

Wrap Fee Program Brochure

October 15, 2012

Bernicke & Associates Wrap Fee Program

Sponsored By

BERNICKE & ASSOCIATES, LTD

A WEALTH SERVICES COMPANY
AN INDEPENDENT FIRM

This brochure provides information about the qualifications and business practices of Bernicke & Associates, Ltd. (hereinafter "Bernicke & Associates" or the "Firm"). If you have any questions about the contents of this brochure, please contact Ty A. Bernicke at (715) 832-1173. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state securities authority. Additional information about Bernicke & Associates is available on the SEC's website at www.adviserinfo.sec.gov. Bernicke & Associates is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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Item 2. Material Changes

In this Item, Bernicke & Associates is required to discuss the material changes which have been made to the Wrap Brochure since Bernicke & Associates' last annual update. Since this is Bernicke & Associates' initial Wrap Brochure, there are no material changes to report.

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Item 4. Services, Fees and Compensation

The Bernicke & Associates Wrap Fee Program (the “Program”) is an investment advisory program sponsored by Bernicke & Associates, which began conducting business as an SEC registered investment adviser in October 2012.

This Wrap Brochure describes the business of Bernicke & Associates as it relates to clients receiving services through the Program. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Bernicke & Associates’ officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Bernicke & Associates’ behalf and is subject to Bernicke & Associates’ supervision or control.

Description of the Program

The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts.

Prior to receiving services through the Program, clients are required to enter into a written agreement with Bernicke & Associates setting forth the relevant terms and conditions of the advisory relationship (the “*Agreement*”). Clients must also open a new securities brokerage account and complete a new account agreement with TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“*TD Ameritrade*”), member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member, or another broker-dealer Bernicke & Associates approves under the Program (collectively “*Financial Institutions*”).

At the onset of the Program, Bernicke & Associates consults with clients to determine their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, Bernicke & Associates assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are primarily managed on a discretionary basis by either Bernicke & Associates’ investment adviser representatives or an independent investment manager (collectively “*Independent Managers*”), as recommended or selected by Bernicke & Associates. Bernicke & Associates and/or the *Independent Managers* generally allocate clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

Fees for Participation in the Program

Bernicke & Associates provides wealth management services for an annual fee based upon a percentage of the market value of the assets being managed by Bernicke & Associates. The annual fee varies depending upon the market value of the assets under management and the services to be provided, as follows:

<u>Mixed Securities Portfolios</u>	
PORTFOLIO VALUE	ANNUAL FEE
First \$500,000	1.75%
Above \$500,000	1.25%

<u>Portfolios Managed by Independent Managers</u>	
PORTFOLIO VALUE	ANNUAL FEE
First \$500,000	1.25%
Next \$500,000	0.90%
Next \$1,000,000	0.80%
Next \$8,000,000	0.65%
Above \$10,000,000	Negotiable

Bernicke & Associates, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Bernicke & Associates under the Program on the last day of the previous quarter. For the initial period of wealth management services, the fees are calculated on a pro rata basis. Thereafter, if assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter. In the event the Agreement is terminated, the fee for the final quarter is prorated through the effective date of the termination and the unearned portion of the fee is to be refunded to the client, as appropriate.

Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to Bernicke & Associates' right to terminate an account. Additions may be in cash or securities provided that Bernicke & Associates reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Bernicke & Associates, subject to the usual and customary securities settlement procedures. However, Bernicke & Associates designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Bernicke & Associates may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

Fee Comparison

A portion of the fees paid to Bernicke & Associates are used to cover the securities brokerage commissions and transactional costs, as well as any separate advisory fees attributed to the management of its clients' portfolios.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, the commissions charged for each transaction, and other transaction costs determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

Fee Debit

Bernicke & Associates' *Agreement* and the separate agreement with any *Financial Institutions* authorizes Bernicke & Associates to debit the client's account for the amount of Bernicke & Associates' fee and to directly remit that management fee to Bernicke & Associates. Any *Financial Institutions* recommended by Bernicke & Associates have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Bernicke & Associates.

Other Charges

In addition to our Program Fee, clients may also incur certain charges (other than transaction costs) imposed by third parties. Such charges may include, but are not limited to, charges imposed directly by a mutual fund, index fund, or exchange-traded fund ("ETF") in the account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), fees imposed by variable annuity providers and disclosed in the annuity contract, deferred sales charges, odd-lot differentials, transfer

taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Compensation for Recommending the Program

Bernicke & Associates has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation.

Item 5. Account Requirements and Types of Clients

Bernicke & Associates considers both the client and the account(s) to be managed when establishing client relationships.

No Minimum Requirements

Bernicke & Associates does not impose a minimum portfolio size or minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than Bernicke & Associates. In such instances, Bernicke & Associates may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Types of Clients

Bernicke & Associates provides its services to individuals, trusts, estates, charitable organizations, corporations and business entities.

Item 6. Portfolio Manager Selection and Evaluation

Bernicke & Associates acts as the sponsor and sole portfolio manager under the Program. Clients' investment portfolios are managed either directly by Bernicke & Associates or, in limited circumstances, through the use of certain *Independent Managers*.

Wealth Management Services

Bernicke & Associates provides clients with wealth management services. Wealth management services include discretionary, and in limited circumstances, non-discretionary management of investment portfolios. These services may also include tax consulting, estate consulting, income planning, and risk management/insurance consulting.

Bernicke & Associates primarily allocates clients' investment management assets among mutual funds, ETFs, and individual debt and equity securities. On a more limited basis, the Firm may employ the use of *Independent Managers* to allocate clients' assets. Bernicke & Associates also provides advice about any type of investment held in clients' portfolios.

Bernicke & Associates tailors its advisory services to the individual needs of clients. Bernicke & Associates consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Bernicke & Associates ensures that clients' investments are suitable for their stated investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Bernicke & Associates if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Bernicke & Associates' management services. Clients may impose reasonable restrictions or mandates on the management of their account if, in Bernicke & Associates' sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Use of Independent Managers

As mentioned above, Bernicke & Associates may recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*, based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between Bernicke & Associates or the client and the designated *Independent Managers*. Bernicke & Associates renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. Bernicke & Associates also monitors and reviews the account performance and the client's investment objectives. Bernicke & Associates receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, Bernicke & Associates reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that Bernicke & Associates considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research.

Independent Managers may impose more restrictive account requirements and varying billing practices than Bernicke & Associates. In such instances, Bernicke & Associates may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Performance-Based Fees and Side-By-Side Management

Bernicke & Associates does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Methods of Analysis

Bernicke & Associates' primary methods of analysis are fundamental and technical analysis.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Bernicke & Associates will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Bernicke & Associates will be able to accurately predict such a reoccurrence.

Investment Strategies

Prior to developing a portfolio, Bernicke & Associates meets with each client to learn about the client's goals and investment objectives in order to develop a complete understanding of a client's total financial profile. The Firm seeks to align each client's financial profile with appropriate investments through the use of diversified model portfolios that primarily use mutual funds, ETFs, and individual stocks and bonds depending on the client's financial profile. In addition, Bernicke & Associates may utilize *Independent Managers* in limited circumstances to allocate clients' assets.

Risks of Loss

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Market Risks

The profitability of a significant portion of Bernicke & Associates' recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Bernicke & Associates will be able to predict those price movements accurately.

Mutual Funds and ETFs

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Use of Independent Managers

Bernicke & Associates may recommend the use of *Independent Managers* for certain clients. Bernicke & Associates will continue to do ongoing due diligence of such managers, but such recommendations rely to a great extent, on the *Independent Managers'* ability to successfully implement their investment strategies. In addition, Bernicke & Associates generally may not have the ability to supervise the *Independent Managers* on a day-to-day basis.

Management Through Similarly Managed Accounts

For certain clients, Bernicke & Associates may manage portfolios by allocating portfolio assets among various mutual funds and securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, Bernicke & Associates buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

Bernicke & Associates' management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed

accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Bernicke & Associates' clients may be limited. For example, various mutual funds or insurance companies may limit the ability of Bernicke & Associates to buy, sell, exchange or transfer securities consistent with its *investment strategy*. As further discussed in response to Item 12 of the Firm's Disclosure Brochure, Bernicke & Associates allocates investment opportunities among its clients on a fair and equitable basis.

Voting Client Securities

Bernicke & Associates is required to disclose if it accepts authority to vote client securities. Bernicke & Associates does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

Item 7. Client Information Provided to Portfolio Managers

In this Item, Bernicke & Associates is required to describe the type and frequency of the information it communicates to the *Independent Managers* managing its clients' investment portfolios.

Clients participating in the Program generally grant Bernicke & Associates the authority to discuss certain non-public information with the *Independent Managers* engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers. Bernicke & Associates may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the *Independent Managers'* investment decisions remain aligned with its clients' best interests. This information is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

Item 8. Client Contact with Portfolio Managers

In this Item, Bernicke & Associates is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. Clients can generally contact the *Independent Managers* managing their portfolios through Bernicke & Associates by providing the Firm with a written request and identification of the questions or issues to be discussed with the *Independent Managers*. After receiving the client's written request, Bernicke & Associates, at its sole discretion, may

contact the *Independent Managers* for the client or arrange for the *Independent Managers* and the client to communicate directly.

Item 9. Additional Information

Disciplinary Information

Bernicke & Associates has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

Other Financial Industry Activities and Affiliations

Registered Representatives of a Broker-Dealer

Certain of Bernicke & Associates' *Supervised Persons* are registered representatives of Triad Advisors, Inc. ("*Triad*"), an SEC registered broker-dealer and member of FINRA, and may provide clients with securities brokerage services under a separate commission-based arrangement. A conflict of interest exists to the extent that the Firm recommends the purchase of a security and its *Supervised Persons* receive a portion of the commissions paid to *Triad*. Bernicke & Associates has procedures in place to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned.

Licensed Insurance Agents

Certain of Bernicke & Associates' *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that Bernicke & Associates or its *Supervised Persons* recommend the purchase of insurance products where Bernicke & Associates or its *Supervised Persons* receive insurance commissions or other additional compensation.

Code of Ethics

Bernicke & Associates and persons associated with Bernicke & Associates ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Bernicke & Associates' policies and procedures.

Bernicke & Associates has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). Bernicke & Associates' *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Bernicke & Associates or any of its associated persons. The *Code of Ethics* also requires that certain of Bernicke & Associates' personnel (called

“Access Persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Bernicke & Associates is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Access Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact Bernicke & Associates to request a copy of its *Code of Ethics*.

Account Reviews

For those clients to whom Bernicke & Associates provides investment management services, Bernicke & Associates monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of Bernicke & Associates’ investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Bernicke & Associates and to keep Bernicke & Associates informed of any changes thereto. Bernicke & Associates contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Bernicke & Associates provides investment advisory services may also receive periodic supplemental reports from Bernicke & Associates that may include relevant account and/or market-related information such as an inventory of account holdings and account performance. Clients should

compare the account statements they receive from their custodian with those they receive from Bernicke & Associates.

Client Referrals

Bernicke & Associates does not compensate any unaffiliated third-party for referring clients to the Program.

Receipt of Economic Benefit

Bernicke & Associates participates in the institutional advisor program offered by *TD Ameritrade Institutional*. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Bernicke & Associates may receive from *TD Ameritrade*, without cost to Bernicke & Associates, computer software and related systems support, which allow Bernicke & Associates to better monitor client accounts maintained at *TD Ameritrade*. Bernicke & Associates may receive the software and related support without cost because Bernicke & Associates renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and support is not provided in connection with securities transactions of clients (i.e. not “soft dollars”). The software and related systems support may benefit Bernicke & Associates, but not its clients directly. In fulfilling its duties to its clients, Bernicke & Associates endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Bernicke & Associates’ receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Bernicke & Associates’ choice of *TD Ameritrade* over another *Financial Institution* that does not furnish similar software, systems support, or services.

Bernicke & Associates may also receive up to \$25,000 in expense support from *TD Ameritrade* to be used towards certain products and services, and in addition, may receive a \$5,000 allowance for conversion to Orion Advisor Services.

There is no direct link between Bernicke & Associates’ participation in the program and the investment advice it gives to its clients, although Bernicke & Associates receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. Additionally, Bernicke & Associates may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communication network for client order entry and account information; and discounts on compliance, marketing, research, technology, and practice management products or services provided by third party vendors.

These products or services may assist Bernicke & Associates in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD*

Ameritrade are intended to help Bernicke & Associates manage and further develop its business enterprise. The benefits received by Bernicke & Associates' participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Bernicke & Associates or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Bernicke & Associates' recommendation of *TD Ameritrade* for custody and brokerage services.

Financial Information

Bernicke & Associates does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Bernicke & Associates is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Bernicke & Associates has no disclosures pursuant to this Item.

BERNICKE & ASSOCIATES, LTD

A WEALTH SERVICES COMPANY
AN INDEPENDENT FIRM

Prepared by:



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The Adviser's Advisor®