

# Brücke Financial, Inc.

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Brücke Financial, Inc. If you have any questions about the contents of this brochure, please contact us at (317) 658-4548 or by email at: [andrew@bruckefinancial.us](mailto:andrew@bruckefinancial.us). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Brücke Financial, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Brücke Financial, Inc.'s CRD number is: 291307.*

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*Registration does not imply a certain level of skill or training.*

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## Item 2: Material Changes

The material changes in this brochure from the last annual updating amendment on 01/18/2022 of Brucke Financial, Inc are described below. Material changes relate to Brucke Financial, Inc's policies, practices or conflicts of interests.

- Brucke Financial, Inc. has transitioned to registration with the United States Securities and Exchange Commission from its prior registration at the state level.
- Brucke Financial, Inc. has entered a Platform and Subadvisory Agreement with Vise AI Advisors, LLC and have received promotional pricing as part of that agreement. More information about that agreement, the promotional pricing arrangement, and the conflict of interest it creates are included in Items 4 and 5 below.
- Brucke Financial, Inc. has also updated Fees and Compensation (Item 5).
- Brucke Financial, Inc. has added Educational Seminars/Workshops (Item 5).
- Brucke Financial, Inc. has engaged a third-party service provider, Chicago Clearing Corporation (CCC), to monitor and file securities claims class action litigation paperwork with claims administrators on behalf of the Firm's clients. (Item 17)

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## Item 4: Advisory Business

### 1. Description of the Advisory Firm

Brücke Financial, Inc. (hereinafter “BFI”) is a Corporation organized in the State of Indiana. The firm was formed in November 2017, and the principal owner is Andrew James Hawickhorst.

### B. Types of Advisory Services

#### *Portfolio Management Services*

BFI offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. BFI creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

BFI evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. BFI will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

BFI seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of BFI’s economic, investment or other financial interests. To meet its fiduciary obligations, BFI attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, BFI’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is BFI’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent, including initial public offerings (“IPOs”) and other investment opportunities that might have a limited supply, among its clients on a fair and equitable basis over time.

#### *Selection of Other Advisors*

From time to time, BFI recommends that our clients use the services of a subadvisor to manage all, or a portion of, their investment portfolio. After gathering information about our clients’ financial situation and objectives, we will recommend that our clients engage a specific subadvisor or investment program. Factors that we take into consideration

when making our recommendation(s) include, but are not limited to, the following: the subadvisor's performance, methods of analysis, fees, our clients' financial needs, investment goals, risk tolerance, and investment objectives. We will monitor the subadvisor's performance to ensure its management and investment style are consistent with our clients' investment goals and objectives. We will assume discretionary authority to hire and fire subadvisors and/or reallocate our clients' assets to other subadvisors where we deem such action appropriate.

We have selected to engage Vise AI Advisors, LLC ("Vise") as our subadvisor. For more information concerning Vise's investment methods, fees and risk, please see Vise Form ADV Part 2A Brochure and Vise Form CRS Brochure.

### ***Financial Planning***

Financial plans and financial planning may include but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; debt/credit planning; farm succession planning, and business succession planning. Investment planning involves working with clients to make sure their investments match their respective risk tolerance and goals. Tax concerns are addressed by working with the client to determine and compare effective tax rates for income, capital gains and other earnings or investments, then attempting to allocate the client's resources accordingly. Life insurance planning entails reviewing the life insurance and/or disability insurance needs of the client, together with any applicable dependents, spouse or other relatives, and assessing appropriate coverage for these individuals. College planning entails helping clients save for higher education, whether for the client or his/her children or other dependents, in the ideal manner to suit the client's overall financial goals and means. Debt/credit planning consists of breaking down client budgets and aiding clients in decision-making as to current debt, anticipated significant expenses and potential debt, and avoiding excessive debt.

### ***Pension Consulting Services***

BFI offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting will include, but is not limited to:

- identifying investment objectives and restrictions
- providing guidance on various assets classes and investment options
- recommending money managers to manage plan assets in ways designed to achieve objectives
- monitoring performance of money managers and investment options and making recommendations for changes
- recommending other service providers, such as custodians, administrators and recordkeeper

## *Services Limited to Specific Types of Investments*

BFI generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including REITs), insurance products including annuities, equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds, commodities, options, non-U.S. securities, options, venture capital funds and private placements. BFI may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

BFI offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients can impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent BFI from properly servicing the client account, or if the restrictions would require BFI to deviate from its standard suite of services, BFI reserves the right to end the relationship.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. BFI does not participate in any wrap fee programs.

### **E. Assets Under Management**

BFI has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$ 135,338,583.00	\$0.00	December 2022

## **Item 5: Fees and Compensation**

### **1. Fee Schedule**

#### *Portfolio Management Fees*

<b>Total Assets Under Management</b>	<b>Annual Fees</b>
All Assets	1.25%

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract.

BFI uses an average of the balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

Clients may terminate the agreement without penalty for a full refund of BFI's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract with 5 days' written notice.

In computing the market value of any investment of the Account, the securities in the Account listed on a national securities exchange or otherwise subject to current last-sale reporting shall be valued at the amount reported on the statement that Client receives from the Custodian. Such securities which are not traded nor subject to last-sale reporting shall be valued at the latest available bid price reflected by quotations furnished to BFI by such sources as it deems appropriate. Any other security shall be valued in such manner as shall be determined in good faith by BF and Client to reflect its fair market value.

### ***Selection of Other Advisors Fees***

Advisory fees charged by subadvisors are separate and apart from our advisory fees. Assets managed by subadvisors will be included in calculating our advisory fee, which is based on the fee schedule set forth in the Portfolio Management Services section in this brochure. Advisory fees that you pay to the subadvisor are established and payable in accordance with the brochure provided by each subadvisor to whom you are referred. You should review the recommended subadvisor brochure and take into consideration the subadvisor fees along with our fees to determine the total amount of fees associated with this program.

We have entered into a Subadvisory Agreement with Vise. The subadvisor fee rate is 0.25% percent per annum.

### ***Financial Planning Fees***

The negotiated fixed rate for creating client financial plans is between \$500 and \$15,000. The fixed fee is based upon the complexity of the plan, the hourly rate, the estimated amount of time to be used for creating a financial plan. Fixed fees relate to financial plans and financial planning that may include, without limitation: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning, each service as further detailed above.

It is anticipated that each financial planning service listed above will take approximately 6-10 hours of financial planning and therefore the time to complete a financial plan will depend on the services required by the client.

The negotiated hourly fee for these services is between \$150 and \$300.



Clients may terminate the agreement without penalty, for full refund of BFI's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement upon written notice.

In the event financial planning clients also moves its assets to BFI and agrees to BFI's Portfolio Management services, BFI will apply financial planning payments collected from the client to their portfolio management fees for up to 1 year.

### ***Pension Consulting Fees***

BFI will charge up to 0.75% for pension consulting based on the assets in the plan. BFI does not have a minimum plan size, however, plans less than \$200,000 will be charged a flat fee of \$1500 instead of the 0.75%. Within one year of assets reaching or exceeding \$200,000, the advisory fee will then switch to the 0.75% of the assets in the plan. These fees are negotiable.

### ***Educational Seminars/Workshops***

BFI provides periodic educational seminars and workshops to clients and prospects.

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis or may be invoiced and billed directly to the client on a quarterly basis. Clients select the method in which they are billed. Fees are paid in arrears.

### ***Payment of Selection of Other Advisors Fees***

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis. Fees are paid in arrears.

### ***Payment of Financial Planning Fees***

Financial planning fees are paid via check and wire. All financial planning fees are paid upon presentation of the plan.

### ***Payment of Pension Consulting Fees***

Most plans are billed monthly and automatically deducted, however, there are circumstances when some plans are billed quarterly and annually. Fees are paid in arrears. Pension consulting fees are invoiced and billed directly to the client, or the selected 401k

provider will bill the client directly. The selected 401k provider will then forward BFI's portion of the fees directly to BFI.

### ***Payment of Educational Seminar/Workshop Fees***

Educational seminars and workshops are offered free of charge.

### **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by BFI. Please see Item 12 of this brochure regarding custodian.

### **D. Prepayment of Fees**

BFI collects its fees in arrears. It does not collect fees in advance.

### **E. Outside Compensation For the Sale of Securities to Clients**

Andrew Hawickhorst, Luke Doedtman & Jennifer Kinkelaar in their outside business activities (see Item 10 below) are licensed to accept compensation for the sale of insurance products to BFI clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of insurance products for which the supervised persons receive compensation, BFI will document the conflict of interest in the client file and inform the client of the conflict of interest. Clients always have the right to decide whether to purchase BFI -recommended products and, if purchasing, have the right to purchase those products through other brokers or agents that are not affiliated with BFI.

Commissions are not BFI's primary source of compensation for advisory services. Advisory fees that are charged to clients are not reduced to offset the commissions on insurance products recommended to clients.

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

BFI does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

BFI provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Corporations and businesses

There is no account minimum for any of BFI's services.

## Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

BFI's methods of analysis include Fundamental analysis and Modern portfolio theory.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

#### *Investment Strategies*

BFI uses long term trading and options trading (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one.

Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### *Investment Strategies*

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Options** writing or trading involves a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value and the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities will fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term

securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Annuities** are a retirement product for those who have the ability to pay a premium now and want to guarantee they receive certain monthly payments or a return on investment later in the future. Annuities are contracts issued by a life insurance company designed to meet requirement or other long-term goals. An annuity is not a life insurance policy. Variable annuities are designed to be long-term investments, to meet retirement and other long-range goals. Variable annuities are not suitable for meeting short-term goals because substantial taxes and insurance company charges may apply if you withdraw your money early. Variable annuities also involve investment risks, just as mutual funds do.

**Private placements** carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and the liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Hedge Funds** often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; may involve complex tax structures and delays in distributing important tax information; are not subject to the same

regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Venture capital funds** invest in start-up companies at an early stage of development in the interest of generating a return through an eventual realization event; the risk is high as a result of the uncertainty involved at that stage of development.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option writing also involves risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Non-U.S.** securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither BFI nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither BFI nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Andrew Hawickhorst, Luke Doedtman & Jennifer Kinkelaar are independent licensed insurance agents with Simplicity Group. Andrew James Hawickhorst is also an independent licensed insurance agent for Massachusetts Mutual Life Ins. Additional outside business activities are discussed on Form ADV Part 2B for each individual. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. BFI always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any representative of BFI in connection with such individual's activities outside of BFI.

Andrew Hawickhorst is investing in Proteus Series Feeder Fund I LLC, a hedge fund. BFI will recommend investments in this hedge fund to those clients for which investment in the fund is suitable. This presents a conflict of interest in that BFI or its related persons receive more compensation from investment in the fund than from other investments. Nevertheless, BFI acts in the best interest of the client consistent with its fiduciary duties and clients are not required invest in the private fund if they do not wish to do so.

Andrew James Hawickhorst is a councilman at Wynnedale Town Council.

Andrew James Hawickhorst is a member at Brucke Capital, LLC.

Andrew James Hawickhorst is a member at Baha Taco, LLC, as well as a client of the RIA but BFI does not actively solicit clients to invest in this entity.

Andrew James Hawickhorst is an investor of i3, a commercial real estate investment. From time to time, he may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. BFI always acts in the best interest of the client and clients always have the right to decide whether or not to utilize the services of any BFI representative in such individual's outside capacities.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

BFI directs clients to third-party investment advisers. Clients will pay BFI its standard fee in addition to the standard fee for the subadvisers to which it directs those clients. The fees will not exceed any limit imposed by any regulatory agency. BFI will always act in the best interests of the client, including when determining which third party investment adviser to recommend to clients. BFI will ensure that all recommended advisers are exempt, licensed or notice filed in the states in which BFI is recommending them to clients.

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

#### **A. Code of Ethics**

BFI has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. BFI's Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

From time to time, representatives of BFI may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of BFI to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. BFI will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.



### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of BFI will buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of BFI to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. BFI will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of BFI will buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of BFI to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, BFI will never engage in trading that operates to the client's disadvantage if representatives of BFI buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians**

Custodians will be recommended based on BFI's duty to seek "best execution," which is the obligation to seek to execute securities transactions for a client on terms that are the most favorable to the client under the circumstances. The client will not necessarily pay the lowest commission or commission equivalent, and BFI may also consider the market expertise and research access provided by the payment of commissions, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers to aid in the research efforts of BFI. BFI will never charge a premium or commission on transactions, beyond the actual cost imposed by the custodian.

BFI recommends Charles Schwab & Co., Inc. Advisor Services.

#### ***1. Research and Other Soft-Dollar Benefits***

While BFI has no formal soft dollars program in which soft dollars are used to pay for third party services, BFI receives research, products, or other services from custodians in connection with client securities transactions ("soft dollar benefits"). BFI may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research,

whether or not the client's transactions paid for it, and BFI does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. BFI benefits by not having to produce or pay for the research, products or services, and BFI will have an incentive to recommend a custodian based on receiving research or services. Clients should be aware that BFI's acceptance of soft dollar benefits may result in higher commissions charged to the client.

## **2. *Brokerage for Client Referrals***

BFI receives no referrals from a custodian or third party in exchange for using that custodian or third party.

## **3. *Clients Directing Which Custodian to Use***

BFI will require clients to use a specific custodian to execute transactions.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

If BFI buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices, lower brokerage commissions, or more efficient execution. In such case, BFI would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy. BFI would determine the appropriate number of shares and select the appropriate brokers consistent with its duty to seek best execution, except for those accounts with specific brokerage direction (if any).

## **Item 13: Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for BFI's advisory services provided on an ongoing basis are reviewed at least annually by a BFI investment adviser with regard to clients' respective investment policies and risk tolerance levels.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by a BFI investment adviser. Financial planning clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

## **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

With respect to financial plans, BFI's services will generally conclude upon delivery of the financial plan.

## **C. Content and Frequency of Regular Reports Provided to Clients**

Each client of BFI's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian. BFI will also provide at least quarterly a separate written statement to the client.

Each financial planning client will receive the financial plan upon completion.

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

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

BFI does not receive any economic benefit, directly or indirectly from any third party for advice rendered to BFI's clients.

Charles Schwab & Co., Inc. Advisor Services provides BFI with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For BFI client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to BFI other products and services that benefit BFI but may not benefit its clients' accounts. These benefits include national, regional or BFI specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include

occasional business entertainment of personnel of BFI by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist BFI in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of BFI's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services will be used to service all or some substantial number of BFI's accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to BFI other services intended to help BFI manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to BFI by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to BFI. BFI is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

## **B. Compensation to Non – Advisory Personnel for Client Referrals**

BFI does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

When advisory fees are deducted directly from client accounts at client's custodian, BFI will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

Brucke Financial, Inc. also has the authority to transfer money from some client accounts, which constitutes standing authority (also known as a standing letter of authorization, or SLOA). Accordingly, Brucke Financial, Inc. will follow the safeguards and conditions specified by the SEC, rather than undergo an annual independent verification (i.e., a surprise accountant's examination). Brucke Financial, Inc. has approximately 86 client funds and \$4,265,000 in securities for which they have custody.

Section 206(4) of, and Rule 206(4)-2 under, the Advisers Act against an investment adviser if that adviser does not obtain a surprise examination where it acts pursuant to such an arrangement under the following circumstances:

The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.

The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.

The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.

The client has the ability to terminate or change the instruction to the client's qualified custodian. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.

The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.

The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16: Investment Discretion**

BFI provides discretionary and non-discretionary investment advisory services to clients. The advisory contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, BFI manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share.

## **Item 17: Voting Client Securities (Proxy Voting)**

BFI will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

### **Securities Class Action Litigation**

Brucke Financial, Inc. has engaged a third-party service provider, Chicago Clearing Corporation (CCC), to monitor and file securities claims class action litigation paperwork with claims administrators on behalf of the Firm's clients. When a claim is settled and payments are awarded to Capital Management clients, it may be necessary to share client information, such as name and account number, with CCC in connection with this service.

Brucke Financial, Inc. does not receive any fees or remuneration in connection with this service nor does it receive any fees from the third-party provider(s). CCC earns a fee based on a flat

percentage of all claims it collects on behalf of Capital Management, Inc's clients. This fee is collected and retained by CCC out of the claims paid by the claim administrator. Clients may opt out of this service at any time. If a client opts out, Brucke Financial, Inc. does not have an obligation to advise or take any action on behalf of a client with regard to class action litigation involving investments held in or formerly held in a client's account.

### **Class Action Claims**

This year we began providing class action litigation monitoring and securities claim filing services through an independent third party, Chicago Clearing Corporation ("CCC"). You are included in this service unless you choose to opt out. You may change your opt-out election at any time by notifying us in writing. If you participate in this service, CCC will retain a percentage of each claim recovery you receive.

## **Item 18: Financial Information**

### **A. Balance Sheet**

BFI neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither BFI nor its management has any financial condition that is likely to reasonably impair BFI's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

BFI has not been the subject of a bankruptcy petition in the last ten years.