

# Disclosure Brochure

September 5, 2012

## **Bernathy Wealth Advisors, LLC**

*A Registered Investment Adviser*

This brochure provides information about the qualifications and business practices of Bernathy Wealth Advisors, LLC (hereinafter "BWA"). If you have any questions about the contents of this brochure, please contact Alyssa Kolber at (201) 705-1200. 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 Bernathy Wealth Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Bernathy Wealth Advisors, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

61 West Palisade Avenue, Englewood, NJ 07631 | (201) 705-1200

## **Item 2.       Material Changes**

This Item discusses only the material changes that have occurred since BWA's last annual update. Since this is BWA's initial Disclosure Brochure, there are no material changes to report.

## Item 3. Table of Contents

### Firm Disclosure Brochure

Item 1.	Cover Page .....	i
Item 2.	Material Changes .....	ii
Item 3.	Table of Contents .....	iii
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	5
Item 6.	Performance-Based Fees and Side-by-Side Management .....	8
Item 7.	Types of Clients.....	8
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9.	Disciplinary Information .....	9
Item 10.	Other Financial Industry Activities and Affiliations .....	10
Item 11.	Code of Ethics .....	10
Item 12.	Brokerage Practices .....	11
Item 13.	Review of Accounts .....	14
Item 14.	Client Referrals and Other Compensation .....	14
Item 15.	Custody .....	14
Item 16.	Investment Discretion.....	15
Item 17.	Voting Client Securities .....	15
Item 18.	Financial Information .....	15

### Supervised Person Brochure Supplements

## Item 4. Advisory Business

BWA (also referred to as the “firm”) provides financial planning, consulting, and investment management services. Prior to engaging BWA to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with BWA setting forth the terms and conditions under which BWA renders its services (collectively the “*Agreement*”).

BWA was formed in July 2012, but has not yet begun to conduct advisory business. It is owned by Interim Holdings, LLC. As of the date of this filing, the firm does not yet have any assets under management.

This Disclosure Brochure describes the business of BWA. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of BWA's 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 BWA's behalf and is subject to BWA's supervision or control.

### Financial Planning Services

---

BWA may provide its clients with a broad range of comprehensive financial planning and consulting services. These services are tailored to the individual needs of the client, but focus on asset allocation, tax planning, and estate planning.

In performing its services, BWA is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. BWA may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if BWA recommends its own services. The client is under no obligation to act upon any of the recommendations made by BWA under a financial planning or consulting engagement or to engage the services of any such recommended professional, including BWA itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of BWA's recommendations. Clients are advised that it remains their responsibility to promptly notify BWA if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising BWA's previous recommendations and/or services.

### Wealth Management Services

---

Clients can engage BWA to manage all or a portion of their assets on a discretionary or non-discretionary basis, which is generally inclusive of the financial planning services described above. BWA primarily allocates clients' investment management assets among mutual funds, exchange-traded funds (“ETFs”), and individual equity securities in accordance with the investment objectives of the client. BWA also provides advice about any type of investment held in clients' portfolios.

BWA tailors its advisory services to the individual needs of clients. BWA 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. BWA ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify BWA if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon BWA's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in BWA's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## **Sponsor / Manager of Wrap Program**

---

BWA is the sponsor and manager of the Bernathy Wealth Advisors Wrap Fee Program (the "*Program*"), a wrap fee program. In the event the client participates in the *Program*, BWA provides its investment management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure. All assets are managed within the firm's wrap fee program, so there is no difference in the management of wrap accounts from other accounts.

## **Item 5. Fees and Compensation**

BWA offers its services on a fee basis, which may include fixed fees, as well as fees based upon assets under management. Additionally, certain of BWA's *Supervised Persons*, in their individual capacities, may offer securities brokerage services and insurance products under a commission arrangement.

### **Financial Planning and Consulting Fees**

---

BWA may charge a fixed fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$3,000, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages BWA for additional investment advisory services, BWA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging BWA to provide financial planning and/or consulting services, the client is required to enter into a written agreement with BWA setting forth the terms and conditions of the engagement. Generally, BWA requires one-half of the financial planning / consulting fee payable upon entering the

# Bernathy Wealth Advisors, LLC Disclosure Brochure

written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

## **Wealth Management Fee**

---

BWA provides wealth management services for an annual fee based upon a percentage of the market value of the assets being managed by BWA. All information regarding fees are contained within the *Program's* wrap fee brochure.

The firm does not charge a fee for any assets held outside the *Program*. These assets, however, are not managed by the firm and may be held through the firm's custodial relationships (as described in Item 12) for the convenience of the client. The client is responsible for paying any transaction charges associated with trading in the account. BWA takes no responsibility for the management of these assets.

## **Fees Charged by Financial Institutions**

---

As further discussed in response to Item 12 (below), BWA generally recommends that clients utilize the brokerage and clearing services of an independent broker-dealer for investment management accounts.

BWA may only implement its investment management recommendations after the client has arranged for and furnished BWA with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to any broker-dealers recommended by BWA, broker-dealers directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to BWA's fee.

BWA's *Agreement* and the separate agreement with any *Financial Institutions* may authorize BWA to debit the client's account for the amount of BWA's fee and to directly remit that management fee to BWA. Any *Financial Institutions* recommended by BWA 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 BWA. Alternatively, clients may elect to have BWA send an invoice for payment.

## **Fees for Management During Partial Quarters of Service**

---

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between BWA and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. BWA's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

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

### **Commissions or Sales Charges for Recommendations of Securities**

---

Clients can engage certain persons associated with BWA (but not BWA) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with BWA. Under this arrangement, clients may implement securities transactions through certain of BWA's *Supervised Persons* in their respective individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC registered broker-dealer and member of FINRA. PKS may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition, certain of BWA's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

A conflict of interest exists to the extent that BWA recommends the purchase of securities where BWA's *Supervised Persons* receive commissions or other additional compensation as a result of BWA's recommendations. BWA has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

For accounts covered by ERISA (and such others that BWA, in its sole discretion deems appropriate), BWA provides its investment advisory services on a fee-offset basis. In this scenario, BWA may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by BWA's *Supervised Persons* in their individual capacities as registered representatives of PKS.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

BWA 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.

## **Item 7. Types of Clients**

BWA provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

---

As part of its investment strategy, the firm meets with clients to prepare an initial financial plan, which forms the basis to determine an asset allocation strategy. BWA primarily manages client assets through one of its model portfolios, which generally consist of mutual funds, ETFs, and individual debt and equity securities, and alternative investments (including structured products). The firm reviews its model portfolios on an ongoing basis and implements changes as necessary. In addition, BWA reviews each client's financial plan on an ongoing basis and makes any necessary adjustments.

### **Risks of Loss**

---

#### *Mutual Funds and Exchange Traded Funds (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 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.

### *Market Risks*

The profitability of a significant portion of BWA's 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 BWA will be able to predict those price movements accurately.

### *Management Through Similarly Managed Accounts*

BWA manages portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, BWA buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

BWA's 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 BWA's clients may be limited. As further discussed in response to Item 12B (below), BWA allocates investment opportunities among its clients on a fair and equitable basis.

### *General Risk of Loss*

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

## **Item 9. Disciplinary Information**

BWA is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. BWA does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

BWA is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. BWA has described such relationships and arrangements below.

### Registered Representatives of Broker Dealer

---

As discussed above in Item 5, certain of BWA's *Supervised Persons* are registered representatives of PKS.

### Receipt of Insurance Commission

---

Certain of BWA's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While BWA does not sell such insurance products to its investment advisory clients, BWA does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that BWA recommends the purchase of insurance products where BWA's *Supervised Persons* receive insurance commissions or other additional compensation.

## Item 11. Code of Ethics

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

BWA 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*"). BWA's *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by BWA or any of its associated persons. The *Code of Ethics* also requires that certain of BWA's 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 BWA 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 (as defined below in Item 12) 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 BWA to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

BWA generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts.

Factors which BWA considers in recommending *Schwab* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* enables BWA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. In addition, *Schwab* has agreed to compensate clients for any transfer fees that may be assessed for moving their account(s) to *Schwab*. The commissions and/or transaction fees charged by *Schwab* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by BWA's clients comply with BWA's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where BWA determines that the commissions are 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. BWA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

BWA periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct BWA in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and BWA will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial*

*Institutions* with orders for other accounts managed by BWA (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, BWA may decline a client's request to direct brokerage if, in BWA's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless BWA decides to purchase or sell the same securities for several clients at approximately the same time. BWA may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among BWA's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among BWA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that BWA determines to aggregate client orders for the purchase or sale of securities, including securities in which BWA's *Supervised Persons* may invest, BWA generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. BWA does not receive any additional compensation or remuneration as a result of the aggregation. In the event that BWA determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, BWA may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist BWA in its investment decision-making process. Such research generally will be used to service all of BWA's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the

allocation of the benefit of such investment research products and/or services poses a conflict of interest because BWA does not have to produce or pay for the products or services.

### **Commissions or Sales Charges for Recommendations of Securities**

---

As discussed above, certain *Supervised Persons* in their respective individual capacities, are registered representatives of *PKS*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *PKS* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *PKS* unless they first secure written consent from *PKS* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *PKS*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *PKS* under *PKS*'s internal supervisory policies. BWA is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Software and Support Provided by Financial Institutions**

---

BWA may receive from *Schwab*, without cost to BWA, computer software and related systems support, which allow BWA to better monitor client accounts maintained at *Schwab*. BWA may receive the software and related support without cost because BWA renders investment management services to clients that maintain assets at *Schwab*. 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 BWA, but not its clients directly. In fulfilling its duties to its clients, BWA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that BWA's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence BWA's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, BWA may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. The firm also receives a monetary allowance from Schwab that is used towards technology and website development.

## Item 13. Review of Accounts

For those clients to whom BWA provides investment management services, BWA monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom BWA provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of BWA’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with BWA and to keep BWA informed of any changes thereto. BWA 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 BWA provides investment advisory services will also receive a report from BWA that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from BWA.

Those clients to whom BWA provides financial planning and/or consulting services will receive reports from BWA summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by BWA.

## Item 14. Client Referrals and Other Compensation

BWA is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, BWA is required to disclose any direct or indirect compensation that it provides for client referrals.

BWA may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

The firm does not provide compensation for client referrals.

## Item 15. Custody

BWA’s *Agreement* and/or the separate agreement with any *Financial Institution* may authorize BWA through such *Financial Institution* to debit the client’s account for the amount of BWA’s fee and to directly remit that management fee to BWA in accordance with applicable custody rules.

The *Financial Institutions* recommended by BWA 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 BWA. In addition, as discussed in Item 13, BWA also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from BWA.

### **Item 16. Investment Discretion**

BWA may be given the authority to exercise discretion on behalf of clients. BWA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. BWA is given this authority through a power-of-attorney included in the agreement between BWA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). BWA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### **Item 17. Voting Client Securities**

BWA does not accept the authority to vote clients' securities (i.e., proxies) on their behalves. Clients receive proxies directly from the *Financial Institutions* and may contact the firm at the number on the cover of this Disclosure Brochure with any questions.

### **Item 18. Financial Information**

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

**Bernathy Wealth Advisors, LLC**  
**A Registered Investment Adviser**

Prepared by:

