



Berkshire Asset Management, LLC  
**FORM ADV PART 2A**

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*This brochure provides information about the qualifications and business practices of Berkshire Asset Management, LLC. If you have any questions about the contents of this brochure, please contact Marilyn Millington at 570-825-2600 or by email at [mmillington@berkshiream.com](mailto:mmillington@berkshiream.com) The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.*

*Additional information about Berkshire Asset Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Berkshire Asset Management, LLC.'s CRD number is: 145463. SEC File #: 801-68485. Registration does not imply any level of skill of training.*

*March 12, 2012*



## **Item 2: Material Changes**

There are no material changes that have been made to the Brochure. Please note that we have expanded our descriptions of some of our services. The descriptions of our equity and fixed income products and our cross trading descriptions have been enhanced. We have also added information and fees related to services provided to defined contribution plans. In addition, you may notice some reformatting of this document. Our last annual update was March 1, 2011. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide a new Brochure as necessary based on changes or new information, at any time, without charge.

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## Item 4: Advisory Business

### OUR FIRM

The current organizational structure of Berkshire Asset Management, LLC (Berkshire) was formed in 2007. However, the business was started in 1986 as a corporation. Berkshire is owned by Kenneth J. Krogulski who serves as Managing Member, President, CEO and Chief Investment Officer.

As of March 12, 2012, our assets under management include \$533 million discretionary assets and \$129 million non-discretionary assets or a total approximately \$662 million in assets under management.

### PORTFOLIO MANAGEMENT AND INVESTMENT ADVISORY SERVICES

Berkshire provides portfolio management and supervisory services to individuals, foundations, endowments, trusts, estates, corporations, and pension and profit sharing plans. Berkshire manages advisory accounts and monitors clients' accounts on a daily basis. We tailor our services to meet the individual needs and objectives of our clients and account supervision is guided by the stated objectives of that client (i.e. growth, safety, income, etc.). Thus, every account is governed by the individual objectives of each client. These objectives may not always take into consideration all of the related factors applicable to the rendering of "investment supervisory services"; rather, individual clients will decide on the specific direction of their account and Berkshire will manage the account under that principle.

Berkshire performs asset management services with respect to investment choices for a Clients Plan. Berkshire will assist the Client in establishing appropriate investment objectives and will supervise the chosen investment options of and for the Plan and monitor the investments based on criteria established in the Investment Policy Statement that the Client has specified, or will specify (such assets hereinafter collectively referred to as the "Account").

Generally, we implement one of two strategies if an account has an equity allocation. A "Core Equity Strategy" or a "Dividend Equity Strategy". The strategies are described in Item 8 on page nine of this brochure.

### WRAP FEE ACCOUNTS

Berkshire participates in several unaffiliated broker sponsored wrap fee programs. The wrap fee accounts are generally equity only and mirror our core equity or dividend investment strategy that is implemented for many of our clients. Each program sponsor sets the rules, fees and requirements for these programs. For a single fee, a program sponsor may recommend that you retain us as an investment adviser. We receive a portion of your wrap fee for our services as your investment adviser. Upon request, we will work with you to accommodate your specific account restrictions. For more information please refer to the program sponsor's wrap fee program brochure.



### COMMINGLED INVESTMENT VEHICLES

Berkshire is the general partner and investment advisor for three limited partnerships or private funds: Berkshire Growth Fund, Berkshire Partnership and Darkhorse Opportunity Fund. In no event should this brochure be considered to be an offer of interest in a private fund or relied upon in determining to invest. This is not an offer of, or an agreement to provide, advisory services directly to any recipient.

### DEFINED CONTRIBUTION PLAN ADVISORY SERVICES

We occasionally provide investment recommendations to Plan Sponsors based on an agreed upon Investment Policy Statement. We provide advice on selection of investment options and model portfolios for the Plans. We do not have investment discretion over plan participant's accounts and thus do not report the funds as assets under management. However, we do make ourselves available to participants to answer questions regarding the investment options available within their plan. The Investment Policy Statement and Plan Investment Options are reviewed with the Plan Sponsor annually. Plan sponsors choose their own custodians and third party administrators.

### NON-DISCRETIONARY ADVISORY SERVICES

We occasionally provide non-discretionary investment advisory services to clients whereby we provide recommendations or supervision of assets held by outside managers. In managing these non-discretionary relationships we generally use the same sources of information and investment research personnel as we use to manage our other client accounts. These are clients of the program sponsor or investment adviser and not Berkshire's client accounts. The program manager may receive or act upon a model portfolio currently or after we take similar actions for our client accounts. As a result, the program sponsor and the firm may compete for execution quality, price or timing.

## Item 5: Fees and Compensation

For portfolio management services, the client will be charged fees on a quarterly basis and are payable in advance. Fees are calculated as a percentage of assets under management. The principal executive officer quotes an exact percentage to each client based on both the nature and dollar value of the account. Fees may be negotiable based upon factors including, but not limited to, the size of the account and other relationships that the client may have with Berkshire.

The maximum annual fee is based on the following schedule:

#### Equity and Balanced Accounts

<i>Market Value</i>	<i>Annual Percentage</i>
First \$2,000,000	1.00%
Next \$3,000,000	0.75%
Next \$5,000,000	0.65%
Over \$10,000,000	0.50%

#### Fixed Income Accounts

<i>Market Value</i>	<i>Annual Percentage</i>
First \$5,000,000	0.50%

Next \$5,000,000	0.40%
Over \$10,000,000	0.25%

Exchange Traded Funds (ETFs) and Mutual Funds

<i>Market Value</i>	<i>Annual Percentage</i>
All assets	0.20%

Defined Contribution Plan Advisory Services

<i>Market Value</i>	<i>Annual Percentage</i>
All assets	< 1.00%

In addition, Berkshire may provide specialized investment advisory or outside manager monitoring services to clients for a negotiated fee. These services are typically tailored to fit the individual client's needs. Berkshire does not maintain a standard fee schedule for this service and the terms of each arrangement are negotiated with the client.

Berkshire may also provide management services to clients through wrap fee programs and dual contract accounts. The services provided by Berkshire and the fees that Berkshire receives under the program are described in detail in the contract executed by each wrap fee or dual contract account and in the disclosure document provided to each client by the wrap fee program or dual contract sponsors.

The client Agreement commences on the date it is accepted by Berkshire and shall remain in effect until termination by either party, for any reason, upon ten days written notice to the other. The client has the right to terminate the Agreement without penalty within five business days after entering into the Agreement. Upon termination, Berkshire will refund any prepaid fees, prorated from the date of termination through the end of the quarter for which fees were prepaid.

You may assume other expenses such as brokerage commissions, transaction fees, custodial fees, wire transfer fees and other fees and taxes charged to your account which are unrelated to the fees we collect. Berkshire does not accept commissions or compensation for the sale of securities or other products purchased in the client accounts. Please refer to Item 12, Brokerage practices section of this Brochure.

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

Except as described below, the fee charged will never be based on the capital gains or the capital appreciation of any funds or any part of any funds of any client. Fees as permitted under Rule 205-3 under the Investment Advisers Act of 1940 will be permitted for certain sophisticated, accredited investors. We receive performance-based fees for a limited number of clients. Berkshire Partnership, Darkhorse Opportunity Fund, L.P. and at the request of certain qualified clients, as defined by the rule, are the only advisory clients under contract that have the potential to pay a performance fee to Berkshire. The receipt of performance-based fees for certain accounts may create a conflict of interest; in that we may have an incentive to make investments that are riskier than would be the case without a performance-based fee.

Berkshire provides investment management advice to a variety of different clients including and special portfolios and institutional accounts, ERISA accounts and investment partnerships. Some of these accounts present a conflict of interests for Berkshire, as our employees or related parties may have an interest in such accounts. We also manage several accounts that pay performance

fees. Certain investment professionals manage both accounts with and without such conflicts of interests. Berkshire mitigates potential conflicts in this area by the use of a firm-wide investment committee who are responsible for the determination of target holdings and weighting for each strategy. This may be an incentive to favor one account over another account. We are conscious of these and other potential conflicts, and have designed order allocation procedures to ensure that clients are treated fairly over time.

With respect to Darkhorse Opportunity Fund, Berkshire does not offer a similar investment service to other clients, and therefore other clients will not be competing for investment opportunities with the Fund.

### **Item 7: Types of Clients**

Berkshire provides portfolio management services to individuals, foundations, endowments, trusts, estates, corporations, and pension and profit sharing plans.

In general, Berkshire will establish a minimum dollar value for client accounts. The standard minimum is \$750,000 for non-wrap fee or non-dual contract broker accounts. At our discretion, this figure may be negotiable, depending upon the client's objectives and the nature of the account. A *suggested* minimum annual management fee of \$7,500 was implemented for new clients on January 1, 1994.

Berkshire Growth Fund, Berkshire Partnership, Darkhorse Opportunity Fund, L.P. have minimums defined by their offering documents and are subject to the investment minimums stated in these documents. All three Pennsylvania limited partnerships are offered privately to investors that qualify in accordance with the requirements of the applicable offering documents.

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

#### **EQUITY**

Berkshire uses fundamental analysis when selecting securities for investment. Berkshire keeps a constant focus on the company's fundamentals, as market timing is not practiced. The goal is to purchase sound businesses at reasonable prices. Other desirable characteristics we may consider include: simple businesses that are easy to understand; low sales and earnings volatility; low debt and adequate interest expense coverage; a self-funding balance sheet; low cost of production relative to others in the industry; a strategic capital reinvestment program; a strong management team which has demonstrated superior skills in operating the business and which has a significant personal investment in the equity of the company. Once these businesses are identified, the company will initiate a position in the equity at a significant discount to our estimate the company's intrinsic value. Intrinsic value is calculated by estimating the present value of future free cash flows. Free cash flow is defined as net income plus non-cash charges less capital expenditures.

Depending on objectives and risk parameters, clients with an equity allocation generally follow one of our equity strategies. We have two primary equity strategies:



The *Core Equity Strategy* seeks long-term capital appreciation by investing primarily in equity securities of the U.S issuers with equity capitalizations in excess of \$1 billion at the time of purchase. The strategy holds between 25 and 35 equities and the relevant index for measurement is the S&P 500.

The *Dividend Income Strategy* seeks long-term capital appreciation by investing in dividend paying stocks. We invest primarily in the equity securities of medium-and large-sized companies that are dominant in their industry and pay a dividend. The strategy primarily holds U.S. companies but may, from time to time, hold foreign securities. The strategy holds between 40 and 60 equities and the relevant index for measurement is the S&P 500.

## FIXED INCOME

Both taxable and tax-exempt bonds are purchased primarily with the intention of realizing an attractive total return. Berkshire follows a conservative, high-quality fixed income investment strategy. A portfolio is structured using primarily taxable bonds with an A rating or better by S&P and Moody's. With municipal portfolios, our universe is generally limited to investment grade municipal general obligation bonds and essential service revenue bonds.

Our Taxable Bond Strategy seeks an allocation to high quality bonds for clients that do not require tax-exempt income. The taxable municipals must meet the same criteria as the municipals purchased for tax-free portfolios, including primarily investment grade general obligation or essential service revenue bonds. The result is a portfolio with an average A credit rating and an effective maturity of between 0 and 25 years. Portfolio management is conservative, with capital preservation as an important part of every aspect of the process. The strategy objective is to outperform our benchmark. From time to time, investments may be made in corporate bonds or intermediate term bond funds. The performance of the strategy is benchmarked against the Barclays Capital U.S. Government/Credit Intermediate Credit Bond Index.

The objective of the Municipal Fixed Income strategy emphasizes capital preservation with incremental after-tax return. Our approach is to attempt to achieve consistency of risk-adjusted performance, taking into full consideration state tax, capital gains, and income implications. We focus on key elements of total return: security selection, credit exposure, sector rotation, duration management and yield curve positioning. We utilize a disciplined approach; seeking opportunities from shifting market trends, pricing inefficiencies, and intensive credit analysis provide excess returns within the context of a tax-efficient portfolio management program. Our goal is to outperform the Barclays Capital Municipal Bond Index.

## RESEARCH

We subscribe to a number of online and paper sources of analysis of economic data, asset allocation models, evaluation of mutual funds, ETFs, separate account managers and other investments. The process of security selection incorporates client needs, resources, time horizon, risk tolerance and past investment experience with the design of an asset allocation that allows for flexibility. Active management of tactical allocations is made from time to time based on compelling market dislocations and/or longer term economic trends. Although we believe the markets are mostly efficient, it is difficult, if not impossible, to consistently exceed market

indices. However, the market occasionally offers compelling opportunities. On such occasions, allocations may be adjusted keeping mind that markets can be unpredictable we make every effort to mitigate risks.

We use computer software and commercial databases to perform analysis that aids in measuring the level of risk and return in the client's portfolio and provide guidelines to help achieve the individual client's financial goals.

## RISK

All investments are subject to risk, including possible loss of principal. Because Berkshire's equity investment style expects to hold a portfolio of a limited number of securities, a decline in the value of these investments would cause the portfolio's overall value to decline to a greater degree than a less concentrated portfolio. Our equity investment style is considered sector neutral but may focus its investments in certain stocks in a sector, thereby increasing the potential vulnerability to market volatility.

Like all fixed income securities, the market prices of municipal bonds are susceptible to fluctuations in interest rates. If interest rates rise, market prices of existing bonds will decline, despite the lack of change in both the coupon rate and maturity. Bonds with longer maturities are generally more susceptible to changes in interest rates than bonds with shorter maturities. Many municipal bonds carry provisions that allow the issuer to call or redeem the bond prior to the actual maturity date. With revenue bonds, the interest and principal are dependent on the revenues paid by users of a facility or service, or other dedicated revenues including those from special taxes. In general, the consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn than the income stream for general obligation bond issuers. Credit risk is the risk that the issuer will default or be unable to make required principal or interest payments. Despite the fact that many municipal bonds have high credit ratings, there is a risk of default in any bond investment. Because tax-exempt interest generated by municipal bonds is usually more beneficial for investors in higher tax brackets, municipal bonds may not be appropriate for all investors, particularly those in lower tax brackets. In addition, if you are subject to the federal alternative minimum tax (AMT), the interest income generated by certain municipal bonds (mainly private activity bonds) may be taxable. As with all bonds, investors run the risk that inflation will diminish the purchasing power of a municipal bond's principal and interest income. There can be no assurance that bonds validly issued will not be partially or totally repudiated by the issuing state or municipality, should that be deemed reasonable and necessary to serve other important public purposes.

Not all risks can be quantified. A type of risk called "special event risk," lawsuits or significant legal changes, an economic downturn, or other events could impact any investment.

The objectives, guidelines and restrictions of each separate client are documented when the account is opened and a copy is maintained on file. The objectives, guidelines and restrictions of each Partnership are detailed in the applicable offering documents. We are mindful of the inherent risks when investing in securities and have taken steps to manage client accounts within the risk parameters agreed upon.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client or prospective client's evaluation of Berkshires advisory business or the integrity of its management.

Berkshire has no information applicable to this Item.

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

Neither Berkshire nor its representatives are registered as a broker dealer or as representatives of a broker dealer. All material conflicts of interest are disclosed regarding the investment advisor, its representatives or any of its employees which could be reasonably expected to impair the rendering of unbiased and objective advice. When selecting other advisors or third party managers we take the same care in ensuring that that no material conflicts arise.

Berkshire is the General Partner and investment adviser to Berkshire Partnership (BP) and Berkshire Growth Fund (BGF). Additionally, BDF Partners, LLC, a Delaware LLC and a wholly owned subsidiary of Berkshire, is the General Partner of Darkhorse Opportunity Fund, L.P. (DOF). BP, BGF and DOF are Pennsylvania limited partnerships offered privately to investors that qualify in accordance with the requirements of the applicable offering documents. BP, BGF and DOF invest substantially all their assets in equity and debt securities listed on national securities exchanges. DOF may also invest in: equity securities of foreign companies including companies in emerging markets; option contracts on securities and securities indices; preferred shares; depository receipts; and money market instruments. Some advisory clients of Berkshire may also be investors in BP, BGF and DOF and we may in the future offer other advisory clients investment interests in the partnerships. Berkshire has a financial investment in BP and BGF and employees may also have financial investments in the partnerships.

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

Berkshire requires of those individuals directing or determining investment advice, that they demonstrate their successful completion of a college or university degree in a related field (such as banking, finance, economics) and/or have prior equivalent experience. In addition, all employees of Berkshire annually become a signatory to the Berkshire's Code of Ethics, Policy on Insider Trading and Policy restricting most personal security transactions.

All applicable individuals must exhibit a keen understanding of the economic, financial and market factors necessary to make wise and informed decisions regarding portfolio management practices.

Berkshire may, from time to time, recommend to clients that they buy or sell securities in which related persons, such as its employees, have a financial interest. However, if one or more of the Berkshire's employees has a financial interest in a security recommended to clients, the Berkshire will follow the procedures outlined below regarding employee trading. From time to time, the Berkshire's employees may have a position in a certain security that may also be

recommended to a client. Berkshire has established the following restrictions and disclosure procedures to ensure, at all times, that it fulfills its fiduciary obligation.

- (1) Employees and their immediate family residing in the same household are prohibited from acquiring any securities in an initial public offering. The only exception is that employees are permitted to exercise subscription rights in mutual thrift conversions where the employee is a customer.
- (2) Employees and their immediate family residing in the same household, acquiring securities in a private placement must receive express prior approval from the President or Chief Compliance Officer. The basis for granting approval or not will take into account whether the investment opportunity should be reserved for the Berkshire's clients, and whether the opportunity is being offered to the employee by virtue of his or her position with the Berkshire. Employees who have been authorized to acquire securities in a private placement are required to disclose that investment when they play a part in any subsequent consideration by Berkshire to invest on behalf of clients in the issue.
- (3) All transactions by employees, either for themselves or members of their immediate family residing in the same household, shall require approval prior to the purchase or sale as stated in the personal securities trading policy.
- (4) Blackout Period: Employees and their immediate family residing in the same household are prohibited from executing personal securities transactions on a day Berkshire has a pending buy or sell order in that same security, until that order is executed or withdrawn. In addition, all employees and their immediate family residing in the same household are prohibited from buying or selling a security if Berkshire executed a trade in the same security the previous trading day. Any profits realized on trades executed in violation of this policy will be disgorged.

Berkshire maintains that it is always acting in the best interest of the client. However, investing in securities can be unpredictable thus every attempt is made to ensure that clients' interests are placed first. You may obtain a copy of our Code of Ethics by sending a request to the address or email on the cover sheet of this brochure.

## **Item 12: Brokerage Practices**

For discretionary accounts, Berkshire receives from such client's written authority empowering Berkshire to determine which securities and amounts thereof to be bought or sold and the broker-dealer to be used to execute transactions. For the selection of broker-dealers and in determining commission rates paid, Berkshire chooses firms it believes provide quality execution, competitive commission rates and other research related services deemed important to Berkshire's ability to successfully and competitively discharge its fiduciary responsibility to its clients.

In selecting a brokerage firm, Berkshire will not necessarily direct transactions to the broker or dealer offering the lowest commissions. Berkshire may also consider a variety of factors, including the brokerage firm's execution capabilities, ability to avoid significant market impact, reputation, access to the markets for the securities being traded, and willingness to provide products and services that assist Berkshire in the investment decision-making process. Berkshire received no referrals from broker dealers or third parties in exchange for using that broker.

Berkshire may direct transactions to brokers in return for research services that assist it in the investment decision-making process (such as written research reports on companies, sectors, or

the economy, or subscriptions to on-line data bases that provide real time and historical pricing information). When Berkshire does so, Berkshire may pay the executing broker a commission greater than another qualified broker (which does not provide research) might charge to effect the same transaction. Such arrangements are generally referred to as “soft dollar arrangements.” Berkshire only enters into a soft dollar arrangement if it determines in good faith that the commission paid is reasonable in relation to the value of the execution and research services provided. Soft dollar arrangements generally take one of two forms: proprietary or third party. Under a proprietary arrangement, the executing broker directly provides research services to Berkshire. Brokers that provide proprietary research generally charge a bundled commission that includes the cost of execution and the additional research services, and they do not typically assign a particular value to their research services.

Berkshire regularly assesses the value of the research services provided by the brokers with which it deals. Over time, Berkshire attempts to direct commission business to a broker in an amount that is fair and reasonable under the circumstances and proportional to Berkshire’s assessment of the value added by that broker. Subject to best execution and the relevant factors referenced above, a significant percentage of client trades may be executed with broker-dealers that research and brokerage execution services to Berkshire. All research services knowingly acquired in connection the broker-dealer transactions constitute eligible research for purpose of Section 28(e) of the Securities Exchange Act of 1934.

From time to time, clients may select a directed broker. A letter is signed by the client upon selection of a Directed Broker. The Firm keeps an original copy of this letter on file for the duration of the arrangement. We have implemented trade rotation procedures when executing trades of the same security across a number of custodians in order to mitigate favoring one account over another. Trades are alternated by broker and a log is kept to ensure procedures are followed. It is possible, however, that trades for clients directing their transactions to a particular broker, may be executed after trades in which the Firm has discretion over the broker to be used.

On occasion, we may place orders with brokers to effect cross transactions between client accounts in which one client will purchase securities held by another client. Such transactions are entered into only when we believe the transactions is in the best interest of both clients, we determine the price to be fair to both clients and we believe the transaction constitutes “best execution” for both clients. Neither Berkshire nor any related party receives any compensation in connection with such transactions. ERISA and the Investment Company Act of 1940 each impose conditions and/or constraints on “cross” transactions.

We attempt to follow procedures to avoid errors, though errors occasionally occur. We seek to identify and correct the trading errors affecting any account as quickly as possible in order to put our clients in the position as if no error had occurred. A “trade error” is generally any transaction resulting in client funds being committed to an unintentional transaction. We do not benefit economically from the resolution of a trade error.

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

Due to the nature of our services, most accounts will be reviewed by the investment manager for the account on a daily basis to measure the impact of factors including, but not limited to, daily market activity, general economic or political trends, interest rate movements, and/or changes in the regulatory environment. However, depending upon the current market conditions and the particular position of the account, not all accounts need daily review. Client accounts will be monitored by the investment manager to ensure that the client's primary objectives are maintained (e.g. growth, safety, income, etc.). The number of accounts assigned to an investment manager will never exceed that number which would compromise the high standards established by Berkshire. In addition to regular review by the investment manager of each account, all accounts will be reviewed for accuracy on a monthly basis by office support staff. This review will follow strict procedures as approved by Berkshire's President. Berkshire's investment policy committee meets periodically to review all portfolios to ensure each account is structured in compliance with client investment policy guidelines.

The nature and frequency of your client report is determined primarily by your particular needs. Generally, clients receive quarterly reports containing the following information: (1) Portfolio Appraisal Report; (2) Realized Gain/ Loss Report; (3) Interest Dividend and Expense Report; (4) Purchase and Sale Report; (5) Performance Report and Performance History Report. Investors in limited partnerships offered privately and managed by the Berkshire will receive reports as described in the applicable offering documents.

We strongly encourage our clients to review their monthly statements received directly from their custodians and to report any discrepancies immediately.

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

Berkshire may, from time to time, compensate persons for client referrals. Persons introducing new client accounts to Berkshire may receive a portion of the advisory fee generated by the account for a period which varies on a case-by-case basis. Berkshire is aware of the special considerations set forth in Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and as such, all referral arrangements will be conducted in accordance with the applicable rules and regulations. Under SEC Rule 206(4)-3, a solicitor referral arrangement between the investment adviser and third-party (non-employee) solicitor must be in writing and includes provisions related to the scope of the solicitor's activities; a covenant by the solicitor to perform such activities consistent with instructions of the investment adviser and in compliance with the Investment Advisers Act of 1940 and associated rules; and a covenant by the solicitor to provide the client with a copy of the investment adviser's Form ADV Part 2a separate written solicitor disclosure.

## Item 15: Custody

Berkshire is not a custodian but does engage in certain activities that result in being deemed to have custody or possession of client funds or securities under Advisers Act Rule 206(4)-2. In circumstances where Berkshire may be deemed to have custody, we will comply with the requirements of Rule 206(4)-2 to avert the requirement that we retain an independent public accountant to perform an annual verification of funds and securities in the Firm's custody.

In circumstances where the Berkshire is deemed to have custody or possession of client funds or securities we will ensure that:

- Qualified Custodian holds the client's assets;
- If the Firm opens an account with a qualified custodian on the client's behalf the Firm will notify the client in writing of the qualified custodian's name, address, and the manner in which the funds or securities are maintained, promptly when the account is opened and following any changes to this information; and
- There is a reasonable basis for believing that the Qualified Custodian sends an account statement, at least quarterly, to the client that identifies the amount of funds and of each security in the account at the end of the period and sets forth all transactions in the account during that period.
- Limited partnerships, in which the Firm, or a subsidiary of the Firm, serves as general partner and investment adviser, are audited annually and the audited financial statements, prepared in accordance with generally accepted accounting principles, are sent to all limited partners within 120 days of the end of its fiscal year.
- Any trust's where a covered person serves as co-trustee has a co-trustee that is a bank or a trust company that meets the definition of a qualified custodian under rule 206(4)-2(d)(6) and is not a related person of the adviser; the qualified custodian delivers account statements directly to each co-trustee that is not itself the custodian and under the trust instrument or by law the withdrawal of any assets of the trust by the adviser requires the prior written consent of all of its co-trustee(s).

## Item 16: Investment Discretion

Berkshire provides both discretionary and nondiscretionary investment advisory services. The majority of our clients grant discretion, which allows us to manage portfolios and make investment decisions without client consultation regarding the securities and other assets that are bought and sold for the account. In such accounts, we do not require client approval for the total amount of the securities and other assets to be bought and sold, the choice of executing brokers or the price and commission rates for such transactions. In some instances, clients may seek to

limit or restrict our discretionary authority on these matters by imposing investment guidelines or restrictions on their account.

We make every effort to manage restricted portfolios along with other clients within similar mandates. However, it is possible that security selection and trade placement may be delayed for these portfolios while we determine whether a proposed investment decision complies with the account guidelines and restrictions or identify alternatives. Accounts subject to investment restrictions or directed broker agreements may forfeit some of the advantages that may result from aggregated orders and may be disadvantaged by the market impact of trading for other portfolios.

In non-discretionary relationships, we make periodic investment recommendations to clients about the securities that should be bought or sold and the total amount of such transactions. Clients may ask Berkshire to place orders for the purchase or sale of the securities being recommended, either through executing brokers of our choice or according to the client's request. Orders placed by Berkshire will be aggregated with those discretionary clients in the same security, based on standard procedures. We will not, however, delay trading for discretionary client orders while a non-discretionary client considers and approves an investment recommendation. In addition, nondiscretionary clients will not share in the allocation of those trades that were completed before they approved an order. In cases where the non-discretionary client places its own orders without our involvement, procedures are adopted to ensure that we have a reasonable opportunity to trade a substantial portion of any current orders for discretionary accounts before an investment recommendation is passed to non-discretionary clients.

Client orders executed through the same broker dealer may be aggregated to achieve best execution. Generally clients will receive the average share price of all orders executed to fill the aggregated order. Individual transaction fees and commissions will not be affected. The client will incur the same transaction fee or commission charge regardless if the order was aggregated or executed individually. Aggregation saves time and all accounts receive same price. We will attempt to aggregate orders when it is determined it is prudent to place orders for the same security, at the same time, in one or more client accounts. Allocations for these orders are completed on a pro rata basis.

## **Item 17: Voting Client Securities**

Investment advisers are subject to specific rules related to voting authority over client securities. For example, advisers must provide clients with a description of their voting policies and procedures disclose where clients can get a full copy of the policies and procedures and disclose how they can obtain information about how their adviser voted with respect to their securities.

As a registered investment adviser that exercises proxy voting authority over client securities, we have a fiduciary duty to vote proxies in a timely manner and make voting decisions that are in our clients' best interests.



Berkshire Asset Management has adopted a Proxy Voting Policy, which reflects the policies of the firm and its investment management subsidiaries. The Proxy Voting Policy is a set of voting guidelines intended to maximize the value of the securities in our client accounts. It describes our approach to analyzing voting issues, identifies the persons responsible for determining how to vote proxies and includes procedures to address material conflicts of interests that may arise between Berkshire and clients relating to proxy voting.

The majority of our client's securities are voted with the aid of an outside vendor. In summary, this enables us to fully automate the process, vote according to independent research and recommendations by a number of different premier vote research firms.

Our Proxy Voting Policy provides further detail on the voting process and a range of specific voting issues. Clients may obtain a copy of the Proxy Voting Policy, the Proxy Voting Manual and information about how Berkshire voted with respect to their securities by contacting is:

Berkshire Asset Management, LLC  
Attn: Chief Compliance Officer  
46 Public Square, Suite 700  
Wilkes-Barre, PA 18701  
[mmillington@berkshiream.com](mailto:mmillington@berkshiream.com)

## **Item 18: Financial Information**

Not Applicable.

Berkshire does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this Brochure. Neither Berkshire nor its management has reason to believe that anything would impair our ability to meet contractual commitments to clients. Neither Berkshire nor its management has been the subject of a bankruptcy petition at any time during the past ten years.