

Powell Financial, Inc.

Client Brochure

This brochure provides information about the qualifications and business practices of Powell Financial, Inc.. If you have any questions about the contents of this brochure, please contact us at (704) 439-0027 or by email at: david.miller@powellwealth.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 Powell Financial, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. Powell Financial, Inc.'s CRD number is: 144230

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Registration does not imply a certain level of skill or training.

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Item 2: Material Changes

Powell Financial, Inc. has not yet filed an annual updating amendment using the ADV Form 2A. Therefore there are no material changes to report.

Item 3: Table of Contents

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Item 4: Advisory Business

A. Description of the Advisory Firm

This firm has been in business since September 19, 2007, and the principal owner is David L. Powell.

B. Types of Advisory Services

Powell Financial, Inc. (hereinafter "PF") offers the following services to advisory clients:

Investment Supervisory Services

PF offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. PF creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- | | |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy |
| • Asset allocation | • Asset selection |
| • Risk tolerance | • Regular portfolio monitoring |

PF evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. PF will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Selection of Other Advisors

PF may direct clients to third party money managers. PF will be compensated via a fee share from the advisors to which it directs those clients. This relationship will be disclosed in each contract between PF and each third party advisor. The fees shared will not exceed any limit imposed by any regulatory agency. Before selecting other advisors for clients, PF will always ensure those other advisors are properly licensed or registered as investment advisor.

Financial Planning

PF designs a comprehensive plan that takes into account many factors, and then provides output showing the various solutions to issues the client is seeking answers to. It uses Monte Carlo simulations, cash flow projections, and several "what if" scenarios. It encompasses goal planning, estate planning, debt reduction, college planning, retirement planning, tax concerns, investment planning, etc. These services are based on fixed fees or hourly fees and the final fee structure is documented in the Financial Planning Agreement.

Services Limited to Specific Types of Investments

PF limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, third party money managers, REITs, insurance products including annuities and government securities. PF may use other securities as well to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

PF offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the Client Profile which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent PF from properly servicing the client account, or if the restrictions would require PF to deviate from its standard suite of services, PF reserves the right to end the relationship.

D. Wrap Fee Programs

PF does not participate in any wrap fee programs.

E. Amounts Under Management

PF has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$47,428,336.00	\$0.00	12/31/2010

Item 5: Fees and Compensation

A. Fee Schedule

Investment Supervisory Services Fees

Total Assets Under Management	Annual Fee
All Assets Under Management	0.50% - 2.00%

These fees are negotiable and the final fee schedule is attached in the Investment Advisory Contract. Fees are paid quarterly in advance, and clients may terminate their contracts with thirty days' written notice. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

Selection of Other Advisors Fees

PF will direct clients to third party money managers. PF will be compensated via a fee share from the advisors to which it directs those clients. This relationship will be disclosed in each contract between PF and each third party advisor. The fees shared will not exceed any limit imposed by any regulatory agency.

Financial Planning Fees

Fixed Fees

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$2,500 and \$25,000. Fees are paid in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached in the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

Hourly Fees

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$200 and \$400. The fees are negotiable and the final fee schedule will be attached in the Financial Planning Agreement. Fees are paid in advance based on the estimated number of required hours, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

B. Payment of Fees

Payment of Investment Supervisory Fees

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance.

Advisory fees are also invoiced and billed directly to the client quarterly in advance. Payments are due thirty days from date of invoice. This method is by exception only.

Payment of Financial Planning Fees

Hourly Financial Planning fees are paid via check in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

Fixed Financial Planning fees are paid via check in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by PF. Please see Item 12 of this brochure regarding broker/custodian.

D. Prepayment of Fees

PF collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check or return to credit card.

E. Outside Compensation For the Sale of Securities to Clients

David L. Powell in his role as a registered representative accepts compensation for the sale of securities to PF clients.

1. This is a Conflict of Interest

PF and its supervised persons will accept compensation for the sale of securities or other investment products, including asset based sales charges or services fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person and PF an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which PF receives compensation, PF will document the conflict of interest in the client file and inform the client of the conflict of interest.

2. Clients Have the Option to Purchase Recommended Products From Other Brokers

Clients always have the option to purchase PF recommended products through other brokers or agents that are not affiliated with PF.

3. Advisory Fees in Addition to Commissions or Markups

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or investment products recommended to clients.

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

PF does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

PF generally provides investment advice and/or management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

Minimum Account Size

There is an account minimum, \$500,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

A. Methods of Analysis and Investment Strategies

Methods of Analysis

PF's methods of analysis include fundamental and cyclical analysis.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Cyclical analysis involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Investment Strategies

PF uses long term trading, short term trading, short sales, margin transactions, options writing (including covered options, uncovered options, or spreading strategies).

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Material Risks Involved

Methods of Analysis

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

Investment Strategies

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

C. Risks of Specific Securities Utilized

PF generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize short sales, margin transactions, and options writing. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a chance of material risk of loss using any of those strategies.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

David L. Powell is a registered representative of Purshe Kaplan Sterling Investments, Inc. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. PF always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of PF in their capacity as a registered representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither PF nor its representatives are registered as a FCM, CPO, or CTA.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Representatives of PF are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission bases, the purchase of certain insurance products. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. PF always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of PF in their capacity as an insurance agent.

D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

PF will direct clients to third party money managers. PF will be compensated via a fee share from the advisors to which it directs those clients. This relationship will be disclosed in each contract between PF and each third party advisor. The fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of interest in that PF has an incentive to direct clients to the third party money managers that provide PF with a larger fee split. PF will always act in the best interests of the client, including when determining which third party manager to recommend to clients.

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

A. Code of Ethics

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

B. Recommendations Involving Material Financial Interests

PF does not recommend that clients buy or sell any security in which a related person to PF has a material financial interest.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of PF may buy or sell securities for themselves that they also recommend to clients. PF will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of PF may buy or sell securities for themselves at or around the same time as clients. PF will not trade non-mutual fund or non-ETF securities 5 days prior to or 5 days after trading the same security for clients.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

The Custodian, Fidelity Brokerage Services LLC, was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. PF will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

1. Research and Other Soft-Dollar Benefits

PF receives no research, product, or service other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits"). PF receives research, products, or services other from its broker-dealer or

another third-party in connection with client securities transactions (“soft dollar benefits”). There is no minimum client number or dollar number that PF must meet in order to receive free research from the custodian or broker/dealer. There is no incentive for PF to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution.

2. *Brokerage for Client Referrals*

PF receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. *Clients Directing Which Broker/Dealer/Custodian to Use*

PF will not allow clients to direct PF to use a specific broker-dealer to execute transactions. Clients must use PF recommended custodian (broker-dealer). Not all investment advisers require their clients to direct brokerage. By requiring clients to use our specific custodian, PF may be unable to achieve most favorable execution of client transactions and this may cost clients money over using a lower-cost custodian.

B. Aggregating (Block) Trading for Multiple Client Accounts

PF maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least quarterly by David L. Powell and David Miller. They are the chief advisors and are instructed to review clients’ accounts with regards to their investment policies and risk tolerance levels. All accounts at Investment Adviser (IA) are assigned to these reviewers.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by David L. Powell or David Miller.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

Each client will receive at least quarterly a written report detailing the clients account which may come from the custodian.

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

PF does not receive any economic benefit, directly or indirectly from any third party for advice rendered to PF clients.

B. Compensation to Non – Advisory Personnel for Client Referrals

PF does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

Item 15: Custody

PF does not take custody of client accounts at any time. Custody of client's accounts is held primarily at Fidelity Brokerage Services LLC. Clients will receive account statements from the custodian and should carefully review those statements.

Item 16: Investment Discretion

For those client accounts where PF provides ongoing supervision, PF maintains limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

Item 17: Voting Client Securities (Proxy Voting)

PF will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

Item 18: Financial Information

A. Balance Sheet

PF does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither PF nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

PF has not been the subject of a bankruptcy petition in the last ten years.