

Disclosure Brochure

March 27, 2020



A WEALTH SERVICES COMPANY

AN INDEPENDENT FIRM

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

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Item 2. Material Changes

This Item discusses only the material changes to this brochure that have occurred since the Firm's last annual update filed March 27, 2019. The Firm does not have any material changes to disclose.

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Item 4. Advisory Business

Bernicke Wealth Management provides its clients with comprehensive wealth management services and also provides advisory services to retirement plans subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), as further described below. Prior to engaging Bernicke Wealth Management to provide wealth management services, the client is required to enter into one or more written agreements with Bernicke Wealth Management setting forth the terms and conditions under which Bernicke Wealth Management renders its services (collectively the "*Agreement*").

The Firm began conducting business as an SEC registered investment adviser in October 2012 and is wholly owned by Ty A. Bernicke. As of December 31, 2019, Bernicke Wealth Management had \$344,115,636 in assets under management, all of which was managed on a discretionary basis.

This Disclosure Brochure describes the business of Bernicke Wealth Management. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Bernicke Wealth Management's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Bernicke Wealth Management's behalf and is subject to Bernicke Wealth Management's supervision or control.

Wealth Management Services

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

Bernicke Wealth Management primarily allocates clients' investment management assets among mutual funds (including mutual funds that invest in master limited partnerships and mutual funds principally invested in real estate), exchange-traded funds ("ETFs"), and individual debt and equity securities. Bernicke Wealth Management may also provide advice about any type of investment held in clients' portfolios.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage Bernicke Wealth Management to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Bernicke Wealth Management directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

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

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

Sponsor and Manager of Wrap Program

Bernicke Wealth Management is the sponsor and manager of the Bernicke Wealth Management Wrap Fee Program (the "*Program*"), a wrap fee program. In the event the client participates in the *Program*, Bernicke Wealth Management provides its wealth management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure. There is no difference in how Bernicke Wealth Management manages accounts within the wrap program. Bernicke Wealth Management anticipates that the majority of its wealth management services will be rendered as part of the *Program*.

Tax Services

Bernicke Wealth Management may provide clients with tax planning/consulting services as part of its wealth management services.

Educational Services

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

Retirement Plan Consulting Services

Bernicke Wealth Management provides consulting services to employers who are considering establishing a retirement plan. Each employer is required to enter into a retirement plan consulting agreement (the “Consulting Agreement”) describing the services that Bernicke Wealth Management will perform. These services include assisting the employer in identifying plan objectives, plan design considerations and understanding fiduciary responsibilities.

Advisory Services for ERISA Plans

Bernicke Wealth Management provides advisory services to retirement plans subject to ERISA, including participant-directed defined contribution plans, such as 401(k) plans (“ERISA Plan Clients”). Each ERISA Plan Client is required to enter into an investment advisory agreement or investment management agreement (collectively, the “ERISA Plan Services Agreement”) with Bernicke Wealth Management describing the services that Bernicke Wealth Management will perform for the ERISA plan and its participants. Bernicke Wealth Management provides both ERISA fiduciary services and non-fiduciary services to ERISA Plan Clients.

Fiduciary Services: Bernicke Wealth Management provides fiduciary services either as a discretionary investment manager or a non-discretionary investment adviser.

Investment Management Services: Bernicke Wealth Management provides investment management services to ERISA Plan Clients on a discretionary basis as an investment manager under ERISA Section 3(38) and in that capacity, Bernicke Wealth Management's investment decisions are made in its sole discretion without the ERISA Plan Client's prior approval. Each ERISA Plan Client who engages Bernicke Wealth Management to perform investment management services is required to enter into an investment management agreement. Bernicke Wealth Management's investment management services include developing and implementing an investment policy statement, selecting a broad range of investment options consistent with ERISA Section 404(c), making decisions about the selection, retention, removal and addition of investment options and if the ERISA Client has determined that the Plan should have a qualified default investment alternative (a “QDIA”) for participants who fail to make an investment election, selecting the investment that will serve as a QDIA. The investment options selected by Bernicke Wealth Management may include managed portfolios developed by Bernicke Wealth Management. Bernicke Wealth Management has full discretionary authority over investment management of the Plan assets invested in the Firm's managed portfolios including, but not limited to, determination of the asset class allocations and selection of the underlying investments for each portfolio, adjustment of the asset class allocations, and the addition, removal or modification of the underlying investments. If Bernicke Wealth Management managed portfolios are offered as Plan investment options, it does not result in additional compensation to the Firm.

Investment Advisory Services: Bernicke Wealth Management also provides investment advisory services on a nondiscretionary basis and in that capacity, the ERISA Plan Client retains, and exercises, final

decision-making authority and responsibility for the implementation (or rejection) of the Firm's recommendations or advice. Each ERISA Plan Client who engages Bernicke Wealth Management to perform nondiscretionary investment advisory services is required to enter into an investment advisory agreement. Bernicke Wealth Management's nondiscretionary investment advisory services include assisting the ERISA Plan Client in developing and implementing an investment policy statement, assisting the ERISA Plan Client in selecting a broad range of investment options consistent with ERISA Section 404(c), assisting the ERISA Plan Client in making decisions about the selection, retention, removal and addition of investment options, and if the ERISA Plan Client has determined that the Plan should have a QDIA for participants who fail to make an investment election, assisting in the selection of the investment that will serve as a QDIA. The investment options recommended by Bernicke Wealth Management may include managed portfolios developed by the Firm. If Bernicke Wealth Management portfolios are selected by the ERISA Plan Client, then Bernicke Wealth Management will have full discretionary authority over investment management of the Plan assets invested in the Firm's managed portfolios including, but not limited to, determination of the asset class allocations and selection of the underlying investments for each portfolio, adjustment of the asset class allocations, and the addition, removal or modification of the underlying investments. If Bernicke Wealth Management managed portfolios are offered as Plan investment options, it does not result in additional compensation to the Firm.

Participant-Level Investment Advisory Services:

Under the ERISA Plan Services Agreement, Bernicke Wealth Management also provides to Plan participants, who request it, non-discretionary investment advice about Plan investment alternatives. The Plan participant has the final decision-making authority regarding the initial selection, retention and changes in investment selections.

Non-Fiduciary Services: Bernicke Wealth Management's non-fiduciary services to ERISA Plan Clients include providing fiduciary education and support, establishing plan objectives and assisting in vendor selection. Bernicke Wealth Management's non-fiduciary services also include assisting in group enrollment meetings and educating plan participants about general investment principles and the investment alternatives under the Plan.

For a more detailed description of Bernicke Wealth Management's fiduciary and non-fiduciary services, the ERISA Plan Client should refer to the ERISA Plan Services Agreement.

Item 5. Fees and Compensation

Bernicke Wealth Management offers its wealth management services for a fee based upon assets under management. Additionally, certain of Bernicke Wealth Management's *Supervised Persons*, in their individual capacities, may offer securities brokerage services and insurance products under a commission arrangement.

Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage Bernicke Wealth Management for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

Wealth Management Fee

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

Educational Services Fee

Bernicke Wealth Management generally provides these services free of charge to the hosting university. For educational services offered to other organizations, the Firm generally negotiates a fixed fee of up to \$100 per participant.

Retirement Plan Consulting Fee

Bernicke Wealth Management provides retirement plan consulting services for a level fee which is negotiable. The fee is based upon a number of factors, which may include the employer size and objectives, the employee demographics and the existence of multiple office locations. The fee is payable as follows:

- 50% of the fee due on the execution of the Consulting Agreement. This amount is nonrefundable if the Consulting Agreement is terminated prior to completion of the consulting services.
- 50% of the fee due on completion of the consulting services.

ERISA Plan Client Fee

Bernicke Wealth Management is a fiduciary under ERISA with respect to the investment management or investment advisory services, as the case may be, described in the ERISA Plan Services Agreement between Bernicke Wealth Management and the ERISA Plan Client. As such, Bernicke Wealth Management is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Bernicke Wealth Management may only charge fees for investment advice about products for which Bernicke Wealth Management and/or its affiliates do not receive any commission, 12b-1 fees or other compensation, or conversely, if such compensation is received by Bernicke Wealth Management and/or its affiliates, Bernicke Wealth Management will offset such amounts against the Firm's stated fee. Where Bernicke Wealth Management offsets such compensation amounts

against its stated fee, the Firm will disclose to the ERISA Plan Client the amount of such compensation, the services rendered for such compensation, the payer of such compensation and a description of the arrangement with the payer in accordance with the requirements of ERISA Regulation Section 2550.408b-2(c).

Investment management or investment advisory services, as the case may be, are provided to ERISA Plan Clients in exchange for a fee which is negotiable. The fee may be a flat fee or an asset-based fee and may vary from client to client, based upon the complexity of the plan, the plan's objectives, and the services to be provided. In the case of an asset-based fee, the plan asset value is based upon the market value of included plan assets as reported by the plan custodian or recordkeeper. Included plan assets are the plan assets for which Bernicke Wealth Management provides services as described in the ERISA Plan Services Agreement. As agreed to by the ERISA Plan Client under the ERISA Plan Services Agreement, the fee may be billed in advance or in arrears and is calculated quarterly. As agreed to under the ERISA Plan Services Agreement between Bernicke Wealth Management and the ERISA Plan Client, the ERISA Plan Client may authorize the plan custodian to automatically deduct the fee from the plan or the plan sponsor of the ERISA Plan Client may choose to pay the fee. The fee amount, method of calculation, timing of payment, and whether it is to be paid in arrears or in advance, are specifically described in the ERISA Plan Services Agreement.

Either Bernicke Wealth Management or the ERISA Plan Client can terminate the ERISA Plan Services Agreement, at any time, without penalty, by sending the other party 30 days prior written notice. Both parties remain responsible for obligations arising under any transactions initiated before the agreement was terminated. Bernicke Wealth Management will pro-rate the fee based upon the number of days in the fee period prior to the effective date of the termination and refund to the ERISA Plan Client any unearned fee.

Fees Charged by Financial Institutions

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

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

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties. Such charges may include, but are not limited to, charges imposed directly by a mutual fund, index fund, or exchange-traded fund ("ETF") in the account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), fees imposed by variable annuity providers and disclosed in

the annuity contract, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Bernicke Wealth Management's fee.

Fee Debit

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

Account Additions and Withdrawals

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

Commissions or Sales Charges for Recommendations of Securities

Clients can engage certain persons associated with Bernicke Wealth Management (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Bernicke Wealth Management.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Triad Advisors LLC ("*Triad*"), an SEC registered broker-dealer and member of FINRA, can provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to *Triad*, as well as a share of any ongoing distribution or service (trail) fees from the

sale of mutual funds. Bernicke Wealth Management can also recommend no-load or load-waived funds, where no sales charges are assessed, but where the Supervised Person receives other forms of compensation. Prior to effecting any transactions, clients are required to enter into a separate account agreement with *Triad*.

A conflict of interest exists to the extent that a Supervised Person of Bernicke Wealth Management recommends the purchase or sale of securities through a brokerage relationship where that Supervised Person receives commissions or other additional compensation as a result of that recommendation (the "Brokerage Relationship"). The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons to engage in the Brokerage Relationship are in the best interest of that client. Because the Supervised Person receives compensation in connection with the sale of mutual funds in the Brokerage Relationship, a conflict of interest exists as such Supervised Person, has an incentive to recommend more expensive mutual fund share classes to clients where such Supervised Person earns more compensation with respect to the sale of such mutual fund share classes. Clients should understand that the investments made in the Brokerage Relationship are not receiving advisory services from the Firm. Therefore, the Firm does not have a fiduciary duty over the Brokerage Relationship recommendations. If the Firm does provide fiduciary services for certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that Bernicke Wealth Management, in its sole discretion, deems appropriate, Bernicke Wealth Management provides its investment advisory services on a fee-offset basis. In this scenario, Bernicke Wealth Management offsets its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of *Triad*.

Retirement Account Clients - Potential for Conflict of Interest

Bernicke Wealth Management is a fiduciary under ERISA with respect to investment management services and investment advice provided to ERISA Plan Clients, including ERISA plan participants. Bernicke Wealth Management is also a fiduciary under the Internal Revenue Code (the "IRC") with respect to investment management services and investment advice provided to ERISA Plan Clients, IRA owners and IRAs (collectively, "Retirement Account Clients"). As such, Bernicke Wealth Management is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption. A conflict of interest arises and the prohibited transaction rules are implicated when Bernicke Wealth Management provides fiduciary advice about plan distributions and rollovers if it results in Bernicke Wealth Management receiving compensation that it would not have received absent the advice. Bernicke Wealth Management will mitigate this conflict by acting in the best interest of the client. No client is under any obligation to roll over ERISA plan or IRA assets to an account advised or managed by Bernicke Wealth Management.

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

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

Item 7. Types of Clients

Bernicke Wealth Management provides its services to individuals, trusts, estates, charitable organizations, corporations and business entities. Bernicke Wealth Management also provides investment advice to retirement plans subject to ERISA, including participant-directed defined contribution plans such as 401(k) plans, and plan participants.

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

Methods of Analysis

Bernicke Wealth Management's primary methods of analysis are fundamental and technical analysis.

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

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

Investment Strategies

Prior to developing a portfolio, Bernicke Wealth Management meets with each client to learn about the client's goals and investment objectives in order to develop a complete understanding of a client's total financial profile. The Firm seeks to align each client's financial profile with appropriate investments through the use of diversified model portfolios that primarily use mutual funds (including mutual funds that invest in master limited partnerships and mutual funds principally invested in real estate), ETFs, and individual stocks and bonds depending on the client's financial profile.

Risks of Loss

General Risk of Loss

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

Market Risks

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

Mutual Funds and ETFs

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

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

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

In addition, each mutual fund and ETF has its own investment objectives and strategies. Depending upon those objectives and strategies, each mutual fund and ETF has its own specific risks. Those risks are disclosed in the prospectus that each client receives.

Management Through Similarly Managed Accounts

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

Bernicke Wealth Management’s management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

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

Item 9. Disciplinary Information

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

Item 10. Other Financial Industry Activities and Affiliations

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

Registered Representatives of Broker Dealer

As discussed above in Item 5, certain of Bernicke Wealth Management’s *Supervised Persons* are registered representatives of *Triad*.

Licensed Insurance Agents

Certain of Bernicke Wealth Management’s *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that

Bernicke Wealth Management or its *Supervised Persons* recommend the purchase of insurance products where Bernicke Wealth Management or its *Supervised Persons* receive insurance commissions or other additional compensation.

Item 11. Code of Ethics

Bernicke Wealth Management and persons associated with Bernicke Wealth Management (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Bernicke Wealth Management’s policies and procedures.

Bernicke Wealth Management has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). Bernicke Wealth Management’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Bernicke Wealth Management or any of its associated persons. The *Code of Ethics* also requires that certain of Bernicke Wealth Management’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Bernicke Wealth Management is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse or minor child who resides in the same household; any adult related by blood, marriage or adoption to the *Access Person* who shares the *Access Person*’s household; and any relative dependent on the *Access Person* for financial support) a transaction in that security unless:

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

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

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

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

Item 12. Brokerage Practices

Bernicke Wealth Management generally recommends that clients utilize the brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“*TD Ameritrade*”) for investment management accounts. Bernicke Wealth Management participates in the institutional advisor program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Bernicke Wealth Management receives some benefits from *TD Ameritrade* through its participation in the program.

Factors which Bernicke Wealth Management considers in recommending *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *TD Ameritrade* enables Bernicke Wealth Management to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Bernicke Wealth Management’s clients comply with Bernicke Wealth Management’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Bernicke Wealth Management determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution’s* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Bernicke Wealth Management seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

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

Transactions for each client generally will be effected independently, unless Bernicke Wealth Management decides to purchase or sell the same securities for several clients at approximately the same time. Bernicke Wealth Management may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Bernicke Wealth Management’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Bernicke Wealth Management’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Bernicke Wealth Management determines to aggregate client orders for the purchase or sale of

securities, including securities in which Bernicke Wealth Management's *Supervised Persons* may invest, Bernicke Wealth Management generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Bernicke Wealth Management does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Bernicke Wealth Management determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Bernicke Wealth Management may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

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

Commissions or Sales Charges for Recommendations of Securities

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

Management is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

Receipt of Economic Benefit

Bernicke Wealth Management participates in the institutional advisor program offered by TD Ameritrade. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Bernicke Wealth Management receives some benefits from TD Ameritrade through its participation in the program.

Bernicke Wealth Management may receive from *TD Ameritrade*, without cost to Bernicke Wealth Management, computer software and related systems support, which allow Bernicke Wealth Management to better monitor client accounts maintained at *TD Ameritrade*. Bernicke Wealth Management may receive the software and related support without cost because Bernicke Wealth Management renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and support is not provided in connection with securities transactions of clients (i.e. not “soft dollars”). The software and related systems support may benefit Bernicke Wealth Management, but not its clients directly. In addition, these products or services may assist Bernicke Wealth Management in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help Bernicke Wealth Management manage and further develop its business enterprise.

Bernicke Wealth Management may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communication network for client order entry and account information; and discounts on compliance, marketing, research, technology, and practice management products or services provided by third party vendors.

There is no direct link between Bernicke Wealth Management’s participation in the program and the investment advice it gives to its clients, although Bernicke Wealth Management receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

The benefits received by Bernicke Wealth Management’s participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. In fulfilling its duties to its clients, Bernicke Wealth Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Bernicke Wealth Management’s receipt of economic benefits from *TD Ameritrade* creates a conflict of interest since these benefits may influence Bernicke Wealth

Management's choice of *TD Ameritrade* over another *Financial Institution* that does not furnish similar software, systems support, or services.

Trade Correction Policy

Bernicke Wealth Management has procedures in place to limit any trade errors by the Firm. Where trade errors do occur, however, corrections are submitted to client custodians to restore the affected client to the condition he/she expects to be in which can result in a gain or loss for the client. These trade corrections are processed out of trade correction accounts set up with our custodians creating either a gain or loss from each correction within it.

Bernicke Wealth Management has procedures in place so that gains from corrections are processed at a regular interval and either paid out to a charity of the custodian's choice or used to offset losses from other errors in the error account. The Firm will compensate the client (either through a refund or fee reduction) for any additional trading costs due to the error (including the erroneous trade and costs to fix the trade, but not the amount that the client would have paid for the proper trade). The Firm believes that this process fully restores the client to the condition they would have been in had the trade error not occurred.

The Firm believes that this policy is in the best interest of clients. Bernicke Wealth Management does not receive any kind of financial compensation from the receiving charity to entice more trade corrections.

Item 13. Review of Accounts

For those clients to whom Bernicke Wealth Management provides investment management services, Bernicke Wealth Management monitors those portfolios as part of an ongoing process. While the investments used in client accounts are reviewed regularly, specific client accounts are also reviewed periodically to ensure that they are managed in line with that client's investment parameters. Such reviews are conducted by one of Bernicke Wealth Management's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Bernicke Wealth Management and to keep Bernicke Wealth Management informed of any changes thereto. Bernicke Wealth Management contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

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

Clients should compare the account statements they receive from their custodian with those they receive from Bernicke Wealth Management.

Item 14. Client Referrals and Other Compensation

Client Referrals

The Firm does not currently provide compensation to any third-party solicitors for client referrals. In the event a client is introduced to Bernicke Wealth Management by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from Bernicke Wealth Management's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with Bernicke Wealth Management's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Bernicke Wealth Management is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

Other Compensation for Referrals

As disclosed, above, certain of Bernicke Wealth Management's *Supervised Persons*, in their individual capacities, are also licensed insurance agents. The Firm or the *Supervised Persons* may receive fees for referring insurance business to another agency which results in a conflict of interest in referring the business to that agency.

Item 15. Custody

Bernicke Wealth Management has no custody of ERISA Plan assets. Such assets are maintained by the Plan custodian. With respect to assets other than ERISA Plan assets, Bernicke Wealth Management's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Bernicke Wealth Management through such *Financial Institution* to debit the client's account for the amount of Bernicke Wealth Management's fee and to directly remit that management fee to Bernicke Wealth Management in accordance with applicable custody rules.

The *Financial Institutions* recommended by Bernicke Wealth Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Bernicke Wealth Management. In addition, as discussed in Item 13, Bernicke Wealth Management may also send periodic supplemental reports to clients. Clients

should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Bernicke Wealth Management.

Bernicke Wealth Management also has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

Item 16. Investment Discretion

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

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

Item 17. Voting Client Securities

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

Item 18. Financial Information

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

BERNICKE | WEALTH MANAGEMENT

Prepared by:



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The Adviser's Advisor®