

Wrap Fee Program Brochure

March 27, 2020

Bernicke Wealth Management Wrap Fee Program

Sponsored By



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 is available on the SEC's website at www.adviserinfo.sec.gov. Bernicke Wealth Management 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. Services, Fees and Compensation

The Bernicke Wealth Management Wrap Fee Program (the “Program”) is an investment advisory program sponsored by Bernicke Wealth Management, which began conducting business as an SEC registered investment adviser in October 2012.

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 Wrap Brochure describes the business of Bernicke Wealth Management as it relates to clients receiving services through the Program. 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.

Description of the Program

The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts.

Prior to receiving services through the Program, clients are required to enter into a written agreement with Bernicke Wealth Management setting forth the relevant terms and conditions of the advisory relationship (the “*Agreement*”). Clients must also open a new securities brokerage account and complete a new account agreement with TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“*TD Ameritrade*”), member FINRA/SIPC, an unaffiliated SEC-registered broker-dealer and FINRA member, or another broker-dealer Bernicke Wealth Management approves under the Program (collectively “*Financial Institutions*”).

At the onset of the Program, Bernicke Wealth Management consults with clients to determine their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After an analysis of the relevant information, Bernicke Wealth Management assists its clients in developing an appropriate strategy for managing their assets. Clients’ investment portfolios are primarily managed on a discretionary basis by Bernicke Wealth Management’s investment adviser representatives. Bernicke Wealth Management generally allocates clients’ assets among the various investment products available under the Program, as described further in Item 6 (below).

Fees for Participation in the Program

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. The annual fee varies depending upon the market value of the assets under management and the services to be provided, as follows:

<u>Mixed Securities Portfolios</u>	
PORTFOLIO VALUE	ANNUAL FEE
First \$500,000	1.75%
Next \$1,500,000	1.00%
Next \$3,000,000	0.75%
Next \$5,000,000	0.50%
Above \$10,000,000	0.30%

Bernicke Wealth Management, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Bernicke Wealth Management under the Program on the last day of the previous quarter. For the initial period of wealth management services, the fees are calculated on a pro rata basis. Thereafter, if assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will generally not be adjusted or prorated based on the number of days remaining in the quarter. In the event the Agreement is terminated, the fee for the final quarter is prorated through the effective date of the termination and the unearned portion of the fee is to be refunded to the client, as appropriate.

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.

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.

Fee Comparison

A portion of the fees paid to Bernicke Wealth Management are used to cover the securities brokerage commissions and transactional costs, as well as any separate advisory fees attributed to the management of its clients' portfolios. Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Because the Firm pays for the brokerage fees, the Firm has an incentive to engage in less transactions, or transactions that cost less to the Firm, including the use of mutual funds that do not have transaction charges, but have higher expenses to the client. The Firm reviews the frequency and type of investments made in client accounts to act in the client's best interest.

Fee Debit

Bernicke Wealth Management's *Agreement* and the separate agreement with any *Financial Institutions* authorizes 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.

Other Charges

In addition to the Firm's management fee, clients may also incur certain charges (other than transaction costs) imposed by third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges may include fees attributable to alternative assets, reporting charges, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund program fees and other fund expenses), fees and commission for assets not held with the Financial Institutions offered in the Program such as 401(k) or

529 plan assets as well as for fees for trades executed away from that Financial Institution (a conflict of interest exists where the firm avoids expenses by trading through a different Financial Institution), mark-ups and mark-downs on fixed-income transactions which cannot be paid by the Firm (or it is overly burdensome to determine the amount of such mark-ups / downs), 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.

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 Persons 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 Persons receives compensation in connection with the sale of mutual funds in the Brokerage Relationship, a conflict of interest exists as such Supervised Persons, has an incentive to recommend more expensive mutual fund share classes to clients where such Supervised Persons earn 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 provide 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.

Compensation for Recommending the Program

Bernicke Wealth Management has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients’ participation.

Item 5. Account Requirements and Types of Clients

Bernicke Wealth Management considers both the client and the account(s) to be managed when establishing client relationships. Bernicke Wealth Management provides its services to individuals, trusts, estates, charitable organizations, corporations and business entities.

Item 6. Portfolio Manager Selection and Evaluation

Bernicke Wealth Management acts as the sponsor and sole portfolio manager under the Program. Clients’ investment portfolios are managed directly by Bernicke Wealth Management.

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), ETFs, and individual debt and equity securities. Bernicke Wealth Management also provides 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.

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.

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 actual 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 of the Firm's Disclosure Brochure, Bernicke Wealth Management allocates investment opportunities among its clients on a fair and equitable basis.

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 7. Client Information Provided to Portfolio Managers

In this Item, Bernicke Wealth Management is required to describe the type and frequency of the information it communicates to portfolio managers managing its clients' investment portfolios. Bernicke Wealth Management is the only portfolio manager for its clients so the Firm has nothing to disclose in this item.

Item 8. Client Contact with Portfolio Managers

In this Item, Bernicke Wealth Management is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. As described above, Bernicke Wealth Management is the only portfolio manager for its clients. There are no restrictions on clients' ability to contact or consult with the Firm.

Item 9. Additional Information**Disciplinary Information**

Bernicke Wealth Management has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

Other Financial Industry Activities and Affiliations

Registered Representatives of a Broker-Dealer

Certain of Bernicke Wealth Management's *Supervised Persons* are registered representatives of Triad Advisors LLC ("*Triad*"), an SEC registered broker-dealer and member of FINRA, and may provide clients with securities brokerage services under a separate commission-based arrangement. A conflict of interest exists to the extent that the Firm recommends the purchase of a security and its *Supervised Persons* receive a portion of the commissions paid to *Triad*. Bernicke Wealth Management has procedures in place to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned.

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.

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*.

Account Reviews

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.

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.

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.

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.

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.

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:



MARKETCOUNSEL®
The Adviser's Advisor®