

# **Hewlett Davidson Powell, LLC**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Hewlett Davidson Powell, LLC. If you have any questions about the contents of this brochure, please contact us at 205-981-1099. 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 Hewlett Davidson Powell, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Hewlett Davidson Powell, LLC is 128612.

Hewlett Davidson Powell, LLC 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.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Hewlett Davidson Powell, LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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## Item 4 Advisory Business

Hewlett Davidson Powell, LLC is a registered investment adviser primarily based in Birmingham, Alabama. We are organized as a limited liability company under the laws of the State of Alabama. We have been providing investment advisory services since 2003. Kyle S. Hewlett, Cheryl Davidson, and Jeffrey Powell are our principal owners.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Hewlett Davidson Powell, LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm. In addition, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Currently, we offer the following investment advisory services, which are personalized to each individual client.

### Asset Management Services

We provide investment supervisory services under the following program.

#### Investment Management Program for Advisory Clients (IMPAC)

Account minimum: \$25,000

The "Investment Management Program for Advisory Clients " ("IMPAC") is a fee-based account, offered and administered through Raymond James Financial Services, Inc. ("RJFS"), in which you are provided with ongoing investment advice and monitoring of securities holdings. We will manage your account on a non-discretionary basis (or discretionary, provided certain qualifications are met), according to your investment objectives. Mutual funds incur expenses for portfolio management services and fund administrative services. These expenses are disclosed in the mutual fund prospectus.

#### **FEE SCHEDULE FOR IMPAC**

<b>Account Value</b>	<b>Total Fee</b>
First \$200,000	1.75%
Next \$300,000	1.5%
Next \$4,500,000	1.0%
Over \$5,000,000	1.0% and Negotiable

The annual asset-based fee is paid quarterly in advance or arrears, as outlined in the Investment Management Agreement. For accounts billed in advance, the asset-based fee is billed when the account is opened for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day. For accounts billed in arrears, the asset-based fee is calculated on the account asset value on the last business day of the quarter for the previous quarter. You will authorize and direct Raymond James Associates, Inc. ("RJA") as Custodian to deduct asset-based fees from your account; you will further authorize and direct the Custodian to send a quarterly statement to you, which shows all amounts disbursed from your account, including fees paid to RJFS. The brokerage statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

Additionally, there is a nominal Processing Fee for the execution of each trade, as follows:

#### **SECURITY TYPE**

#### **PROCESSING FEE**

Exchange Traded Equities: Listed and OTC	\$30
Closed End Mutual Funds	\$30
Exchange Traded Funds	\$30
Mutual Funds	\$30
Real Estate Investment Trusts/Unit Investment Trusts	\$30
Preferred Stocks	\$50
Options Contracts	\$50
Bonds	\$50

In addition to the foregoing transaction charge, you will incur a charge in the amount of \$4.95 per transaction for handling and postage charges. You may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

The Investment Management Agreement may be terminated by you or RJFS at any time upon providing written notice pursuant to the provisions of the Investment Management Agreement. There is no penalty for terminating your account. Upon termination, you will receive a refund of the portion of the prepaid asset-based fee, which is not utilized for accounts billed in advance. For accounts billed in arrears, you may be charged a fee pursuant to the number of days the account was managed for the current quarter. RJFS will not accept instructions to terminate the Agreement unless such instructions are provided in writing.

#### ***Investment of Cash Reserves***

With respect to cash reserves of advisory client accounts, the custodian of the account assets will determine where cash reserves are held. The custodian may offer one or multiple options to different account types (such as non-taxable and managed accounts). In addition, the custodian may, among other things, consider terms and conditions, risks and features, conflicts of interest, current interest rates, the manner by which future interest rates will be determined, and the nature and extent of insurance coverage (such as deposit protection from the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation). The custodian may change an investment option at any time by providing you with thirty (30) days advance written notice of such change, modification or amendment. As of July 2010, Cash Sweep Options include the Raymond James Bank Deposit Program ("RJBDP"), the Client Interest Program ("CIP") sponsored by Raymond James, and a proprietary class of money market funds (the "Eagle Class - JP Morgan Money Market Funds") of the JP Morgan Prime Money Market Fund and JP Morgan Tax Free Money Market Fund, managed by J.P. Morgan Investment Management, Inc. offered by Eagle Asset Management, Inc. ("Eagle," an affiliate of Raymond James). If you select the RJBDP option, you are responsible for monitoring the total amount of deposits held at each Bank in order to determine the extent of FDIC insurance coverage available. Raymond James is not responsible for any insured or uninsured portion of your deposits at any of the Banks.

Raymond James Bank (also an affiliate of Raymond James), and the interest rate it offers may differ from the yield on the Eagle Class - J.P. Morgan Money Market Funds and CIP, but Raymond James Bank generally earns more than the interest it pays on such balances. The Eagle Class - JP Morgan Money Market Funds are offered by Eagle through an agreement with J.P. Morgan. Under the agreement, Eagle, Eagle Fund Services, Inc. and Eagle Fund Distributors, Inc., (together, the "Eagle Affiliates") and Raymond James and its affiliate Raymond James Financial Services, Inc. are compensated by the Eagle Class - JP Morgan Money Market Funds and J.P. Morgan for, among other things, distribution costs, shareholder record-keeping activities, and the coordination and administration of the funds.

Raymond James generally earns a higher rate of interest on CIP balances than the interest rate it pays on such balances. The income earned by the Eagle Affiliates and Raymond James is in addition to the asset-based fees that Raymond James receives from these accounts.

Where an unaffiliated third party acts as custodian of account assets, you and/or the custodian will determine where cash reserves are held.

Cash balances arising from the sale of securities, redemptions of debt securities, dividend and interest payments and funds received from customers are transferred automatically on a daily basis to the client's cash sweep account. When securities are sold, funds are deposited on the day after settlement date. Funds placed in your account by personal check usually will not be transferred to the sweep account until the second business day following the day that the deposit is credited to your investment account. Due to the foregoing practices, Raymond James may obtain federal funds prior to the date that deposits are credited to your investment account and thus may realize some benefit because of the delay in transferring such funds to their interest-bearing cash sweep account.

For further information, please refer to "The Raymond James Cash Sweep Programs" brochure, a copy of which is available from your financial advisor, or you may visit the Raymond James public website: [http://www.raymondjames.com/cash\\_sweep.htm](http://www.raymondjames.com/cash_sweep.htm).

### **Cash Rule Conflict**

Participants in the IMPAC program with cash or money market investments, which exceed 20% of the total market value of client's account at the time of billing, will be included for fee purposes only if the account did not exceed 20% in cash or money market investments at the end of the previous quarter. Otherwise, the balance in excess of 20% will not be included in the value of your account for fee purposes. This fee billing provision is intended to equitably assess advisory fees to your assets for which an ongoing advisory service is being provided, and the exclusion of excess cash from the advisory fee is intended to benefit your holding substantial cash balances (as a percentage of the total individual account value) for an extended period of time. However, this provision may pose a financial disincentive to an Advisory Representative, as the portion of cash or money market investments will not be included in the asset-based fee charged to the account. This may cause an Advisory Representative to reallocate your account from cash or money market investments to advisory fee eligible investments in order to avoid the application of this provision and therefore receive a fee on the full asset value in your account(s).

For non-IRA/ERISA IMPAC accounts, the client's Investment Advisory Representative may elect to absorb all or a portion of the Processing Fee. Certain open-end mutual funds, which may be acquired by you, may, in addition to assessing management fees, internally assess a distribution fee pursuant to section 12(b)-1 of the Investment Company Act of 1940, or an administrative or service fee ("trail"). Such fees are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus. However, if the Advisory Representative elects to absorb the Processing Fees in *non* -IRA/ERISA accounts, they may also elect to receive trails paid by the fund company, if any, to defray the cost of the Processing Fees they absorb. If such an election is made, there may be a conflict of interest where the Advisory Representative may have an incentive to absorb all of the Processing Fees in consideration of the actual or anticipated trails they will receive.

You should understand that the annual advisory fees charged in the IMPAC program are in addition to the management fees and operating expenses charged by open-end, closed-end and exchange-traded funds. To the extent that you intend to hold fund shares for an extended period of time, it may be more economical for you to purchase fund shares outside of these programs. You may be able to purchase mutual funds directly from their respective fund families without incurring Hewlett Davidson Powell, LLC's advisory fee. When purchasing directly from fund families, you may incur a front- or back-end sales charge.

You should also understand that the shares of certain mutual funds offered in these programs may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of time. These short-term charges are imposed by the funds (and not Hewlett Davidson Powell, LLC) to deter "market timers" who trade actively in fund shares. You should consider these short-term trading charges when selecting the program and/or mutual funds in which they invest. These charges, as well as operating expenses and management fees, which may increase the overall cost to you by 1%-2% (or more), are available in each fund's prospectus.

You should also understand that certain no-load variable annuities may be offered in the IMPAC program and may be charged an advisory fee. The annual advisory fees charged for these no-load variable annuities are in addition to the management fees and operating expenses charged by the insurance companies offering these products.

You should also understand that more sophisticated investments such as short sells and margins may be offered in the IMPAC programs. Fees for advice and execution on these securities are based on the total asset value of the account. While a negative amount may show on your statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where an Advisory Representative may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

Your total cost of each of the services provided through these programs, if purchased separately, could be more or less than the costs of each respective program. Cost factors may include your ability to:

1. obtain the services provided within the programs separately with respect to the selection of mutual funds,
2. invest and rebalance the selected mutual funds without the payment of a sales charge, and
3. obtain performance reporting comparable to those provided within each program.

When making cost comparisons, you should be aware that the combination of multiple mutual fund investments, advisory services, custodial and brokerage services available through each program may not be available separately or may require multiple accounts, documentation, and fees. If an account is actively traded or you may not otherwise qualify for reduced sales charges for fund purchases, the fees may be less expensive than separately paying the sales charges and advisory fees. If an account is not actively traded or you would otherwise qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

Your Advisory Representative may have a financial incentive to recommend a fee-based advisory program rather than paying for investment advisory services, brokerage, performance reporting and other services separately. A portion of the annual advisory fee is paid to your Advisory Representative, which may be more than the Advisory Representative would receive under an alternative program offering or if you paid for these services separately. Therefore, Your Advisory Representative may have a financial incentive to recommend a particular account program over another. Advisory Representatives do not receive a financial incentive to recommend and sell proprietary mutual funds versus non-proprietary funds. However, because compensation structures vary by product type, Advisory Representatives may receive higher compensation for certain product types. In addition, your Advisory Representative may receive incentive compensation for utilizing a particular account program.

Hewlett Davidson Powell, LLC believes the charges and fees offered within each fee-based program are competitive with alternative programs available through other firms and/or investment sources, yet makes no guarantee that the aggregate cost of a particular program is lower than that, which may be available elsewhere.



If you terminate the advisory agreement(s) within the first five (5) business days of entering into the advisory agreement, you will be refunded any advisory fees that were charged.

All above quoted fees may be negotiated within the stated fee schedule; however, certain circumstances may dictate an exception from the set range.

#### **401k Focus Advisor Services**

We will provide advice on asset allocation modeling and investment selection to participants in qualified plans. We provide such services through an Internet-based application that allows you to login with a specified username and password. Once you have logged-in to the site and submitted the required information, we will, in turn, provide a personalized asset allocation model to you. These services work by having you enter specific information regarding age, account balance, risk tolerance, etc. Given the information input by you, and the investments available in your plan, we will recommend a model portfolio. The model portfolio consists of a combination of investments available to and appropriate for you to achieve your individual investment goals and objectives.

This service is offered on a 30-day "no-obligation" basis. If you elect to enter into an agreement with us for on-going services, individual allocation models will be updated periodically. Additionally, you are encouraged to update your personal profile as necessary. If there are recommended changes, we will notify you by email to login to view and evaluate the new personalized allocation model. Changes to your allocations are self-directed. Under this agreement, advisory representatives of our firm will not assist you with implementation of any recommendations.

Fees for this service are negotiated depending on the type of investments available in the plan, and the number of participants that utilize the services. It may be the case that the plan sponsor contracts with and pays our advisory fee, or the participant may contract with us and our fee is paid via an automated payroll deduction, or we will invoice you directly. Typically, we will charge a maximum per participant fee of \$600 per year payable quarterly in advance. Other fees and fee-paying arrangements may be negotiated with the plan sponsor and/or individual participant. In all cases, the fees, fee-paying arrangements, and terms will be set forth clearly in the client agreement signed by the plan sponsor and/or individual participant.

Either party may terminate the 401k Focus Advisor agreement within five days of the date of acceptance. After the five-day period, either party, upon written notice to the other, may terminate the agreement. The fees for these services will be pro-rated for the quarter in which the cancellation notice was given and any unearned fees will be returned to you.

Note: It is expected that certain 401k Focus Advisor clients may also contract for other services offered through our firm and/or Raymond James Financial Services, Inc., ("RJFS"). Fees and services related to the 401k Focus Advisor accounts are separate and distinct from other services offered by us and/or RJFS.

#### **Pension Consulting Services**

We will provide pension-consulting services to employee benefit plans and their fiduciaries based upon an analysis of the needs of the plan. In general, these services may include any one or all of the following:

- a. **Marketplace Search** - We will search the marketplace and provide quotations from leading retirement plan service providers.
- b. **Service Provider Analysis** - We will analyze data regarding fees and services of responding retirement plan service providers, including plan features and service standards.
- c. **Recommendations** - We will make recommendations regarding plan service provider selection based upon study results and the client's goals and objectives.



- d. **Plan Benchmarking Studies** - We will compare your current retirement plan data against industry and same-size employer benchmarks. Best practices are then applied to improve results.
- e. **Existing Plan Review** - A plan review is an examination of major components of your retirement plan in order to identify strengths and weaknesses. The review can cover such areas as overall plan structure, related costs, and plan documentation.
- f. **Ongoing Consulting** - We will also provide quarterly investment reviews of the plan's investments to ensure suitability of investments and conformity with the plan's investment policy statement. In some instances, where we determine that current plan investments are under performing, we will make general, and occasionally specific, recommendations as to re-balancing of plan assets in various investment media, including mutual funds and non-securities investments.

We will be compensated based on either our hourly rate, which ranges between \$150 and \$200 depending on the scope and complexity of the contracted services, or on an asset based fee that ranges between 0.15% and 1.25% per annum. For plan analysis, we will offer a fixed fee payment option and such fee will be negotiated on a case-by-case basis. We require payment of pension consulting fees either upon completion of the contracted services or quarterly in arrears.

We will provide consulting services to the plan fiduciaries as described above. Typically, the named plan fiduciary must make the ultimate decision as to retaining the services of such investment advisers as we recommend. The plan fiduciary is free to seek independent advice about the appropriateness of any recommended services for the plan.

Either party may terminate the pension consulting agreement by providing 30 days written notice to the other party. In the event the agreement is terminated, the client will incur charges for bona fide pension consulting services provided prior to such cancellation and fees will be due and payable by the client. Refunds are not applicable as fees are payable in arrears.

Note: If the account is not held at RJFS, advisory representatives of our firm will provide investment advice only. Implementation of such advice is the sole responsibility of the client

### **Types of Investments**

We offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, US Government securities, and options contracts on securities.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of January 2, 2012 we manage \$43,248,340 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will

generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are registered representatives with RJFS, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. Persons providing investment advice on behalf of our firm shall not receive any portion of these commissions, fees, and costs. However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

If we recommend a variable annuity, we do not include the variable annuity in the calculation of our advisory fees.

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents of Raymond James Insurance Group ("RJIG"), a wholly owned subsidiary of Raymond James & Associates, Inc., ("RJA"). These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. Our firm has procedures designed and implemented to ensure that we will not receive both commission-based compensation and advisory fees from any account. We strive to treat all clients fairly and equally, and to prevent this conflict from occurring.

However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Our firm also sells a software program to other financial industry professionals. The software is designed to allow financial professionals to manage and deliver 401(k) advice to their clients. We are compensated for the sale of this software from these industry professionals.

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

We do not accept performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged based on a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. We do not participate in side-by-side management of your accounts with performance-based fee accounts.

## Item 7 Types of Clients

We offer investment advisory services to individuals, banks and thrift institutions, defined benefit and defined contribution plans, trusts, estates, charitable organizations, corporations, and other business entities.

As referenced above there is a minimum account requirement of \$25,000 for the IMPAC services.

For RJFS services, there is generally a minimum investment of \$100,000 for all equity and balanced accounts, and \$200,000 for most fixed income accounts, although smaller accounts may be accepted based on the specific circumstances of an account.

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

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

No investment strategy or method of analysis can assure that any trade or investment will result in a profit. Furthermore, each client must understand that any trade or investment could result in a loss and that the value of any client portfolio could decline below the original investment.

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

*Fundamental Analysis* - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data are used to measure the intrinsic value of the company's stock compared to the current market value. Risks associated with fundamental analysis include that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

*Technical and Charting Analysis* - Charting involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends. Technical Analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

*Long-Term Purchases* - securities purchased with the expectation that the value of those securities will grow over a relatively long period, generally greater than one year. Long-term purchases may be affected by unforeseen long-term changes in the company in which you are invested or in the overall market.

*Short-Term Purchases and Trading* - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. We may use trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Trading is not a fundamental part of our overall investment strategy, but we may use

this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

*Options Writing* - a securities transaction that involves selling options. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller receives from the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Options are complex securities that *involve risks and are not suitable for everyone. Options trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital.* Selling options is more complicated and can be even riskier. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date").

The two types of options are calls and puts:

- A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

The risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options, which do not have secondary markets on which to sell the options prior to expiration can only, realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk substantial losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options can lose more money than a short seller of that stock can lose on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may substantially rise or fall unexpectedly, leading to an exercise prior to expiration.

Other options trading risks are:

- The complexity of some options strategies is a significant risk on its own.
- Options trading exchanges or markets and options contracts are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm becomes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to time zone differences.

General risks that are not limited to options trading include market risk, sector risk and individual stock risk. Since stock options are a derivative of stocks, options trading risks are closely related to stock risks.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section in this brochure, we advise on various types of securities. We do not necessarily recommend one particular type of security over another, since each client has different needs and different tolerances for risk. Each type of security has its own unique set of associated risks. Risks can vary widely, even within the same type of securities. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

We do recommend mutual funds and some exchange traded funds. Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and exchange-traded funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns



on mutual funds and exchange-traded funds can be reduced by the costs to manage the funds. In addition, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds charge such fees, which can also reduce returns. Mutual funds can also be "closed end" or "open end." So-called "open end" mutual funds continue to allow in new investors indefinitely, which can dilute other investors' interests. We primarily recommend no-load funds.

Mutual funds are subject to manager risk. The risk that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively could result in the failure of stated objectives. Mutual funds are also subject to principal risk where the investment could go down in value or lose money.

## **Item 9 Disciplinary Information**

Neither Hewlett Davidson Powell, LLC nor any of our Associated Persons has any reportable disciplinary information.

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

### **Registrations with Broker-Dealer**

Persons providing investment advice on behalf of our firm are registered representatives with RJFS, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

Persons providing investment advice on behalf of our firm are licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

You may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

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

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more

favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of RJFS, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that RJFS provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by RJFS, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services RJFS provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

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

We do not have any soft dollar arrangements

### **Brokerage for Client Referrals**

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

### **Directed Brokerage**

Persons providing investment advice on behalf of our firm who are registered representatives of RJFS will recommend RJFS to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from RJFS unless RJFS provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through RJFS. It may be the case that RJFS charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through RJFS, these individuals (in their separate capacities as registered representatives of RJFS) may earn commission-based compensation as result of placing the recommended securities transactions through RJFS. This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use RJFS, we may not be able to accept your account. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

### **Block Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "block trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

## **Item 13 Review of Accounts**

Your account will be reviewed no less frequently than on a quarterly basis by Kyle Hewlett, President, Cheryl Davidson, Vice-President/Treasurer, or Jeffery Powell, Vice-President of Hewlett Davidson Powell, LLC. Triggering factors for the review of client accounts include, but are not limited to, the calendar and the client's request for additional reviews. You will receive account statements directly from the account custodian(s).



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

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with RJFS.

As disclosed under the "Fees and Compensation" section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with RJFS, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

## **Item 16 Investment Discretion**

We do not take discretion over your accounts; therefore, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

## **Item 20 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

**Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

**Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.