

# Disclosure Brochure

December 10, 2013

## 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](http://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**

This Item discusses only the material changes that have occurred since Bernicke & Associates' last annual update. There are no material changes to report.

### Item 3. Table of Contents

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 .....	6
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 .....	9
Item 9. Disciplinary Information .....	11
Item 10. Other Financial Industry Activities and Affiliations .....	11
Item 11. Code of Ethics .....	12
Item 12. Brokerage Practices .....	12
Item 13. Review of Accounts .....	16
Item 14. Client Referrals and Other Compensation .....	16
Item 15. Custody .....	17
Item 16. Investment Discretion .....	17
Item 17. Voting Client Securities .....	17
Item 18. Financial Information .....	17

## Item 4. Advisory Business

Bernicke & Associates provides its clients with comprehensive wealth management services. Prior to engaging Bernicke & Associates to provide wealth management services, the client is required to enter into one or more written agreements with Bernicke & Associates setting forth the terms and conditions under which Bernicke & Associates renders its services (collectively the “*Agreement*”).

The Firm began conducting business as an SEC registered investment adviser in October 2012 and is wholly owned by Ty A. Bernicke. As of January 16, 2013, Bernicke & Associates had \$105,783,153 in assets under management, all of which was managed on a discretionary basis.

This Disclosure Brochure describes the business of Bernicke & Associates. 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.

### Wealth Management Services

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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, exchange-traded funds (“ETFs”), and individual debt and equity securities. On a more limited basis, the Firm may employ the use of independent investment managers (“*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.

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**Use of Independent Managers**

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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*.

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**Sponsor and Manager of Wrap Program**

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Bernicke & Associates is the sponsor and manager of the Bernicke & Associates Wrap Fee Program (the "*Program*"), a wrap fee program. In the event the client participates in the *Program*, Bernicke & Associates provides its wealth 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. There is no difference in how Bernicke & Associates manages accounts within the wrap program. Bernicke & Associates anticipates that the majority of its wealth management services will be rendered as part of the *Program*.

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**Tax Services**

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Bernicke & Associates may provide clients with tax preparation and/or tax planning/consulting services. The Firm generally offers these services separate from any ongoing wealth management services, but in

limited circumstances Bernicke & Associates may include tax consulting as part of its wealth management services.

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**Educational Services**

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Certain universities and organizations may engage Bernicke & Associates to provide their participants with non-personalized investment-related educational seminars and workshops regarding investment and retirement education. Bernicke & Associates generally does not render these educational services to its investment advisory clients. Should any of the participants later engage Bernicke & Associates to render additional services, such work is done pursuant to a separate written agreement between the participant and Bernicke & Associates, independent of the educational services engagement. Bernicke & Associates anticipates that it will devote approximately six (6) hours per month to such educational services.

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

Bernicke & Associates offers its wealth management services for a fee based upon assets under management. The Firm generally offers its tax and educational services to clients for an hourly or fixed fee charge. Additionally, certain of Bernicke & Associates' *Supervised Persons*, in their individual capacities, may offer securities brokerage services and insurance products under a commission arrangement.

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**Wealth Management Fee**

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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. All information regarding fees are contained within the *Program's* wrap fee brochure.

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**Tax Services Fee**

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For tax consulting work, Bernicke & Associates charges an hourly fee starting at \$150 per hour. For tax preparation, the Firm's fee is fixed and generally varies depending on the nature of the tax preparation and types of forms that are required to be filed. In general, clients are billed upon completion of the tax consulting work or tax preparation services.

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**Educational Services Fee**

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Bernicke & Associates generally provides these services free of charge to the hosting university. For educational services offered to other organizations, the Firm generally charges a fixed fee starting at \$59 per participant.

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**Fees Charged by Financial Institutions**

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Bernicke & Associates generally recommends that clients utilize the brokerage and clearing services of an independent broker-dealer for wealth management accounts.

Bernicke & Associates may only implement its wealth management recommendations after the client has arranged for and furnished Bernicke & Associates with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to any broker-dealers recommended by Bernicke & Associates, 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 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. 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 Bernicke & Associates’ fee.

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**Fee Debit**

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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.

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**Account Additions and Withdrawals**

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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.

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

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Clients can engage certain persons associated with Bernicke & Associates (but not Bernicke & Associates) 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 Bernicke & Associates. Under this arrangement, clients may implement securities transactions through certain of Bernicke & Associates' *Supervised Persons* in their respective individual capacities as registered representatives of Triad Advisors, Inc. ("*Triad*"), an SEC registered broker-dealer and member of FINRA. *Triad* may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by *Triad* to such *Supervised Persons*. Prior to effecting any transactions, clients are required to enter into a new account agreement with *Triad*. The brokerage commissions charged by *Triad* may be higher or lower than those charged by other broker-dealers. In addition, certain of Bernicke & Associates' *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 Bernicke & Associates recommends the purchase of securities where Bernicke & Associates' *Supervised Persons* receive commissions or other additional compensation as a result of Bernicke & Associates' recommendations. Bernicke & Associates has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

**Item 6. 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.

**Item 7. Types of Clients**

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

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**No Minimum Requirements**

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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*.



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

### Methods of Analysis

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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

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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

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#### *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 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 (below), Bernicke & Associates allocates investment opportunities among its clients on a fair and equitable basis.

## Item 9. Disciplinary Information

Bernicke & Associates 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. Bernicke & Associates does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

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

### Registered Representatives of Broker Dealer

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As discussed above in Item 5, certain of Bernicke & Associates' *Supervised Persons* are registered representatives of *Triad*.

### Licensed Insurance Agents

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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.

## Item 11. 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*.

## Item 12. Brokerage Practices

Bernicke & Associates generally recommends that clients utilize the brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“*TD Ameritrade*”) for investment

management accounts. Bernicke & Associates participates in the institutional advisor program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Bernicke & Associates receives some benefits from *TD Ameritrade* through its participation in the program.

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

The commissions paid by Bernicke & Associates' clients comply with Bernicke & Associates' 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 Bernicke & Associates 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. Bernicke & Associates seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

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

Transactions for each client generally will be effected independently, unless Bernicke & Associates decides to purchase or sell the same securities for several clients at approximately the same time. Bernicke & Associates 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 Bernicke & Associates' 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 Bernicke & Associates' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Bernicke & Associates determines to aggregate client orders for the purchase or sale of securities, including securities in which Bernicke & Associates' *Supervised Persons* may invest, Bernicke & Associates 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. Bernicke & Associates does not receive any additional compensation or remuneration as a result of the aggregation. In the

event that Bernicke & Associates 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, Bernicke & Associates 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 Bernicke & Associates in its investment decision-making process. Such research generally will be used to service all of Bernicke & Associates' 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 Bernicke & Associates does not have to produce or pay for the products or services.

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

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

**Receipt of Economic Benefit**

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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 addition, 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.

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.

Bernicke & Associates also receives from *TD Ameritrade* certain additional economic benefits (“Additional Services”) that may or may not be offered to any other independent investment advisers participating in the program. 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. Specifically, the Additional Services include Orion.

*TD Ameritrade* provides the Additional Services to Bernicke & Associates in its sole discretion and at its own expense, and Bernicke & Associates does not pay any fees to *TD Ameritrade* for the Additional Services. Bernicke & Associates and *TD Ameritrade* have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

Bernicke & Associates’ receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Bernicke & Associates, *TD Ameritrade* most likely considers the amount and profitability to *TD Ameritrade* of the assets in, and trades placed for, Bernicke & Associates’ client accounts maintained with *TD Ameritrade*. *TD Ameritrade* has the right to terminate the Additional Services Addendum with Bernicke & Associates, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from *TD Ameritrade*, Bernicke & Associates may have an incentive to recommend to its clients that the assets under management by Bernicke & Associates be held in custody with *TD Ameritrade* and to place transactions for client



accounts with *TD Ameritrade*. Bernicke & Associates' receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

The benefits received by Bernicke & Associates' participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. 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 *TD Ameritrade* 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.

### **Item 13. Review of Accounts**

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.

### **Item 14. Client Referrals and Other Compensation**

Bernicke & Associates is required to disclose any relationship or arrangement where it receives an economic benefit from an unaffiliated third party for providing advisory services. Bernicke & Associates 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.

In addition, Bernicke & Associates is required to disclose any direct or indirect compensation that it provides to an unaffiliated third party for client referrals. Bernicke & Associates does not compensate any unaffiliated third-parties for client referrals.



## Item 15. Custody

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

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

## Item 16. Investment Discretion

Bernicke & Associates is generally given the authority to exercise discretion on behalf of clients. Bernicke & Associates 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. Bernicke & Associates is given this authority through a power-of-attorney included in the agreement between Bernicke & Associates and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Bernicke & Associates takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

## Item 17. 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 18. 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:



MARKETCOUNSEL®  
*The Adviser's Advisor®*