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**September 13, 2012**

**FORM ADV PART 2A.  
BROCHURE**

**This brochure provides information about the qualifications and business practices of Bauerle Financial Inc. If you have any questions about the contents of this brochure, please contact us at 386-734-4548. 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 Bauerle Financial Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Bauerle Financial Inc. is 106775.**

**Bauerle Financial Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

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## *Advisory Business*

Form ADV Part 2A, Item 4

Bauerle Financial Inc.'s registration was granted by the U.S. Securities and Exchange Commission on November 1, 1995. Todd Alex Bauerle (CRD Number 1328549) is President and Chief Compliance Officer of the firm. Mr. Bauerle owns one hundred (100%) percent of the equity of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm or intermediaries, which have any ownership interest in the firm. As of December 31, 2011, the firm managed, on a discretionary basis, \$93,597,769 which represented 462 accounts, and on a nondiscretionary basis, managed \$8,550,483 which represented 111 accounts. Client assets are managed on an individualized basis. Clients may impose restrictions on their accounts. The firm sponsors a wrap fee program entitled The BFI Wrap Fee Program (see Appendix 1 Wrap Fee Program Brochure).

### Business Focus

Bauerle Financial, Inc is a registered investment advisor<sup>1</sup> engaged in the business of assisting clients to implement fiscally responsible practices that are tailored to address their monetary needs for today, tomorrow, and in the future. Our financial planning and investment counsel are directed to the needs of individuals and their families, pension and profit sharing plans, trusts, estates, corporations and small business owners.

### Vision Statement

Bauerle Financial, Inc. (hereinafter referred to as "the Company", "we", "us" and "our") is committed to conduct our business under the direction of God, our ultimate authority. This personal commitment, along with our professional expertise, has empowered our achievements.

Therefore, we believe that our continued success will require us to:

- ❖ Truly care for the clients we serve, not out of obligation, but out of our genuine desire to meet their needs;
- ❖ Consistently and constantly do that which is in the best interest of those we serve;
- ❖ Maintain professional excellence as our minimum acceptable standard of service;
- ❖ Create an environment which promotes teamwork and offers members opportunities for personal fulfillment;
- ❖ Recognize and prioritize spiritual pursuit, family unity, and cultural harmony;
- ❖ Be faithful stewards of all resources, particularly professional talents, personal time, and material goods; and
- ❖ Acknowledge and appreciate that we all have more blessings than we deserve.

## W E A L T H M A N A G E M E N T

The Company believes that the basis of one's financial life should begin with a financial plan. A financial plan

is not dissimilar to an annual exam at your physician's office or having an architect assist you in the design and construction of a home. It just makes sense to have a plan to get where you want to go.

#### Preparing the Financial Plan

The Company prepares a financial plan based on the six phases established by the Certified Financial Planners Board of Standards, Inc.

**1. Establishing and defining the relationship with a client.**

- Defining the Scope of the Engagement

**2. Gathering client data.**

- Determining a client's personal and financial goals, needs, and priorities
- Obtaining quantitative information and documents

**3. Analyzing and evaluating the client's financial status.**

- Analyzing and evaluating the client's information

**4. Developing and presenting financial planning recommendations.**

- Identifying and evaluating financial planning alternative(s)
- Developing the financial planning recommendation(s)
- Presenting the financial planning recommendation(s)

**5. Implementing the financial planning recommendations.**

- Agreeing on implementation responsibilities
- Selecting products and services for implementation

**6. Monitoring the financial planning performance.**

- Defining monitoring responsibilities

These standards build on serving the financial need of the client by implementing specific measures to solve problems and establish financial objectives that are in the best interest of the client.

#### Financial Planning

While order and style of presentation may vary, a financial plan document should include the thirteen (13) essential elements described below. This does not necessarily mean that the client's financial plan will be lengthy, as each area should be addressed so that it suits the client's personal situation.

1. **Personal data**, including relevant personal and family data for those covered under the plan.
2. Your **goals and objectives**, including their priority and desired time frame for achievement, where applicable.
3. Identification of **issues and concerns**, including education costs, taxes, major illnesses and other factors that are, or may develop into, a problem. These areas may be identified by you,

your planner, or other advisors.

4. **Assumptions** used in plan preparation such as inflation, investment growth, mortality rates, and other material assumptions.
5. **Balance sheet/net worth.** An analysis that includes, but is not limited to, a schedule listing assets and liabilities with a calculation of net worth and itemized schedules of liabilities and assets to be included, as appropriate.
6. **Cash flow management.** Statements and analysis to include, but are not limited to, a statement of your sources and uses of funds for all relevant years, indicating net cash flow, as well as a separate income statement, where appropriate.
7. **Income tax.** A statement and analysis to include, but not limited to, the income taxes for all relevant years covered in the plan. Projections should show the nature of the income and deductions to permit calculation of your tax liability. The analysis should identify the marginal tax rate for each year, and any special situations such as alternative minimum tax, passive loss limitation, etc., which affect your tax liability.
8. **Risk management.** An analysis of your financial exposure relative to mortality, morbidity, liability, and property, including your business if appropriate. This section should list and analyze current policies and problems, including life, disability, medical, property/casualty, liability, and business.
9. **Investments.** A listing of your current investment portfolio and an analysis or discussion of its liquidity, diversification, and investment risk exposure. In addition, the suitability of the investments, liquidity diversification and personal management efforts.
10. **Special needs** such as retirement planning and/or education planning. An analysis of the capital needed at some future time to provide for your specific needs. The analysis should include a projection of resources expected to be available to meet these needs at the time.
11. **Estate planning** to identify assets to be included in your estate, and an analysis of the control, disposition and taxation of those assets.
12. **Recommendations** in writing to specifically address your goals and objectives, all issues and problems identified in the plan, and actions necessary to compensate for any shortfalls.
13. **Implementation** schedule to prioritize a list of actions required to implement the recommendations, indicating responsible parties, action required and timing.

#### Seminars

Advice may be rendered regarding securities and/or financial planning through seminars. Such seminars may be used as an introduction to the financial planning process as noted above. Though our seminars are generally free to those who elect to attend, we reserve the right to change this policy and charge admittance to our seminars if we elect to do so.

#### Portfolio Management

First and foremost, the Company believes that the findings of the financial plan should drive the investment management process. If done right, the initial phases of the financial plan may define what returns must be obtained to meet the client's short, intermediate, and long term goals and the level of risk the client is willing to

take to obtain them.

#### Investment Factors

The following investment factors have a great impact on investment returns. Once defined for an individual client an asset allocation can be designed that is consistent with these factors:

- ❖ **TIME HORIZON** - Investment holding period, or time, in which a specific goal is to be achieved.
- ❖ **LIQUIDITY / MARKETABILITY** - Accessibility of cash (when you want it); ability to readily convert an asset into cash, independent of changes in the economy, without risking loss of principal.
- ❖ **RISK TOLERANCE** - Willingness to accept investment risk; there is no such thing as a risk-free investment. The level of risk an investor is willing to assume affects the types of returns expected. The objective of rational investment management is to select investment vehicles that maximize expected return for a given level of risk, or minimize risk for a given level of expected return.
- ❖ **TAX CONSEQUENCES** - Expected or realized performance of all investments should be calculated on an after-tax basis, thus comparing returns for both taxable and non-taxable investments on an equal basis.
- ❖ **DIVERSIFICATION** - Risk-reducing strategy that can produce greater realized return than a single-asset portfolio. The major purpose of diversification is to reduce the risk exposure by constructing a portfolio with assets whose risks or returns are not influenced by the same factors. Therefore, the type of risk associated with each investment must be identified and evaluated.
- ❖ **PERSONAL MANAGEMENT EFFORTS** - Degree to which you want to, and are capable of, managing your own assets.
- ❖ **MARKET CYCLE** – There have been fifteen (15) major market cycles since 1802, seven secular bull markets and eight secular bear markets. Identifying which market cycle one is in can have a major impact on investment returns over the subsequent 10 – 20 years.
- ❖ **INTEREST RATE CYCLE** – Interest rates on U. S. Treasury securities have fluctuated within very specific ranges over the years allowing astute investors to determine whether owning long or short term bonds would provide the best risk adjusted return.

#### Portfolio Composition

Any or all of the following asset classes may be used to fund an asset allocation:

Inst'l Exchange Traded Funds (ETFs)	Private Placement Real Estate
Inst'l Mutual Funds	Private Placement Stocks
Advisor Class Mutual Funds	Private Placement Bonds
Closed-End Funds	Private Mortgages
Master Limited Partnerships	Private Placement Mezzanine Debt
US Large Cap Growth	Int'l Large Cap Growth
US Large Cap Value	Int'l Large Cap Value

US Small Cap Growth	Int'l Small Cap Growth
US Small Cap Value	Int'l Small Cap Value
US Equity Sectors	Int'l Equity Sectors
Real Estate	Emerging Markets
Natural Resources	Single Country Funds
REITs	Int'l Bonds
US Short-term Bonds	Un-hedged Int'l Bonds
US Intermediate-term Bonds	Church Bonds
Corporate Bonds	Municipal Bonds
Closed-End Bond Funds	Closed-End Int'l Bond Funds
Market Neutral funds	Oil/Gas
Hedge funds	Currencies
Short Funds	Gold
Silver	Other Precious Metals
Leveraged Long Funds	Commodities
Unit Investment Trusts	Variable Annuities
Immediate Annuities	Fixed Annuities

Generally, exchange traded funds are utilized as the investment of choice due to their low cost, marketability, and tax efficiency. However, it is not uncommon for institutional no-load mutual funds, individual bonds, individual stocks, closed-end funds, private placements, non-public REITs, religious based cash management accounts, or private money managers to be used as funding vehicles.

As stated above, portfolio design is driven by the financial plan findings and each client's portfolio is designed to be consistent with their individual investment factors.

#### Protocols for Wealth Management Services

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##### Financial Planning

###### Termination Provisions for Financial Planning

Clients have five (5) full business days to terminate the FP Agreement. Should a client wish to terminate the FP Agreement after such time period and before presentation of the financial plan, the Company will be compensated through the date of termination for time spent in design of the financial plan at the hourly rate agreed to by both parties in the FP Agreement. After the financial plan has been completed and presented to the client, termination of the FP Agreement is no longer an option.

Hourly consulting can be terminated at any time. The Company will bill the client for any services rendered from the date of the last bill up to the date of termination at the agreed upon hourly rate.

## ***Fees and Compensation***

Form ADV Part 2A, Item 5

### **Fee Structure for Wealth Management Services**

#### **Financial Planning Fees**

Financial planning fees are based on the size, complexity, and nature of each client's personal and financial situation and the amount of time it will take to complete the financial planning process as outlined above. The Investment Advisory Agreement for Financial Planning (hereinafter referred to as "FP Agreement") is provided to clients at the beginning of the planning process. It includes the cost for the financial plan with one-half of the fee due at the time the FP Agreement is signed. Rarely will a fee exceed the written estimate provided in the FP Agreement. However, there may be instances where we did not contract with the client to perform a particular task, and therefore merits notifying the client of the additional cost prior to beginning such services.

Financial planning services are offered on a flat fee basis and are commensurate with case complexity. Thereafter, all costs for an annual review and update are included with our Portfolio Management Fees (See below for details).

#### **Hourly Consulting**

If a client desires only partial financial planning, which would entail one or more of the thirteen steps outlined above, then hourly consulting fees will be billed, at a rate not to exceed \$250.00 per hour. All fees will be billed monthly as work is completed. The size, complexity, and nature of each client's personal and financial situation and the amount of time it will take to complete the planning process will have a profound impact on the cost to complete the consultation.

#### **Annual Advisory Fees**

The standardized fee structure below represents the maximum annual percentage charged for Portfolio Management services provided on an asset-based fee arrangement. Fees are negotiable based on the facts of each case. The Investment Advisory Agreement for Portfolio Management (hereinafter referred to as "IAA Agreement") is provided to clients at the beginning of the Portfolio Management relationship. The fee is determined by dividing the number of days in the calendar quarter by the number of days in the year then multiplied by the applicable breakpoint fee percentage to determine the daily periodic rate for that particular quarter. Once the daily periodic rate is calculated, it is multiplied by the aggregate market value of the client's total assets in the account(s) on the last day of the 2<sup>nd</sup> month of each calendar quarter based on the following fee schedule:

<b>Portfolio Value Breakpoints</b>	<b>Annual Advisory Fees Fees not to Exceed</b>
\$0 to \$1,000,000 .....	2.00%
\$1,000,000.01 to \$2,000,000 .....	1.50%
\$2,000,000.01 to \$5,000,000 .....	1.00%
Over \$5,000,000 .....	Negotiable

All Portfolio Management fees will be fully disclosed in the client's IA Agreement with the Company.



Each client is billed quarterly, in advance, based on the total assets in the account(s) on the last day of the second month of each calendar quarter. For the first billing quarter, if an account is not opened at the end of the second month of the quarter, the fee will be based upon a pro-rata calculation of the aggregate market value of the client's portfolio upon receipt of assets into the account(s), based upon the date of the signed IA Agreement.

Advisory fees will be taken first from fee credit balances or from any money market funds or balances. If such assets are insufficient to satisfy payment of fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

Annual Review clients will be billed semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> for a flat annual fee of \$2,500.

#### Deposits and Withdrawals

Assets deposited by a client into their management account during a management cycle will not result in additional pro-rata management fees being billed to the client's Portfolio Management account.

However, excessive asset withdrawals by the client from their Portfolio Management account can create asset allocation shortfalls and imbalances that the Company must take the time to correct for the account to continue to achieve the investment returns desired by the client. Therefore for assets withdrawn by a client, the Company has the option to refund any Portfolio Management fees on a pro-rata basis.

#### Fee Exclusions

The above fees for Portfolio Management are exclusive of any charges imposed by third parties, such as: (i) SEC fees; (ii) service or account charges, such as, debit balances or postage/handling fees; (iii) contingent deferred sales charges; (iv) load or redemption charges that may be imposed by a fund company or custodian firm; and/or, (v) commissions earned by the custodian firm for securities transactions.

In addition, all fees paid to us for Portfolio Management services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees and contingent deferred sales charges. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. Clients are encouraged to carefully read the fund prospectus.

The Company may exclude certain assets to be billed within the portfolio based only upon written acknowledgement and agreement between us and the client. Exclusion of any asset is on a client-by-client basis.

#### Termination Provisions for Portfolio Management Services

Clients have five (5) full business days after entering into an IA Agreement in which to cancel our Portfolio Management services and not incur any costs. Thereafter, should the client wish to terminate the Portfolio Management services on a day other than the last day of a calendar quarter, the Company shall be paid fees due through the date of all funds being out of Company's discretion and any balance of the management fee shall be refunded on a pro-rata basis.

To terminate our Portfolio Management services a written notice should be submitted at least 30 days prior to the actual termination date, which provides clear instruction on what the client wants done with their account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity). Once the termination notice has been received and we have implemented the final instructions from the client, we are

no longer responsible for the management of client assets. From the date that the termination goes into effect, it becomes the clients' responsibility to make their own investment decisions.

***Performance-Based Fees and Side-By-Side Management***

Form ADV Part 2A, Item 6

The firm may charge a performance based fee. The client(s) must be a “qualified investor” as defined by 17 CFR Regulation Section 275.205-3. A performance based fee will be imposed in the event that the firm outperforms a mutually agreed upon index. Were this to transpire, the usual investment advisory fee would be suspended and in lieu of it, the following approach shall be used:

The performance based fee arrangement shall be composed of two parts:

- I. 0.50% annualized fee on all portfolio assets, charged quarterly in advance; and
- II. 30% of the monthly portfolio performance above an agreed upon benchmark as defined below.

The benchmark shall be a monthly blended target of the following; the fixed percentage will be determined by the mutual agreement between Bauerle Financial and the client:

- I. A fixed percentage of the price appreciation of the SPDR S&P500 Exchange-Traded Fund Trust (SPY); and
- II. A fixed percentage of the price appreciation of the iShares Barclays Aggregate Bond Fund Exchange-Traded Fund (AGG).

***Types of Clients***

Form ADV Part 2A, Item 7

Individuals, pension plans, profit sharing plans, defined benefit plans, 401(k) plans, trusts, estates, charitable organizations, corporations and other business entities.

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

Form ADV Part 2A, Item 8

**Methods of Analysis**

In analyzing stock and bond investments, the Company will use any and/or all of the following approaches to gather information: fundamental, technical, charting, or cyclical. Such analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios, tax benefits, trends, inflection points, and other means to guide the Company in its allocation decisions.

**Investment Strategies**

The Company generally recommends long-term investment strategies requiring a minimum of a five-year time horizon.

**Risk of Loss**

All investments in securities carry some degree of risk of loss which clients must be prepared to bear.

***Disciplinary Information***

Form ADV Part 2A, Item 9

FINRA Dispute Resolution Arbitration Number 11-01845. James E. Johnson v. Bauerle Financial, Inc. and Todd Bauerle. Award entered against Bauerle Financial, Inc. and Todd Alex Bauerle on May 1, 2012 in the amount of \$7500.00.

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

Form ADV Part 2A, Item 10

The Company is General Partner in Covenant Partners I, Ltd. and BFI Global Total Return Fund, Ltd. The Company has a material relationship with each of these entities and clients are solicited, at times, to invest in these partnerships.

The Company has custodial and brokerage relations with Charles Schwab & Company, Inc., a registered broker/dealer (member NYSE/FINRA), through its Schwab Institutional services to financial advisors.

Schwab provides through SchwabLink™ and [www.schwabinstitutional.com](http://www.schwabinstitutional.com)™, on-line services for account administration and operational support, including: electronic trading, block-trading authorization, and software to access client data, back-office support, recordkeeping, client reporting, and other relevant technology tools. In addition, Schwab has offered us a discount on the annual maintenance fees for the use of PortfolioCenter®, a software program that offers accounting, intuitive reporting and performance tracking in presenting reports and information to our clients in an easy-to-understand format. Furthermore, Schwab may offer from time to time subscriptions to various research services (i.e.; Barron's, Morningstar®, Wall Street Journal, etc...) at no cost.

Services offered to the Company that have been discounted or waived are defined as "soft dollar" services. However, access to SchwabLink™, [www.schwabinstitutional.com](http://www.schwabinstitutional.com)™, use of PortfolioCenter®, and research services provided or arranged by Schwab will be used to service all client accounts and will not be limited to only those particular accounts which may have generated commissions to Schwab.

The Company is not a subsidiary of, or affiliated with Schwab in any manner. The Company is solely responsible for investment advice rendered, and advisory services are provided separately and independently of Schwab.

The Company, owned by Todd Bauerle, has a less than ten percent (10%) interest in National Advisors Holdings, Inc. ("NAH") a Delaware corporation. The business purpose of NAH is as sole owner and operator of National Advisors Trust Company FSB ("NATC"), a Federal Savings Bank that offers personal trust, employee benefit services, IRA, and custodial services to clients on a national basis. NATC is currently supervised by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

The Company intends to recommend the services offered by NATC on a case-by-case basis to investment advisory clients of the Company. The Company intends to recommend NATC for client accounts in cases where fiduciary costs, access to investment products, technology support, or other service features offered by NATC are deemed by the Company to be advantageous to the client account or the client when compared with other trustee or custodial services. The Company does not directly share in any service fees charged to client accounts by NATC.

The Company is approved as a Trust Representative Office ("TRO") of National Advisors Trust Company FSB of Overland Park, Kansas. As a TRO office, certified representatives of the Company are permitted to hold client meetings, offer educational seminars, provide informational brochures, fee schedules and other pre-approved marketing materials promoting the Company access to trust, employee benefit, and other fiduciary services offered by National Advisors Trust Company.

The Company is authorized to use its designation as a TRO office of National Advisors Trust Company on signage, business cards, and other marketing material promoting the investment advisory services offered by

the Company. Any promotional materials or advertising must clearly specify that trustee and custodial services are provided by National Advisors Trust Company FSB, Overland Park, Kansas.

National Advisors Trust does not share fees from client accounts, provide referral compensation, or pay revenue of any kind to the Company, its principal officers, and employees for its services as a Trust Representative Office.

As a TRO office, the Company and its employees are not authorized to formally accept any client accounts, sign documents, hold client assets in custody, perform discretionary fiduciary duties (other than investment management of client account assets) or collect fees on behalf of National Advisors Trust Company. The Company may facilitate communications between the client and National Advisors Trust Company, transmit documents for review or signature, or counsel clients on the services provided by National Advisors Trust Company.

National Advisors Trust Company may provide its trustee and/or custodial services on behalf of clients referred by the Company under a fictitious DBA name registered with the state or county where the Company is located. The DBA name is owned by National Advisors Trust Company. All promotional materials used by the Company through the TRO office must clearly state that services offered by the DBA are provided by National Advisors Trust Company.



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

Form ADV Part 2A, Item 11

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in the clients' best interest. To maintain this ethical responsibility to clients, the Company has adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all officers, directors and employees in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim, "Do the right thing!"

The Company's Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation to the Code.
- ❖ Accountability.

To help clients understand the Company's ethical culture and standards, how the Company controls sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of the Company's Code of Ethics is available for review upon request by all clients and prospective clients.

It is against Company policies for any officers, directors and employees to invest in a private business interest or other non-marketable investment with a client or clients unless the Company has granted prior approval, and is not in violation of any SEC and/or State rules and regulations.

Personnel of the Company are permitted to personally invest their own monies in investments that may, from time to time, be recommended to clients. Such investment purchases are to be independent of, and not connected in any way to, investment decisions made on behalf of the Company's clients. Personal trading activities conducted by the Company's officers, directors and employees are monitored by Mr. Todd A. Bauerle to ensure that such activities do not impact upon client security or create conflicts of interest.

It is further disclosed that the Company has recommended in multiple cases that advisory clients invest in various faith based investments including "Church Bonds". In that a limited secondary market exists for these particular investments, it is arguable, although not conclusively the case, that such investments may be characterized as speculative and/or illiquid in nature. Furthermore, valuation of these investments may be more difficult than traditional investment valuation may be. The company may engage in cross trading within this area.

The Company is, and shall continue to be, in total compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, we have adopted a firm-wide policy statement outlining insider trading compliance by the Company and our personnel. This statement has been distributed to all personnel of the Company and has been signed and dated by such persons. Copies of such signed originals are

maintained in our personnel files.

## ***Brokerage Practices***

Form ADV Part 2A, Item 12

### **Investment or Brokerage Discretion**

#### **Securities and Amount Bought or Sold**

The Company executes an agreement with each client, which sets forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for the account and whether such transactions are with, or without, prior approval by the client.

#### **Direction of Transactions and Commission Rates**

The Company does not have the discretionary authority to determine the broker/dealer to be used or the commission rates to be paid. The choice of brokerage firm to act as the custodian over each client account will always be approved by the client. If asked, clients will be given the option to choose among National Advisors Trust, Fidelity, Schwab, or TD Ameritrade; however, it should be understood that the Company does not have the authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, since we do not negotiate the commissions charged, such commissions can vary from client to client.

There will be no attempt by the Company to recommend a custodian solely on the lowest commission rates available. General reputation, trading capabilities, investment inventory, client investment needs, financial strength, and the Company's personal experience working with the custodian is considered, among other items, in making this suggestion.

The Company participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent [and unaffiliated] SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The Company receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

The Company has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides the Company with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like the Company in conducting business and in serving the best interests of their clients but that may benefit the Company.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables The Company to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to the Company, at no additional charge to the Company, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by the Company (within specified parameters). These

research and brokerage services are used by the Company to manage accounts for which the Company has investment discretion.

The Company may also receive additional services. Without this arrangement, the Company might be compelled to purchase the same or similar services at its own expense.

As a result of receiving such services for no additional cost, the Company may have an incentive to continue to use or expand the use of Fidelity's services. The Company examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of the Company's clients and satisfies its client obligations, including its duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Company determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although the Company will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by the Company will generally be used to service all of the Company's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. The Company and Fidelity are not affiliates, and no broker-dealer affiliated with the Company is involved in the relationship between the Company and Fidelity.

### ***Review of Accounts***

Form ADV Part 2A, Item 13

Mr. Bauerle reviews all accounts. With respect to financial planning cases, the client is encouraged to submit to a review on at least an annual basis. With respect to portfolio management activities, continuous and on-going reviews will be maintained.

## ***Client Referrals and Other Compensation***

Form ADV Part 2A, Item 14

As disclosed under Item 12. above, the Company participates in TD Ameritrade's institutional customer program and the Company may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between the Company's participation in the program and the investment advice it gives to its Clients, although the Company receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Company by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by the Company's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit the Company but may not benefit its Client accounts. These products or services may assist the Company in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help the Company manage and further develop its business enterprise. The benefits received by the Company or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, the Company endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Company or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the the Company's choice of TD Ameritrade for custody and brokerage services.

Mr. Todd A. Bauerle from time to time devotes a small percentage of his time to duties other than giving investment advice. In addition to Wealth Management services, Mr. Bauerle is periodically engaged in providing consulting services to other financial advisors regarding practice management and the use of technology to improve office efficiency. These services are provided on a fee basis and are negotiated on a case-by-case basis.

Even though Mr. Bauerle is involved in these other business activities, such activities should not interfere with the advisory practices of the Company and present any inherent risks to the advisory client. Any conflicts of interest will be fully disclosed to the client prior to performing any advisory activities.

### **Additional Compensation**

#### **Financial Planning Economic Benefits & Conflicts of Interest**

Clients are cautioned to consider their options carefully when the Company and its Investment Advisor Representatives ("IAR") suggests the need for outside consultations and coordination (*e.g.*: attorneys, CPAs, insurance and securities representatives) to implement certain aspects of financial planning services. Even though the Company is a fee-only investment advisor who does not earn commissions for the sale or

implementation of any financial products, those entities to which the Company refers business do. This creates incentive on the part of the Company and the RA to refer client business only to those entities that in turn refer potential clients to the Company. This can eliminate the possibility for the client to be referred to someone who may provide better services at lower cost. Consequently, the objectivity of the advice rendered by the Company could therefore be subjective and a disadvantage to the client.

- ❖ Clients may choose any broker-dealer to execute his/her securities transactions.
- ❖ Clients are under no obligation to have any related parties that the Company recommends prepare planning documents (*i.e.*, estate, insurance, tax, etc...). Clients are free to choose those entities to implement the recommendations made in the financial plan.
- ❖ The related parties that the Company will have perform certain aspects of the financial planning services for the client will be registered representatives of a broker/dealer and/or licensed representatives of insurance companies – they will receive the normal commissions associated with such transactions.
- ❖ The Company is a “fee-only” investment advisory firm – no officer, director, or employee will receive commissions associated with the recommendations made from a financial plan.

Notwithstanding such potential conflicts of interest, the Company strives to serve the best interest of the client, as well as ensuring such disclosure is properly made to clients in compliance with the Investment Advisor Act of 1940, Rule 275.206 and the Florida Administrative Code 3E-600.0131.

### *Custody*

Form ADV Part 2A, Item 15

By reason of the affiliation with Covenant Partners I, Ltd. and BFI Global Total Return Fund, Ltd., disclosed above, the firm is deemed to have custody. More specifically, SEC Rule 206(4)-2 provides, among other things, that in any situation in which an investment advisory firm or a controlling principal of an investment advisory firm is also general partner in a pooled investment product, the underlying registered investment adviser shall be deemed to have custody. In view of the fact that the affiliation exists between Todd Alex Bauerle, Bauerle Financial, Inc., Covenant Partners I, Ltd. and BFI Global Total Return Fund, Ltd., under SEC Rule 206(4)-2, custody has been declared. An annual audit is performed.



***Investment Discretion***

Form ADV Part 2A, Item 16

The Company will establish discretionary trading authority on all Portfolio Management accounts to execute securities transactions at any time without the consent or advice of the client unless otherwise negated by the client.

***Voting Client Securities***

Form ADV Part 2A, Item 17

The Company is hereby expressly precluded from voting proxies. Clients understand and agree that the client retains the right to vote all proxies, which are solicited for securities held in the managed accounts. Any proxy solicitations received at the Company's place of business will be immediately forwarded to the client for their evaluation and decision.

***Financial Information***

Form ADV Part 2A, Item 18

No financial reporting is required as the firm does not receive fees more than six months in advance.

***Requirements for State-Registered Advisers***

Form ADV Part 2A, Item 19

Not applicable.

*Additional Information*

None.