

# NOVAK & POWELL

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FINANCIAL SERVICES INC

## **Firm Disclosure**

**(Part 2A of Form ADV)**

September 28, 2017

**Novak & Powell Financial Services, Inc.**

Also doing business as  
Gates & Powell Financial Services, Inc.  
A.T. Whitehead, Inc.

**[www.novakpowell.com](http://www.novakpowell.com)**

### **Florida Offices:**

146 2nd Street North, Suite 306  
St. Petersburg, FL 33701  
727-451-3440 Phone  
866-232-7698 Fax

4320 El Prado Blvd, Suite 19  
Tampa, FL 33629  
813-839-7122 Phone  
813-839-6313 Fax

### **Colorado Office:**

1942 Broadway, Suite 314  
Boulder, CO 80302  
303-530-1565 Phone  
866-232-7698 Fax

This brochure provides information about the qualifications and business practices of Novak & Powell Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 727-451-3440 and/or [david@novakpowell.com](mailto:david@novakpowell.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.

Additional information about Novak & Powell Financial Services, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The CRD number for Novak & Powell Financial Services, Inc. is 112970.

Novak & Powell Financial Services, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **MATERIAL CHANGES**

There are material changes to report since the most recent update to the annual brochure for Novak & Powell Financial Services, Inc., which was on January 10, 2017.

In June 2017, Janet Johnson Bullard joined Novak & Powell Financial Services, Inc. as an investment adviser representative.

In June 2017, Novak & Powell has added "A. T. Whitehead, Inc." as another name under which it conducts business.

In July 2017, under a separate investment adviser, Janet Johnson Bullard was found to have violated some Florida investment adviser rules regarding state investment advisers.

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## Item 4: Advisory Business

### Advisory Firm Description

Novak & Powell Financial Services, Inc. (NPFS) is a registered investment adviser based in Florida. The firm was originally founded in 1982 by Richard P. Gates under the name Gates Investments, Inc., and is currently organized as a corporation under the laws of the State of Florida.

### Principal Owners

NPFS is 50% owned by Joshua D. Powell and 50% owned by David W. Novak, who are both actively involved with the day-to-day operations of the company.

### Types of Services Offered

- **Investment Management:** NPFS provides investment supervisory services to individuals, families, and businesses. These investment supervisory services consist of managing different investment products within each client portfolio. Portfolios are established to meet client objectives. Each portfolio is monitored on a regular basis and adjusted as necessary. As of December 31, 2016, NPFS managed \$116,695,544 in client assets on a discretionary basis and \$0 on a non-discretionary basis.
- **Financial Planning:** NPFS provides financial/special needs planning to clients, but such services are included as part of the investment supervisory services it offers and are not offered on a standalone basis.
- **Tax Planning & Preparation:** NPFS actively engages in tax preparation services for investment advisory clients and other non-investment advisory clients.

## Item 5: Fees and Compensation

NPFS' investment advisory fee is computed as a percentage of the value of client assets under management. The fee schedule for new clients of NPFS is stated below. The minimum portfolio value is generally set at \$500,000. NPFS may, at its sole discretion, make exceptions to this minimum portfolio value or the below annual fee schedule. These fees are at breakpoint levels.

### Fee Schedule

<u>Account Value</u>	<u>Quarterly Fee</u>	<u>Annualized Fee</u>
\$500,000 - \$750,000	0.375%	1.50%
\$750,001 - \$1,000,000	0.3125%	1.25%
\$1,000,001 - \$5,000,000	0.250%	1.00%
> \$5,000,000	fee is negotiable	

For any existing clients that are being charged a different fee schedule than above, that fee schedule was noted on the advisory agreement originally signed by those clients.

The investment advisory fee for clients using Raymond James as a qualified custodian is billed and payable quarterly in arrears or advance, based on the value of the client's account on the last day of the previous quarter. The investment advisory fee for clients using TD Ameritrade Institutional as a qualified custodian is billed and payable quarterly in advance, based on the value of the client's account on the last day of the previous quarter.

If the investment advisory agreement is executed at any time other than the first day of a calendar quarter, the fees paid by clients to NPFS will be applied on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which investment advisory services were rendered.

The investment advisory agreement may be terminated in writing by either party at any time. In the event of termination, clients will incur a pro rata charge for the number of days in the quarter that services were rendered prior to the termination of the investment advisory agreement. If the investment advisory contract for an account in which fees are payable in advance is terminated, NPFS will issue the client a prorated refund of the fees for the remaining portion of the quarter.

NPFS deals primarily in exchange-traded funds (ETF's) and open-end mutual funds. In some cases, NPFS may also trade in individual stocks, corporate debt securities, CDs, and municipal securities. The fees that clients pay to NPFS for investment advisory services are separate and distinct from the fees and expenses charged by ETF's and mutual funds to their shareholders. These fees will generally include a management fee and other fund expenses which are internal to the fund. Clients should also be aware that in some cases investment transactions will incur a nominal transaction fee, which is imposed by the qualified custodian through which client account transactions are executed. NPFS does not receive any portion of this fee. For more information regarding NPFS' relationship with its preferred qualified custodians, please see *Brokerage Practices*.

Neither NPFS nor any of its Associated Persons accepts compensation for the sale of securities or other investment products.

#### **Tax Preparation Fees**

NPFS' tax preparation fees are separate from the investment advisory fees billed to clients. These services account for approximately 1/10th of the total annual income for NPFS.

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

NPFS does not charge performance-based fees and does not engage in side-by-side management. NPFS' fees are calculated as described in the *Fees and Compensation*

section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in client advisory accounts.

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

NPFS offers investment advisory services to individuals, families, trusts, pension & profit sharing plans, charitable organizations, and businesses.

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

NPFS takes a detailed and customized approach when analyzing and formulating investment strategies for its clients. All clients are interviewed to determine their particular situation and corresponding risk tolerance. Individual characteristics such as age, employment, retirement, family dependents, outside non-liquid assets, cash flow needs, etc. are taken into consideration and analyzed. An investment strategy is then created and presented with potential adjustments made based upon the client's comfort level. The personalized investment strategy is monitored and adjusted as circumstances change. Each client is made aware and cautioned that investing in securities involves a certain amount of risk and although efforts are taken to minimize such risk, there are no guarantees that the selected investments will meet their expected returns, or that these investments will not lose money. Past performance is in no way an indication of future performance.

NPFS' strategies and investments may have unique and important tax implications. While efforts are made to minimize these tax implications, tax efficiency is not NPFS' primary consideration in the management of client portfolios.

NPFS' investment approach takes into consideration numerous factors, but diversification, the minimization of fees, and tax efficiency are the primary drivers. Fundamental analysis is conducted from a macro perspective and investments are chosen based not only on their own merits, but also on their correlation coefficients with other asset classes. ETF's and open-end mutual funds are primarily used in constructing client portfolios, according to their specific investment goals, risk tolerance, and time horizon. Since each individual client situation is unique, NPFS does not use model portfolios or investment strategies.

### **Item 9: Disciplinary Information**

NPFS has never been subject to any legal or disciplinary events that are material to its investment advisory business. In addition, there have never been any complaints filed against NPFS or its advisors.

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

NPFS does not engage in other financial industry activities and does not maintain other affiliations within the financial industry that are material.

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

NPFS has adopted a Code of Ethics under which it pledges to operate. This Code of Ethics includes guidelines for professional standards of conduct of its Associated Persons. NPFS' goal is to protect client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith, and fair dealing with clients. All Associated Persons of NPFS are expected to adhere strictly to these guidelines. This Code of Ethics also requires that certain persons associated with NPFS submit reports of their personal account holdings and transactions to a qualified representative of NPFS who will review these reports on a periodic basis. Persons associated with NPFS are also required to report any violations of its Code of Ethics. Additionally, NPFS maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about clients or their account holdings by persons associated with NPFS.

A copy of NPFS' Code of Ethics is available upon request.

Neither NPFS nor any of its Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

At times, NPFS or any of its Associated Persons may buy or sell securities that it has also recommended to clients. In recognition of this actual or apparent conflict of interest and in compliance with NPFS' fiduciary duty, the client's best interests will always be placed ahead of NPFS or any of its Associated Persons. It is the policy of NPFS that neither it nor any of its Associated Persons shall have priority over another client account in the purchase or sale of securities. NPFS strictly enforces all rules and regulations of the Investment Advisers Act of 1940 and will not permit insider trading.

## **Item 12: Brokerage Practices**

### **Brokerage**

NPFS utilizes the custodial services of TD Ameritrade Institutional, Division of TD Ameritrade, Inc., member FINRA/SIPC/NFA ("TD Ameritrade") and Raymond James ("RJ") for the majority of client accounts. This decision is based on quality of execution for clients, transaction fees, services offered to clients, size and financial soundness of the custodian, etc. These factors are considered as a whole and therefore some fees paid to TD Ameritrade and RJ may be greater than those the client might pay to other custodians. NPFS does not receive financial compensation from TD Ameritrade or RJ but does

receive a platform of services from TD Ameritrade and RJ in connection with using them as a custodian for client accounts. The platform of services include, but are not limited to, access to a trading desk, access to a web-based client account maintenance program, account processing, duplicate statements and confirmations, compliance reporting, and an advisory fee deduction service. It is possible that in certain situations, transactions may be cleared through other financial institutions with whom NPFS has entered into agreements for prime brokerage clearing services.

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

Other than the platform of services described above, NPFS does not receive research or other soft dollar benefits for utilizing TD Ameritrade and RJ as custodians for client accounts.

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

NPFS does not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

#### **Directed Brokerage**

NPFS does not require clients to execute transactions through a specific broker-dealer. A large majority of client accounts are held at TD Ameritrade and RJ and therefore most transactions are executed through these custodians. Upon request, a client may instruct NPFS to use a different custodian. In such cases clients may receive less favorable prices and/or services than they would have received with TD Ameritrade or RJ.

#### **Order Aggregation**

NPFS does not aggregate the purchase or sale of securities for client accounts.

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

NPFS monitors client holdings on a daily basis and extensively reviews client accounts at least quarterly. Face-to-face or telephone reviews with clients are conducted on a semi-annual basis unless the client requests differently, client circumstances change, or extraordinary events trigger the need for a review. Each review is conducted by Joshua D. Powell, David W. Novak, Robert R. Kirby, or Janet Johnson Bullard.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the investments and their current pricing in each account, as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity and year-end tax statements, such as 1099 forms. In addition, each client receives a quarterly report directly from NPFS detailing portfolio performance and analysis of holdings for the most recent quarter.

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

NPFS does not directly or indirectly use, employ, or compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. NPFS does not



receive any compensation from any third party in connection with providing investment advice to clients.

### **Item 15: Custody**

NPFS does not have physical custody of any client funds or securities. Client funds and securities will be held with a broker-dealer, bank, or other independent, qualified custodian. As paying agent for NPFS, the independent custodian will directly debit client accounts for the payment of advisory fees when clients specifically authorize NPFS to do so. Clients receive regular account statements from the qualified custodians that hold their funds or securities. These statements will indicate investments held in client accounts, as well as any advisory fees deducted from client accounts. NPFS also periodically sends reports to clients. It is highly recommended that clients compare and reconcile the reports received from NPFS with the statements received from their qualified custodians.

### **Item 16: Investment Discretion**

NPFS manages client accounts on a discretionary basis. This allows NPFS the ability to determine what type and quantity of funds or securities to purchase or sell in client accounts without having to obtain client approval for each individual transaction. Prior to granting NPFS discretionary authority, clients will approve such authority in their written advisory agreement with NPFS and shall execute all appropriate authorizations with qualified custodians for such authority. This gives NPFS the authority to carry out various activities in the account, generally including trade execution and the withdrawal of advisory fees directly from the account. Clients may limit this discretionary authority by submitting a written request to NPFS.

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

NPFS does not vote client securities. In most cases, clients receive proxy materials directly from the qualified custodian, and it is clients' sole responsibility to vote these proxies as they see fit. At a client's request, NPFS may offer advice regarding corporate actions.

### **Item 18: Financial Information**

NPFS does not require or solicit prepayment of advisory fees six months or more in advance. Additionally, there are no financial conditions that are reasonably likely to impair NPFS' ability to meet contractual commitments to clients.

# NOVAK & POWELL

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## FINANCIAL SERVICES INC

### **Brochure Supplement**

**(Part 2B of Form ADV)**

September 28, 2017

#### Supervised Persons

**Joshua D. Powell, David W. Novak, Robert R. Kirby, Janet Johnson Bullard**

#### **Florida Offices:**

**146 2nd Street North, Suite 306  
St. Petersburg, FL 33701  
727-451-3440 Phone  
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813-839-6313 Fax**

#### **Colorado Office:**

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Boulder, CO 80302  
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866-232-7698 Fax**

**This brochure supplement provides information about Joshua D. Powell and David W. Novak that supplements the Novak & Powell Financial Services, Inc. brochure. You should have received a copy of this brochure. Please contact David W. Novak at 727-451-3440 and/or [david@novakpowell.com](mailto:david@novakpowell.com) if you did not receive Novak & Powell Financial Services, Inc.'s brochure or if you have any questions about the contents of this supplement.**

**Additional information about Joshua D. Powell, David W. Novak, Robert R. Kirby, and Janet Johnson Bullard is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2: Educational Background and Business Experience**

Name: Joshua D. Powell, JD

Year of Birth: 1978

Formal Education:

- University of Miami School of Law, JD, 2005
- Eckerd College, BA, Business Management w/concentration in Finance, 2000

Business Background:

- 7/2013 – present, Principal/Investment Adviser Representative, Novak & Powell Financial Services, Inc., St. Petersburg, FL
- 3/2008 – 3/2014, President, Alpine Asset Management, LLC, Boulder, CO
- 5/2011 – 7/2013, Investment Adviser Representative, Gates & Powell Financial Services, Inc., Boulder, CO
- 10/2007 – 3/2008, Attorney/Clerk, Frasca, Joiner, Goodman & Greenstein, P.C., Boulder, CO
- 10/2004 – 7/2007, Principal, Yale Capital Corporation, St. Petersburg, FL
- 5/1998 – 7/2002, Financial Advisor, Merrill Lynch, New York, NY and St. Petersburg, FL

Name: David W. Novak, CFP®

Year of Birth: 1978

Formal Education:

- University of Florida, MBA, 2006
- Eckerd College, BA, Economics, 2000

Professional Certifications:

- CERTIFIED FINANCIAL PLANNER™ (CFP®) – This is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. In order to attain the CFP certification, one must complete Education, Experience, and Examination requirements and agree to abide by the CFP Board's Standards of Professional Conduct. Generally, a candidate for certification must have a bachelor's degree from an accredited college or university, must pass a comprehensive examination that is administered over 10 hours during a period of two days, and have worked for a minimum of three years in a financial planning related position.

Business Background:

- 8/2013 – present, Principal/Investment Adviser Representative/Chief Compliance Officer, Novak & Powell Financial Services, Inc., St. Petersburg, FL
- 6/2000 – 7/2013, Financial Advisor, Raymond James Financial Services, St. Petersburg, FL

Name: Robert R. Kirby

Year of Birth: 1947

Formal Education:

- Harvard University, MBA, 1975
- Louisiana State University, BS, Finance, 1973

Business Background:

- 9/2013 – present, Investment Adviser Representative, Novak & Powell Financial Services, Inc., St. Petersburg, FL
- 7/2010 – 9/2016, Financial Advisor, American Wealth Management, Atlanta, GA
- 5/1999 – 7/2010, Financial Advisor, Raymond James Financial Services, St. Petersburg, FL
- 2/1992 – 5/1999, Financial Advisor, Prudential Securities, St. Petersburg, FL

Name: Janet Johnson Bullard, CFA

Year of Birth: 1939

Formal Education:

- Northeastern University, MBA, 1978
- Western New England University, BA, Management, 1969

Professional Certifications:

- Chartered Financial Analyst (CFA) – This is a professional designation (also known as a CFA charter) that was first introduced in 1963 as a well-respected and recognized investment credential. The CFA Program is organized into three levels, each culminating in a six-hour exam. These three exams—Level I, Level II, and Level III—must be passed sequentially as one of the requirements for earning a CFA charter. Completing the Program takes most candidates between two and five years. To earn a CFA charter, an individual must have four years of qualified investment work experience, become a member of the CFA institute, pledge to adhere to the CFA Institute Code of

Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA program.

**Business Background:**

- 6/2017 – present, Investment Adviser Representative, Novak & Powell Financial Services, Inc., St. Petersburg, FL
- 11/1999 – present, President/Treasurer/Investment Adviser Representative/Chief Compliance Officer, A.T. Whitehead, Inc., Tampa, FL
- 10/1994 – 12/1999, President/Treasurer/Director, KHB Corporation, Inc., Clearwater, FL
- 9/1994 – 5/1995, Vice President, High Net Worth Sales for Shawmut Investment Advisors Division, Shawmut Bank, Boston, MA
- 8/1984 – 8/1994, Vice President, Trust Investments, Citizens Bank, Providence, RI

**Item 3: Disciplinary Information**

Although NPFS was properly registered in the states in which it conducted business, the investment adviser registration for David Novak was not done in a timely manner in the states of Florida and Missouri, which resulted in a disciplinary action.

Under a previous investment adviser of Janet Johnson Bullard, the state of Florida's Office of Financial Regulation entered a Final Order adopting the Stipulation and Consent agreement in the matter of Janet Johnson Bullard. The Office found that Ms. Bullard failed to maintain some written contracts, limited trading authorizations, overcharged a few clients, and exercised discretionary authority without proper authorization under this previous investment adviser. This matter has been settled with the state of Florida and is closed.

**Item 4: Other Business Activities**

There are no Other Business Activities to report for Joshua D. Powell, David W. Novak, and Robert R. Kirby. At the present time, Janet Johnson Bullard is President of a state-registered investment adviser entity that is in the process of closing in a few months.

**Item 5: Additional Compensation**

Joshua D. Powell actively engages in tax preparation services for investment advisory clients and other non-investment advisory clients. Please refer to the *Fees and Compensation* section and the *Client Referrals and Other Compensation* section of Novak & Powell Financial Services, Inc.'s firm brochure for additional disclosures on this topic.

### **Item 6: Supervision**

Joshua D. Powell is a Principal and 50% owner of Novak & Powell Financial Services, Inc. and is therefore not supervised by another person. David W. Novak is a Principal and 50% owner of Novak & Powell Financial Services, Inc. and is therefore not supervised by another person. Robert R. Kirby and Janet Johnson Bullard are supervised by David W. Novak, who is also the Chief Compliance Officer of the firm, and can be reached at 727-451-3440.