

Introduction to Bernardi Securities, Inc. (BSI) & Bernardi Asset Management (BAM)

Bernardi Securities is registered with the Securities and Exchange Commissions and FINRA as a broker-dealer and is a member of MSRB and SIPC. We are also affiliated with Bernardi Asset Management, an investment adviser registered with the Securities and Exchange Commission. BAM is a wholly owned subsidiary of BSI. Brokerage and investment advisory services and fees differ and it is important you understand these differences. BSI charges you for each transaction. BAM charges you an ongoing fee based upon the assets under management.

There are free and simple tools available to research firms and financial professionals at www.Investor.gov/CRS/. This site provides educational materials about broker-dealers, investment advisers, and investing. See www.finra.org; www.msrb.org and www.sipc.org for additional information.

What investment services and advice can you provide me?

BSI and BAM focus on fixed income investing with expertise in the municipal bond market. We help investors manage customized, separate account, taxable and non-taxable portfolios. Our platform offers you discretionary and non-discretionary portfolio management choices. It is designed to efficiently and economically source and evaluate municipal bonds and other fixed income securities. We provide services in brokerage and investment advisory accounts depending on your objectives and subject to our relationship thresholds. Our portfolio management process provides recommendations after broadly screening the market. Additionally, we provide execution-only services.

We offer an active management option. Our in-house credit analysis is the foundation of our portfolio management process, overseen by our team of managers and analysts. As markets change, we adapt and refine these processes. We review various metrics when analyzing individual bonds focusing on deal purpose, deal structure, and underlying credit quality. We review specific features of each security including: maturity, call dates, coupon, state issuer data, offering yields, and other metrics.

Fixed income investing includes risk. These risks include, but are not limited to: interest rate risk, reinvestment risk, credit risk, default risk, and liquidity risk. Our processes are designed to mitigate these risks.

BSI was founded in 1984. BSI buys and sells securities for its own account on a principal-basis. If you open a brokerage account, you will pay BSI a transaction-based mark-up or mark-down only when you buy or sell a fixed income security. On proprietary primary market transactions issuance cost is paid for by the issuer. BSI does not charge ongoing, asset-based fees.

BSI offers you two choices: discretionary or non-discretionary management. Discretion gives us Limited Trading Authority permitting us to buy, sell, exchange or redeem investments in your account without asking permission. Discretionary activity is guided by pre-established investment guidelines approved by you. BSI discretion remains in effect until you notify BSI otherwise. Non-discretionary management requires your approval of each transaction before trade execution. You have an unrestricted right to decline to implement any advice provided by our firm in a non-discretionary account.

BSI monitors discretionary accounts. Monitoring encompasses credit analysis, portfolio positioning, conformance to client parameters, and performance relative to appropriate benchmarks. Reviews are performed by a Portfolio Manager assisted by Investment Specialists and support staff and occur annually by end of calendar Q4. BSI does not monitor non-discretionary accounts but may voluntarily review the holdings in a customer's account for the purposes of determining whether to provide a recommendation. Our portfolio management process incorporates a customized Investor Profile, Statement of Understanding and investment recommendation documents for all accounts.

BAM was founded in 2001 and provides fiduciary, fee-based portfolio management. Monitoring is standard for all BAM portfolios which are reviewed as BAM deems appropriate and no less than annually. Effective June 2020, BAM offers only discretionary management with limited trading authority. All discretionary activity is directed by pre-established investment guidelines approved by you. BAM discretion remains in effect until you notify BAM. See BAM's Form ADV Part 2A at: <https://adviserinfo.sec.gov/firm/brochure/120110> for additional information.

We also offer an asset allocation strategy which invests in varying proportions of fixed income, equity, and alternative investments. The equity allocation is managed on a discretionary basis under BAM. BSI fixed income management is available for asset allocation portfolios subject to a minimum threshold.

Limited Investment Offerings

We are bond specialists. We recommend a limited selection of investments and advice. Recommended investments are screened from a variety of markets including the primary and secondary markets and sourced from an extensive number of venues including electronic trading platforms, bid lists, Bloomberg, and other over-the-counter sources. Most often, BSI recommended investments will be executed on a principal basis. This enables control of a limited supply product, a characteristic of the bond market. This increases the efficiency of the process for us and our clients. By limiting our menu of securities or investment strategies we aim to eliminate those we view inferior. We also have the ability to conduct agency trades and charge a commission. Other firms could offer a wider range of recommendation choices. BSI offers access to a wide variety of securities on a client-directed, execution-only basis.

BSI Relationship Minimums:

BSI has relationship minimums for new clients as of May 1st, 2020, which can be found at <https://www.bernardisecurities.com/disclosures/>. Relationships lower than thresholds noted on our website reside with BAM. These minimums are negotiable and waived at our discretion.

Relationship definition and overview:

A client relationship incorporates family members and clients introduced by an outside adviser or advisory firm. Family relationship is defined as spouses, minor and adult children, individuals under guardianship, and individuals who have granted trading authority to client. Thresholds do not apply to employee or their family member accounts. **More information can be found on BAM's Form ADV, Part 2A brochure located at:** <https://adviserinfo.sec.gov/firm/brochure/120110>

Conversation Starters

- **Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?**
- **How will you choose investments to recommend to me?**
- **What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?**

What fees will I pay?

Controlling the cost of financial advice and investments is an important factor in how much your money grows over time. The more you pay in fees and costs, the less you have to spend or re-invest. Our platform offers you reasonably priced and transparent options to access our market expertise and sourcing.

BSI charges include commissions, inactivity, maintenance, product level, transactional charges, SEC fees, ticket charges and transfer fee. BSI charges you per transaction. A mark-up is charged when you invest in a bond and a mark-down is charged when you sell a bond. Both vary based on the security type and market conditions at time of trade. The markup charges will typically fall in a range of 0.10% - 2.50% of the security price. There are instances when a mark-up charge will be lower or higher than these ranges. The

more trades you place, the more commissions we charge thus we have an incentive to encourage more trading. Other potential charges by BSI include stock commission charges and markdowns when bonds are sold to a third-party. **Our process is structured to manage and mitigate conflicts and is guided by Regulation Best Interest and Best Execution Rules.**

BAM management process is guided by its fiduciary duty obligation. BAM charges based on assets under management. Specific details pertaining to BAM's fee schedule is described in Form ADV Part 2A, which can be found at <https://adviserinfo.sec.gov/firm/brochure/120110>. Your total fee charge will increase as assets in your advisory account grow. BAM has an incentive to encourage you to increase account assets. BAM purchases and sells bonds on an agency basis from third party broker-dealers who charge a mark-up or mark-down to BAM, a cost you incur. Neither BAM nor BSI charge you a mark-up on any BAM investment purchase. BAM will sell fixed income positions you own to BSI if it is in your best interest only after receiving advanced written permission from you. These positions will then be subject to the BSI markup procedures. When BAM effects securities transactions, BAM passes on certain fees charged by its clearing broker, Pershing, LLC and/or client selected custodian. BAM and BSI charges can be found at <https://www.bernardisecurities.com/disclosures/> in the "Costs & Fee Structure" section.

If your assets are held at a custodian other than Pershing LLC, fees will be different. You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Conversation Starter:

- **Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?**

What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you. Here are some examples to help you understand what this means:

- Proprietary Products:** BSI originates new issue municipal bond securities and is compensated by purchasing the securities at a discount from the issuer and selling the bonds at the original issue pricing.
- Third-Party Payments:** Neither BSI nor BAM have any soft dollar arrangements. Custodians do not compensate us with fees or free services for lending clients' securities.
- Revenue Sharing:** BSI receives revenue-sharing payments from some money market fund providers. These funds offer benefits of auto-sweep, liquidity, have no-load costs, and we do not charge for each sweep transaction. Our Investment Committee periodically reviews fund investment managers. BSI is compensated differently depending on the arrangements it has with each fund. These payments are typically based on the average aggregate dollar amount of BSI customers' total assets held in the fund and typically range from 0-50 basis points per year based on this balance. If you invest \$10,000 for 1 year in a fund that pays BSI 0.10%, BSI would receive \$10/year. Payments vary and will change depending certain factors and are in addition to other fees and expenses disclosed in the fund's prospectus. BSI does not receive any revenue sharing payments through brokerage commissions generated by the fund. Investment Specialists do not receive additional compensation tied to revenue sharing payments paid to BSI. All revenue sharing payments received by BAM are rebated to BAM

client account. BAM has a Solicitor agreement with Alley Investment Management Company, LLC. (Alley) & SMARtX Advisory Solutions, LLC (SMARtX). A portion of BAM management fees, from accounts introduced by Alley is remitted to Alley. A portion of BAM management fees, from accounts introduced by SMARtX is remitted to SMARtX. These agreements in no way increase the fees charged to these clients. BSI has an outside investment advisor agreement with Alley Investment Management Company, LLC. when BSI introduces its clients seeking equity management services. BAM financial professionals receive a portion of the advisory fees BAM collects from the accounts BAM manages.

- D. Principal Trading:** BSI maintains a bond inventory held as principal. BSI makes recommendations from its inventory and Investment Specialists receive variable compensation from client investments. This practice represents a conflict of interest based on compensation received.
- E. Dual Registration:** Persons providing advice on behalf of our firm may be dually registered as both a registered representative of BSI, as well as an investment advisor representative of BAM. These individuals receive compensation in connection with the purchase and sale of securities or other investment products. Compensation earned is separate and in addition to advisory fees or broker dealer fees depending on the capacity that the individual is acting. This practice presents a conflict of interest since these individuals have an incentive to recommend investment products based on the compensation received rather than solely based on your needs. Please see BAM Form ADV Part 2A at: <https://adviserinfo.sec.gov/firm/brochure/120110>.

Conversation Starter:

- **How might your conflicts of interest affect me, and how will you address them?**

How do your financial professionals make money?

Investment Specialists are paid a commission when you execute a trade through BSI. If there is no activity, no commissions are paid. Bond portfolio related commissions vary and are derived from a set percentage of markup/down. Stock portfolio commissions adhere to a set schedule. These charges can be found at <https://www.bernardisecurities.com/disclosures/>. BSI Investment Specialists may have the incentive to encourage you to trade often due to this compensation structure. BAM advisors are paid a set percentage of your account's advisory fee charges. The more assets there are in your advisory account, the more you will pay in fees. BAM advisors may have an incentive to encourage you to increase assets in your account. BSI and BAM personnel do not receive non-cash compensation for business generated.

Do you or your financial professionals have legal or disciplinary history?

Yes. Disclosures for our firm or our financial professionals can be found by going to <https://www.investor.gov/CRS> for free and simple search tools to research us and your financial professional. Please contact Ronald P. Bernardi at 312-281-2030 with any questions.

Conversation Starter:

- **As a financial professional, do you have any disciplinary history? For what type of conduct?**

Please visit us at [BernardiSecurities.com](https://www.bernardisecurities.com). You can contact us at 312-281-2015 to request up-to-date information and a copy of this relationship summary.

Conversation Starter:

- **Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?**

BERNARDI SECURITIES INC. & BERNRDI ASSET MANAGEMENT
December 2023

Exhibit to Client Relationship Summary on Form CRS

On December 20, 2023, Bernardi Securities & Bernardi Asset Management together filed an update for the Client Relationship Summary on Form CRS. Below is a summary of non-material changes that is designed to make clients aware of information that has changed since the last filing of Form CRS.

BSI no longer has an outside investment advisor agreement with Borthwick Associates, Inc.

BAM has a Solicitor agreement with SMArtX Advisory Solutions, LLC (SMArtX). A portion of BAM management fees, from accounts introduced by SMArtX is remitted to SMArtX.