

**Item 1 Cover Page**

Part 2A of Form ADV: Firm Brochure



Prime Investment Advisory Corporation

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12/05/2011

This brochure provides information about the qualifications and business practices of Prime Investment Advisory Corporation (dba Prime Investment Advisors). If you have any questions about the contents of this brochure, please contact us at 301-951-5233 or [steve@primeinvestor.com](mailto:steve@primeinvestor.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 Prime Investment Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Prime's CRD number is 111498.

**Item 2    Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 12/05/2011, is an update to our initial Brochure Dated March 31, 2011. As you will see, this document is a narrative that is substantially different in form and content from the ADV Part II, and includes some new information that Prime was not previously required to disclose. As required this Item is used to provide our clients with a summary of new and/or updated information. Prime will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, Prime will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, Prime will provide you with other interim disclosures about material changes as necessary.

**Material changes contained in this brochure:**

As required by changes mandated by the Dodd-Frank Act midsize investment advisory firms (firms with Assets Under Management between \$25 Million and \$99 Million) are required to change their primary regulatory authority from the United States Securities and Exchange Commission to the individual States. Due to this regulatory change Prime Investment Advisors is now filing for registration with the State of Maryland and the State of Virginia.

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## Item 4 Advisory Business

Prime Investment Advisors (referred to as "Prime") is an investment adviser with its principal place of business located in Maryland. Prime began conducting business in 1991.

Stephen S. Polan is the firm's principal shareholder.

Prime engages solely in investment advisory services. The scope of Mr. Polan's activities, including Prime, is devoted as follows:

Mr. Polan's Activities:

- Asset Management (Prime) 87%
- Financial & Investment Advice (Prime) 1%
- Income, Estate & Gift Tax Preparation & Planning (Stephen S. Polan, CPA) 9%
- Insurance Brokerage 3%

**ASSET MANAGEMENT AND ADVICE:** Prime Investment Advisors offers the following advisory services to its clients.

**TAXES:** Stephen S. Polan is also an actively licensed CPA in Maryland. He devotes approximately 9% of his time preparing tax return and counseling clients in income, fiduciary, estate and gift taxes on an hourly basis.

**INSURANCE:** Mr. Polan is licensed to sell insurance company products and receive commission income on the sale of such products. However, if a client expresses an interest in life, health, disability or long term care insurance, Mr. Polan often refers the clients to Stephen L. Derrick of Complete Financial Services. Mr. Polan shares commissions on the placement of non-variable insurance company products, as listed above, with Stephen L. Derrick. Placement of insurance company products, if any, is at the client's discretion and the client may purchase the same insurance products recommended from any person or entity it chooses. If a client chooses to retain Mr. Polan as a financial counselor on an hourly fee basis and also purchases products through Mr. Derrick, as an independent insurance professional and Mr. Polan shares in the commission sale, a conflict may exist.

### INVESTMENT ADVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT

Prime provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, Prime develops a client's personal investment policy and creates and manages a portfolio based on that policy. During its data-gathering process, Prime determines the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, Prime also reviews and discusses a client's prior investment history, as well as family composition and background.

Investment Advisory Services are provided in which clients retain Prime on a discretionary basis. Prime executes trades in accordance with that client's Investment Policy Statement.

Some clients who were engaged prior to October 4, 2007, elected not to convert to discretionary engagements. These clients have engaged Prime on a nondiscretionary basis and are provided recommendations to trade in the client account via: 1) e-mail, 2) fax or 3) made verbally to clients, with written follow up to its clients in the mail. Prime recommends trades in accordance with that client's Investment Policy Statement. Prime only executes approved trades. Prime will make every attempt to contact clients who have not approved trades in a timely manner.

Assets managed by a Separate Account Manager (SAM) are managed strictly on a discretionary basis. The features of the SAM account are described later in the brochure.

Prime's investment advisory services are comprised of an asset allocation program using publicly traded securities, primarily no load mutual funds and various load mutual funds purchased at NAV when permissible through Fidelity Investments (Fidelity), Exchange Traded Funds, individual stocks and bonds.

Prime profiles each client to determine the client's investment objectives and to establish guidelines for the most suitable portfolio for that client.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Timely execution of trade recommendations can impact the performance of a trade and even result in the loss of a security in short supply, such as a bond. Clients that engaged Prime on a nondiscretionary basis must assume that risk.

Clients investing in mutual funds should be aware that management fees charged by Prime are in addition to fees and expenses of the fund, which are disclosed in the mutual fund prospectus. These fees usually will range from one-half of one percent (0.50%) to more than two percent (2.0 %) per year of the mutual fund assets.

Prime can buy other securities products which are directly or indirectly publicly traded on a reputable U.S. or international exchange in which applicant deems appropriate in order to address the individualized needs, goals and objectives of the client. This includes employer granted stock incentives which are related to the publicly traded securities of the employer.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## FINANCIAL PLANNING

A client engages Mr. Polan to evaluate the appropriateness of their personal finances. Depending on the engagement, Mr. Polan reviews the following:

1. Cash flow and net worth;
2. Compensation issues and planning;
3. Retirement and other life-style hypotheticals;
4. Education fund and other goal-oriented analyses;
5. Employee benefits and personal insurance coverage;
6. Income taxes, but only to the extent that they relate to the above items 1 through 5;
7. Estate and gift planning and transfer taxes, but only to the extent that they relate to the above items 1 through 5.

Prime provides personal financial counseling. Clients are advised in writing in advance of the fee engagement that designated fee services will be billed at a stated hourly rate (ranging between \$300-\$350/hr). Fees are billed in arrears and payable upon receipt of the bill. Fees are non-negotiable.

Financial counseling is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans.

Prime gathers required information through in-depth personal interviews. Information gathered including the client's current financial status, tax status, future goals, familiarity with investments, expectation of potential rates of return and attitudes towards risk. Prime carefully reviews documents supplied by the client, including a questionnaire completed by the client, and prepares a written report. Should the client choose to implement the recommendations contained in the plan, Prime suggests the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Prime also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

In general, personal financial counseling can address any or all of the following areas:

**PERSONAL:** Prime reviews family records, budgeting, personal liability, estate information and financial goals.

**TAX & CASH FLOW:** Prime analyzes the client's income tax and spending and planning for past, current and future years; then illustrates the impact of various investments on the client's current income tax and future tax liability.

**INVESTMENTS:** Prime analyzes investment alternatives and their effect on the client's portfolio.

**INSURANCE:** Prime reviews existing policies to ensure proper coverage for life and disability.

**RETIREMENT:** Prime analyzes current strategies and investment plans to help the client achieve his or her retirement goals.

**DEATH & DISABILITY:** Prime reviews the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.

**ESTATE:** Prime assists the client in assessing and developing long-term strategies, including as appropriate, review of estate taxes, living trusts, wills, powers of attorney, and asset protection plans.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2010, Prime had \$63,000,000 of client assets under management. Of this, \$45,000,000 is actively managed on a discretionary basis and \$18,000,000 on a non-discretionary basis.

Clients retain Prime on a discretionary basis, including assets managed by a SAM with the exception of clients discussed elsewhere in the brochure.

## **Item 5 Fees and Compensation**

### **INVESTMENT ADVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

For clients obtained after October 1, 2011 and existing clients who have signed a revised Investment Advisory Agreement dated after October 1, 2011, the following annual Asset Management Fee, paid quarterly in arrears, is payable and calculated as follows:

For assets held in the account, excluding assets managed by a SAM,

- a) An annual bond management fee of one-half of one percent (.05%) of the value of all bonds and fixed income in the Account; plus
- b) An annual equity management fee of one percent (1.0%) of the value of all other assets in the Account.

For assets managed by a SAM, an annual asset management fee (SAM management fee) of seven-tenths of one percent (0.70%) of the value of all assets with the SAM plus all transactions fees, commissions and redemption fees incurred in the SAM account.

For clients obtained prior to October 1, 2011 who have not signed a revised Investment Advisory Agreement dated after October 1, 2011, the following annual Asset Management Fee, paid quarterly in arrears, is payable and calculated as follows:

- a) For assets held in the account, excluding assets managed by a SAM,
  - 1. An annual asset allocation fee of one quarter of one percent (0.25%) of the value of all reportable assets in the Account (excluding cash, cash value of insurance policies and individual real estate); plus
  - 2. An annual asset management fee (bond management fee) of one-quarter of one percent (0.25%) of the value of all bonds and fixed income mutual funds in the account; plus
  - 3. An annual asset management fee (equity management fee) of three-quarters of one percent (0.75%) of the value of all other assets in the account (excluding cash, bonds and individual real estate).
- b) For assets managements by a SAM, an annual asset management fee (SAM management fee) of seven-tenths of one percent (0.70%) of the value of all assets with the SAM plus all transaction fees, commissions and redemption fees incurred in the SAM account.

Except for assets managed by a SAM, the above Management Fee shall be calculated and paid at the above rates upon the first \$500,000 of assets under management, based upon the market values of the assets as of the end of each quarterly period. If the value of assets subject to the Management Fee in the Account exceeds \$500,000, the Management Fee shall be calculated on the excess at eighty percent (80%) of the above rates. For the purposes of such computation, all fixed income (bond) and growth assets (equities and hard assets) shall be allocated ratably between the first \$500,000 of all assets and the excess, in accordance with their overall proportion in the Account.

The quarterly Management Fee shall be prorated for any period which is less than a full calendar quarter at the first calendar quarter and the last calendar quarter of the term of this Agreement.

In addition, the client shall pay any transaction fees, commissions/loads or redemption fees incurred to liquidate assets transferred in-kind into the account. All other transaction fees, commissions/loads or redemption fees are paid by PRIME in the form of a management fee reduction.

Clients investing in mutual funds should be aware that management fees charged by the Applicant are in addition to fees and expenses of the fund, which are disclosed in the mutual fund prospectus. It is the responsibility of the client, and not the custodian, to verify the accuracy of the advisor's fee calculations.



Prime shall collect all fees due hereunder out of the current investment income realized in the Account and, if such income shall be insufficient, from the principal assets of the Account. Prime shall collect all fees from the Account quarterly but only upon delivery of a statement which includes a calculation of the quarterly fee. If Prime shall be unable to collect its fees out of the Account assets for any reason, the client shall pay the same to Prime promptly upon demand.

Fees are billed quarterly in arrears. The minimum account is \$100,000. The \$100,000 minimum can be waived, if prospective asset deposits allow the client to satisfy the \$100,000 minimum within a reasonable time, usually twelve months.

The term of the investment advisory service shall commence upon the receipt of a signed Investment Advisory Agreement and delivery to the Custodian of the assets constituting the Account. This Agreement shall continue in force until terminated (i) by the client or Prime giving the other party at least thirty (30) days prior notice of termination, or (ii) as otherwise provided herein. Following any notice of termination, Applicant shall not initiate any further investment transactions for the Account, but will take the necessary steps to complete any open transactions.

### GENERAL INFORMATION

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of thirty (30) days written notice.

***Mutual Fund Fees:*** All fees paid to Prime are separate and distinct from the fees and expenses charged by mutual funds and/or EFTs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by Prime which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Separately Account Managed Fees:*** With the client's authorization, Prime can use the services of SAM's to manage all or part of the client's account. Prime will only engage SAMs that manage a certain sector of their equity portfolio, for example, a "Large Cap Value" style manager. The SAM asset management is given the power to manage the account on a discretionary basis. The SAM is not related to Prime and charges for its services directly by debiting the client's account for its quarterly fees. The client agrees to accept the terms of the SAM advisory agreement, including the SAM asset management fee, which usually will range from one-half of one percent (0.50%) to one and one-half percent (1.5%) per year of the assets

managed by the SAM. A review of the SAM contract will indicate if the SAM bills in advance or in arrears of the quarterly period.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information. Prime reimburses clients for all custodian (Fidelity) transaction charges except those incurred in selling assets that transferred into the Prime accounts. Reimbursements are in the form of fee reductions for the current quarter.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Prime Investment Advisors' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, Prime's minimum account requirements may differ among clients.

***ERISA Accounts:*** Prime Investment Advisors is deemed to be a fiduciary to advisory client accounts that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). Prime is subject to specific duties and obligations under ERISA and the Internal Revenue Code that includes among other things, restrictions concerning certain forms of compensation. Prime is a Registered Investment Advisor, and not affiliated with a broker dealer. As such, Prime will only charge fees for its Investment Advisory Services.

***Privacy Policy:*** The policy of Prime is to protect the confidentiality, integrity and security of any nonpublic personal information of clients and prospective clients and to prevent unauthorized access to, or the use or disclosure of such information. Prime collects, retains and uses information about clients only where it is believed to be useful to administer the business and to provide products, services and other opportunities to clients.

Prime collects nonpublic personal information about clients from the following sources: information received from clients; and information about clients' transactions with Prime or others.

Prime does not disclose any nonpublic, personal information about clients to anyone, except as permitted or required by law; when clients have specifically authorized Prime to do so in writing; or when required to execute transactions for client accounts or otherwise to provide services clients have requested. Appropriate notices will be provided to prospective and existing clients concerning Prime's policies and procedures regarding privacy rules.

If a client decides to close his/her account(s) or become an inactive customer, Prime adheres to the privacy policies and practices as described above.

Prime restricts access to clients' personal and account information to those employees who need to know that information to provide products or services to clients. Prime maintains physical, electronic, and procedural safeguards to guard clients' nonpublic personal information.

These policies apply to customers of Prime in its role as a registered investment advisor. Information about customers may be shared with regulators as required.

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

Prime does not charge performance-based fees.

## **Item 7 Types of Clients**

Prime provides advisory services to the following types of clients:

- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations

As previously disclosed in Item 5, Prime has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **METHODS OF ANALYSIS**

Mr. Polan uses a mixture of strategic and tactical asset allocation strategies in designing each client's portfolio asset allocation. All of the clients registered accounts' (individual, joint, trusts and retirement accounts) are aggregated for the purpose of establishing one asset allocation model.

A base-line asset allocation model is designed based on the client's goals and objectives, using an investment policy statement which effectively positions investment assets into various asset classes to systematically diversify the portfolio holdings and emphasize the balance between risk, reward, tax consequences and liquidity.

The portfolio model is strategically rebalanced every six weeks (or sooner, if appropriate), to capitalize on a diversified portfolio of non-correlated asset classes that offers the opportunity to take profits on higher-performing (in-favor) asset classes and reinvest the proceeds in under-performing (out-of-favor) asset classes.

The portfolio model is tactically adjusted to increase or decrease exposure in asset classes that are expected to outperform or underperform for several reasons including 1) economic

forecasts, 2) projected trends in the economic cycle and 3) analysis of portfolio data and institutional research.

In addition to industry specific institutional publications, Mr. Polan subscribes to institutional research services and software tools including:

1. **Morningstar Office** tracks historical statistics and editorial analyses on equity and bond mutual funds; exchange traded funds (ETFs) and stock indices. Morningstar Office also offers analyses of client portfolios in the aggregate and by individual asset, enabling Prime to evaluate specific securities (individual domestic and foreign stocks and bonds) held in mutual funds that are otherwise not transparent. It also contains financial planning software that utilizes Modern Portfolio Theory to optimize Portfolio design through asset allocation and diversification through the Ibbotson Securities database in establishing projected portfolio performance based on recent mutual fund reported holdings.
2. **Principia CAMS** provides asset management reports to evaluate specific client portfolios both correctly and on a historical basis. All non-qualified assets contain accurate tax basis information either directly from Fidelity downloads or manually input based on client records.
3. **AdvisorIntelligence** (a Littman/Gregory Research Service) which provides economic forecasts, asset allocation models, evaluation of individual securities and rankings and other useful resources.
4. **Informa** Information Systems Research Database offers historical statistical data and editorial analyses on Separate Account Managers (SAMs).

These abbreviated descriptions illustrate how Mr. Polan uses these tools in his investment advisory practice and is not intended to be a representation of the products' uses by other advisors.

## Item 9 Disciplinary Information

Prime is required to disclose all legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Prime is also required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which Prime or management personnel were found liable or against whom an award was granted.

Prime and its management personnel have no reportable disciplinary events to disclose.

## Item 10 Other Financial Industry Activities and Affiliations

Clients should be aware that the receipt of additional compensation by Prime Investment Advisors and its management persons or employees creates a conflict of interest that may impair the objectivity of Prime and these individuals when making advisory recommendations.

Prime Investment Advisors endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; Prime takes the following steps to address this conflict:

In addition to the above Investment Advisory Services, Mr. Polan renders services as itemized below, which are not Investment Advisory Services, including: a) individual tax preparation and planning at an hourly fee; b) sale of insurance company products in which a sales commission, in whole or part, will be received by Mr. Polan.



Mr. Polan is an actively licensed CPA in Maryland. He devotes approximately 9% of his time preparing tax returns and counseling clients in Income, Fiduciary, Individual and Gift Taxes at an hourly fee.

Mr. Polan sells insurance products and will receive commission income on the sale of such products. He devotes approximately 3% of his time brokering insurance products either directly or using the services of Stephen Derrick of Complete Financial Services.

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

Prime has adopted a Code of Ethics which sets forth high ethical standards of business conduct that Prime requires of its employees, including compliance with applicable federal securities laws.

Prime Investment Advisors and its personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Prime or individuals associated with Prime are encouraged to invest in mutual funds and ETFs for their personal accounts. However, they are not prohibited from buying or selling individual securities.

It is Prime's policy that no person employed by Prime may purchase or sell any security prior to a transaction(s) being implemented for an advisory account on the same day, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts for that day.

Prime or any related person(s) may have an interest or position in a certain security (ies) (mostly fixed income and equity mutual funds and ETFs) which may also be recommended to a client.

As these situations may represent a conflict of interest, Prime has established the following restrictions in order to ensure its fiduciary responsibilities:

1. A director, officer or employee of Prime shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Prime shall prefer his or her own interest to that of the advisory client.
2. Prime maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. These holdings are reviewed on a regular basis by Mr. Polan, President.
3. Prime requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to termination.

It is further noted that Prime is in and shall continue to be in total compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, Prime has adopted a firm wide policy statement outlining insider trading compliance by Prime and its associated persons and other employees. This statement has been distributed to all associated persons and other employees of Prime and has been signed and dated by each such person. A copy of such firm wide policy is left with such person and the original is maintained in a master file. Further, Prime has adopted a written supervisory procedures statement highlighting the steps which shall be taken to implement the firm wide policy. These materials are also distributed to all associated persons and other employees of Prime. They are signed, dated and filed with the insider trading compliance materials. There are provisions adopted for (1) restricting access to files, (2) providing continuing education, (3) restricting and/or monitoring trading on those securities of which Prime's employees may have nonpublic information, (4) requiring all of Prime's employees to conduct their trading through a specified broker or reporting all transactions promptly to Prime and (5) monitoring the securities trading of the firm and its employees and associated persons.

## **Item 12 Brokerage Practices**

Prime has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Prime with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Prime in conducting business and in serving the best interests of our clients.

Prime uses Fidelity to hold client assets. Fidelity sends independent monthly reports to clients. Prime considered factors in engaging Fidelity as custodian, including; the breadth and cost of

their services and the ability to accurately and timely execute transactions. Prime monitors these factors regularly to ensure that clients are receiving satisfactory service at satisfactory costs. Clients are reimbursed for any transaction costs that Fidelity may impose via a credit to their advisor fees for that quarter (except for transaction fees, commissions/loads or redemption fees incurred to liquidate assets transferred in-kind into the account).



Fidelity enables Prime Investment Advisors to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. As part of the arrangement, Fidelity also makes available to Prime, at an insignificant discount, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as

selected by Prime (within specified parameters).

Prime is not related to Fidelity. Prime has chosen to primarily use two of Fidelity's money market accounts: 1) the Fidelity Tax-Free Money Market Fund and 2) Fidelity Cash Reserves. Prime uses them primarily to hold cash for the immediate needs of the client. On occasion, Prime has invested in the following Fidelity equity mutual funds: Fidelity Low Priced Stock Fund, Fidelity Contrafund, Fidelity Advisor New Insights Fund, Fidelity Emerging Markets Fund, Fidelity Mid Cap Growth Fund, Fidelity Floating Rate and Fidelity Mid Cap Value Fund. These funds were chosen on the merits of the fund's performance. Prime does not receive any compensation for the use of these funds.

## Item 13 Review of Accounts

### INVESTMENT ADVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, the accounts are reviewed at least every 30 to 45 days. Accounts are reviewed in the context of each client's stated investment objectives and guidelines and their assigned asset allocation model. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from Fidelity, Prime provides quarterly reports summarizing account performance, balances and holdings.

Mr. Polan performs the reviews of all client portfolios. Prime does not control the individual stocks held in accounts managed by SAM's. Prime evaluates the SAM's performance as a whole, and may terminate the SAM's contract when in the best interest of the client.

Fixed income positions are money market funds, individual bonds, bond mutual funds or preferred stocks. Individual bonds are selected primarily on issuer's ability to meet their obligations under the bond indenture. Individual bonds are almost always held to maturity. Bond mutual funds are monitored every 30 to 45 days to confirm the appropriateness of the portfolio's average credit quality, average maturity/duration and to verify that average yield is competitive.

Data for all portfolio equities are monitored weekly and compared to a benchmark for relative performance. Prime participates in monthly/quarterly portfolio manager conference calls and contacts portfolio managers more frequently, as is necessary.

Computer generated (unaudited) compilations of quarterly investment balances, with performance statistics and asset distribution, in which applicant is engaged under contract as investment advisor, are provided quarterly.

Clients' assets are held in the custody of Fidelity Investments (Fidelity), an independent custodian, as discussed above. Fidelity independently sends monthly statements for each client account. Prime receives copies of the monthly statements. Clients may review their account positions online at [www.fidelity.com](http://www.fidelity.com).

**CLIENT CONFERENCES:** Mr. Polan is in regular contact with clients as frequently as possible. Clients are encouraged to review their account and economic forecast via face to face or telephone meeting following the release of their quarterly statements.

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

### **CLIENT REFERRALS**

**REFERRALS BY PRIME:** Prime will refer clients to other brokers, to the extent that Prime does not provide certain services. Clients engage these brokerage professionals directly. The broker's products, research and services that are made available to the client are not reviewed by Prime. The broker's commissions are set directly with the client and not reviewed by Prime.

Pursuant to IA-1092, the following statement, is also made by Mr. Polan:

1. Mr. Polan is also an independent insurance broker who is not affiliated with one insurance company. For any non-variable insurance products, Mr. Polan evaluates the insurance carrier and insurance product that best suits the client's needs. He also refers insurance business to Mr. Stephen Derrick of complete Financial Services.
2. Clients are under no obligation to have Prime or its associated persons implement any suggestions made in a written financial plan.



3. If insurance products are sold by either Mr. Polan or Mr. Derrick, commissions could be received by Mr. Polan.
4. Clients shall have total freedom to purchase insurance with any company of their choice.

**REFERRALS TO PRIME:** Prime has a solicitor relationship with Mr. Jeremy Bendler, a CPA practicing in Bethesda, MD. Mr. Bendler's complete biography is available on request.

Mr. Bendler and Prime have entered into a "Solicitor Agreement" and registered Mr. Bendler as an Investment Advisor Representative of Prime. In the ordinary course of Mr. Bendler's professional practice, he is occasionally asked by his clients for referrals to investment professionals. As a solicitor, in the state of Maryland, Mr. Bendler can introduce his clients to Prime for investment services, whereby Prime will pay Mr. Bendler thirty-three percent (33%) of Prime's net investment advisory fees. This arrangement is disclosed to the client in a written "Disclosure Document" which is required to be acknowledged in writing by the client.

Mr. Bendler has satisfied Maryland state requirements by passing the Series 65 exam. In his role as solicitor, Mr. Bendler does not provide personalized investment advice to the client.

## **Item 15 Custody**

Prime has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Prime with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Prime in conducting business and in serving the best interests of our clients.

Prime is not related to Fidelity. Fidelity serves as an independent custodian for all of Prime's clients' assets. With the exception of drafting client quarterly fees, Prime must have the clients approval to transfer assets out of the client's accounts.

Fidelity provides clients with daily access to their account information via online access. They also issue hard copy or electronic statements to clients on a monthly basis. Prime urges clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Clients may hire Prime to provide discretionary asset management services, in which case Prime places trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell;
- Determine the amount of the security to buy or sell; and/or
- Determine the price and time at which to execute a trade.

Clients give Prime discretionary authority when they sign a discretionary investment advisory agreement with Prime, and may limit this authority by giving written instructions. Clients may also change/amend such limitations by once again providing with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, Prime does not vote proxies on behalf of clients. Therefore, although Prime may provide investment advisory services relative to client investment assets, 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. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

## **Item 18 Financial Information**

Under no circumstances does Prime require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, Prime is not required to include a financial statement.

Prime has not been the subject of a bankruptcy petition at any time during the past ten years.

Prime has no additional financial circumstances to report.

## **Item 19 Requirements for State-Registered Advisers**

### **Executive Officer and Management Personnel**

**Stephen Shepard Polan, President**      **Born:** 1956

#### **Education**

- University of Maryland; BA—Accounting; 1978
- University of Baltimore; MS—Taxation; 1985

#### **Business Experience**

- Ernst and Young:  
1978-1980: Audit and Tax Department;
- MCI Communications Corporation:  
1980 to 1986: Federal and State Tax; Employee Benefit Plan;

- Prime Financial Resources;

1986 to Present: President; CPA and Financial Counseling;

- Prime Investment Advisors;

1991 to Present: President; Registered Investment Advisor.

### **Designations**

Stephen Polan has earned the following designation(s) and is in good standing with the granting authorities:

- Certified Public Accountant (CPA)—1978

***Certified Public Accountant (CPA):*** CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels, and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) per year.

Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct which requires that they act with integrity, objectivity, due care, competence; fully disclose any conflicts of interest (and obtain client consent if a conflict exists); maintain client confidentiality, disclose to the client any commission or referral fees; and serve the public interest when providing financial services.

- Certified Financial Planner (CFP)—1994

***Certified Financial Planner (CFP):*** CFP® certificants must pass the comprehensive CFP® Certification Examination, pass CFP Board's Fitness Standards for Candidates and Registrants, agree to abide by CFP Board's Code of Ethics and Professional Responsibility which puts clients' interests first and comply with the Financial Planning Practice Standards which spell out what clients should be able to reasonably expect from the financial planning engagement.

To become certified, CFP's are required to meet various certification requirements, including 1) hold a bachelor's degree from an accredited educational institution; 2) pass the CFP Certification Examination; 3) accumulate five years of relevant personal financial planning experience; and 4) complete the certification to adhere to CFP Board's Code of Ethics and Professional Responsibility, Rules of Conduct and Financial Planning Practice Standards. Once authorized to use the CFP® marks, a CFP must meet CFP Board's renewal standards to continue to use them. The CFP® certification must be renewed every two years.

- Personal Financial Specialist (PFS)—2001

***Personal Financial Specialist (PFS):*** To attain the PFS credential, a candidate must hold an unrevoked CPA license, fulfill 3,000 hours of personal financial planning business experience, complete 80 hours of personal financial planning CPE credits, pass a comprehensive financial planning exam and be an active member of the AICPA. A PFS credential holder is required to adhere to AICPA's Code of Professional Conduct, and is encouraged to follow AICPA's Statement on Responsibilities in Financial Planning Practice. To maintain their PFS credential, the recipient must complete 60 hours of financial planning CPE credits every three years. The PFS credential is administered through the AICPA.

### **Other Business Activities**

Clients should be aware that the receipt of additional compensation by Prime Investment Advisors and its management persons or employees creates a conflict of interest that may impair the objectivity of Prime and these individuals when making advisory recommendations. Prime Investment Advisors endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; Prime takes the following steps to address this conflict:

In addition to the above Investment Supervisory Services, Mr. Polan renders services as itemized below, which are not Investment Supervisory Services, including: A. Individual Tax Preparation and Planning at an hourly fee. B. Sale of insurance company products in which a sales commission, in whole or part, will be received by Mr. Polan.

Mr. Polan is an actively licensed CPA in Maryland. He devotes approximately 23% of his time preparing tax returns and counseling clients in Income, Fiduciary, Individual and Gift Taxes at an hourly fee.

Mr. Polan sells insurance products and will receive commission income on the sale of such products. He devotes approximately 3% of his time brokering insurance products.

### **No Performance Based Fees**

As previously disclosed in Item 6, *(Firm Name)* does not charge performance based fees.

### **No Arbitrations**

Prime Investment Advisors or any of its associated persons have not been the subject of any client arbitrations or similar legal disputes.

### **Material Relationship Maintained by this Advisory Business or Management persons with Issuers of Securities**

None to report

**Part 2B of Form ADV: Firm Brochure Supplement**



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12/05/2011

This brochure supplement provides information about Stephen Shepard Polan that supplements the Prime Investment Advisors brochure. You should have received a copy of that brochure. Please contact Steve Polan 301-951-5233 if you did not receive Prime Investment Advisors' brochure or if you have any questions about the contents of this supplement.

Additional information about Stephen Shepard Polan is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**Item 2 Educational Background and Business Experience**

Please refer to Item 19 for information related to Mr. Polan's educational and business experience.

**Item 3 Disciplinary Information**

Stephen Polan has no reportable disciplinary history.

**Item 4 Other Business Activities**

Please refer to Items 10 and 19 for information related to Mr. Polan's other business activities.

**Item 5 Additional Compensation**

Stephen Polan does not receive any economic benefit from a non-advisory client for the provision of advisory services.

**Item 6 Supervision**

Stephen Polan is the President of Prime Investment Advisors and, therefore, has no supervisor. Prime Investment Advisors has a written Policies and Procedures Manual which is evaluated and updated once a year. The purpose of the Policies and Procedures Manual is to set standards and internal controls for the firm, its employees, and its businesses. These policies and procedures are designed to prevent, detect, and correct any violations of regulatory requirements. They also include other areas such as an outline of the company's best execution practices, insider trading policy, etc.

As President and Chief Compliance Officer of Prime Investment Advisors, it is Stephen Polan's responsibility to ensure that all employees are familiar with and follow the Policies and Procedures as set forth in the manual.

**Item 7 Requirements for State-Registered Advisors**

I have not been the subject of any client arbitrations, similar legal disputes or any bankruptcy filings.