

**Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

# Dale K. Ehrhart, Inc.

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This brochure provides information about the qualifications and business practices of Dale K. Ehrhart, Inc. If you have any questions about the contents of this brochure, please contact us at 941-485-8220 and/or email us at [info@dkeinc.com](mailto:info@dkeinc.com). 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.

Item 2 Material Changes

There are no material changes since the previous annual amendment. When material changes occur in the future, these material changes will be disclosed in this section.

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Dale K. Ehrhart, Inc. (DKE) traces its history to 1950, when its founder, Dale K. Ehrhart, began a program of writing covered calls against blue chip common stocks in individual managed accounts to enhance the income produced by the clients' equity holdings, this service continues today as the Managed Option Account Program. DKE was formally organized to serve as his family office in Venice, Florida, where we continue to operate today. It is currently owned by Michael T. Hartley (50%) and Thomas B. Trammell (50%), and as of 12/31/2011, the firm has \$784,570,500 of discretionary and \$14,603,186 of non-discretionary assets under management.

There are three main divisions of DKE that provide varying levels of services: DKE Family Office, DKE Private Client Group, DKE Advisor Solutions.

DKE Family Office serves ultra-affluent families consultative support in dealing with their complex financial situations through our Virtual Family Office model. The model provides an open architecture that enables professional advisors and consultants from various disciplines to combine their expertise and provide comprehensive recommendations and integrated services. DKE provides the framework for efficient communication among the professionals and family members, and may also provide the Investment Consulting services for the family members as well if appropriate and desired. All aspects of this service are documented for transparency and audited to ensure suitability and accuracy.

DKE Private Client Group provides wealth management services to families and individuals. Wealth management is a holistic service comprising three elements supported by a consultative process. These three elements are Investment Consulting, Advanced Planning, and Relationship Management. The consultative process establishes a close and long-term relationship with a client or family. A discovery process at the outset of any engagement allows DKE's relationship managers to identify clients' core values as well as their most important financial and life goals and objectives. Through a proprietary process of risk profiling and analysis DKE can determine the pattern of asset class allocation most appropriate for each client's unique circumstances. At the heart of our service is the ability to design and manage a diversified portfolio constructed from pure asset classes. We obtain the building blocks to implement our designs through mutual funds. Clients can restrict the implementation of any assets class. All accounts are discretionary. Securities may be included in a client's account that we are directed not to manage. These securities are not managed for purposes of trading and billing.

DKE Advisor Solutions provides outsourced back office services to other Registered Investment Advisors, who provide similar Wealth Management services to their clients. In this instance, DKE may provide all or some of the following services for these Advisors' clients: Investment Plans, Diversified Investment Allocation, Rebalancing, Tax-Managed Trading, Performance Reporting, Billing, and Statistical Modeling.

Item 5 Fees and Compensation

DKE Family Office management fees are negotiable and are based on the complexity of the family engagement. DKE may deduct fees automatically, and is disclosed prior to management commencement.

The Managed Option Account Program fees range from 1% - 2.6% of the account value.

DKE Private Client Group management fees are billed in advance and are calculated on a tiered billing schedule based on a client's (or a client family) aggregated account values. The first \$500,000 is charged at 1.25%, the next \$500,000 at 1.10 %, and next \$4,000,000 at 1.0%. The fee for accounts in excess of \$5,000,000 is negotiable. A soft minimum account size of \$1,000,000 has been established for this service. Fees are calculated based on asset values as of the close of the previous quarter, or the quarter preceding. Fees are paid in advance. DKE may deduct fees from client accounts, which is disclosed prior to the initiation of management. Either the Dale K. Ehrhart, Inc. or a client may discontinue the engagement at any time. Any unearned fees will be refunded. Refunds are calculated using the closing values on the date written cancellation is received in our office. Dale K. Ehrhart, Inc. may adjust or waive fees if circumstances warrant. Circumstances include, but are not limited to, Dale K. Ehrhart, Inc. employees or employee family accounts. Also, accounts opened and managed as professional courtesies for related professionals.

The fees charged by Dale K. Ehrhart, Inc. are in addition to management fees (expense ratios) assessed by mutual fund management companies, and transaction fees (if any) charged by custodians. Fees charged by Dale K. Ehrhart, Inc. are primarily for designing, implementing and maintaining an investment strategy, including financial projections, risk management, and statistical modeling. Fees paid to mutual fund management companies are for the fund's internal administration and security trading activities pertaining to the fund's stated investment strategy. These fees are disclosed in an individual fund's prospectus. There is little, if any, duplication of efforts by the mutual fund management company and Dale K. Ehrhart, Inc. When selecting mutual funds, Dale K. Ehrhart, Inc. will monitor fund management fees and select funds with relatively low cost structures compared to their peers that can successfully implement our portfolio design goals.

Fees charged by Dale K. Ehrhart, Inc. will be billed in advance each calendar quarter at 1/4 the annual rate and will be based on the previous quarter's ending account net equity. When an account opens intra-quarter it will be billed pro-rata based on the calendar days remaining in the quarter. Upon liquidation or transfer of the account, any prepaid unearned fees will be refunded pro-rata.

DKE Advisor Solutions may deduct fees from client accounts on behalf of other Registered Investment Advisors. This fee is negotiated with the Registered Investment Advisor.

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

Dale K. Ehrhart, Inc. will not be compensated, nor will it allow any employee to collect performance-based fees. Fees are collected as stated in Item 5 Fees and Compensation.

Item 7      Types of *Clients*

Dale K. Ehrhart, Inc. provides investment advice to Family Offices, Individuals, Trusts, Retirement Plans, and Investment Companies.

The minimum aggregated net worth, per family, for Family Office services is \$50,000,000.

The minimum aggregated client asset base for Wealth Management services is \$1,000,000.

There is no minimum asset base for the Managed Option Account Program.

The initial phase of the consultative process is a discovery process. This allows us to gain clarity surrounding the core values, financial and life goals of a client. Through a proprietary process of risk profiling and statistical analysis, in combination with the impact of clients' stated goals and objectives, we can determine the pattern of asset class allocation most appropriate for each client's unique circumstances. We design and manage a highly-diversified portfolio constructed from building blocks of pure asset class mutual funds. These balanced portfolios are designed to capture the returns global markets provide. A strategic blend of Fixed Income and Equity investments with tactical weighting of asset classes within these elements is combined with broad diversification within each individual asset class to produce an investment solution customized for each client. This target allocation (which may change as the client's circumstances warrant) is designed to increase the probability of achieving long term goals. Investments in mutual funds, which invest in individual securities, are not guaranteed and carry the risk of loss.

Individual securities are held within the Managed Option Account Program accounts. Traditionally, clients participate in this program due to highly concentrated individual low basis stock positions or to augment the dividend income from individual equity holdings. Generating income from covered call options is a strategy that could also lead to diversification opportunities and in some cases may mitigate the impact of capital gains taxes as concentrated holdings are diversified.



Item 9      Disciplinary Information

There have been no disciplinary actions taken against this firm or members of this firm for the past 10 years.

Item 10 Other Financial Industry Activities and Affiliations

There are no financial industry activities and affiliations to disclose.

### **Overview**

Dale K. Ehrhart, Inc. (DKE) requires the highest standard of professional performance from its employees and direct affiliates. Part of these high standards is maintaining compliance in letter and spirit with the corporate Code of Ethics. Responsibility for enforcing the code rests with the firm's chief compliance officer (CCO), Thomas B. Trammell. It is his obligation to review all employees' personal securities reports and any other material activities to ensure that the code is continually enforced.

### **Standards of Conduct**

All employees and access persons of DKE are required at all times to observe all applicable Federal Securities Laws and to report immediately to the CCO any personal violations or observations of violations by other employees. In addition, all supervisory personnel are required to conduct their activities in contact with clients and potential clients in a manner consistent with the fiduciary nature of the advisory business.

### **Employee Trading**

All supervisory personnel and other employees with access to or knowledge of specific client recommendations are required to report any and all trading in their own accounts. This requirement is satisfied by copying the CCO on all trades and having duplicate confirmations and statements sent to the CCO by the executing broker. In addition, any new employee or employee whose job description changes to include access to client recommendations and/or holdings must report existing holdings in their accounts within 10 days of the change of status or date of initial employment. Thereafter, personal holdings of all affected employees must be reported annually, even if no changes have occurred during the succeeding period.

### **Material Non-Public Information**

All employees are to immediately report to the CCO any material non-public information concerning any security that may come into their possession. DKE's employee manual contains a specific disclosure regarding how this information is to be treated.

### **Restricted Trading**

In addition to the constraints and requirements above, all employees of any nature must receive prior approval from the CCO before participation in any initial public offering (IPO) or private placement of any nature.

### **Reporting Violations of the Code**

Any employee who violates this Code or has reason to believe they may have violated the Code should immediately report said violation or suspicion of violation to the CCO. Employees who witness or suspect a violation of the Code by another employee should report this violation or suspicion to the CCO immediately. To protect employees from retribution by violators or suspected violators, this report may be made directly to the CCO, who is obligated to maintain the employee's anonymity. It is DKE's stated goal that all employees will at all times be cognizant of the Code of Ethics and that they will encourage their colleagues to maintain an open and compliant workplace.

### **Continuing Education Acceptance of the Code**

All employees are to be given a copy of this Code and to acknowledge receipt in writing. Any amendments to this Code will be similarly circulated to be acknowledged in writing by current employees. In addition, through continuing education, changes to the Code will be discussed at the time they are enacted.

*We will provide a copy of our code of ethics to any client of prospective client upon request.*

*Employees of Dale K. Ehrhart, Inc. invest in the same mutual funds that are recommended to clients. They employ the same diversification principles we provide to our clients as well.*

We do not determine to which broker dealer a trade is directed. All trades are placed through an electronic interface with Charles Schwab and Company, Inc., Fidelity, or TD Ameritrade. These firms also custody client assets. Because of our relationship with these firms, various research tools are made available to us for use at no additional cost.

When placing client trades, we place mutual fund trades within each individual client's account. We do not aggregate our trades in an attempt to pass through trading cost savings. Since each client has a different goal, need, or objective, we feel that the accounts should be managed in a fashion of solidarity and uniqueness. Block orders in individual securities may be entered in the Covered Call program to facilitate execution for multiple client accounts on more favorable terms. All clients involved in such trades will receive executions at the same average price.

Item 13      Review of Accounts

A registered investment advisor representative will review all client accounts at least quarterly. Financial plans will be reviewed at each client meeting. Accounts will be reviewed more frequently than quarterly in the event of significant cash flows (more than 10% of total asset value) in or out of the portfolio, or when equity or fixed income market conditions create unacceptable imbalances in asset class weightings.

Reports will be sent monthly by the custodian and quarterly by Dale K. Ehrhart, Inc. The reports sent by Dale K. Ehrhart, Inc. will have information that is specific to the goals and objects of the designed portfolio.

Item 14      *Client Referrals and Other Compensation*

In certain instances, Dale K. Ehrhart, Inc., may pay referral fees to professionals not employed by Dale K. Ehrhart, Inc. If this occurs, a solicitation agreement will be included as part of your client agreement. These individuals may include other professionals who provide a portion of the overall wealth management service and are compensated for those services by Dale K. Ehrhart, Inc., and/or other qualified professionals who provide client referrals to Dale K. Ehrhart, Inc. that qualify for the Managed Option Account Program.

Item 15      *Custody*

We do not custody client assets. Charles Schwab and Company, Inc., Fidelity or TD Ameritrade will have custody of any and all client assets.

We have discretion over client assets held at Charles Schwab and Company, Inc., Fidelity or TD Ameritrade. This power is given when an account is initially opened with the custodian. There is a section within the account application the client must initial giving this authority. This section is referred to as Limited Power of Attorney. This means that we can trade assets in the accounts without prior written or verbal approval subject to the conditions outlined in the Client Agreement and the specific client Investment Policy Statement (IPS). We outline our trading guidelines in the client's Investment Policy Statement (IPS). Any special client requests or restrictions on trading will be reflected in the IPS.



Item 17      Voting *Client* Securities

Dale K. Ehrhart, Inc. does not vote on corporate matters or in corporate elections on behalf of its clients. This is disclosed on each new account application and in the Client Agreement. Clients should expect to receive all voting information directly from the custodian or transfer agent. This information will be mailed to the address of record, which is the mailing address specified on an account application.

Item 18 Financial Information

There is no financial information to disclose at this time.