



# DAI WEALTH

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February 8, 2023

This Brochure provides information about the qualifications and business practices of DAI Wealth, Inc. If you have any questions about the contents of this Brochure, please contact Ernest G. Strauss IV, Chief Compliance Officer, at [ernies@daisecurities.com](mailto:ernies@daisecurities.com), or contact our office at (404) 531-7080. 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.

DAI Wealth, Inc. is a SEC-registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about DAI Wealth, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our CRD Number is 138938.

## **Item 2. Material Changes**

This Brochure, dated February 8, 2023, is an other-than-annual updating amendment to our Form ADV Part 2A. The following summarizes the material changes between this Brochure and our previous annual updating amendment, dated January 31, 2023:

- There are no material changes to this Brochure in this updating amendment.

A complete copy of our Brochure may be requested by contacting Ernest G. Strauss IV, Chief Compliance Officer, at [ernies@daisecurities.com](mailto:ernies@daisecurities.com) or (404) 531-7080. Additional information about DAI Wealth, Inc. is available by accessing the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with DAI Wealth, Inc. who are registered as investment adviser representatives ("IARs") of the firm. An IAR is an individual who provides investment advice to our clients.

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#### **Item 4. Advisory Business**

DAI Wealth, Inc. (“DAIW”) was established in March 2006 as an SEC-registered investment advisory firm. DAIW is owned by DAI Holdings, LLC, which in turn is owned by the Joseph G. Michaletz and Christine E. Michaletz Living Trusts. Mr. Michaletz serves as the firm’s President and primary advisor, while Ms. Michaletz serves as the firm’s Chief Operating Officer. As of December 31, 2022, DAIW was providing continuous and regular asset management services to \$107,952,574 in assets, \$103,594,437 of which is managed on a discretionary basis and \$4,358,137 of which is managed on a non-discretionary basis.

#### **Investment Management Services**

DAIW provides investment management for clients using separately managed accounts (“SMAs”), unified managed accounts (“UMAs”), adviser-managed accounts (“AMAs”), and mutual fund asset allocation (“MFAA”) programs. We will refer to these different forms of management services as “programs” in this Brochure, and we describe them in more detail below.

The individual securities typically used include, but are not limited to, equities (both foreign and domestic), exchange traded funds (ETFs), mutual funds and variable annuities. Each investment portfolio is tailored to meet the needs of the individual client. In addition, the client may place reasonable restrictions on the purchase of certain securities; however, placing too many restrictions could potentially negate the benefits of the services offered by the firm and therefore may be impractical. The programs that DAIW uses to manage client assets are described in more detail below. The firm has no minimum account size.

DAIW’s investment management programs are administered through platform providers such as SMArtX Advisory Solutions LLC (“SMArtX”), Envestnet Asset Management, Inc. (“Envestnet”), or SEI Private Trust Company (“SEI”). Clients will have access to their accounts and other internet-based services, which include performance reporting, fee billing, and a platform of approved programs, via websites linked to the platform. In addition to providing clients with access to their individual accounts, the websites also provide online analytical tools to assist IARs of DAIW in conducting research on the various investment options. The IAR will assist the client in determining, among other things, the client’s investment objectives, time horizon, and risk tolerance. Each IAR uses his/her own analysis and research investment style and strategy as well as ongoing management philosophy. Based on the results of this analysis, the IAR will assist the client with the selection of one or more of the investment programs offered through DAIW that will meet the client’s investment objectives.

Our clients formally engage us by signing one of several agreement forms. The Agreements signed by historical clients may have different names, but new clients sign our “Client Agreement.”

Upon entering into a Program Agreement, the client acknowledges that it is his/her responsibility to provide DAIW with updated information about his/her investment objectives and agrees to notify DAIW or the IAR of any changes in his/her circumstances or investment objectives that would cause a change in the portfolio to which his/her account assets have been allocated.

## The Investment Programs Available

The SMA program offers portfolios of individual stocks and bonds that are managed by third-party money managers contracted through the platform providers. Additional money managers may be added and may contract through the platform provider to provide management services for clients' portfolios.

The UMA program allows DAIW to act as an "overlay manager." As overlay manager, the firm customizes a combination of SMAs, ETFs, and mutual funds into a single portfolio.

The MFAA program offers model portfolios of mutual funds and ETFs that are managed by third-party managers to match the clients' investment objectives. These are managed primarily by allocating client's portfolios among various asset types through the purchase of asset-style or index-style mutual funds.

The AMA program offers clients an account in which the IAR directs and manages specified client assets either on a discretionary basis or on direction from the client (non-discretionary). The portfolios will comprise investment options that may include individual stocks, bonds, ETFs, or mutual funds.

DAIW also offers retirement plan services to retirement plan sponsors. In these circumstances, DAIW is a covered service provider under Section 408(b)(2) of ERISA. DAIW provides the advisory services to a plan, as selected, as a fiduciary under Section 3(21)(A)(ii) of ERISA and will act in good faith and with the degree of diligence, care, and skill that a prudent person rendering similar services would exercise under similar circumstances. DAIW typically provides both fiduciary and non-fiduciary services to the plan.

The final alternative is the DAIW Large Cap Equity Model. As the name suggests, this is a model portfolio in which all clients own a similar blend of securities. Under this program, DAIW executes trades for clients in the AMA program through Fidelity.

With the exception of the advisor-directed alternatives, the platform provider acts as a sub-adviser for the above-described management programs. In its capacity as sub-adviser, SMArtX, Envestnet, SEI, or the individual third-party managers available on its platform are responsible for effecting transactions for DAIW clients' accounts based on the program(s) selected by the clients and communicated to the platform provider by the individual money managers within the programs referenced above. In certain circumstances, the platform provider may not execute the trades as directed by the money managers in investing client funds, due to trading restrictions, insufficient funds, or other events. In these situations, the platform provider will not mirror the trades of the money managers for all or certain DAIW clients.

Clients receive quarterly performance reports that are posted to client's individual portal made available through DAIW or the platform provider's website, which can be accessed by clients at any time. In addition, the custodian of each client's account sends trade confirmations and quarterly or monthly account statements showing all transactions, positions, and all deposits and withdrawals of principal and income.

## **Consulting Services**

IARs may also provide consultation on various financial advisory topics that address the client's financial needs and objectives. In analyzing a client's current financial situation and investment goals, IARs will present strategies and recommendations to help the client attain his/her stated investment goals. The IAR may discuss with the client any one or more of the following planning topics: investment planning, insurance planning, retirement planning, estate planning, business ownership, and succession planning. The services to be provided will be described in a separate Consulting Agreement. The IAR may use a variety of tools to provide the agreed-upon consulting services. Development of a written plan is not generally included with this consultation service. Clients may choose to implement any advice provided by the firm or its IARs through professionals other than those associated with the firm.

## **Types of Securities**

The firm does not limit its investment recommendations to any specific type of product or security. A client's individual needs and objectives are analyzed to determine appropriate investments and products for the client. DAIW may recommend that clients purchase shares of mutual funds, exchange traded funds, individual stocks, individual bond positions, certificates of deposit, REITs, options, warrants, limited partnerships, variable annuities, and variable life insurance products. The firm may also provide advice on other products not listed above. In some cases, these products may be non-securities products.

## **Item 5. Fees and Compensation**

### **Investment Management Services**

Pursuant to the Client Agreement, the client agrees to pay a total annual "Account Fee" for advisory services. The Account Fee is detailed on DAIW's Investment Strategy and Fee Disclosure Form, which is provided to clients at the time of initial investment. The Account Fee (excluding transaction/trading costs and miscellaneous fees) may not exceed 2.50% per year of the value of the portfolio at the time the fee is calculated. Account Fees are negotiable and may vary based on such factors as overall assets in the program, size of the account, and other services provided. One-fourth of the Account Fee is payable each calendar quarter, and payments are paid in arrears, meaning each payment covers the period that preceded the payment.

The Account Fee is paid to DAIW. From the Account Fee DAIW will receive the "DAIW/IAR Fee," a portion of which will be paid to the IAR.<sup>1</sup> If a platform provider is utilized, the platform fee and/or the fee of the manager accessed via the platform will be described on the Investment Strategy and Fee Disclosure Form, and the platform fee or manager fee will be paid out of the Account Fee. DAIW will typically add a fee to be received by DAIW to the amount payable to the platform or manager. The fee to be paid to the platform or manager plus the fee added by DAIW is illustrated on the Investment Strategy and Fee Disclosure Form as the "Platform/Manager Fee." The portion of this Platform/Manager Fee that constitutes the amount of the fee added by, and to be received by, DAIW is also reflected on the Investment Strategy and Fee Disclosure Form. Therefore, DAIW's

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<sup>1</sup> For any Investment Strategy and Fee Disclosure Form completed prior to April 1, 2022, the described "IAR Fee" includes the entirety of DAIW's fee, including the portion paid to the IAR.

total compensation will equal the sum of the DAIW/IAR Fee and the portion of the Platform/Manager Fee indicated.

Table 1 below illustrates the manner in which Account Fees are calculated and paid. Please note there are differences in the way the different fees that comprise the Account Fee are paid. Fees charged by mutual funds and ETFs, such as management fees or operating expenses, are in addition to the Account Fee. Fees related to the clients' accounts, such as wires, trading costs, mailings, etc., will be paid by the client in addition to the Account Fee. At DAIW's discretion, DAIW may choose to pay for certain of these fees on behalf of clients. When, in the course of re-allocating portfolio assets or selecting managers or programs, DAIW wishes to increase or decrease the Account Fee by the amount of any increases or decrease in platform fees, sub-adviser fees, or third-party manager fees, DAIW is permitted to do so in the exercise of discretion, provided it gives client notice within a reasonable time following such increase. Any such increased Account Fee must not exceed the maximum Account Fee stated above.

#### SMA, UMA, AMA and MFAA Program Fees

**Investnet:** For Investnet accounts, the Account Fee is identified at the time of the initial investment on DAIW's Investment Strategy and Fee Disclosure Form, and may be supplemented by Investnet's Statement of Investment Selection ("SIS") or other disclosure documents. The Account Fee will vary depending on the amount of assets under DAIW's management. If there are discrepancies between the DAIW Investment Strategy and Fee Disclosure Form and the SIS, the former controls. All platform fees, including Investnet charges and those of third-party managers participating on Investnet's platform, will be paid from the Account Fee. Typically, in addition to the "DAIW/IAR Fee," DAIW will receive a fee that is added to the fees charged by the platform or manager. The sum of that added fee plus the fee charged by the platform or manager is illustrated on the Investment Strategy and Fee Disclosure Form as the Platform/Manager Fee.

Clients will not pay additional transaction charges in Accounts managed via the Investnet platform. Rather, those Accounts are under Investnet's Wrap Fee Program. Please refer to Investnet's Wrap Fee Program Brochure for more information. Clients will be responsible for paying a number of other special non-transaction charges as more specifically identified by Investnet or the custodian.

The method of billing for accounts managed via the Investnet platform is illustrated in Table 1 below. Account Fees for the initial partial quarter will be prorated.

**SMartX:** For SMartX accounts, the program fee is identified at the time of the initial investment on DAIW's Investment Strategy and Fee Disclosure Form and may be supplemented by SMartX's Proposed Portfolio Report ("PPR") or other disclosure documents. If there are discrepancies between the DAIW Investment Strategy and Fee Disclosure Form and the PPR, the former controls. All platform fees, including SMartX charges and those of third-party managers participating on the SMartX platform, will be paid from the Account Fee. Typically, in addition to the "DAIW/IAR Fee," DAIW will receive a fee that is added to the fees charged by the platform or manager. The sum of that added fee plus the fee charged by the platform or manager is illustrated on the Investment Strategy and Fee Disclosure Form as the Platform/Manager Fee.

Receipt of this compensation creates a conflict of interest that is discussed more thoroughly below in Item 12 – Brokerage Practices. The method of billing for accounts managed via the SMartX

platform is illustrated in Table 1 below. Account Fees for the initial partial billing period will be prorated. Clients are responsible for paying transaction charges and other charges imposed by SMArtX or the custodian.

**SEI:** For SEI accounts, the program fee is identified at the time of the initial investment on DAIW's Investment Strategy and Fee Disclosure Form and may be supplemented by SEI's separate disclosure documents. If there are discrepancies between the DAIW Investment Strategy and Fee Disclosure Form and SEI's disclosure documents, the former controls. All platform costs, including SEI charges and those of third-party managers participating on the SEI platform, will be paid from the Account Fee.

For SEI Accounts that are managed under the Managed Account Solutions (MAS) platform, Clients do not pay separate transaction charges. Rather, those accounts are under SEI's MAS Wrap Fee Program. Please refer to the Wrap Fee Brochure pertaining to that program provided by SEI for more information. Clients will be responsible for paying a number of other special non-transaction charges as more specifically identified by SEI or its affiliated custodian.

The method of billing for accounts managed via the SEI platform is illustrated in Table 1 below. Account Fees for the initial partial quarter will be prorated.

**Other Charges.** For all Accounts not identified above as Wrap Fee Accounts, including all Adviser Managed Accounts, all SMArtX Accounts and Accounts managed under SEI's mutual fund asset allocation program, transaction and trading fees are not included in the Account Fee. These and other fees that a client remains responsible to pay are typically described in the client's agreement with the custodian or the agreement with the platform if applicable, and also in the platform's separate disclosure document.

An IMA or Client Agreement with DAIW may be terminated by any party effective upon receipt of written notice to the other parties. If such an agreement is terminated within five business days of signing, any prepaid fees will be refunded in full to the client.

DAIW will typically have no authority to establish the fees charged by platform providers, third-party managers, and other service providers in a third-party advisory program. DAIW endeavors to refer clients only to third-party advisers that the firm feels charge reasonable fees. The client is responsible for reviewing the fee schedule applicable to the third-party advisory program. In most cases, the third-party investment adviser will provide clients a disclosure document which discloses all applicable fees and expenses. Clients should refer to this disclosure document for specific fee schedules and termination procedures. Program fees will typically be debited from the client's account on a quarterly basis, as described in the program offering materials, and statements will be provided to the client by the third-party adviser. Participation in any third-party investment advisory program may cost the client more or less than purchasing program services separately.



**TABLE 1**

Manager/ Platform	Custodian	Fee Type	Fee Method	Billing Frequency	Day Count	Rate Type	Fee Computation	Calculated By
Advisor-Directed	Fidelity IWS	IAR/ Advisor	Average Daily Balance	Quarterly*	Business days (252)	Flat	Value x Annual Rate / 4	DAI
Envestnet	Fidelity IWS	Platform/ Manager	Average Daily Balance	Quarterly*	Calendar days (365/366)	Tiered	(Value x Annual Rate / Calendar Days) x Days in Period	Envestnet
Envestnet	Fidelity IWS	IAR/ Advisor	Average Daily Balance	Quarterly*	Business days (252)	Flat	Value x Annual Rate / 4	DAI
SMArtX	Fidelity IWS	Platform/ Manager	Average Daily Balance	Monthly*	Business days (252)	Flat	(Value x Annual Rate / Business Days) x Days in Period	SMArtX
SMArtX	Fidelity IWS	IAR/ Advisor	Average Daily Balance	Quarterly*	Business days (252)	Flat	Value x Annual Rate / 4	DAI
SEI	SEI Private Trust Company	Platform/ Manager	Ending Balance	Quarterly*	Calendar days (365/366)	Flat	Full Period: Value x Annual Rate / 4 Partial Period: (Value x Annual Rate / Calendar Days) x Days in Period	SEI
SEI	SEI Private Trust Company	IAR/ Advisor	Ending Balance	Quarterly*	Calendar days (365/366)	Flat	Full Period: Value x Annual Rate / 4 Partial Period: (Value x Annual Rate / Calendar Days) x Days in Period	SEI

\*All Managers/Platforms bill in arrears.

**Conflicts of Interest**

Our IARs receive commissions and sometimes other compensation from the sale of securities, including variable annuities, to our clients. This compensation is paid to the IARs in their capacity as registered representatives of our affiliated broker-dealer, DAI Securities, LLC (“DAIS”). This creates a conflict of interest since the representatives have a financial incentive to recommend those securities for your accounts or for accounts you establish at DAIS. DIAW manages and minimizes this conflict by reviewing all such recommendations to assure they are made in the client’s best interest, and by disclosing this conflict of interest in this Brochure, so that clients can make fully informed decisions. Please be aware that in recommending securities to our clients,

these representatives of DAIW are acting on behalf of DAIS and are not required to act as fiduciaries. Nevertheless, they are required to act, and will act, in the client's best interests.

Individual securities may be purchased by the clients through other firms, and the trading costs or other costs associated with their purchase may be more or less than the costs associated with purchasing securities through DAIW and its advisory programs. The client participation in one of our programs may cost the client more or less than purchasing the program services separately. Factors that impact the overall cost of the program in relation to the cost of the same services purchased separately may include the size of the account, expected size or number of trades, the type of investments and the scope of advisory and other services rendered by the IAR.

The amount of compensation received by the IAR for advisory services may be more or less than what other IARs would receive if the client participated in other programs or paid separately for investment advice, brokerage, and other client services.

In addition to any Account Fee charged by DAIW, the client may also be subject to product fees charged by the alternative investment product. Such fees are disclosed in the product offering materials.

DAIW has an incentive to recommend investments for which it charges higher DAIW/IAR fees or for which it charges higher fees that are added to and made a part of the Platform/Manager Fee. This conflict is mitigated in several ways. First, DAIW attempts to keep fees for different investments, platforms and managers level if possible, to minimize or eliminate the incentive. Second, even when the fees charged differ by investment, platform or manager, DAIW attempts to set levels for all types of fees that will reasonably compensate DAIW for the services associated with administration of the accounts that hold the selected investments. In other words, to the extent fees differ between investments, platforms or managers, those investment selections that carry higher fees have higher internal costs associated with them. This further minimizes any incentives to recommend investments, platforms or managers for which DAIW charges higher fees. Finally, DAIW has processes in place to assure that recommendations are made in the client's best interest, further limiting the impact of any incentive.

### **Retirement Plan Services**

DAIW will charge an annual fee based as a percentage of assets under management, for the fiduciary and non-fiduciary services provided to the plan. Fees will vary based on the type of services selected by the client, and fees may be negotiable at the sole discretion of DAIW. Fees are billed quarterly, in arrears, and are based on the total fair market value of plan assets as reported by the custodian as of the last business day of the preceding calendar quarter. Fees are typically deducted by the administrator and paid to DAIW. Fees for the initial quarter will be pro-rated based on the number of days advisory services are provided to the plan. DAIW fees are fair and reasonable based on the services provided to plan sponsor, but fees charged by other advisors may be higher or lower than those charged by DAIW for similar services. The plan may be subject to other fees and charges imposed by account custodians, third party administrators, recordkeepers, product sponsors (such as mutual fund management fees or fund expenses), and brokerage account transaction charges imposed in connection with transaction processing, clearing or custody. These fees are separate and distinct from advisory fees charged by DAIW. The plan custodian or third-

party administrator will send account statements to the plan sponsor at least quarterly, which show all fees charged to plan accounts.

### **Consulting Services**

Consulting fees may be a flat fee or an hourly fee between \$50 and \$250 per hour as agreed upon by the client, subject to a one-hour minimum charge and depending upon the complexity of the situation. The client shall pay all such fees to DAIW. A Consulting Fee Invoice must be completed and signed by the IAR and the client at each consultation. The client will pay fees upon execution of the Consulting Agreement. The Firm may provide these services without charging a fee at our discretion.

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

DAIW does not charge performance-based fees and does not engage in side-by-side management.

### **Item 7. Types of Clients**

DAIW provides investment advice to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, corporations, and retirement plans. DAIW is also available to serve trusts, foundations, and endowments.

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

DAIW uses various methods to perform analysis of clients' portfolios. DAIW performs ongoing due diligence of both the money managers within the program and the program sponsor. This includes regular review of performance, style drift and a review of total assets under management by each manager. DAIW may customize the UMA accounts by varying the percentage of participation of each manager in the portfolio and may rebalance the portfolio to be consistent with the original objective. DAIW uses correlation analysis to determine the proper mix of managers in the portfolio.

DAIW also subscribes to periodicals, research newsletters and other reports and uses research recommendations to make decisions on stocks to purchase or sell for clients within its AMA program. DAIW uses information from Morningstar and other corporate rating services, to review and analyze performance of managers, mutual funds, and other investments. DAIW uses both technical and fundamental analysis and trading techniques, and utilizes research materials prepared by outside vendors, or materials prepared by individual issuers of securities, such as prospectuses, SEC filings, and company press releases. DAIW does not receive any additional compensation from any research providers nor does DAIW provide research for a fee.

The investment strategies used to implement any investment advice given to clients include both long-term and short-term strategies. Each strategy carries certain risks, including the risk of market movement and possible loss of principal. Investing in the stock market carries with it certain risks, which clients must accept before investing. There is no guarantee of performance, and past performance is not indicative of future results. The prices of securities can fluctuate and there is no guarantee that your initial investment will be returned. Clients must understand that day-to-day fluctuations can occur and are encouraged to treat investments as long term.

DAIW's IARs sometimes recommend alternative investments such as managed futures, REITs, private placement offerings, 1031 exchanges, and variable annuities. These products are sold through our affiliated broker-dealer, DAIS, and our representatives earn commissions or other compensation on those products. That creates a conflict of interest. See the section above in Item 5 titled "Conflicts of Interest," describing this conflict in more detail. Prices on these types of investments may fluctuate and they may be less liquid than other types of securities. Clients investing in alternative investments should understand the risks associated with purchasing an investment with limited liquidity.

### **Item 9. Disciplinary Information**

There is no disciplinary information to report.

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

IARs of DAIW are also registered representatives with DAIS, a FINRA-registered securities broker/dealer. DAIS is also owned by DAI Holdings, LLC, and therefore is an affiliate of DAIW with identical direct and indirect ownership.

Our IARS may also act as representatives of DAIS and offer securities such as variable annuities, mutual funds, alternative investments (including 1031 programs), and other investment products through DAIW. In such cases, those individuals earn commissions and other compensation for transactions executed as a registered representative. This creates a conflict of interest, as further described in the subsection of Item 5 above under the heading "Conflict of Interest." Clients are free to implement investment products through any brokerage firm of their choice.

DAIW may refer clients to lawyers and accountants from time to time. DAIW does not receive any compensation for making these referrals. DAIW does not differentiate among clients based on legal or accounting services used, and clients are under no obligation to retain the services of these outside professionals to whom they may be referred.

Joseph Michaletz is also President of DAI Agency, Inc. which acts as an insurance agency. He and other IARs of DAIW receive commissions on life and health insurance related products, including such products that are sold to DAIW clients. In recommending insurance products, these IARS are not acting as fiduciaries. A conflict of interest exists whenever insurance products are recommended, as commissions or other additional compensation will be earned. DAIW mitigates this conflict by requiring any insurance commissions to be disclosed, and by disclosing the conflict of interest in this Brochure. Clients are free to implement products through any agent of their choice.

Joseph Michaletz also serves on the Board of Directors of First National Bank of Minnesota. He is compensated for his role as a Board member, but he does not provide any type of investment advice to the Bank, and he does not act in an investment advisory role with the Bank.

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

Pursuant to SEC rule 204A-1, DAIW has adopted a Code of Ethics that applies to all employees and advisers of DAIW. The code of ethics memorializes our obligation as fiduciaries to act in our client's best interests at all times in providing investment advisory services. The code of ethics also

addresses such topics as prohibitions against trading ahead, insider trading and privacy issues surrounding the protection of clients' information. A copy of DAIW's code of ethics will be provided to clients upon request and may be posted on DAIW's website. DAIW is prohibited from acting as principal for buying securities from or selling securities to clients. No officer or employee of DAIW is a partner in any securities offered to clients, nor acts as investment adviser to an investment company offered to clients. The DAIW Code of Ethics prohibits an adviser from trading ahead of clients. This means that an adviser may not trade a security for his/her own account before effecting a client's trade in that same security in order to benefit from any price fluctuation caused by the trade. DAIW monitors this activity by requiring all officers, employees, and advisers to disclose all personal securities transactions. These are reviewed by DAIW's Chief Compliance Officer.

Officers, employees, or advisers of DAIW may invest in the same securities or investment models as clients of DAIW. Trading is done on a block or batch trade basis and no preference is given to any one client. All trades are reviewed by DAIW on a regular basis to insure fairness and quality of execution.

### **Item 12. Brokerage Practices**

The SEC has defined "soft dollar" practices as arrangements under which products or services, other than execution of securities transactions, are obtained by an investment adviser firm or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer. DAIW receives research or other products or services from custodians in exchange for placing trades or processing securities-related transactions for clients. We do not have to pay the custodian for these services and no client is charged for these services. The products or services received may benefit all of our customers, not just those whose assets are custodied at the broker-dealer who provides the products or services. This may result in higher transaction costs than those that would have been incurred but-for the soft dollar benefits. This presents a conflict of interest because we have an incentive to recommend Fidelity over other similar service providers based upon our existing relationship and the benefits we receive, rather than based solely upon the client's interests. We mitigate this conflict by periodically assessing Fidelity's performance, together with consideration of other products and services offered, to ensure compliance with our best execution obligation. We have determined that the charges we incur and charge to you are reasonable in relation to the value of the services received.

DAIW may aggregate client transactions to achieve execution in a more timely, equitable, and efficient manner and to reduce overall commission charges to clients. DAIW will aggregate client transactions where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. In these instances, clients participating in any aggregated transactions will receive an average share price and transaction costs (i.e., commissions and trading fees) will be determined on an account-by-account basis based on each client's account status at Fidelity. DAIW's block trading policy and procedures are as follows:

- Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement.

- Each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and the transaction costs (i.e., commissions and trading fees) will be determined on an account-by-account basis based on each client's account status at Fidelity. No client or account will be favored over another.
- If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- Funds and securities for aggregated orders are clearly identified on DAIW's and Fidelity's records, by the appropriate account numbers for each participating client.

### **Item 13. Review of Accounts**

The IAR will typically meet with the client annually to discuss the account, review performance, review the client's investment objectives and obtain any updates to the client's financial situation. Clients are urged to contact their IAR for a review anytime that their investment objectives or financial situation changes. Reviews are typically done face to face but may be done over the phone or via a web meeting if that is more convenient.

Information is also reviewed by a DAIW officer or other designee of DAIW. The review process is consistent with DAIW's policies and procedures and consists of periodic sampling of accounts quarterly so as to detect and prevent irregularities and abuses. The sample client accounts will be reviewed for correct performance and fee calculations and may be reviewed for suitability as well. Triggering events for more frequent reviews may be account values falling below the minimum, frequent withdrawals, or other activity that is inconsistent with the client's original objectives.

For clients who have contracted with DAIW for consulting services, no further review is performed once the terms of the agreement are fulfilled.

Clients will receive quarterly evaluation reports describing account performance and positions. These reports are posted online and must be accessed via the internet. They are archived on the platform provider's DAIW website. If a client does not have internet access, DAIW will print the report and mail it to them on a quarterly basis. The platform provider, through its agreement with DAIW, will provide on the website a quarterly report of the client's account showing historical performance, positions, and activity. These quarterly reports are prepared solely for informational purposes and to assist the client in reviewing his/her account. In addition to the quarterly performance reports, DAIW, through its clearing firm, sends brokerage statements to clients at least quarterly. Clients are encouraged to compare actual account statements with any report received from DAIW or viewed via our webpage. In the event of a discrepancy between the information on the account statements produced by the clearing firm and the quarterly reports produced by the platform provider, the clearing firm account statements will control. If a client notices any such discrepancy, they are urged to contact DAIW and we will resolve the discrepancy promptly.

Statements and confirmations produced by Fidelity as clearing agent may also be viewed electronically. New clients will automatically be enrolled in electronic transmission of statements

and confirms at the time the account is open unless they prefer to receive them via mail. As an incentive to receive electronic transmission of statements and confirms, trading costs may be reduced by Fidelity for those opting out of the paper version of these documents.

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

DAIW does not currently pay solicitor's fees for client referrals, but the firm may change this policy in the future.

DAIS from time to time accepts reimbursement for costs associated with on-site inspections of product sponsors or investment managers that may be offered to our clients or clients of DAIS, or both. These reimbursements are not contingent on our recommending any such product or investment manager and, because the inspections are purely for investigatory reasons neither we nor our representatives receive no non-business-related benefit from said inspections.

As disclosed in Item 10 above, DAIW may refer clients to lawyers and accountants from time to time. DAIW does not receive any compensation for making these referrals. DAIW does not differentiate among clients based on legal or accounting services used, and clients are under no obligation to retain the services of these outside professionals to whom they may be referred.

Please refer to Items 5 and 10 above for a discussion of compensation earned by DAIS and any IARs as representatives of DAIS. Please refer to Item 10 above for compensation earned for insurance product sales.

#### **Item 15. Custody**

Custody of clients' assets is typically maintained by Fidelity Investments, though some assets are custodied at SEI. Checks for deposit to clients' accounts are made payable to the custodian and promptly transmitted from our office to theirs. The custodian will send monthly or quarterly statements directly to clients. In addition, the client will have access to performance reports including cost basis, realized and unrealized gains and losses, positions and transaction information via the client's website. Both reports should be carefully reviewed by the clients and any discrepancies should be brought to the attention of DAIW. DAIW does not maintain custody of client funds or securities. DAIW does have authority to deduct the Account Fee from client's accounts and in some instances has the authority to transfer or move money between a client's accounts.

By signing one of the Program Agreements, the client allows the IAR to debit the accounts for advisory fees and to reallocate funds among accounts with the same registration. In some cases, with the signature of the client, DAIW may transfer funds payable to a third party from the client's account without specific, transaction-by-transaction authority.

#### **Item 16. Investment Discretion**

Clients may grant the Firm and the IAR discretion to invest, rebalance and otherwise manage the portfolios in accordance with the program selected. This may include buying and selling mutual funds, stocks, and bonds to maintain the clients' investment objectives. If a particular security is underperforming or no longer fits the criteria needed to be included in the model, the IAR may substitute another security to maintain the asset allocation. The client typically grants the Firm and the IAR discretion by signing one of the Program Agreements.

### **Item 17. Voting Client Securities**

DAIW does not vote proxies. With the exception of the AMA program accounts, Envestnet will vote proxies for securities held in a client's account. The client agrees that neither DAIW nor Envestnet will be responsible or liable for Envestnet's failure to vote a proxy where Envestnet has not received such proxy or any related shareholder communication on a timely basis. In connection with its responsibility to vote client proxies, Envestnet has adopted a set of Proxy Voting Policies and Procedures. The proxy procedures specify that Envestnet will exercise voting rights on all decisions that Envestnet determines have a material effect on the value of the securities.

Clients may obtain a copy of Envestnet's Proxy Voting Policies and Procedures and/or information on how Envestnet voted specific proxies, by sending a written request to: Envestnet Asset Management, 35 E. Wacker Dr. #1600, Chicago, IL 60601. Clients in the Advisor Directed alternative understand and agree that the client retains the right and responsibility to vote all proxies that are solicited for securities held in the client's account. DAIW is expressly precluded from voting proxies for securities held in a client's account and will not be required to take any action or render any advice with respect to the voting of proxies.

### **Item 18. Financial Information**

DAIW does not require or solicit prepayment of more than \$1,200 in advisory fees more than six months in advance of services rendered. DAIW is therefore not required to include a financial statement or balance sheet with this Brochure.

DAIW does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. DAIW has not been the subject of any bankruptcy petition.

### **Privacy Policy**

DAIW maintains a Privacy Policy that is distributed to each client at the time an account is opened and annually thereafter. DAIW collects nonpublic information about clients from the following sources: information we receive from clients verbally, on applications or other forms and information about client transactions with others or us.

We share client information with all investment-related affiliates described in this Brochure.

We may have to share non-public client information with unaffiliated firms in order to service client accounts. Additionally, we may have to provide information about clients to regulatory agencies as required by law. Otherwise, DAIW will not disclose any client information to an unaffiliated entity unless a client has given express permission for us to do so.

DAIW is committed to protecting client privacy. We restrict access to clients' personal and account information to those employees who need to know the information. We also maintain physical, electronic and procedural safeguards that we believe comply with Federal standards to protect against threats to the safety and integrity of client records and information.