

## Nova Financial Services Form CRS Relationship Summary (03/2023)

There are different ways you can get help with your investments. You should carefully consider which types of accounts and services are right for you. *Free and simple tools are available to research firms and financial professionals at [www.Investor.gov/CRS](http://www.Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.*

*We are an investment adviser registered with the Securities and Exchange Commission that offers advisory accounts and services. This document gives you a summary of the types of services we provide and how you pay. Please ask us for more information. There are some suggested questions to ask us at the end of each section.*

### RELATIONSHIPS AND SERVICES

#### What investment services and advice can you provide to me?

We offer Asset Management and Financial Planning to retail investors.

##### **Asset Management Services**

- We will provide you advice on a regular basis. We will discuss your investment goals and help you design a strategy to achieve your investment goals.
- We will regularly monitor your account.
- You can choose an account that allows us to buy and sell investments in your account without asking you in advance (a “discretionary account”) or we may give you advice and you decide what investments to buy and sell (a “non-discretionary account”). If you choose a non-discretionary account, you will make the ultimate decision to buy or sell an investment.
- We will review your account no less than annually and contact you by phone, in person or by email at least annually to discuss your portfolio.
- We do not have a minimum amount of assets for our asset management services.

##### **Financial Planning Services**

- We offer financial planning services that involve preparing a financial plan for you based on information and documentation you provide to us including your financial objectives, risk tolerance, financial resources, family situation, and future financial goals. The plan will include general recommendations for a course of activity or specific actions for you to take. You decide to implement any recommendations.
- Once we deliver your financial plan, we do not monitor your financial situation on an ongoing basis. You must contact us if you have any significant changes in your financial situation and we will update your plan upon your request.

Our investment advice will cover a limited selection of investments. Other firms could provide advice on a wider range of choices, some of which might have lower costs.

**FOR ADDITIONAL INFORMATION**, please review our Form ADV Part 2A at <https://adviserinfo.sec.gov/> brochure Items 4, 7, and 13.

##### **QUESTIONS TO ASK US:**

- ▶ *Given my financial situation, should I choose an investment advisory service? Why or why not?*
- ▶ *How will you choose investments to recommend to me?*
- ▶ *What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?*

## FEES, COSTS, CONFLICTS, AND STANDARD OF CONDUCT

### What fees will I pay?

Fees and costs affect the value of your account over time. The following summarizes the fees and costs you will pay for our advisory services.

#### Asset Management

- The amount you pay to our firm and your financial professional generally does not vary based on the type of investments we select on your behalf. The asset-based fee reduces the value of your account and will be deducted directly from your account.
- Our fees vary and are negotiable. The amount you pay will depend, for example, on the services you receive and the dollar value of assets in your account.
- For asset management accounts you will sometimes pay a transaction fee when we buy and sell an investment for you.
- You will pay fees to a broker-dealer or clearing firm that will hold your assets such as custodian fees and account maintenance fees.
- Some investments (such as mutual funds) impose additional fees that will reduce the value of your investment over time.
- The more assets you have in the advisory account, including cash, the more you will pay us. Therefore, we have an incentive to increase the assets in your account to increase our fees. You pay our fee quarterly even if there are no transactions in your account.
- An asset-based fee may cost more than a transaction-based fee, but you may prefer an asset-based fee if you want continuing advice or want someone to make investment decisions for you.

#### Financial Planning Fees

- We generally charge a fixed fee that is due 50% in advance and the remaining balance due when the plan is delivered. Our fees vary and are negotiable. The amount you pay will depend on the complexity of your situation and your needs.

*You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.*

### What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

We are held to a fiduciary standard that covers our entire investment advisory relationship with you including monitoring your portfolio, investment strategy, and investments on an ongoing basis, among other requirements.

*When we act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means.*

- Our compensation can increase if you act on our financial planning recommendations and you choose to open an advisory account through us.
- We can charge clients different fees for the same investment strategy.

### How Do Your Financial Professionals Make Money?

- We compensate our financial professionals based on a salary as well as bonuses are based on the amount of client assets they service. The more assets you have in the advisory account, including cash, the more you will pay us and the more your financial professional will earn. Therefore, your

financial professional has an incentive to increase the assets in your account to increase the amount he or she earns (i.e., recommending that you rollover your retirement plan account or transfer assets to our firm).

- We compensate our financial professionals based on the time and complexity required to meet a client's needs. Therefore, your financial professional has an incentive to maximize the time spent to increase the amount he or she earns.
- Your financial professional may be associated with a broker-dealer and may be associated with one or more insurance agencies or firms. If you purchase or invest in a commissionable investment through the broker-dealer or an insurance product through your financial professional, the broker dealer or insurance firm(s) will provide additional compensation to your financial professional.
- Your financial professional can earn non-cash benefits from certain product sponsors such as free conferences, repayable or forgivable loans, technology, marketing support, other non-cash compensation. Therefore, your financial professional has an incentive to invest in those products whose sponsors provide the non-cash benefits.

**FOR ADDITIONAL INFORMATION**, please see our Form ADV Part 2A <https://adviserinfo.sec.gov/> brochure Items 4, 5, and 10 and any brochure supplement your financial professional provides.

**QUESTIONS TO ASK US:**

- ▶ Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?
- ▶ How might your conflicts of interest affect me, and how will you address them?

**DISCIPLINARY HISTORY**

Do you or your financial professionals have a legal or disciplinary history?

**YES** - Please visit [www.investor.gov/crs](http://www.investor.gov/crs) for a free search tool to research us and our financial professionals.

**QUESTIONS TO ASK US:**

- ▶ Do you or your financial professionals have a disciplinary history? For what type of conduct?

**ADDITIONAL INFORMATION**

How do I get additional information about your firm and services?

**FOR ADDITIONAL INFORMATION ABOUT OUR SERVICES**, see our Form ADV brochure on [www.investor.gov/crd](http://www.investor.gov/crd), [www.adviserinfo.sec.gov/lapd](http://www.adviserinfo.sec.gov/lapd), and any brochure supplement your financial professional provides.

Call us at (520) 745-555 to request up-to-date information and request a copy of the relationship summary.

**QUESTIONS TO ASK US:**

- ▶ Who is my primary contact person?
- ▶ Is he or she a representative of an investment adviser or a broker-dealer?
- ▶ Who can I talk to if I have concerns about how this person is treating me?

NOVA FINANCIAL LLC  
d.b.a.

NOVA®

FINANCIAL SERVICE

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TUCSON, AZ 85718

FIRM WEBSITE ADDRESS:  
[www.YourFutureByNova.com](http://www.YourFutureByNova.com)

FORM PART 2A OF FORM ADV:  
FIRM BROCHURE  
March 2023

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This disclosure brochure provides information about the qualifications and business practices of Nova Financial LLC. If you have any questions about the contents of this brochure, please contact NOVA Financial Services by telephone at (520) 745-5555 or by e-mail at [compliance@investwithnova.com](mailto:compliance@investwithnova.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 Nova Financial LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Nova Financial LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.

## **Item 2: Material Changes**

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Nova Financial LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

Last Annual Amendment Filing: October 2022

No material changes.

**Item 3: Table of Contents:**

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## **Item 4: Advisory Business**

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### **A. Description of our advisory firm**

Nova Financial LLC dba NOVA Financial Services is an Investment Adviser registered with the Securities and Exchange Commission (“SEC”). Our firm is a limited liability company formed in the State of Arizona. Our firm has been in business as an investment adviser since 2009 and is owned as follows:

- NOVA Financial Holding Company, LLC – 65.00% Owner
- BFD, LLC – 35.00% Owner

*Please note that: (1) For purposes of this item, our principal owners include the persons we list as owning 25% or more of our firm on Schedule A of Part 1A of Form ADV (Ownership Codes C, D or E). (2) If we are a publicly held company without a 25% shareholder, we simply need to disclose that we are publicly held. (3) If an individual or company owns 25% or more of our firm through subsidiaries, we must identify the individual or parent company and intermediate subsidiaries. If we are a state-registered adviser, on Form ADV Part 2A Page 2, we must identify all intermediate subsidiaries. If we are an SEC-registered adviser, we must identify intermediate subsidiaries that are publicly held, but not other intermediate subsidiaries.*

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. We specialize in the following types of services:

- comprehensive portfolio management
- pension consulting
- financial planning and consulting
- referrals to third-party money managers

### **B. Description of the Types of Advisory Services We Offer**

#### **(i) Comprehensive Portfolio Management:**

Our comprehensive portfolio management service encompasses asset management as well as providing financial planning/financial consulting to clients. It is designed to assist clients in meeting their financial goals through the use of financial investments. We conduct at least one, but sometimes more than one meeting (in person, if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio consisting of exchange traded funds, mutual funds, individual stocks or bonds, or other securities. Upon the client’s agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client’s portfolio. Once the relevant accounts are under our management, we review such accounts on a regular basis and at least quarterly. We may periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client’s investments.

(ii) Pension Consulting:

We provide pension consulting services to employer plan sponsors on a one-time or ongoing basis. Generally, such pension consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include investment options, plan structure and participant education.

All pension consulting services shall be in compliance with the applicable state law(s) regulating pension consulting services. This applies to client accounts that are pension or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in section 1 of the Pension Consulting Agreement).

(iii) Financial Planning & Consulting:

We provide a variety of financial planning and consulting services to individuals, families, and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to a tax professional, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

(iv) Referrals to Third-party Money Managers:

We provide clients access to investment advisory services of third-party professional portfolio management firms for the individual management of client accounts. As part of this process, we assist clients in identifying an appropriate third-party money manager. We provide initial due



diligence on third -party money managers and ongoing reviews of their management of your account.

In order to assist clients in the selection of a third -party money manager, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account, which are often very limited. It is important to note that we do not offer advice on any specific securities or other investments in connection with this service. Investment advice and trading of securities is only offered by or through the third-party money managers to clients.

We periodically review third -party money managers' reports provided to the client, but no less often than on an annual basis. Our associates contact the clients from time to time, as agreed to with the client, in order to review their financial situation and objectives; communicate information to third -party money managers as warranted; and assist the client in understanding and evaluating the services provided by the third -party money manager. The client will be expected to notify us of any changes in his/her financial situation, investment objectives, or account restrictions that could affect their account.

#### **C. Client Tailored Services and Client Imposed Restrictions**

We offer individualized investment advice to clients utilizing the Comprehensive Portfolio Management service offered by our firm. Additionally, we offer general investment advice to clients utilizing the following services offered by our firm:

- Financial Planning & Consulting
- Pension Consulting
- Referrals to Third -party Money Managers

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. In the rare instance that we would allow restrictions, it would be limited to our Comprehensive Portfolio Management service. We do not manage assets through our other services.

#### **D. Wrap Fee Programs**

The Advisor no longer offers a Wrap Fee program

- E.** As of December 31, 2022, we provide advisory services for an approximate total of \$290,301,000 which consists of approximately \$287,804,000 in discretionary assets and \$2,497,000 in non-discretionary assets.

#### **IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement

Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice)
- Avoid misleading statements about conflicts of interest, fees, and investment
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

### **Item 5: Fees & Compensation**

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We are required to describe our brokerage, custody, fees, and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you.

#### A. Description of How We Are Compensated for Our Advisory Services Provided to You.

##### (i) Comprehensive Portfolio Management:

<b>Assets Under Management</b>	<b>Maximum Annual % of Assets Charged</b>
\$0 to \$500,000	2.50%
\$500,001 to \$2,000,000	2.25%
\$2,000,001 to \$5,000,000	2.00%
\$5,000,001 to \$10,000,000	1.75%
Over \$10,000,000	By Negotiation

##### (ii) Pension Consulting:

<b>Assets Under Management</b>	<b>Maximum Annual % of Assets Charged</b>
\$0 to \$500,000	2.50%
\$500,001 to \$2,000,000	2.25%
\$2,000,001 to \$5,000,000	2.00%
\$5,000,001 to \$10,000,000	1.75%
Over \$10,000,000	By Negotiation

Fees charged for our Comprehensive Portfolio Management services and Pension Consulting are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. The first fee is based on the value of the account on the first day of management by us and is payable within one month after engaging our firm's Comprehensive

Portfolio Management service. The first fee will be assessed on a pro-rata basis taking into account the time for which the account was not managed by us, and the time left in the quarter.

In the event that a deposit occurs during a billing period after the fee calculation, the fee for the billing period will be recalculated at the end of the billing period and NOVA FINANCIAL SERVICES will bill a second fee pro-rata, in arrears, on the additional deposits. In the event that a withdrawal occurs during a billing period after the fee calculation, the fee for that billing period will be recalculated at the end of the billing period and you will be refunded the pro-rate fee that was attributable to the amount of the withdrawal.

The asset management services continue in effect until terminated by either party (i.e., NOVA FINANCIAL SERVICES or you) by providing written notice of termination to the other party. Any prepaid, unearned fees will be refunded by NOVA FINANCIAL SERVICES to you. Refunds will be returned as promptly as possible but may take up to 90 days. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for our Comprehensive Portfolio Management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

NOVA FINANCIAL SERVICES believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

You must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to NOVA FINANCIAL SERVICES.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. NOVA FINANCIAL SERVICES do not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than NOVA FINANCIAL SERVICES in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by NOVA FINANCIAL SERVICES are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

(iii) Financial Planning & Consulting:

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees generally range from \$100 to \$500. Flat fees generally range from \$1,500 to \$10,000.

(iv) Referrals to Third -party Money Managers:

NOVA Financial Services provides referrals to several Third -party Money Managers. Some of these Third -party Money Managers pay us a portion of the advisory fee that they charge the client for managing their account. In some cases, the Third -party Money Manager charges an additional management fee on our behalf and that fee is remitted to NOVA Financial Services by the Third -party Money Manager, this fee charged to the client is in addition to the management fee charged by the Third -party Money Manager for managing the account. Full disclosure of all applicable fees will be provided before or at the time of the signing of the agreement. All fees we receive from third -party money managers and the written separate disclosures made to you regarding these fees comply with applicable state statutes and rules. The separate written disclosures you need to be provided with include a copy of the third -party money manager's Form ADV Part 2, all relevant Brochures, a Solicitation Disclosure Statement detailing the exact fees we are paid and a copy of the third -party money manager's privacy policy.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Comprehensive Portfolio Management:

Fees will generally be automatically deducted from your managed account through a qualified custodian. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us.
- b) You provide authorization permitting us to be directly paid by these terms.

*\*At our sole discretion we may offer direct billing as an option to our comprehensive portfolio management clients.*

(ii) Pension Consulting:

The fee-paying arrangements for pension consulting service will be determined on a case- by-case basis and will be detailed in the signed Pension Consulting Agreement.

(iii) Financial Planning & Consulting:

We require a retainer of fifty percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$500 when services cannot be rendered within 6 (six) months.

(iv) Referrals to Third -party Money Managers:

Third -party money managers establish and maintain their own separate billing processes which we have no control over. In general, they will directly bill you and describe how this works in their separate written disclosure documents.

C. Additional Fees, Compensation and Expenses.

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund’s prospectus (i.e., fund management fees and other fund expenses).

D. Client’s Advisory Fees Are Due Quarterly in Advance.

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We charge our advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

E. Commissionable Securities Sales.

Some associates may sell securities for a commission. In order to sell securities for a commission, certain of our supervised persons are registered representatives of Mutual Securities, Inc. (“Mutual Securities”), a registered broker-dealer and Member FINRA/SIPC. Mutual Securities, Inc. has a fully disclosed clearing arrangement with National Financial Services, LLC (NFS), a Fidelity Investments Company, and member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or othe

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other brokers or agents which are not affiliated with us.

#### **Item 6: Performance-Based Fees & Side-By-Side Management**

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We do not charge, nor collect, performance fees.

#### **Item 7: Types of Clients & Account Requirements**

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We have the following types of clients:

- Individuals.
- Trusts, Estates or Charitable Organizations.
- Limited Partnerships.
- Pension and Profit-Sharing Plans.
- Corporations, limited liability companies and/or other business types

We do not require a minimum account balance for our comprehensive portfolio management.

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

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A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, individual securities (including fixed-income securities), managers, and pooled investment vehicles is set forth below.

Investing in securities involves risk of loss that clients should be prepared to bear. NOVA Financial Services' methods of analysis may include fundamental and technical analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. In addition, NOVA Financial Services reviews research material prepared by others, corporate filings, corporate rating services, and a variety of financial publications.

Fundamental analysis is a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study factors that can affect the security's value, including macroeconomic factors (such as the overall economy and industry conditions) and company-specific factors (such as financial condition and management).

Technical analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. NOVA Financial Services may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

NOVA Financial Services may recommend (i) separate account managers to manage client assets, (ii) no-load and load-waived mutual funds and individual securities (including fixed income instruments), and (iii) pooled investment vehicles.

Such management styles may include, among others, large-cap, mid-cap, and small-cap value, growth, and core; international and emerging markets; and alternative investments. NOVA Financial Services may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that NOVA Financial Services will take into account when recommending managers to clients.

NOVA Financial Services may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers, and pooled investment vehicles to clients as appropriate under the circumstances.

NOVA Financial Services reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector, and style analysis
- the fund, sub-advisor, or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager, a mutual fund or manager's consistency of investment style, and employee turnover and efficiency and capacity.

NOVA Financial Services may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (for example, for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the mutual funds or managers utilized. NOVA Financial Services will endeavor to obtain equal treatment for its clients with mutual funds or managers but cannot assure equal treatment.

Clients that engage managers or invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

## **Material Risks of Investment Instruments**

### **Security-Specific Material Risks**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they

have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

NOVA Financial Services typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Option contracts on securities
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

### **Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

### **Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include



the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **Exchange-Traded Funds (“ETFs”)**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> (“QQQs<sup>SM</sup>”), iShares<sup>®</sup> and VIPERS<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company’s advisory fee and other expenses, in addition to their own expenses. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF’s underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### **Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company’s ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

### **Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality’s ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

### **U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government

agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

### **Options on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price.

A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates.

### **Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, NOVA Financial Services will be unable to monitor or verify the accuracy of such performance information.

### **Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates, or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit, and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high- investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product

offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

### **Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association (“GNMA”), Fannie Mae (“FNMA”) and the Federal Home Loan Mortgage Corporation (“FHLMC”). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development (“HUD”), creates pass-through securities from pools of government-guaranteed (Farmers’ Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principals of its pass-through securities.

Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

### **Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper, and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, NOVA Financial Services may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, NOVA Financial Services may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide

for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

### **Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly, or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

### **Investment Strategy and Method of Analysis Material Risks**

#### **Leverage** (i.e., employing the use of **margin**)

Although NOVA Financial Services as a general business practice does not utilize leverage, there may be instances in which exchange-traded funds and, in very limited circumstances, NOVA Financial Services will utilize leverage. In this regard, please review the following:

The use of leverage (i.e., margin) enhances the overall risk of the client's investment portfolio including the potential for the client to lose more than their initial investment.

For example, investors are able to control \$2 of a security for \$1. So, if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing which results in additional interest costs to the investor.

Broker-dealers that carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum

requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized, and the client needs to withdraw cash or satisfy a margin deposit the client must sell a disproportionate amount of collateral securities to release enough cash to either satisfy the withdrawal or margin deposit amount based upon similar reasoning as cited above.

Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **Short-Term Trading**

Although NOVA Financial Services, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Short Selling**

NOVA Financial Services generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is affected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be affected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

NOVA Financial Services as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

## **Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client's portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration.

This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

## **Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

## **Long Put Option Purchases**

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long-put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

## **Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder "locks in" a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

## **Short Call Option Strategy**

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

## **Short Put Option Strategy**

Short put option strategy is highly speculative and has theoretical potential for significant loss. The

seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

### **Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

### **Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

## **Item 9: Disciplinary Information**

NOVA Financial Services has not been subject of any legal or disciplinary events that would be material to your evaluation of NOVA Financial Services or the integrity of NOVA Financial Services.

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

Certain of our firm’s Advisory Affiliates are registered representatives of Mutual Securities. Mutual Securities has a fully disclosed clearing arrangement with National Financial Services, LLC (NFS), a Fidelity Investments Company, and member FINRA/SIPC. Registered representatives may offer securities and receive normal and customary commissions as a result of securities transactions. This presents a conflict of interest to the extent that the management persons recommend that a client invest in a security which results in a commission being paid to him/her.

Certain of our firm’s Advisory Affiliates, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. A conflict of interest exists to the extent that our firm recommends the purchase of insurance products where our firm’s Advisory Affiliates receive insurance commissions or other additional compensation. All clients are never under any obligation to purchase these products.

We have an affiliation with NOVA Financial & Investment Corp (dba NOVA Home Loans). NOVA Home loans provide us information, with prior approval, of mortgage clients that may need financial services

and investment help. We do not share client information with NOVA Home Loans.

The compensation paid to us by third -party managers may vary, and thus, there may be a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. Please see Item 5A(iv) of this Brochure. A potential conflict of interest in utilizing third -party advisors may be an incentive to us in selecting a particular advisor over another based on the portion of the fees that we receive. In order to minimize this conflict our firm will make our selections in the best interest of our clients.

The economic benefits received by NOVA Financial Services from product sponsors can include, but are not limited to, financial assistance or the sponsorship of conferences and educational sessions, marketing support, payment of travel expenses, and tools to assist the firm in providing various services to clients. There is a potential conflict of interest when receiving marketing support as it may be an incentive to us in selecting a particular partner over another based on the marketing support that we receive.

### **Item 11: Code of Ethics**

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We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our related persons<sup>2</sup>, members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and, at ~~the~~ annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Related persons of our firm may buy or sell securities for themselves at or about the same time they



buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

<sup>2</sup> Our Related Persons are any advisory affiliates and any person that is under common control with our firm. Advisory Affiliate: Our advisory affiliates are (1) all of our officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by us; and (3) all of our current employees (other than employees performing only clerical, administrative, support or similar functions). Person: A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

## **Item 12: Brokerage Practices**

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NOVA Financial Services does not maintain custody of client assets. We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Liquidity of the securities traded
- Willingness to commit capital
- Ability to place trades in difficult market environments
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation

With this in consideration, our firm has an arrangement with National Financial Services, LLC ("NFS"), a wholly owned subsidiary of the Fidelity Investments Group.

NFS offers to independent investment advisers non-soft dollar services which include custody of securities, trade execution, clearance, and settlement of transactions. We receive some non-soft dollar benefits from NFS through our participation in the program.

NFS may make certain research and brokerage services available at no additional cost to our firm. These services may be directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by NFS may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by NFS to our firm in the performance of our investment decision-making responsibilities.

We do not use client brokerage commissions to obtain research or other products or services. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the aforementioned services, we may have an incentive to continue to use or expand the use of NFS services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with NFS and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

NFS charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). NFS enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. NFS commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by NFS may be higher or lower than those charged by other custodians and broker-dealers.

Our clients may pay a commission to NFS that is higher than another qualified broker dealer might charge to affect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

We do not acquire client brokerage commissions (or markups or markdowns).

We do not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

Our firm does not receive brokerage for client referrals.

Fees at NFS may be higher than with other brokerage services.

### **Directed Brokerage**

We or any of our firm's related persons do not have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are affected.

## **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

We do not allow client-directed brokerage.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration, and consistently non-arbitrary methods of allocation.

### **Item 13: Review of Accounts or Financial Plans**

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Client accounts will be reviewed no less than annually. The nature of reviews is to determine whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews.

- A) Pension consulting clients receive reviews of their pension plans for the duration of the pension consulting service. We also provide ongoing services to pension consulting clients where we meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

Financial planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

- B) We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.
- C) We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients.

As mentioned in Item 13 A. of this Brochure, pension clients do not receive written or verbal updated reports regarding their pension plans unless they choose to contract with us

for ongoing Pension Consulting services.

As also mentioned in Item 13A of this Brochure, financial planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

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

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Mutual Securities and NFS also make available to us other products and services that may benefit us, but which may not directly benefit its clients. These types of services will help us in managing and administering client accounts. These include software and other technology that provide access to client account data (e.g., trade confirmations and account statements); facilitate trade executions; provide research, pricing information, and other market data; facilitate in the payment of our fees from its clients' accounts; and assist with back-office functions, record-keeping, and client reporting. Many of these services may be used to service all or a substantial number of our accounts.

We do pay referral fees (non-commission based) to independent endorsers (non-registered representatives) for the referral to our firm in accordance with applicable state statutes and rules.

#### **Item 15: Custody**

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We do maintain custody of client assets due to the ability to deduct fees and some accounts having standing letters of authorization. In all managed account cases, the custodian sends monthly statements to our clients showing all disbursements for the custodian account including the amount of the advisory fees. Clients provide written authorization permitting us to be paid directly or through Mutual Securities, National Financial Services, LLC, Charles Schwab, or TD Ameritrade for their accounts held by the custodian or trustee.

State Securities Bureaus or their equivalent generally takes the position that any arrangement under which a registered investment adviser is authorized or permitted to withdraw client funds or securities maintained with a custodian upon the adviser's instruction to the custodian is deemed to have custody of client funds and securities. As such, we have adopted the following safeguarding procedures:

- (1) Our client's client must provide us with written authorization permitting direct payment to us of our advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- (2) We must send a statement to our clients showing the amount of our fee, the value of your assets upon which our fee was based, and the specific manner in which our fee was calculated.
- (3) We must disclose to you that it is your responsibility to verify the accuracy of our fee calculation, and that the custodian will not determine whether the fee is properly calculated; and
- (4) Your account custodian must agree to send you a statement, at least quarterly, showing all disbursements from your account, including advisory fees.

We encourage our clients to raise any questions with us about the custody, safety, or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account

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

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We may manage your accounts on a discretionary or non-discretionary basis. We will only manage your account on a discretionary basis upon obtaining your written consent. Your consent is typically granted and evidenced in the executed Comprehensive Portfolio Management Agreement. We define discretion as the authority to trade your account, without obtaining your prior consent, to select the securities and number of securities to be bought or sold, and the timing of the purchase or sale. It does not extend to the withdrawal or transfer of your account funds.

We may give advice and take action in the performance of our duties to you, which differs from advice given, or the timing and nature of action taken, with respect to other clients' accounts.

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

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We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write, or email us to discuss questions they may have about particular proxy votes or other solicitations.

However, third -party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third -party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third -party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

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

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NOVA Financial Services has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.