

## **Item 1 – Cover Page**

### **Bauerle Financial, Inc.**

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(by appointment only)

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**This brochure provides information about the qualifications and business practices of Bauerle Financial, Inc. If you have any questions about the contents of this brochure, please contact us at 407-878-1229. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Bauerle Financial, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Bauerle Financial, Inc. is 106775.**

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

## Item 2 – Material Changes

The purpose of this page is to inform you of any material changes since the last annual update to this brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

Bauerle Financial, Inc. reviews and updates our brochure at least annually to make sure that it remains current. We have made the following material changes since the last annual update to this brochure, dated January 1, 2016.

Item 4 – As a result of a change expected to come into effect on April 10, 2017, to the Employment Retirement Income Security Act (ERISA), Bauerle Financial, Inc. hereby acknowledges that it is a "fiduciary" when the firm's services are subject to the provisions of ERISA of 1974, as amended.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Our brochure may be requested by contacting the firm at (407) 878-1229.

Additional information about Bauerle Financial, Inc. is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Bauerle Financial, Inc. who are registered, or are required to be registered, as investment adviser representatives of Bauerle Financial, Inc.

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## Item 4 – Advisory Business

Bauerle Financial, Inc.'s registration was granted by the U.S. Securities and Exchange Commission on November 1, 1995. Todd Alex Bauerle (CRD Number 1328549) is President and Chief Compliance Officer of the firm. Mr. Bauerle owns one hundred (100%) percent of the equity of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm or intermediaries, which have any ownership interest in the firm.

As of December 31, 2016, the firm managed, on a discretionary basis, \$98,694,780 \$93,562,303 which represented 440 accounts, and on a nondiscretionary basis, managed \$8,690,614 which represented 113 accounts. Client assets are managed on an individualized basis. Clients may impose restrictions on their accounts.

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### Business Focus

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

Bauerle Financial, Inc. provides investment services to a pooled investment partnership and serves as the General Partner to one or more limited partnerships.

### Vision Statement

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

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

- Truly care for the clients we serve, not out of obligation, but out of our genuine desire to meet their needs;
- Consistently and constantly do that which is in the best interest of those we serve;
- Maintain professional excellence as our minimum acceptable standard of service;

- Recognize and prioritize spiritual pursuit, family unity, and cultural harmony;
- Be faithful stewards of all resources, particularly professional talents, personal time, and material goods; and
- Acknowledge and appreciate that we all have more blessings than we deserve.

## Wealth Management

Bauerle Financial, Inc. believes that the basis of one's financial life is contained in the following Wealth Management formula: Wealth Management = Investment Consulting + Advanced Planning + Relationship Management.

The three distinct pieces of the Wealth Management formula can be explained as follows:

Investment Consulting considers all investment elements to maximize the probability of clients achieving all that is important to them. This includes the following essentials:

- Portfolio performance analysis
- Risk evaluation
- Asset allocation
- Assessment of impact of costs
- Assessment of impact of taxes
- Investment policy statement

**Advanced Planning** deals with the four keys of a client's financial life beyond their investments: wealth enhancement (tax planning and debt management), wealth transfer (estate planning and business succession), wealth protection (risk management), and charitable giving.

**Relationship Management** includes Bauerle Financial, Inc.'s relationships with clients and Bauerle Financial, Inc.'s relationships with other selected professionals and intends to provide each client with the best combination of experts to maximize the benefit realized by the client in every area of their wealth management. Bauerle Financial, Inc.'s ongoing commitment to service excellence begins with forging the right relationships.

Bauerle Financial, Inc. takes on the role of "trusted advisor" in addressing the range of the client's financial challenges beyond their investments; together we develop a comprehensive wealth management plan that allows us to systematically manage each of the client's major financial issues, which in turn maximizes Bauerle Financial, Inc.'s ability to help the client achieve their most important financial goals. This consultative

process incorporates the following six phases established by the Certified Financial Planners Board of Standards, Inc.

1. Establishing and defining the relationship  
Defining the Scope of the Engagement
2. Gathering client data  
Determining a client's personal and financial goals, needs, and priorities  
Obtaining quantitative information and documents
3. Analyzing and evaluating the client's financial status  
Analyzing and evaluating the client's information
4. Developing and presenting financial planning recommendations  
Identifying and evaluating financial planning alternatives  
Developing the financial planning recommendations  
Presenting the financial planning recommendations
5. Implementing the financial planning recommendations  
Agreeing on implementation responsibilities  
Selecting products and services for implementation
6. Monitoring the financial planning performance  
Defining monitoring responsibilities

The best interest of the client is always foremost during the consultative wealth management process.

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

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

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

**Protocols for Wealth Management Services**Financial Planning

## Termination Provisions for Financial Planning

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

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



## Item 5 – Fees and Compensation

### Fee Structure for Wealth Management Services

#### Financial Planning Fees

Financial planning fees are based on the size, complexity, and nature of each client's personal and financial situation and the amount of time it will take to complete the financial planning process as outlined above.

Financial planning services are offered on a flat fee basis and are commensurate with case complexity. Thereafter, all costs for an annual review and update are included with our advisory services fees.

#### Hourly Consulting

If a client desires only partial financial planning, then hourly consulting fees will apply. Hourly consulting fees will be billed, at \$250.00 per hour. All fees will be billed monthly as work is completed.

#### Annual Advisory Fees

The standard advisory fee structure is an annual flat fee retainer to be paid in advance in equal quarterly installments on the first business day of March, June, September and December. The fee incorporates ongoing financial planning and investment management; and it is arrived at by assessing the individual client's financial situation, including but not limited to net worth, investable assets, special needs, and number of family members involved in the process; and the complexity of the client's situation, including but not limited to the number of accounts, the account types (e.g., retirement, corporate, charitable), and the types of assets (e.g., alternative investments).

The Investment Advisory Agreement (hereinafter referred to as "IAA") is provided to clients at the beginning of the advisory relationship.

In some cases the fee structure is based on Assets Under Management ("AUM"), wherein the fee is determined by dividing the number of days in the calendar quarter by the number of days in the year then multiplied by the applicable breakpoint fee percentage to determine the daily periodic rate for that particular quarter. Once the daily periodic rate is calculated, it is multiplied by the aggregate market value of the client's total assets in the account(s) on the last day of the 2nd month of each calendar quarter based on the following fee schedule:

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

All advisory fees will be fully disclosed in the client's IAA with Bauerle Financial, Inc.. The fees are negotiable based on the complexities of the case. This chart is a guideline.

Each client is billed quarterly, in advance, based on the total assets in the account(s) on the last day of the second month of each calendar quarter. For the first billing quarter, if an account is not opened at the end of the second month of the quarter, the fee will be based upon a pro-rata calculation of the aggregate market value of the client's portfolio upon receipt of assets into the account(s), based upon the date of the signed IAA. Advisory fees will be taken first from fee credit balances or from any money market funds or balances. If such assets are insufficient to satisfy payment of fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

#### Fee Exclusions

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

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

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

#### Termination Provisions for Portfolio Management Services

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

To terminate our advisory services a written notice should be submitted at least 30 days prior to the actual termination date, which provides clear instruction on what the client wants done with their account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity). Once the termination notice has been received and we have implemented the final instructions from the client, we are no longer responsible for the management of client assets. From the date that the termination goes into effect, it becomes the clients' responsibility to make their own investment decisions.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Bauerle Financial, Inc. does not use a performance-based fee structure.

## **Item 7 – Types of Clients**

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

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

### Methods of Analysis

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

### Investment Strategies

Bauerle Financial, Inc. generally recommends long-term investment strategies requiring a minimum of a five-year time horizon. The recommended strategies are based upon a client's goals and objectives. Bauerle Financial, Inc. will evaluate various investment alternatives, (e.g., various asset allocations for investment in Funds) to form a basis for the client in determining the strategies needed to achieve the client's investment goals and objectives.

### Risk of Loss

All investing involves a risk of loss, and the investment strategy offered by Bauerle Financial, Inc. could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including, but not limited to, that portfolio management techniques used by Bauerle Financial, Inc. may not produce the desired results. This could cause accounts to decline in value. In addition, Bauerle Financial, Inc. may rely on information that turns out to be wrong. Bauerle Financial, Inc. selects investments based, in part, on information provided by issuers to regulators or made directly available to Bauerle Financial, Inc. by the issuers or other sources. Bauerle Financial, Inc. is not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

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

### Potential Risks of Investing in Securities Purchased in Funds

Stock Market Risk - Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices. Investing in small- and medium-sized

companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

Foreign Securities Risk - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

Interest Rate Risk - Bonds also experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise. A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

Credit Risk - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors.

Liquidity Risk - Liquidity risk exists when a particular security is difficult to trade. A mutual fund's investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all.

Call Risk - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

Objective/Style Risk - All of the mutual funds and investment managers are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund or manager invests will trail the returns of the overall market.

U.S. Government Agency Securities Risk - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity is unable to meet its obligations, the securities of the entity will be adversely impacted.

Managed Futures Fund Risk - The funds are subject to a number of risks and may not be suitable for all investors. The funds' use of derivatives such as futures, options, structured notes and swap agreements may expose the funds to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. A highly liquid secondary market may not exist for the commodity-linked structured notes the funds invest in, and there can be no assurance that a highly liquid secondary market will develop. The funds' exposure to the commodities market may subject the funds to greater volatility as commodity-linked derivative investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or factors affecting a particular industry or commodity. When the funds invest in an ETF, in addition to directly bearing the expenses associated with their own operations, they will bear a pro rata portion of the ETF's expenses. Further, in part because of these additional expenses, the performance of an ETF may differ from the performance the funds would achieve if they invested directly in the underlying investments of an ETF. The funds are subject to tracking error risks, which may cause the funds' performance not to match that of or be lower than the funds' underlying benchmarks. The funds are considered non-diversified and can invest a greater portion of their assets in securities of individual issuers than diversified funds. As a result, changes in the market value of a single security could cause greater fluctuations in the value of fund shares than would occur in more diversified funds.

Potential Risks of Investing in Private Investment Funds (e.g., Hedge Funds, Managed Futures Funds)

Private investment funds generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Investing in private investment funds is intended for experienced and sophisticated investors only who are willing to bear the high economic risks of the investment. Investors should carefully review and consider potential risks before investing. Certain of these risks may include loss of all or a substantial portion of the investment due to leveraging, short-selling, or other speculative practices, lack of liquidity because of redemption terms and conditions and that there may not and will not be a secondary market for the fund, volatility of returns,



restrictions on transferring interests in the fund, a potential lack of diversification, higher fees than mutual funds, lack of information regarding valuations and pricing, and advisor risk. Each prospective client investor will be required to complete a subscription agreement with the private investment fund itself, pursuant to which the client investor shall establish that he/she/it is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment. Private investment funds have liquidity risk and investors may not be able to redeem their investment per the offering document's disclosures.

## Item 9 – Disciplinary Information

FINRA Dispute Resolution Arbitration Number 11-01845. James E. Johnson V. Bauerle Financial, Inc. and Todd Bauerle. Claimant requested compensatory damages of \$192,025. Claimant was awarded compensatory damages of \$7,500 on May 1, 2012; Claimant's requests for prejudgment interest and for punitive damages were denied. No sanctions were imposed against Todd Bauerle or Bauerle Financial, Inc.

Circuit Court of the Seventh Judicial Circuit in and for Volusia County, Florida, Case Number 2012-13065-CIDL. Estate of Marion K. Rusher v. Todd A. Bauerle and Bauerle Financial, Inc. Plaintiff filed a claim under the Florida Securities and Investors Protection Act, as well as common law claims, against Defendants. On November 30, 2012 Defendants filed a Motion to Dismiss the Complaint, arguing that the Complaint failed to comply with the Florida Rules of Civil Procedure and failed to plead its claims with particularity. Plaintiff did not file a response to the Motion to Dismiss. On April 21, 2014, Plaintiff and Defendants agreed to a Confidential Settlement Agreement. The Plaintiff voluntarily dismissed the case with prejudice.

Bauerle Financial, Inc. does not believe the foregoing matters are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management. Bauerle Financial, Inc. and Mr. Bauerle deny these allegations and these matters were settled to avoid costly, burdensome and time-consuming litigation.

## Item 10 – Other Financial Industry Activities and Affiliations

Bauerle Financial, Inc. is General Partner in BFI Global Total Return Fund, Ltd. Bauerle Financial, Inc. has a material relationship with this entity and clients are solicited, at times, to invest in this partnership.

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

Schwab provides through [www.schwabinstitutional.com](http://www.schwabinstitutional.com)<sup>TM</sup>, on-line services for account administration and operational support, including: electronic trading, block-trading authorization, and software to access client data, back-office support, recordkeeping, client reporting, and other relevant technology tools. Furthermore, Schwab may offer from time to time subscriptions to various research services (i.e.; Barron's, Morningstar<sup>®</sup>, Wall Street Journal, etc.) at no cost.

Services offered to Bauerle Financial, Inc. that have been discounted or waived are defined as "soft dollar" services. However, access to [www.schwabinstitutional.com](http://www.schwabinstitutional.com)<sup>TM</sup>, and research services provided or arranged by Schwab will be used to serve all client accounts and will not be limited to only those particular accounts which may have generated commissions to Schwab.

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

Bauerle Financial, Inc., owned by Todd Bauerle, has a less than one percent (1%) interest in National Advisors Holdings, Inc. ("NAH") a Delaware corporation. The business purpose of NAH is as sole owner and operator of National Advisors Trust Company FSB ("NATC"), a Federal Savings Bank that offers personal trust, employee benefit services, IRA, and custodial services to clients on a national basis. NATC is currently supervised by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

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

## Item 11 – Code of Ethics, Participation or Interest in Client Transaction and Personal Trading

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

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

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

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

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

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

It is further disclosed that Bauerle Financial, Inc. has recommended in multiple cases that advisory clients invest in various faith based investments including "Church Bonds". In that a limited secondary market exists for these particular investments, it is arguable, although not conclusively the case, that such investments may be characterized as

speculative and/or illiquid in nature. Furthermore, valuation of these investments may be more difficult than traditional investment valuation may be.

## Item 12 – Brokerage Practices

### Investment or Brokerage Discretion

#### Securities and Amount Bought or Sold

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

#### Direction of Transactions and Commission Rates

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

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

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

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

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

As part of the arrangement, each custodian also makes available to Bauerle Financial, Inc., at no additional charge to Bauerle Financial, Inc., certain research and brokerage services, including research services obtained by the custodian directly from independent research companies, as selected by Bauerle Financial, Inc. (within specified parameters). These research and brokerage services are used by Bauerle Financial, Inc. to manage accounts for which Bauerle Financial, Inc. has investment discretion.

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

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

dealer affiliated with Bauerle Financial, Inc. is involved in the relationship between Bauerle Financial, Inc. and either of the custodians.



### **Item 13 – Review of Accounts**

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

## Item 14 – Client Referrals and Other Compensation

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

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

Even though Mr. Bauerle is involved in these other business activities, such activities should not interfere with the advisory practices of Bauerle Financial, Inc. and present

any inherent risks to the advisory client. Any conflicts of interest will be fully disclosed to the client prior to performing any advisory activities.

## **Additional Compensation**

### Financial Planning Economic Benefits & Conflicts of Interest

Clients are cautioned to consider their options carefully when Bauerle Financial, Inc. and its Investment Advisor Representatives ("IAR") suggests the need for outside consultations and coordination (e.g.: attorneys, CPAs, insurance and securities representatives) to implement certain aspects of financial planning services. Even though Bauerle Financial, Inc. is a fee-only investment advisor who does not earn commissions for the sale or implementation of any financial products, those entities to which Bauerle Financial, Inc. refers business do. This creates incentive on the part of Bauerle Financial, Inc. and the Investment Adviser Representative to refer client business only to those entities that in turn refer potential clients to Bauerle Financial, Inc.. This can eliminate the possibility for the client to be referred to someone who may provide better services at lower cost. Consequently, the objectivity of the advice rendered by Bauerle Financial, Inc. could therefore be subjective and a disadvantage to the client.

Clients may choose any broker-dealer to execute his/her securities transactions.

Clients are under no obligation to have any related parties that Bauerle Financial, Inc. recommends prepare planning documents (i.e., estate, insurance, tax, etc.). Clients are free to choose those entities to implement the recommendations made in the financial plan.

The related parties that Bauerle Financial, Inc. will have perform certain aspects of the financial planning services for the client will be registered representatives of a broker/dealer and/or licensed representatives of insurance companies – they will receive the normal commissions associated with such transactions.

Bauerle Financial, Inc. is a "fee-only" investment advisory firm – no officer, director, or employee will receive commissions associated with the recommendations made from a financial plan.

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

## Item 15 – Custody

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

Under Item 5, Bauerle Financial, Inc. has disclosed that Bauerle Financial, Inc. directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from the client's account. On at least a quarterly basis, but typically monthly, the custodian is required to send the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, Bauerle Financial, Inc. strongly recommends clients carefully review their custodial statements to verify the accuracy of the fee calculation and any other transactions. Clients should contact Bauerle Financial, Inc. directly if they believe there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, Bauerle Financial, Inc. also prepares portfolio statements. Bauerle Financial, Inc. urges clients to carefully compare the information provided on these statements to insure portfolio values are correct and current.

**Item 16 – Investment Discretion**

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

The client gives Bauerle Financial, Inc. discretionary authority when they sign a discretionary agreement with Bauerle Financial, Inc., and may limit this authority by giving Bauerle Financial, Inc. written instructions. The Client may also change/amend such limitations by once again providing Bauerle Financial, Inc. with written instructions.

## **Item 17 – Voting Client Securities**

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

## **Item 18 – Financial Information**

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