

## **Professional Wealth Management Services, LLC**

211 South Center Street, Suite 205-B  
Statesville, NC 28677

704-872-0022 Phone Number

704-872-0121 Fax Number

[www.prowealthmgt.com](http://www.prowealthmgt.com)

March 7, 2012

### **FORM ADV PART 2A APPENDIX 1 WRAP FEE PROGRAM BROCHURE**

This wrap fee program brochure provides information about the qualifications and business practices of Professional Wealth Management Services, LLC. If you have any questions about the contents of this brochure, please contact us at 704-872-0022. 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 Professional Wealth Management Services, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Professional Wealth Management Services, LLC is 150266.

Professional Wealth Management Services, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Summary of Material Changes: There has been one material change to Form ADV Part 2A Appendix 1 since the last annual update in March 16, 2011. Disclosure information was added to Other Financial Industry Activities and Affiliations. Please see that section on pages 4 and 5 for more information.

## Table of Contents

<b><i>Services, Fees and Compensation .....</i></b>	<b><i>1</i></b>
<b><i>Account Requirements and Types of Clients .....</i></b>	<b><i>1</i></b>
<b><i>Portfolio Manager Selection and Evaluation.....</i></b>	<b><i>1</i></b>
<b><i>Client Information Provided to Portfolio Managers.....</i></b>	<b><i>2</i></b>
<b><i>Client Contact with Portfolio Managers .....</i></b>	<b><i>2</i></b>
<b><i>Additional Information.....</i></b>	<b><i>3</i></b>
<b><i>Requirements for State-Registered Advisers .....</i></b>	<b><i>7</i></b>

## ***Services, Fees and Compensation***

Form ADV Part 2A, Appendix 1, Item 4

On a discretionary basis, PWMS provides ongoing monitoring and management of assets within the PWM Portfolio Management Service wrap fee program ("Program"). This service level involves PWMS delivering hands on management of Program assets. PWMS charges an asset-based fee (i.e. a percentage of assets in the Program) for this service. PWMS Program fees generally do not exceed 0.99% of managed assets on an annual basis.

Program fees may cost you more or less than purchasing such services separately. Factors that may impact the relative cost of the Program fees include, but are not limited to, the following: the cost of the services if provided separately, the trading activity in a client's account, the specific custodian used for execution, clearance, and settlement services with respect to your accounts, the level of service you may require with respect to your assets, etc. Program fees are negotiable. PWMS is compensated the full wrap fee amount net of custodian services.

PWMS clients do not pay any sales charges, commissions, or other additional fees or expenses related to PWMS advisory services. The custodian charges an annual maintenance fee for IRAs (as of 3/7/12, this charge is \$40.00 per year). Mutual funds and exchange traded funds have internal expense ratios, but PWMS does not receive any part of these or any other fees, such as 12b-1 service / distribution fees, from mutual fund or exchange traded fund companies.

Financial planning services such as one-time diagnostic plans as well as ongoing consultations are included in the wrap fee program at no additional charge as needed by the client.

## ***Account Requirements and Types of Clients***

Form ADV Part 2A, Appendix 1, Item 5

PWMS provides investment advice to individuals and trusts within its wrap fee program. PWMS does not require a minimum account size for this program but instead relies on determination of suitability in opening and maintaining accounts.

## ***Portfolio Manager Selection and Evaluation***

Form ADV Part 2A, appendix 1, Item 6

PWMS is the sole portfolio manager for its wrap fee program. Outside portfolio managers are not incorporated into the PWM Portfolio Management Service.

### **Advisory Business**

Investment advisory services under PWMS's wrap fee program include financial planning services such as one-time diagnostic plans and ongoing consultations in addition to portfolio management on a discretionary or non-discretionary basis. The wrap fee program also includes asset allocation, trade execution, and any related

administrative activities.

Advisory services are tailored to the individual needs of the client based on thorough initial interviewing and periodic communication. A client may impose restrictions based on quantitative factors such as tax management or qualitative factors such as social concerns.

All PWMS accounts are managed based on the specific needs of the client as derived from the client interview process. PWMS is compensated a portion of the wrap fee for providing its objective profiling, asset allocation, and other services on behalf of the client.

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

PWMS does not accept performance-based fees such as a share of capital gains or capital appreciation.

#### **Methods of Analysis, Investment Strategies and Risk of Loss**

PWMS utilizes an extensive initial interviewing process, including multiple suitability assessments, to help formulate an individualized financial plan for the client. This financial planning process incorporates software to help derive the long-term investment strategy. Execution of the financial plan is focused on diversification, asset class and sector allocation, and individual security selection. The suitability assessments, educational theory, and simulation tools remind clients that investing in securities always involves volatility and the risk of loss. Additional financial software is used to subsequently analyze, monitor, and provide feedback regarding ongoing risk and asset management.

#### **Voting Client Securities**

PWMS does not vote client securities. Clients receive all proxy voting and other materials directly from the custodian or transfer agent. PWMS does not advise clients with regard to solicitations they may receive.

### ***Client Information Provided to Portfolio Managers***

Form ADV Part 2A, Appendix 1, Item 7

PWMS does not incorporate outside portfolio managers into its wrap fee program. No client information is provided to third party portfolio managers.

### ***Client Contact with Portfolio Managers***

Form ADV Part 2A, Appendix 1, Item 8

As the sole portfolio manager for its wrap fee program, PWMS communicates with clients on a regular basis. There are no restrictions placed on clients' ability to contact and consult with PWMS.

### ***Additional Information***

Form ADV Part 2A, Appendix 1, Item 9

#### **Disciplinary Information**

Neither PWMS nor its members or employees have ever been the subject of any legal or disciplinary event such as:

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

N/A

2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

N/A

3. was found to have been involved in a violation of an investment-related statute or regulation; or

N/A

4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

N/A

B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person

1. was found to have caused an investment-related business to lose its authorization to do business; or

N/A

2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority

- (a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;

N/A

(b) barring or suspending your firm's or a management person's association with an investment-related business;

N/A

(c) otherwise significantly limiting your firm's or a management person's investment-related activities; or

N/A

(d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.

N/A

C. A self-regulatory organization (SRO) proceeding in which your firm or a management person

N/A

1. was found to have caused an investment-related business to lose its authorization to do business; or

N/A

2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

N/A

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

Neither PWMS nor its members or employees are associated with any other financial industry activities or affiliations such as:

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

N/A

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

N/A

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker – N/A
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund) – N/A
3. other investment adviser or financial planner – N/A
4. futures commission merchant, commodity pool operator, or commodity trading advisor – N/A

5. banking or thrift institution – N/A
6. accountant or accounting firm – N/A
7. lawyer or law firm – N/A
8. insurance company or agency (\*please see note below)
9. pension consultant – N/A
10. real estate broker or dealer – N/A
11. sponsor or syndicator of limited partnerships. – N/A.

\*While PWMS is not associated with any other financial industry activities or affiliations, members or employees of PWMS may be licensed and/or appointed independently with insurance companies or insurance brokers as an outside business activity under a separate business or employment. Currently, both John Stevenson and Shawn Fleming are independently licensed in Life, Accident, and Health insurance. John is also licensed in Long Term Care and Medicare Supplement insurance. In the course of providing comprehensive financial planning, John and Shawn may identify gaps in a client's insurance coverage and recommend that the client consider various types of insurance coverage as part of the client's personal risk management and contingency planning. If the client wants additional insurance coverage but does not have a personal insurance agent, John and Shawn will make themselves available to help the client as independent insurance agents. In doing so, John and Shawn will encourage the client to make personal risk evaluations and cost-benefit analyses with regard to potential insurance companies, insurance products, and insurance providers within the marketplace before committing to an insurance purchase. John and Shawn provide written disclosures to the client that stress the importance of such comparisons by the client as a consumer in addition to explaining their representation and compensation as agents of specific insurance companies. These disclosures emphasize that (1) PWMS clients are under no obligation to work with any specific insurance provider, including John or Shawn (2) working with John or Shawn separately for insurance purposes does not impact and is in no way required to maintain a financial planning, wealth management, pension consulting, or wrap program relationship with PWMS (3) there are no conflicts of interest with regard to PWMS and its advisory services as PWMS does not receive compensation of any kind based on a client purchasing insurance, and (4) as independent agents, John and Shawn may separately receive a commission or other compensation from insurance companies or their distributors as part of any outside insurance business that is transacted.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

N/A

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

PWMS has developed a Code of Ethics ("Code") as a means of memorializing its vision of appropriate and professional conduct in carrying out the business of providing investment advisory services. This Code addresses issues such as the following:

- Standards of conduct and compliance with applicable laws, rules, and regulations
- Protection of material and non-public information
- Conflicts of interest
- Employee disclosure and reporting of personal securities holdings and transactions
- IPOs and private placements
- Reporting of any violations of the Code
- Employee education regarding the Code, and
- Enforcement of the Code.

All representatives of PWMS have been furnished a copy of the Code and have signed their names to a

written acknowledgement attesting to their understanding of the Code and acceptance of its terms. A copy of the Code is available to all current and/or prospective clients upon request.

Neither PWMS nor its representatives buy securities from (or sell securities to) clients or their accounts. Neither PWMS nor its representatives act as general partner in a partnership in which client investments are solicited. Neither PWMS nor its representatives act as an investment adviser to an investment company that is recommended to clients. As such, PWMS does not have a material financial interest or conflict of interest in the securities it recommends to clients or buys or sells for client accounts.

PWMS or its personnel may invest for their own accounts or have a financial interest in the same securities or other investments that PWMS recommends or acquires for the accounts of its clients. PWMS or its personnel may engage in transactions that are the same as or different than transactions recommended to or made for client accounts.

#### **Review of Accounts**

PWMS regularly reviews client accounts and financial plans. Client financial plans are formally updated and reviewed at the beginning of each calendar year and subsequently throughout the year based on changes in the client's personal and/or financial circumstances. Client accounts are reviewed and managed based on client financial plan changes as well as customized client management considerations including, but not limited to, asset class rebalancing, withdrawal / income / cash flow needs, income and capital gains taxation, and estate planning.

Clients receive both monthly account statements and quarterly performance reports directly from their qualified custodian.

#### **Client Referrals and Other Compensation**

PWMS does not receive any economic benefits for providing investment advice or other advisory services from anyone who is not a client.

PWMS also does not refer clients to others or accept prospective client referrals from others in exchange for compensation.

#### **Financial Information**

PWMS may assume discretionary trading authority on behalf of clients, but the firm does not custody client funds or securities and has no discretionary authority to withdraw client funds or collect fees from client assets. There are no foreseeable financial conditions that are reasonably likely to impair PWMS's ability to meet contractual commitments to its clients. For example, in the event of unused management fees, the qualified custodian would refund the balance of quarterly fees directly to the client with PWMS owing the custodian the value of any refunded fees.

***Requirements for State-Registered Advisers***

Form ADV Part 2A, Appendix 1, Item 10

Respond to Item 19.E of Part 2A of Form ADV.

Form ADV Part 2A, Item 19.E.

In addition to any relationship or arrangement described in response to Item 10.C. of Part 2A, describe any relationship or arrangement that you or any of your management persons have with any issuer of securities that is not listed in Item 10.C. of Part 2A.

N/A