

# **Daniels & Erickson Financial Advisors, LLC**

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## **Form ADV Part 2A Brochure**

Daniels & Erickson Financial Advisors, LLC is an investment adviser registered with the Securities and Exchange Commission (hereinafter "SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Daniels & Erickson Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (214) 750-8985. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Daniels & Erickson Financial Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Advisory Business - Item 4**

Daniels & Erickson Financial Advisors, LLC (hereinafter “Daniels & Erickson”) is a registered investment adviser based in Dallas, Texas. We are a limited liability company under the laws of the State of Texas. We have been providing investment advisory services since 2002. David Lee Nelson, CPA, CFP®, Donald Clay Daniels, CPA and Jonathan F. Erickson, CPA are the Managing Members of Daniels & Erickson.

Currently, we offer the following investment advisory services, personalized to each individual client:

- **Portfolio Management Services**
- **Financial Planning Services**
- **Selection of Third Party Advisers**

The following paragraphs describe what we do and what we charge. Each investment advisory service is listed below and describes how we tailor our advisory services to your individual needs. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our Firm who is an officer, employee, or an individual providing investment advice on behalf of our Firm. Such persons are properly registered as investment adviser representatives in all required jurisdictions.

#### ***Portfolio Management Services***

Portfolio management refers to the management of money, including investments. Assets are usually held in what is called a portfolio. Determining the types and quantities of securities to hold in a portfolio is referred to as portfolio management.

Our Firm offers discretionary and non-discretionary portfolio management services. Discretionary portfolio management services means that once the portfolio has been agreed upon, the ongoing supervision and management of the portfolio will be our responsibility. This authority is granted to us by you in a written agreement. This allows our Firm to decide on specific securities and the quantity of the securities and to place buy or sell orders for your account without obtaining your approval for each transaction. This type of authorization is done using either the investment advisory agreement you sign with our Firm, a limited power of attorney agreement, or trading authorization forms. You may limit this authority by setting a limit on the type of securities that can be purchased for your account. Your restrictions or guidelines must be provided to us in writing.

The non-discretionary portfolio management service means that we must obtain your approval prior to making any transactions in your account.

Our investment advice is tailored to meet our clients’ needs and investment objectives. If you decide to hire our Firm to manage your portfolio, we will meet with you to gather your financial information, determine your goals, and decide how much risk you should take in your investments. The information we gather will help us implement a customized asset allocation strategy that will be specific to your goals, whether we are actively investing for you or simply providing you with advice.

Daniels & Erickson mainly uses equity securities, exchange traded funds, mutual funds, corporate securities, municipal securities and U.S. government securities in its portfolio management programs. We may also advise you to invest in various investment related limited partnerships.

However we construct your investment portfolio, we will monitor your portfolio's performance on a continuous basis, and rebalance the portfolio as changes occur in market conditions, your financial circumstances, or both.

We recommend that you review the statement(s) you receive from the qualified custodian. If you see something that is incorrect, please call our main office number, located on the cover page of this brochure.

### **Financial Planning Services**

We offer broad based financial planning including portfolio allocation reviews, tax planning, charitable gifting strategies, risk and insurance analysis, estate and retirement planning and preparation for life transitions, including family wealth planning. Daniels & Erickson strives to achieve a client's long-term financial goals by implementing a financial planning process that may include any or all of the following steps:

- Assessment of a client's present financial situation by collecting information such as net worth and cash flow statements, tax returns, insurance policies, investment portfolios, pension plans, employee benefit statements, etc.
- Identification of a client's financial and personal goals and objectives - Goals or objectives may include financing a child's college education or retirement planning. The identified goals or objectives are specific, realistic and measurable. All goals include time horizons.
- Identification of obstacles to achieving financial goals and determination of resolutions - Examples of problem areas can include too little or too much insurance coverage, inadequate cash flow or a high tax burden.
- Plan Design - A written financial plan is prepared that includes recommendations and solutions to help achieve the client's stated financial goals and objectives.
- Implementation of the financial plan - The financial plan is presented, and if agreed upon, the recommendations and solutions are executed to reach the client's desired goals and objectives.
- Periodic evaluation of the financial plan - As part of our financial planning service, we will provide periodic reviews and potential revisions to the plan to ensure that financial goals are being achieved.

Financial plans are based on your financial situation at the time the plan is presented and the financial information you provide to our Firm. If your financial situation, goals, objectives, or needs change, you must notify us promptly.

We also provide financial planning services that cover a specific area, such as retirement or estate planning. We offer consultative services where we set an appointment to meet with you for an hourly fee.

You may choose to accept or reject our recommendations. If you decide to proceed with our recommendations, you may do so either through our investment advisory services or by using the advisory/brokerage Firm of your choice.

### **Selection of Third Party Investment Advisers**

Daniels & Erickson has entered into agreements with various other third party investment advisers for the provision of certain investment advisory services. Factors considered in the selection of a third party advisor include but may not be limited to: i) Daniels & Erickson's preference for a particular third party advisor; ii) the Client's risk tolerance, goals and objectives, as well as investment experience; and, iii) the amount of Client assets available for investment. In order to assist Clients in the selection of a third party advisor, an Associated Person of Daniels & Erickson will typically gather information from the Client about the Client's financial situation, investment objectives, and reasonable restrictions the Client wants to impose on the management of the account.

The third party adviser customizes the Client's portfolio by blending traditional investment strategies with an allocation to asset classes. The investment strategy adopted by the third party adviser may embrace value, growth or contrarian investing styles. Generally, securities transactions will be decided upon and executed by the third party adviser on a discretionary basis. This means that the manager selected will have the ability to buy and sell securities in your account without obtaining your approval. Daniels & Erickson and its Associated Persons will not manage, or obtain discretionary authority over the assets in accounts participating in these programs; however, Clients may grant Daniels & Erickson the discretionary authority to hire and fire such third party managers. Generally, Clients may not impose restrictions on investing in certain securities or types of securities in accounts managed by a third party adviser.

Associated Persons of Daniels & Erickson will periodically review reports provided to the Client. An Associated Person of Daniels & Erickson will contact the Client at least annually, or more often as agreed upon with each Client, to review the Client's financial situation and objectives, communicate information to the third party adviser managing the account as necessary, and to assist the Client in understanding and evaluating the services provided by the third party adviser. Clients will be expected to notify Daniels & Erickson of any changes in their financial situation, investment objectives, or account restrictions.

The third party adviser may offer wrapped or non-wrapped pricing options. Wrap pricing structures allow the Client to pay an all-inclusive fee for management, brokerage, clearance, custody and administrative services. In a non-wrap pricing structure, the third party adviser's fee may be separated from the advisory fee charged by Daniels & Erickson. Transaction costs may also be charged for the execution and clearance of advisory transactions directed by such Third Party Advisory Services. A complete description of the programs and services provided, the amount of total fees, the payment structure, termination provisions and other aspects of each program are detailed and disclosed in: i) the third party adviser's Form ADV Part 2A; ii) the program wrap brochure (if applicable) or other applicable disclosure documents; iii) the disclosure documents of the portfolio manager(s) selected; or, iv) the third party adviser's account opening documents. A copy of all relevant disclosure documents of the third party adviser and of the individual portfolio manager(s) will be provided to anyone interested in these programs/managers.

### **Assets Under Management**

As of 02/18/2011, we manage \$97,337,000 in client assets, all on a discretionary basis.

#### **Fees and Compensation - Item 5**

Daniels & Erickson charges fees based on a percentage of assets under management, hourly charges, fixed fees (not including subscription fees) or other fees for its advisory services. At the sole discretion of Daniels & Erickson these fees are negotiable.

#### **Portfolio Management Services**

If you decide to engage Daniels & Erickson for portfolio management services, we will charge an annual fee based upon a percentage of the market value of the assets being managed. Our fee for portfolio/asset management services is set forth in the following fee schedule:

<b><u>Assets Under Management</u></b>		<b><u>Annual Fee*</u></b>
First	\$1,000,000	0.75%
Next	\$1,000,000	0.65%
Next	\$1,000,000	0.50%
Next	\$1,000,000	0.40%
Next	\$1,000,000	0.35%
Over	\$5,000,000	Negotiable

Other fee payment arrangements may be negotiated on a case by case basis. The exact fee payable by the client will be clearly set forth in the agreement for services signed by the Firm and the client.

Daniels & Erickson allows related accounts to be combined for fee paying purposes. We combine the account valuations to assist you in meeting fee breakpoints and therefore lowering the overall fee level. Daniels & Erickson extends this option to all accounts residing in the same household and certain members of the same family.

Fees are billed quarterly, in advance, and are based on the value of your portfolio at the end of the preceding quarter. The custodian holding your account will deduct the fees directly from your account. The custodian will usually deduct from a designated account to facilitate billing. The client must consent in advance to direct debiting of their account.

If you choose to have Daniels & Erickson's fee deducted directly from your account, you must provide written authorization. The qualified custodian holding your funds and securities will send you an account statement at least quarterly. This statement will detail account activity. Please review each statement for accuracy. Daniels & Erickson will also receive a copy of your account statements from the custodian.

Our annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which will be incurred by the client. However, we will not receive any portion of the commissions, fees, and costs. Please see Item 12 – Brokerage Practices for further information on brokerage and transaction costs.

At the inception of investment management services, the first quarter's fees will be calculated on a pro-rata basis. The Advisory Agreement between Daniels & Erickson and the client will continue in effect

until either party terminates the Agreement in accordance with the terms of the Agreement. Daniels & Erickson's annual fee will be pro-rated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

### **Financial Planning Services**

Daniels & Erickson may provide its clients with financial planning and consulting services. Daniels & Erickson will charge an hourly fee of \$150 for financial planning services. The fee is negotiable depending on the nature, complexity and time involved in providing the client with the requested services. In some cases, the time/cost could potentially exceed the initial estimate. In such cases, the Firm will notify the client and may request that the client approve an additional fee.

In limited circumstances, we may use other fee paying arrangements (i.e., fixed fees). Such arrangements will be clearly set forth in the agreement for services signed by the Firm and the client.

If the client engages Daniels & Erickson for additional investment advisory services, Daniels & Erickson may offset all or a portion of its fees for those services based upon the amount paid for the consulting services.

Prior to engaging Daniels & Erickson to provide consulting services, the client will generally be required to enter into a written agreement with us. The agreement will set forth the terms and conditions of the engagement and describe the scope of the services to be provided and the portion of the fee that is due from the client. Generally, the fee will be payable upon completion of the contracted services. Either party may terminate the agreement by written notice to the other. Refunds do not apply since fees are payable in arrears.

### **Third Party Adviser (TPAs) Fees**

Daniels & Erickson will perform management searches of various independent registered investment advisers for referral to Daniels & Erickson Clients. Daniels & Erickson will share in the fee paid to the TPA. The management fee is disclosed in the TPA's disclosure documents. These fees may or may not be negotiable. Daniels & Erickson's compensation may differ depending upon the Firm's individual agreement with each TPA. Daniels & Erickson or its Associated Persons may have an incentive to recommend one TPA over another TPA with whom it has less favorable compensation arrangements or other advisory programs offered by TPAs with which it has no compensation arrangements.

Clients may be required to sign an agreement directly with the TPA(s) selected. The client, the Firm or the TPA, in accordance with the provisions of those agreements, may terminate the advisory relationship. If the TPA is compensated in advance, the client will typically receive a pro rata refund of any prepaid advisory fees upon termination of an advisory agreement.

### **Additional Fees and Expenses**

The fees Daniels & Erickson charges may be negotiable based on the amount of assets under management, complexity of client goals and objectives, and level of services rendered. The fees are charged as described above and are not based on a share of capital gains of the funds of an advisory client.

All fees paid to Daniels & Erickson for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees

and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, early redemption fee and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without the services of Daniels & Erickson. In that case, the client would not receive the services provided by Daniels & Erickson which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by Daniels & Erickson to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

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

We and our Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets.

#### **Types of Clients - Item 7**

We offer investment advisory services to individuals, pension and profit sharing plan participants, trusts, estates, charitable organizations, corporations, and other business entities.

Daniels & Erickson requires a minimum of \$500,000 to open and maintain an advisory account. At our sole discretion we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members.

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

The following are different methods of analysis that we may use when providing you with investment advice:

- Fundamental Analysis – This is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.
- Technical Analysis – This is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.

We may use one or more of the following investment strategies when advising you on investments:

- Long Term Purchases – securities held for over a year.
- Short Term Purchases – securities held for less than a year.
- Trading – securities are sold within 30 days.
- Covered Options – This is a strategy in which an investor writes an option contract while at the same time owning an equivalent number of shares of the underlying stock.



- **Short Sales** – This is the selling of a stock that the seller doesn't own. More specifically, a short sale is the sale of a security that isn't owned by the seller, but that is promised to be delivered.

The investment advice provided along with the strategies suggested by Daniels & Erickson will vary depending on each client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments you intend to invest in.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

**Interest Rate Risk:** Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Foreign Exchange Risk:** Foreign investments may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates. Changes in currency exchange rates may influence the share value, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation and other economic and political conditions. If the currency in which a security is denominated appreciates against the US Dollar, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

**Futures and Options:** Options and futures contracts on securities carry a high degree of risk. The amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the investor. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Transactions in options also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

#### **Disciplinary Information - Item 9**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of legal or disciplinary events by our Firm, our principals or advisory representatives.

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

We are affiliated with Daniels & Erickson P.C., a full service CPA firm providing a wide range of accounting services to individuals and business clients. David Lee Nelson, CPA, CFP®, Donald Clay Daniels, CPA, Jonathan F. Erickson, CPA and Michael Pendleton, CPA, CFP®, are affiliated with Daniels & Erickson P.C. as employees or shareholders.

These individuals and other employees of Daniels & Erickson P.C. may recommend the Firm to their clients, and conversely Daniels & Erickson P.C. may be recommended to advisory clients of Daniels & Erickson. Clients are instructed that the fees paid to the Firm for advisory services are separate and distinct from fees paid to Daniels & Erickson P.C. for tax services.

Clients to whom the Firm offers advisory services are informed that they are under no obligation to use Daniels & Erickson P.C. for tax services and may use the CPA firm of their choosing. Clay Daniels and Jonathan Erickson spend about 99% of their time and David Nelson and Michael Pendleton spend about 50% of their professional time in their capacities as officers and employees of Daniels & Erickson P.C.

#### **Recommendation of Other Advisers**

We may recommend that you use a third party adviser ("TPA") as part of our asset allocation and investment strategy. Daniels & Erickson will share in the compensation received by the TPA for managing your account. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of the third party adviser. You are not required to use the services of any TPA we recommend.

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

##### **Description of Our Code of Ethics**

Daniels & Erickson has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes Daniels & Erickson's policies and procedures developed to protect client's interests in relation to the following topics:

- The duty at all times to place the interests of clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

You can request a copy of our Code of Ethics from David L. Nelson, President/Chief Compliance Officer at our principal office address.

#### **Personal Trading Practices**

At times Daniels & Erickson and/or its Advisory Representatives may take positions in the same securities as clients, which may pose a conflict of interest with clients. Daniels & Erickson and its Advisory Representatives will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to client trades. We will not violate our fiduciary responsibilities to our clients. Front running (trading shortly ahead of clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

#### **Brokerage Practices - Item 12**

For Daniels & Erickson's portfolio management programs, we recommend and request clients to implement trades and maintain custody of assets through discount brokers. We recommend the services of Fidelity Brokerage Services, LLC ("Fidelity"), Member FINRA/SIPC. Fidelity is unaffiliated and offers independent investment advisers services, which include custody of client securities, trade execution, clearance and settlement of transactions, and daily research and investment information.

In selecting a broker dealer based on discretionary authority or in suggesting a broker dealer on behalf of a non-discretionary account, Daniels & Erickson will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. In addition, Daniels & Erickson may cause the

account to pay a higher commission in recognition of the value of “research services” and additional brokerage products and services a broker-dealer has provided or may be willing to provide.

#### **Research and Other Soft Dollar Benefits**

Although not considered “soft dollar” compensation, we may receive benefits from Fidelity for research services that include reports, software, and institutional trading support. See the Fidelity disclosure above.

We understand our duty for best execution and consider all factors in making recommendations to you. The research services received from Fidelity may be useful in servicing you. While we may not always obtain the lowest commission rate, we believe the rate is reasonable relative to the value of the brokerage and research services provided.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for client referrals.

#### **Directed Brokerage**

The client may direct brokerage to a specified broker-dealer other than the Firm recommended by Daniels & Erickson. It is up to the client to negotiate the commission rate, as Daniels & Erickson will not. The client may not be able to negotiate the most competitive rate. As a result, the client may pay more than the rate available through the broker-dealer used by Daniels & Erickson. In client directed brokerage arrangements, the client may not be able to participate in aggregated (“blocked”) trades, which may help reduce the cost of execution. Where the client does not otherwise designate a broker-dealer, Daniels & Erickson recommends a broker-dealer with competitive commission rates.

#### **Trade Aggregation**

While individual client advice is provided to each account, client trades may be executed as a block trade. Daniels & Erickson encourages its existing and new clients to use Fidelity. Only accounts in the custody of Fidelity would have the opportunity to participate in aggregated securities transactions. All trades using Fidelity will be aggregated and done in the name Daniels & Erickson. The executing broker will be informed that the trades are for the account of Daniels & Erickson's clients and not for Daniels & Erickson itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce slightly the costs of execution, and Daniels & Erickson will not aggregate a client's order if in a particular instance Daniels & Erickson believes that aggregation would cause the client's cost of execution to be increased. Fidelity will be notified of the amount of each trade for each account. Daniels & Erickson and/or its Advisory Representatives may participate in block trades with clients, and may also participate on a pro rata basis for partial fills, but only after the determination has been made that clients will receive fair and equitable treatment.

### **Review of Accounts - Item 13**

#### ***Portfolio Management Account Reviews***

Daniels & Erickson monitors the individual investments within the Firm's portfolio management program on a continuous basis. Portfolio performance is reviewed, at a minimum, on a quarterly basis. Daniels & Erickson offers portfolio management clients an in-person portfolio review meeting on an annual basis or more often upon client request. Triggering factors that may stimulate a review include, but are not limited to, significant market corrections, large deposits or withdrawals from an account and the client's request for an additional review.

A financial plan is a snapshot in time and no ongoing reviews are conducted. We recommend clients engage us on an annual basis to update the financial plan.

David Lee Nelson, CPA, CFP®, Donald Clay Daniels, CPA, Jonathan F. Erickson, CPA and Michael Pendleton, CPA, CFP®, perform all account reviews and monitor the portfolios for investment objectives and other supervisory review.

Clients will receive reports and statements directly from their account custodian(s) and/or third party money managers at least quarterly.

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

Apart from the research we receive from Fidelity (disclosed in the Research and Other Soft Dollar Benefits section above), we do not receive economic benefits from third parties in exchange for providing investment advice or other advisory services to our clients.

We and our related persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for client referrals.

#### **Custody - Item 15**

Our affiliate, Daniels & Erickson P.C., offers a bill payment service to a limited number of our advisory clients. This service gives Daniels & Erickson indirect custody over these advisory accounts. As such, Daniels & Erickson has retained an unaffiliated accountant to conduct an annual exam of our books and records and report their findings to the SEC.

All client accounts are held with a bank, broker-dealer, or other qualified custodian. Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian. Clients are urged to review custodial account statements for accuracy. The custodial statement is the official record of your account for tax purposes.

#### **Investment Discretion - Item 16**

Daniels & Erickson offers Portfolio Management Services to its advisory clients on both a discretionary and non-discretionary basis. Daniels & Erickson will manage client accounts on a discretionary basis if the client has granted discretionary authority in the client's investment advisory agreement. Discretionary authority extends to the type and amount of securities to be bought and sold and do not require advance client approval. However, Daniels & Erickson does not have the ability to withdraw funds or securities from the client's account.

You may limit our discretionary authority if you wish by, for example, setting a limit on the type of securities that can be purchased for your account. Simply provide us with your restrictions or guidelines in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

In a non-discretionary account, an Associated Person of Daniels & Erickson recommends the purchase or sale of securities for review and approval by their clients. Daniels & Erickson will only purchase or sell securities which have been approved by clients in advance.

### **Voting Client Securities - Item 17**

#### **Proxy Voting**

Daniels & Erickson does not vote proxies. It is the client's responsibility to vote proxies. Clients will receive proxy materials directly from the custodian. Questions about proxies may be made via the contact information on the cover page.

### **Financial Information - Item 18**

We are required in this Item to provide you with certain financial information or disclosures about Daniels & Erickson's financial condition. Daniels & Erickson does not require or ask for prepayment of more than \$1,200 in fees per client, six months or more in advance, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Requirements for State-Registered Advisors - Item 19**

**This section is intentionally left blank- Our Firm is SEC registered**

### **Miscellaneous**

#### **Class Action Lawsuits**

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Daniels & Erickson has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the Firm has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where the Firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate, and the client has authorized contact in this manner.

#### **Trade Error Correction Procedures**

On infrequent occasions, an error may be made in a client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, the Firm generally seeks to

rectify the error by placing the client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including among others canceling the trade or adjusting an allocation. Any losses resulting from error correction will be placed in Daniels & Erickson's error correction account. Any gains resulting from error correction will be placed in the client's account.

### **Confidentiality**

Daniels & Erickson views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the Firm has instituted policies and procedures to ensure that customer information is kept private and secure.

Daniels & Erickson does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client account, Daniels & Erickson may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

Daniels & Erickson restricts internal access to nonpublic personal information about its clients to those employees who need to know that information in order to provide products or services to the client. Daniels & Erickson maintains physical and procedural safeguards that comply with state and federal standards to guard a client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the Firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the Firm's policy not to share information unless required to process a transaction, at the request of the client, or as required by law.

A copy of the Firm's privacy policy notice will be provided to each client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, the Firm will deliver a copy of the current privacy policy notice to its clients on an annual basis. If you have any questions on this policy, please contact David Lee Nelson, President/Chief Compliance Officer at (214) 750-8985.