

# BRIDGES | INVESTMENT MANAGEMENT

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This Brochure provides information about the qualifications and business practices of Bridges Investment Management, Inc. If you have any questions about the contents of this Brochure, please contact Brian M. Kirkpatrick at 402-397-4700 or [bkirkpatrick@bridgesinv.com](mailto:bkirkpatrick@bridgesinv.com), or write to 8401 West Dodge Road, Ste. 256, Omaha, NE 68114.

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. Bridges Investment Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Bridges Investment Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 30, 2018

## Item 2 - Material Changes

There were material changes to our business since the 3/20/2017 update to our Form ADV.

First, on July 31, 2017, Bridges Investment Management, Inc. ("BIM") closed on a Merger Agreement pursuant to which all of the outstanding shares of BIM were acquired by Bridges Holding Company, a newly formed Nebraska entity ("BHC") principally owned by MGI Holdings, Inc., a subsidiary of McCarthy Group, LLC, an Omaha based investment company, as well as by Ted Bridges, Bob Bridges, and certain management officers of BIM. The resulting change in the control of our firm was a material change that we first disclosed on August 15, 2017.

Second, on January 12, 2018, BHC closed on a transaction with Westwood Holdings Group, Inc., a Delaware corporation (the "Seller"). The Seller and its affiliates operated an investment advisory and trust business in Omaha, Nebraska. BHC purchased substantially all of the assets used in this business in the Omaha area (the "Westwood Transaction") and retained six of Seller's employees. We intend to transition Seller's clients to us by March 31, 2018. Along with this transaction we acquired ten LLC investment vehicles from Westwood Advisors, L.L.C., which entity was owned by the Seller. Additional information about these LLCs is set forth in this Brochure.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may provide other ongoing disclosure information about material changes as necessary. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

A copy of our current Brochure may be requested at any time by contacting Brian M. Kirkpatrick at 402-397-4700 or [bkirkpatrick@bridgesinv.com](mailto:bkirkpatrick@bridgesinv.com).

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

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#### Brochure Supplement(s)

The supplement shown below is not applicable to Bridges Investment Management, Inc. Therefore, Bridges is not required to include this supplement in this brochure.

- **Part 2A, Appendix 1: The “Wrap Brochure”** - Bridges Investment Management, Inc. does not sponsor a wrap fee program. Therefore, **Part 2A, Appendix 1** is not applicable to Bridges Investment Management, Inc.

## Part 2A of Form ADV: Bridges Investment Management Brochure

### Item 4 - Advisory Business

*Generally.* Bridges Investment Management, Inc. ("BIM") is a full-service investment management firm incorporated in 1994. BIM traces its roots to 1945 when Marvin W. Bridges, Sr. became the first investment adviser in Nebraska and the 208th in the country to register under the Investment Advisor Act of 1940. On July 31, 2017, BIM closed on an Agreement and Plan of Merger pursuant to which all of its outstanding shares were acquired by Bridges Holding Company, a newly formed entity principally owned by MGI Holdings, Inc., a subsidiary of McCarthy Group, LLC, an Omaha based investment company, as well as by Ted Bridges, Bob Bridges, and certain management officers of BIM. BIM provides investment management services to a wide range of clients, typically following the process outlined below:

- We will have an initial meeting with you to determine your investment goals and objectives as well as your level of risk tolerance, time horizon, tax situation and any special circumstances.
- We will then draft an investment policy statement that outlines what we have learned from our meeting which, once it meets with your approval, will provide us with the framework that will inform the management of your portfolio. The investment policy statement will articulate your primary investment goals and objectives, tolerance for risk, and any other unique circumstances. It will also establish asset allocation ranges and targets and will describe any other parameters that will guide the management of your assets.
- We will then implement the investment policy statement by purchasing, selling, and managing, or directing to be managed, portfolio assets in order to fulfill your investment objectives consistent with your tolerance for risk, time horizon, and tax situation.
- After the initial investments are made, we will continually monitor them, making tactical adjustments to investment selections as needed.
- We will meet with you periodically to review the investment policy statement and make changes to it as required, as your investment objectives and tolerance for risk may change over time. We will also review our progress toward your investment objectives, and we will discuss your portfolio construction in view of relevant economic and capital markets considerations.

As of December 31, 2017, we manage on a discretionary basis \$3,360,630,738 of assets for 1,302 portfolios and \$101,618,035 of assets for 91 accounts on a non-discretionary basis.

*Bridges Investment LLCs (formerly known as the Westwood Investment LLCs).* Since the closing of the Westwood Transaction, BIM now manages ten investment limited liability companies ("LLCs") referred to collectively as the Bridges Investment LLCs (formerly the Westwood Investment LLCs). BIM is the manager of each of the LLCs. Historically, interests in the LLCs were offered to accredited investors only through private placement memoranda. However, the interests in the LLC are no longer being offered for sale. Each LLC has its own investment strategy, which is further described in this Brochure. Investors in the LLC may not restrict investments in certain securities within the LLC. BIM now acts as a discretionary investment manager to the clients invested in the LLCs and allocates and periodically reallocates clients' interests among the LLCs.

As of March 27, 2018 (and following the completion of the Westwood Transaction), we manage on a discretionary basis \$4,335,416,561 of assets for 1,596 portfolios and \$100,197,361 of assets for 92 accounts on a non-discretionary basis.

### Item 5 - Fees and Compensation

*BIM Clients Generally.* BIM is primarily compensated with fees based on the assets managed by the company. Our fee schedule is listed below.

Fee Schedule:

Assets Under Management	Basis Points	%
0-10 million	100	1.00

10-20 million	85	0.85
20-50 million	70	0.70
50-100 million	60	0.60
100-500 million	50	0.50
+500 million	Negotiable	

The above schedule is negotiable.

We do not collect fees in advance. We collect fees either monthly or quarterly based on the value of your account as of the most recently completed period for which services were rendered. A bill is submitted either directly to you or your agent (if we are engaged through an agency agreement) or to the custodian of the assets managed, which then deducts the fee from your account. If your agent or custodian pays our bill, the transaction is reported to you on the next statement produced.

This is the only fee that our office will claim from your account unless there is a special project negotiated separately. Any additional projects undertaken by BIM, including financial planning, will be completed on an hourly or flat fee basis at a rate agreed to by both parties in writing. In some circumstances we may institute a minimum fee. This change will be fully disclosed to you before it is instituted.

You may incur certain charges imposed by custodians, agents, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. We do not receive compensation from any of the above mentioned fees.

If you decide to terminate our services, our Management Agreement requires 30 days' notice, we will pro-rate the bill for the time span covered in that final period where services were rendered.

*Fees Arrangements for the Bridges Investment LLCs.* Clients in the Bridges Investment LLCs pay BIM an asset based advisory fee that is specified in the applicable discretionary management agreement. Fees are typically based on a tiered fee schedule ranging from 1.00% to 0.10% based on the value of the account. Fees are typically paid quarterly in advance. Fees and payment provisions are subject to negotiation.

BIM receives a management fee based on a percentage of market value of the Bridges Investment LLCs. These fees are payable monthly by each LLC. BIM deducts its advisory fees from the account of each LLC. The fees were described in the private placement memorandum provided to each investor in a Bridges Investment LLC. Some of the Bridges Investment LLCs also pay separate fees to the outside investment managers who manage a portion of the LLCs. Investment Management fees paid to those sub-advisor managers are paid by the LLC. The expenses paid by the Bridges Investment LLCs are detailed in the annual audited financial statements, which are provided to each LLC member and to every prospective LLC member. In addition to the fees described above, the LLCs are charged annual custody fees and administrative fees of 0.08% of market value. In addition to these fees, the Bridges Investment LLCs will incur brokerage fees and other transaction costs.

None of the current Bridges Investment LLCs is permitting new investors, and BIM is not recommending new investments in these securities to its clients; however, BIM may, on a case-by-case basis, repaper or revise applicable documentation for certain relationships due to a change in client circumstances.

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

BIM does not charge performance-based fees.

#### **Item 7 - Types of Clients**

BIM generally provides investment services to individuals, investment companies, trusts, estates, retirement plans, private funds, corporations and other entities, family offices, banks or thrift institutions, foundations and other charitable organizations. As previously mentioned, BIM recently started advising the Bridges Investment LLCs.

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

BIM utilizes a variety of security analysis methods including, but not limited to, fundamental, technical, and cyclical analysis.

We will implement investment strategies and tactics that we believe are appropriate given a client's unique investment objectives and tolerance for risk.

Our investment approach is generally long term in nature (investment time horizon longer than one year). The investment strategies, approaches, and tactics that we employ may vary depending on the goals, objectives, and risk tolerance of each client. In general, our investment strategies are:

- 1) long term in nature
- 2) emphasize high quality and/or investment grade securities
- 3) utilize a range of approaches to determine valuation and establish investment attractiveness
- 4) involve appropriate industry, sector, and individual security diversification

We believe these factors serve to mitigate portfolio risk, however, investing in securities involves risk of loss that you should be prepared to bear.

We may also utilize any of the following strategies where appropriate to achieve client investment objectives: short term purchases (securities sold within one year of purchase), active trading (securities sold within 30 days of purchase), short sales; margin transactions and option writing (including covered and uncovered options).

We primarily rely on fundamental analysis in determining which securities to include in your portfolio. Fundamental analysis involves a detailed investigation into a company's business operations and its financial statements in order to assess its future prospects, understand the risks that may be embodied in its securities, and estimate the return potential that may be possible given its future prospects and its current valuation in the market.

The material risks involved with this type of analysis include but are not limited to the following:

- Fraudulent financial information issued by the company.
- Forecasting future company performance in line with past performance which may not prove achievable due to changing variables.
- Improper disclosure of financial information from the company.

Risks associated with fixed income securities would include those listed above as well as:

- Credit Risk - the risk that the creditworthiness of the company issuing the debt experiences a material decline from the time of purchase.
- Interest Risk - the risk that interest rates move materially higher while your bond is locked into paying you a lower rate, resulting in a decline in the price of that bond, and a reduction in the amount of income that would be achievable if invested at the higher rate.

Risks associated with mutual funds or outside managers would include those outlined above for equity and fixed income investments. In addition, the mutual fund advisor or subadvisor judgements about the markets or the securities that they have invested in may not prove to be accurate resulting in the potential temporary or permanent loss of principal.

*Bridges Investment LLCs*

The Bridges Investment LLCs each have a separate investment objective ranging from equity investments in publicly traded companies to tax-exempt securities or money market assets. The principal investment objectives of each of the Bridges Investment LLCs are described below. There can be no guarantee that any of the Bridges Investment LLCs will achieve their stated investment objective:

- Bridges Focused Core Equity LLC (f/k/a Westwood Focused Core Equity LLC) is a diversified portfolio of common stocks. The objective is long-term growth of capital.
- Bridges Diversified Core Equity LLC (f/k/a Westwood Diversified Core Equity LLC) is a diversified portfolio of common stocks. The objective is long-term growth of capital.
- Bridges Focused Small Cap Equity LLC (f/k/a Westwood Focused Small Cap Equity LLC) is a diversified portfolio of common stocks. The objective is long-term growth of capital.
- Bridges Diversified Small/Mid Cap Equity LLC (f/k/a Westwood Diversified Small/Mid Cap Equity LLC) is a diversified portfolio of common stocks. The objective is long-term growth of capital.
- Bridges International Equity LLC (f/k/a Westwood International Equity LLC) is a diversified portfolio of principally non-U.S. common stocks. The objective is long-term growth of capital.
- Bridges Total Return LLC (f/k/a Westwood Total Return LLC) is a portfolio that may consist of both equity and fixed income securities. The objective is to maximize total return through a combination of current income and capital appreciation.
- Bridges Core Income LLC (f/k/a Westwood Core Income LLC) is a portfolio principally of intermediate-term U.S. government and agency bonds and corporate bonds. The objective is to provide a high level of current income and to preserve investors' principal.
- Bridges Core Income Tax-Exempt LLC (f/k/a Westwood Core Income Tax-Exempt LLC) is a portfolio of tax-exempt bonds. The objective is to provide current income that is exempt from federal income taxes primarily and state income taxes secondarily, and to preserve investors' principal.
- Bridges Cash Reserves LLC (f/k/a Westwood Cash Reserves LLC) is a portfolio principally of money market funds and other short-term instruments. The objective is to provide current income, consistent with preservation of capital and monthly liquidity.
- Bridges Tactical Opportunity LLC (f/k/a Westwood Tactical Opportunity LLC) is a diversified portfolio of U.S. and non-U.S. equity and fixed-income securities. In addition, the LLC may invest in derivative securities, currencies and commodities and engage in short-selling and other hedging activities. The objective of the LLC is long-term growth of capital.

BIM may make direct investments in various securities suitable for the investment strategies of each LLC and, in some cases, may invest in mutual funds or similar investment vehicles. We will not permit any of the LLCs to act as a securities underwriter or make direct investments in real estate, or in tax-shelter type investments, or to participate on a joint-and-several basis in any securities trading account.

Clients' investment objectives, risk tolerance, and other information is reflected in the applicable discretionary management agreement as amended from time to time by BIM in consultation with the applicable clients.

Investors in the Bridges Investment LLCs should consider risks when investing in the LLCs, including risks associated with investing in the LLCs as an investment vehicle and the risks of the underlying investment in which the LLCs invest:

- General Market Risk - the principal risk of investing in the LLCs is that the market value of the securities held by the LLCs will move up and down
- Small, Medium and Large Capitalization Companies - certain LLCs can exhibit wide fluctuations in value because substantially all of the portfolio is invested in common stock of small, mid and large capitalization companies.
- Cash Reserves - Certain LLCs invest primarily in money market funds, high quality, short-term money market instruments, including certificates of deposit, bankers' acceptances,

commercial paper, and other money market securities. These types of investments are subject to several risks, including income risk, credit risk, inflation risk, manager's risk, and investment style risk.

- Risk of Foreign Investments - Foreign investments may be affected by changes in currency rates, changes in foreign or U.S. laws or restrictions applicable to such investments and changes in exchange control regulation.
- Real Estate Investment Trust (REIT) Risk - Risks in REITS include decline in the value of underlying real property, decline in rental income, and availability and quality of credit for mortgages.
- Bonds - Certain LLCs invest materially in bonds issued by the U.S. government and its agencies, which may or may not be backed by the full faith and credit of the U.S. government, with a preference for holding the bonds to maturity. These LLCs are subject to several risks, including interest rate risk; call risk; credit risk; management risk; and investment style risk.
- High Yield Securities - "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies are subject to greater risk of loss of principal and interest than higher rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.
- Derivative Instruments - the LLCs may invest in derivative instruments such as options, futures, options on futures, swaps, interest rate caps, floors and collars, structured securities, inverse floating-rate securities, stripped mortgage backed securities and foreign currency transactions, which types of investments are associated with additional risk of loss.

Additional risk factors may be found in the offering documents for each of the Bridges Investment LLCs.

## **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of BIM or the integrity of BIM's management. BIM has no information applicable to this Item.

## **Item 10 - Other Financial Industry Activities and Affiliations**

### Other Investment Advisers:

On July 31, 2017, BIM entered into separate Sub-Advisory Agreements with each of the SEC-Registered Investment Advisers listed below. The Sub-Advisory Agreements provided that BIM will work with each respective adviser to provide investment advisory services on behalf of the clients of said adviser until such clients have been transitioned to BIM by executing Investment Management Agreements with BIM. These advisers are related businesses to BIM. Each of the Registered Investment Advisers listed below filed a Form ADV-W, effective December 31, 2017, at which time the Sub-Advisory Agreements also terminated.

- Bridges Investment Counsel, Inc. ("BIC") (SEC File No. 801-3153); and
- Modern Portfolio Consultants Company ("MPC") (SEC File No. 808-70405).

Edson L. Bridges II, Edson L. (Ted) Bridges III, Brian M. Kirkpatrick, Douglas R. Plahn, Deborah L. Grant, Nancy K. Dodge, and Brian R. Miles hold various executive officer, and director positions in BIM and previously held such positions in each of the above-mentioned investment adviser firms. After the Westwood Transaction, Nicholas Wilwerding and Sarah Murray joined BIM in executive officer positions.

### Registered Investment Company:

Bridges Investment Fund, Inc. ("BIF") is an open-end, diversified investment company that has been in operation since July 1, 1963. BIM is the investment adviser to BIF and employees of BIM hold



executive and director positions at BIF. Therefore, BIF is a related business. BIF holds SEC File Nos. 811-1209 and 2-21600. A copy of BIF's Prospectus and SAI will be made available upon request.

#### Banking or Thrift Institution:

BIM is under common ownership and control with Bridges Trust Company ("BTC"). Edson L. Bridges II, Edson L. (Ted) Bridges III, Brian M. Kirkpatrick, Douglas R. Plahn, Deborah L. Grant, Nancy K. Dodge, Brian R. Miles, Nicholas Wilwerding, and Sarah Murray hold various officer and director positions in BIM as well as at BTC. BTC is a state-chartered trust company regulated by the Nebraska Department of Banking and Finance. BTC is managed by BIM under an Amended and Restated Management Agreement dated July 31, 2017. Among other things, the agreement obligates BIM to provide personnel, equipment, and other services necessary to operate BTC in return for compensation. BTC serves as custodian for a number of BIM clients. BIM also provides investment management services to accounts where BTC is trustee or agent for the trustee.

Clients may engage BIM through an agency agreement with BTC under which the client authorizes and directs BTC, as its agent, to engage BIM as its investment adviser with respect to all or a portion of the BTC client's assets held with BTC. Under the agency agreement with BTC, the BTC client is a third party beneficiary of all rights of BTC as client under the BIM investment management agreement and under the Investment Advisers Act of 1940 and SEC regulations.

In accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940, BIM may be deemed to have custody of client funds and securities in certain circumstances where such funds and securities are held by BTC (see Item 15).

Other Pooled Investment Vehicles: As mentioned above, BIM manages the 10 Bridges Investment LLCs.

#### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

BIM has adopted a Code of Ethics for all supervised persons of the Firm describing its standard of business conduct and fiduciary duty to its clients. BIM supervised personnel are expected to adhere to the highest level of ethical standards in the conduct of their business, consistent with the long-standing history of high ethical conduct by the Bridges entities and their outstanding reputation for honesty, integrity and professionalism. Moreover, BIM supervised persons are required to comply with all applicable state and federal laws and regulations, including federal securities laws, and general fiduciary principles.

The Code of Ethics includes provisions relating to the confidentiality of client information, the duty to place the interests of clients first at all times, a prohibition on insider trading, restrictions on the acceptance of gifts and personal securities trading procedures for Firm personnel.

BIM personnel are required to certify annually that they have read and complied with all requirements of the BIM Code of Ethics. Violations or suspected violations of the BIM Code of Ethics are to be reported to the BIM Chief Compliance Officer. Retaliation against an individual reporting a violation or suspected violation is prohibited.

A copy of the BIM Code of Ethics is available upon request. Such request should be made to Brian Kirkpatrick, Chief Compliance Officer, at (402) 397-4700, or 256 Durham Plaza, 8401 West Dodge Road, Omaha, Nebraska 68114.

In certain situations, clients of BIM may be recommended shares of Bridges Investment Fund, Inc. ("BIF") for purchase. BIF is a related business to BIM (See Item 10). Conflicts of interest could arise if clients (whose portfolio management fee is lower than that of BIF) are encouraged to purchase additional shares of BIF thereby moving upward BIF's assets and increasing revenues for Bridges Investment Management, Inc. (See Item 10). This potential conflict of interest is continuously monitored by BIM under the Code of Ethics. As a rule, BIM does not charge investment advisory fees for shares of BIF held by client accounts.

When consistent with clients' investment objectives, the Firm may cause accounts over which it has

management authority to purchase or sell securities in which BIM and/or its employees have a position of interest. Subject to the Firm's Code of Ethics and applicable laws, personnel of BIM may trade for their own accounts in securities which are recommended to and/or purchased for the Firm's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of BIM's employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code of Ethics requires pre-clearance of many transactions and restricts trading in close proximity to client trades.

Nonetheless, because in some instances employees could invest in the same securities as clients, it is possible that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between BIM and its clients.

BIM agrees to act as a fiduciary with respect to client accounts. Section 206 of the Investment Advisers Act of 1940 prohibits RIAs from engaging in fraudulent, deceptive or manipulative activities. BIM will put the client's best interests first. We will act with prudence (with the skill, care, diligence and good judgement of a professional). We will not mislead, but rather provide conspicuous, full and fair disclosure of all important facts. We will fully disclose conflicts of interest and fairly manage them in the client's favor.

## **Item 12 - Brokerage Practices**

Brokers are selected based on their ability to provide our clients with the best possible execution combined with reasonable cost and other services/products provided. All of our non-custodian broker relationships agree to a commission rate of five cents per share. Some brokers have minimum ticket charges that they may enforce on smaller trades which would cause the trade to vary from the cents per share calculation. We periodically test the market to see if our commission schedule is still competitive and adjust it accordingly.

TD Ameritrade and Charles Schwab are both utilized as custodian brokers for a portion of our client base. In those cases, we work with the custodian to get the best commission rate for the client based on available options through the custodian or by negotiating a rate for all of our clients. The commission rates charged here remain reasonable as the discount broker world continues to be competitive.

You can choose your own broker if you wish and we will work with them. We cannot guarantee that the broker that you choose will give you the same commission schedule that our other clients receive through other brokers.

All of our non-custodian broker relationships provide us with some form of research that aids in the management of your portfolio. Some brokers use a portion of the commission dollars that your trades generate to pay third parties for research products. The money used to pay for these services is referred to as "soft dollars". We will describe all of the services received through the use of soft dollars later. As explained earlier, these brokers still abide by the same commission schedule that all of our other brokers use.

Since all of our non-custodian brokers provide substantially the same services, our traders will direct trades based on a number of factors including: unique abilities in a certain trade type, low minimum ticket (for small trades), soft dollar commitments and various other factors.

To the extent that we need to generate enough commissions to pay for the services under soft dollar relationships, there could be an incentive to send trades to these specific brokers over others. In order to mitigate any conflicts of interest that arise because of this, we hold our soft dollar brokers to the same standards as any other broker when it comes to execution and cost, and have replaced soft dollar brokers when they have fallen below that standard.

The research generated by products paid for with soft dollar commissions benefit all of our clients equally regardless of whether their trade commissions paid for the research or not. It also benefits us as we do not have to pay cash for the research product provided through the use of soft dollars.

We utilize several research products that are paid for with soft dollars. All of the products are described below along with the broker who pays for the product and the annual commitment for the product. Our current total soft dollar commitment is approximately \$182,985.32.

*Factset* - Factset is a research software product that provides us with current and historical financial and pricing information on companies worldwide as well as allowing us to build portfolio data for our clients. This software also provides us access to valuation information, detailed SEC filings, charting, news and economic information. Fintech will be the broker paying for this product in 2018 and our commitment will be \$115,877.66.

*Bloomberg* - The Bloomberg terminal is one of the most widely used pieces of financial equipment. Each terminal is tied into real time information on a vast array of financial securities, indexes and news feeds. It is almost like the internet for investments. We use the two terminals in our office to access information on a large number of securities held by our clients. A high percentage of its use is dedicated toward fixed income securities and the information needed to determine the value and trading of those securities. Capital Institutional Services, Inc. will be the broker paying for this product and our soft dollar commitment for 2018 is \$98,943.60.

*Telemet* - Telemet is a software product that provides some services that are similar to those provided by Factset and Bloomberg. While the amount of information may not be as in-depth as what is provided by these other companies, Telemet allows us to economically access real time quotes. It also allows access to other information linked directly to our portfolio management system so that those professionals can see how certain portfolios are being affected intraday. Fintech Securities is also the broker paying for this service with a commitment for 2018 of \$8,027.60.

We maintain a soft-dollar brokerage relationship with Trade Manage Capital as well, however, there is no commitment related to a product. The credit that accrues from any trades sent to Trade Manage is used to offset some of the expenses from one of the three products listed above, reducing the commitment to their respective broker.

As disclosed earlier we do not solicit referrals from brokers, however if a broker recommends our services to one of their clients and the client wishes to maintain the broker relationship we will honor that request. We will make sure that the client is aware of our current commission schedule and other relationships so that they can determine if there is a material cost or execution issue that may arise due to maintaining the relationship with the referring broker.

We will aggregate your trade with the trades of other clients when doing so would lead to the best execution and lowest cost for all clients involved in the trade. Combining trade orders raises the number of shares for an individual trade, lowering the commission for all. In the event that an aggregated trade cannot be filled in its entirety, the amount of the trade that is completed with be allocated pro-rata among all of the participants. BIM has adopted a formal trade aggregation policy, a copy of which can be obtained from Brian Kirkpatrick at [bkirkpatrick@bridgesinv.com](mailto:bkirkpatrick@bridgesinv.com) or 8401 West Dodge Road, Ste 256, Omaha, NE 68114.

### **Item 13 - Review of Accounts**

Your portfolio will typically be reviewed on a quarterly basis by the portfolio manager responsible for your account. Reviews may also be done on an interim basis throughout the quarter, depending on your unique investment objectives and portfolio investment horizons. Your portfolio will also be reviewed at periods throughout the quarter on a security-by-security basis and/or due to market conditions or other factors. The reviewers will be one or more of the individuals listed below, all are members of the Investment Committee:

Ted Bridges, Edson Bridges, Deb Grant, Brian Kirkpatrick, Doug Plahn, Nancy Dodge.

You will receive a portfolio report either monthly or quarterly. These reports will detail portfolio holdings, purchases and sales completed during the previous period. We will generally provide you with extensive written reports summarizing portfolio holdings and background statistical data on the securities held in your portfolios at periodic client meetings. Periodically, we will send out market comment reports or other reports pertaining to broad investment topics.

In addition, if you are an investor in one of the Bridges Investment LLCs, you will receive within 120 days after fiscal year end for the applicable LLC audited financial statements.

Investments in the Bridges Investment LLCs are reviewed on a quarterly or more frequent basis and re-allocation decisions are made monthly for disbursements or to rebalance the investments as needed. Investor reviews are scheduled and structured according to investor-stated guidelines or in response to specific investor requests. In the absence of guidelines, investor meetings are generally scheduled annually and to a lesser degree, on a semi-annual or quarterly basis. Investor reviews generally involve a meeting between the investor and BIM to review strategy, objectives, key concerns and outlooks. Reviews typically are conducted by members of the Investment Committee.

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

While client referrals are always welcome and appreciated, we do not provide any compensation or other economic benefit in exchange for referrals. In the event that a broker may refer a client to us for management services, the broker will continue to receive the benefit of trade commissions as they had previously.

We do not receive compensation or any other economic benefit from other entities for providing you with investment management.

#### **Item 15 - Custody**

In accordance with Rule 206(4)-2 of the Investment Advisers Act of 1940, BIM is deemed to have custody of client funds and securities in certain circumstances where such funds and securities are held by BTC, a related party to BIM. BTC is a qualified custodian. Clients of BIM who custody their assets at BTC will receive an account statement from BTC at least once each calendar quarter, which will include a list of held securities, as well as transactions and fees for the period. We urge you to carefully review BTC statements and compare them to the account statements that BIM may provide to you. BIM's statements may vary from the custodial statements based on accounting procedures, reporting dates, or valuation methodologies.

Custody of the LLCs' securities is maintained by First National Bank, Omaha ("FNB"), a qualified custodian. If an investor has a separate custodial relationship at FNB, they will receive a written statement from both BIM and FNB for the LLC ownership. However, if they do not have a separate custodial relationship at FNB, they will only receive a statement from BIM.

If an LLC invests in mutual funds, the assets of certain mutual funds are maintained by the mutual fund's custodian. Investors will not receive a separate statement from the mutual fund.

Some assets of the Bridges Diversified Core Equity LLC are maintained by Citigroup Private Bank. Some of the assets of the Bridges International Equity LLC are maintained by Boston Financial Services, Franklin Templeton, State Street Bank & Trust Co. and Bank of New York Mellon. Some of the assets of the Bridges Total Return LLC are maintained by Citigroup Private Bank and Bank of New York Mellon. Some of the assets of Bridges Tactical Opportunity LLC are maintained by U.S. Bank. Investors will not receive a written statement from these custodians.

Bridges Advisors has custody of client's interests in the LLCs because it has the ability to make interfund transfers, to redeem clients' LLC interests to fund client withdrawal requests and to redeem clients' LLC interests to collect Bridges' advisory fees.

Clients receiving statements from a custodian should carefully review those statements and compare them with statements from BIM.

#### **Item 16 - Investment Discretion**

In nearly every instance we would prefer having discretionary authority in the management of your account. In order to adjust to a fast-paced marketplace, we are better able to serve you with this type of authorization. However, our discretion must be exercised in a manner that is consistent with the stated investment objectives for your account. When selecting securities and determining amounts, it is our policy to observe the investment policies, limitations and restrictions that were agreed to with you at the outset of our relationship.

Some clients may place limitations on this authority when they have specific stocks or sectors that they do not wish to be invested in. For example you may not want to own tobacco stocks in your account and may place a restriction or limitation on our authority as such. A limited power of attorney is used to empower us to undertake these types of actions on your behalf.

Pursuant to the authority granted in the LLCs offering documents, BIM accepts discretionary authority to manage securities on behalf of the Bridges Investment LLCs and has broad authority to determine, without specific approval, the amount and type of securities to be bought and sold, the broker-dealer to be used and the commission rate to be paid to such broker-dealer. BIM also has discretion to delegate discretion to other investment managers.

#### **Item 17 - Voting Client Securities**

BIM has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with the Firm's fiduciary duties and SEC Rule 206(4)-6 under the Investment Advisers Act of 1940. In addition, BIM's proxy voting policies reflect the long-standing fiduciary standards and responsibilities for ERISA accounts set out in the Department of Labor Bulletin 94-2, 29 C.F.R. 2509.94-2 (July 29, 1994).

On any account where we have the authority to vote proxies (including the Bridges Investment LLC securities), we will exercise those responsibilities solely with a goal of maximizing the long-term value of your investments. Typically, if the common stock of a company continues to be held by a client, BIM management has expressed confidence in the current management of that company and will vote in line with Board recommendations. The management of BIM strongly believes that sound corporate governance is an important element in maximizing shareholder value. Our policy and guidelines on voting proxies is segmented into six areas: executive and director compensation, shareholder rights; changes in corporate control, election of directors, approval of independent auditors, and corporate/social policy issues. Proxy proposals can be complex and their economic impact is subject to professional interpretation and judgment.

BIM officers and employees will use this proxy voting policy as a guideline, but each voting decision involves a unique set of facts that we will need to consider in determining whether the vote is in the best interests of the client.

BIM may abstain from voting or decline to vote proxies where, in its opinion, the cost of voting the proxy exceeds the economic value of the expected effect of the vote on the client's investment. This may occur when there are a small total number of shares owned by you or other BIM clients, or when an extraordinary effort will be required by BIM to interpret the proxy statement, such as in the case of some foreign securities.

You can obtain a record of how we voted your proxies as well as a copy of our proxy voting policies and procedures from Brian Kirkpatrick, Chief Compliance Officer of BIM. Mr. Kirkpatrick can be reached via email at [bkirkpatrick@bridgesinv.com](mailto:bkirkpatrick@bridgesinv.com) or by mail at 8401 West Dodge Rd, Ste 256, Omaha, NE 68114.

#### **Item 18 - Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about BIM's financial condition. BIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

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