carried interest" is a targeted 20% share of investment sale proceeds after the investors have been returned all of their capital contributions for their invested capital, management fees and expenses. The carried interest is typically subject to the investors achieving a preferred return on investment of approximately 8% per annum. After a true-up of the General Partner return of capital, any remaining sale proceeds are typically split 80% to the limited partners and 20% to the General Partner. Each Limited Partnership Agreement defines the carried interest formula and other terms such as "claw back" provisions where required. It has been the policy of Stonebridge Partners to take its carried interest proceeds after all investments and capital contributions in the Fund have been returned to investors to preclude any claw back requirements. Accordingly, Stonebridge Partners does not take carry distributions based on net unrealized gains.

For the purposes of this filing, with regard to other private funds, Limited Liability Company Agreements are synonymous with Limited Partnership Agreements where applicable.

#### B. Fee Payment

To the extent carried interest is payable, it will be paid after investor capital has been returned, which is typically upon realization of the underlying portfolio company.

#### C. Other Fees

Each private fund's governing documents explain the fees and expenses payable by such private fund. Most expenses are borne by the portfolio company.

Stonebridge Partners is responsible for the expenses of its own operations, including salaries, rent and office expenses and general administrative expenses. To date, Stonebridge Partners has not employed placement agents to secure investor capital or commitments.

#### 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 transactions on behalf of the Fund aside from Stonebridge Partners' receipt of fees described above.

**Item 6: Performance Based Fees**

*Please see response to Item 5.*

**Item 7: Types of Clients**

Investors in Stonebridge Partners Funds and co-investors are of varied backgrounds. Predecessor Funds investors included university endowments, retirement plans, corporations, and high net worth individuals, investment partnerships and banks.

Currently, the Fund IV investors are large, institutional and/or corporate investors. Co-investment partnerships or standalone transactions may include institutional investors and high net worth individuals who typically have invested in prior Stonebridge transactions or were members of management of prior portfolio companies, or selling shareholders and their affiliates. Stonebridge does not use general advertising to secure investors.

**Item 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 and the Firm's website.

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.

**Direct Sourcing:**

Stonebridge Partners will focus their efforts on proactively sourcing potential transactions through a combination of proprietary analysis and an extensive network of buy-side intermediaries. This permits Stonebridge Partners to avoid a structured auction process, allowing for a more flexible due diligence effort and relationship building with the management team of the acquired company. Stonebridge Partners seeks private company investments and does not invest in publicly traded securities or provide investment recommendations to its clients on publicly traded securities.

**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.

When the initial diligence is completed, all senior professionals 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 rests 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, optimizing both manufacturing efficiencies and marketing efforts, with 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.

## **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.

#### **Item 9: Disciplinary Information**

None to report.

#### **Item 10: Other Financial Industry Activities and Affiliations**

Stonebridge Partners employs the Operating Partner model in its investment management efforts.

Operating Partners are not employees of the firm, but seasoned industry executives with experience in particular fields that are best matched to Stonebridge Partners' portfolio companies business activity. Typically, they have been Senior Executives of previous successful Stonebridge Partners investments with "hands on" management experience. Operating Partners assist in sourcing and evaluating new transactions, performing due diligence and directing portfolio company management in achieving its goals. Operating Partners may act as Chairman of the Board of Directors of the company acquired, or have Board seats on other Stonebridge Partners investments or temporarily consult as needed on other Stonebridge Partners investments.

Stonebridge's Operating Partners are able to provide insight into certain areas in which the management teams of smaller businesses may be less familiar, such as management development and enhancement, systems development and implementation, worldwide product sourcing, add-on acquisition strategy, execution and integration and strategic planning, among others. Stonebridge Partners strives to remain flexible and responsive to continually changing market conditions, providing the resources and insight the portfolio companies need in order to outpace their industry.

Operating Partners are compensated on a retainer basis and may also be compensated for performing due diligence on a prospective investment. Such compensation is paid exclusively by Stonebridge Partners. In addition, an Operating Partner makes a significant cash investment in the acquired company through their purchase of common stock, and they also have the opportunity to purchase incentive shares on a promoted basis which vest if predetermined performance targets are achieved on sale of the investment. These targets are defined in the Offering Memorandum for any given investment. Stonebridge believes this structure creates an alignment of interests between company management and the Fund.

#### **Item 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 self-managed employee securities holdings be reviewed by the Compliance Officer at least quarterly so that the Compliance Officer 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 self-managed employee securities holdings be reviewed by the Compliance Officer at least quarterly so that the Compliance Officer may ensure that each employee's trading activity does not present a conflict of interest.

**Item 12: Brokerage Practices**

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

**Item 13: Review of Accounts**

Each investment is reviewed in an ongoing manner by Stonebridge's investment professionals.

**Item 14: Client Referrals and Other Compensation**

Stonebridge Partners does not currently compensate any person for the referral of clients. 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.

**Item 15: Custody**

The General Partners of the Funds are related persons to Stonebridge. As the General Partners have access to the assets of the Funds, and indeed provide certain managerial services to the Funds, the General Partners, and through them, Stonebridge, have custody of client funds. The Funds and reportable co-investment partnerships are audited at least annually by a PCAOB registered accounting firm.

**Item 16: Investment Discretion**

Please see Item 4 for a discussion of investment discretion.

**Item 17: Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, Stonebridge has adopted and implemented written policies and procedures governing the voting of client securities. All

proxies that Stonebridge receives will be treated in accordance with these policies and procedures. A copy of Stonebridge's written proxy voting policies and procedures, as well as a record of how Stonebridge has voted in the past, will be maintained and available for review upon written request.

The Funds are primarily invested in privately-held portfolio company investments which typically do not issue proxies; therefore, the traditional concept of voting of proxies and participation in class actions is not currently applicable to Stonebridge. The investment opportunities that Stonebridge seeks allows the Funds to have influence on the management, operations and strategic direction of the portfolio companies in which it invests; through its majority interest and/or through its employees who sit as officers and directors on portfolio company boards. The exercise of control and/or significant influence over a portfolio company imposes additional risks of liability for product defects, environmental damage, failure to supervise management and other types of liability in which the limited liability generally characteristic of business operations may be ignored. The exercise of control and/or significant influence over a portfolio company could also expose the assets of the Funds to claims by such portfolio company, its security holders and its creditors. While Stonebridge intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

Stonebridge will seek to avoid material conflicts of interest between its own interests on the one hand, and the interests of its Funds on the other. However, as is typical with private equity investing, Stonebridge seeks and accepts the election of one or more of Adviser's representatives to serve on the board of directors on behalf of its Funds and will typically, but not always, vote in favor of board recommendations. In situations where Stonebridge is required to vote the proxy for a company in which employees of Stonebridge serve on the board of directors, Stonebridge has determined that this does not inherently present a conflict of interest, as the sole purpose of this representation is to maximize the return on the Funds' investment in such portfolio company. Accordingly, while Stonebridge is generally, but not automatically, fully supportive of recommendations made by a portfolio company's board of directors with respect to proxy votes related to that issuer, it will review all proxies in accordance with its proxy voting guidelines and may or may not vote in favor of the board's recommendation.

All conflicts of interest will be resolved in the interests of the Funds. In situations where Stonebridge perceives a material conflict of interest, Stonebridge may defer to the voting recommendation of a Fund's Advisory Board, where applicable, or take such other action in good faith which would protect the interests of such Fund.

Copies of relevant proxy logs, identifying how proxies were voted in connection with a Fund and copies of proxy voting policies are available to any client or prospective client upon written request to: Attn: Chief Compliance Officer, Stonebridge Partners, LLC, 81 Main Street, Suite 505, White Plains, NY 10601.

## **Item 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.