

**WRAP FEE PROGRAM BROCHURE  
APPENDIX 1**  
(PART 2A APPENDIX OF FORM ADV)



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MANAGEMENT

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This wrap fee program brochure provides information about the qualifications and business practices of Prime Wealth Management, Inc. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 510-384-1009. 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 Wealth Management, Inc. (CRD #316446) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**DECEMBER 2021**

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

This update is in accordance with the required annual update for Registered Investment Advisors.

Since the last update on April 23, 2021, the following material changes have occurred:

- In December 2021 due to an influx of assets under management from the firm's new parent company the firm reached the level of assets under management required to move from state to U.S. Securities and Exchange Commission registration.
- Prime Wealth Management Inc., applied as a Registered Investment Advisor in the State of Washington on July 27, 2021
- William Wang, Kevin Floyd and T. Michael Tallman have registered as investment advisor representatives for Prime Wealth Management Inc., for the State of California and Washington State.

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## **Item 4: Services, Fees and Compensation**

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### **Firm Description**

Prime Wealth Management, Inc. ("PWM," "we," "our," or "us"); DBA Prime Wealth Management is an investment advisor registered with the State of California. PWM offers investment advice to clients through the Wrap Fee Program ("Program") based on the individual needs of the client. PWM is the sponsor of the Program. Richard "Rick" D. Prime is responsible for management of the Program accounts. He has been in the financial services industry and an investment advisor representative since 2003.

On April 1, 2021, Richard "Rick" D. Prime, sold 100% of his ownership interest in Prime Wealth Management Inc., to HFG Trust, LLC, thus making Prime Wealth Management, Inc a wholly-owned subsidiary of HFG Trust, LLC ("HFG Trust" or the "Parent"). HFG Trust LLC, is a Washington State limited liability company which received its Trust charter from the State of Washington Department of Financial Institutions, Division of Banks, and is a wholly owned subsidiary of Community First Bank.

This disclosure brochure is limited to describing the Program and other information that client should consider prior to establishing an account in the Program. For a complete description of other programs and services offered by PWM, clients should refer to PWM's Form ADV Part 2A, a copy of which will be provided by PWM to client upon request.

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### **Program Services**

PWM provides continuous and regular supervisory services on a discretionary basis, including but not limited to trading and overall investment management on the client's behalf. Clients contracted prior to May 8, 2017 may have a non-discretionary account with PWM. These accounts are "grandfathered" accounts, any new accounts opened after May 8, 2017 will be required to be on a discretionary basis. We have an ongoing responsibility to select and make recommendations based upon the stated objectives, risk tolerance and time horizons of the client. PWM specializes in the design of portfolios using exchange traded funds (ETF), mutual funds, fixed income assets, closed-end funds, unit investment trusts, options, and cash in managing client accounts. Unmanaged and static client assets will not be charged a management fee. Through interview and/or questionnaire we assist the client in determining their risk tolerance within given time horizons. A single account may be comprised of multiple managers with varying levels of risk, which are based on client stated objectives and risk profile within time horizons.

PWM will create and manage socially conscious investment portfolios when desired by clients who feel it is important to reflect their values through their investments.

Through a multiple step discovery process, PWM obtains the necessary financial data from the client and assists the client in setting appropriate investment objectives for the Program account. PWM obtains updated information from the client during regularly scheduled client performance reviews, as necessary in order to provide personalized investment advice to the client.

Client will be required to enter into a written agreement with PWM in order to establish a Program account. Client will also be required to complete an application with the custodian for Program account assets.

A Wrap Fee Program is an investment advisory program in which you pay one fee for both investment advisory services and the transaction costs in your account. Your fee is bundled with our costs for executing transactions in your account(s). This may result in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee may be charged, but trade execution costs are passed directly through to you by the executing broker.

The Program Fee is not based directly upon the actual transaction or execution costs for the transactions within your account. Depending on the underlying investments in your Program and how much trading activity occurs, you may pay more or less than if you chose another advisory program that does not have a wrap fee, or if you chose to pay separately for all of your transaction costs (e.g., pay the advisory fee plus all transaction charges). PWM offers both a Wrap Fee Program and a Non-Wrap Fee Program, therefore we will review your investment options with you to determine the best offering for you. Similar services to those offered in the Program may be purchased from another unaffiliated financial services provider.

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### Program Fees

The annual investment advisory fee ("Annual Fee") schedule for the Program is described below:

Portfolio value		Maximum Annual Fee	Maximum Quarterly Fee
From	To	Standard Fee %*	
First \$ 0	\$ 250,000	1.30%	0.3250%
Next \$ 250,001	\$ 1,000,000	0.90%	0.2250%
Next \$ 1,000,001	\$ 5,000,000	0.75%	0.1875%
Next \$ 5,000,001	Over	0.50%	0.1250%

\*The fee schedule is a blended schedule whereas when the portfolio value reaches the next threshold, the assets above the threshold are charged the lower percentage.

PWM's annual fee may be negotiable based on several factors, which include but are not limited to "grandfathered" accounts, related accounts, and other structures that we may consider in special situations. In limited situations, we may also manage accounts for family and friends without charge. Individual accounts within the same household (typically family) may be combined for a reduced fee – this will be illustrated on Schedule D of the Investment Agreement between PWM and the client. Fees are billed quarterly in arrears based on the average daily balance of the Client's account during the quarter as valued by the custodian. Quarterly advisory fees deducted from the clients' account by the custodian will be reflected in a provided fee invoice as fees are withdrawn. On a pre-arranged basis, checks may be accepted. Electronic payments are not accepted. Lower fees for comparable services may be available from other sources.

In all instances, the Adviser will send the client a written invoice, including the fee incurred for the quarter and associated refund if applicable due to termination – this includes the formula used to calculate the fee, the fee/refund calculation itself, the time-period covered by the fee/refund, and if applicable, the amount of assets under management on which the fee was based on, and the name of the custodian where the assets under management are held. If there is an outstanding advisory fee, the adviser will send these to the client with the request for payment. We urge the client to compare this information with the fees listed in the account statements.

If an existing advisory fee is charged, and financial planning is within the scope, the financial planning fee will be offset by the existing advisory fee.

Client may terminate the Agreement within five (5) business days of signing, without penalty, and with full refund. If the client cancels after five (5) business days any prepaid fees will be refunded to the client. The agreement may be terminated by either party by giving to the other party thirty (30) days written notice.

Additional deposits and withdrawals will be added or subtracted from account assets, as the case may be, which will lead to an adjustment of the Annual Fee. All Annual Fees are deducted from the account by the custodian unless other arrangements have been made in writing. The Annual Fee is paid to and retained by PWM and the advisory representatives.

In addition to the Annual Fee, client may also incur certain charges imposed by third parties in connection with investments made through Program accounts, including those imposed by the custodian. These may include, but are not limited to, the following: mutual fund or money market 12b-1 fees, sub-transfer agent fees, certain deferred sales charges on previously purchased mutual funds transferred into the account, other transaction charges and service fees, IRA and qualified retirement plan fees, alternative investment administrative fees, administrative servicing fees for trust accounts, creation and development fees or similar fees imposed by unit investment trust sponsors, managed futures investor servicing fees, and other charges required by law. PWM does not receive any portion of these fees. Further information regarding charges and fees assessed by a mutual fund or variable annuity are available in the appropriate prospectus.

Mutual funds may also charge a redemption fee if a redemption is made within a specific time period following the investment. The terms of any redemption fee are disclosed in the fund's prospectus. Transactions in mutual fund shares (e.g., for rebalancing, liquidations, deposits, or tax harvesting) may be subject to a fund's frequent trading policy.

Client should be aware that margin borrowing involves additional risks. Margin borrowing will result in increased gain if the value of the securities in the account go up, but will result in increased losses if the account value decreases.

Our investment advisory representatives receive a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as their salary from our firm. In cases where our investment advisory representatives are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some

cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

As an investment adviser registered under the Securities Act of Washington, and other applicable federal and state securities laws, the Adviser owes the client a fiduciary duty to put the Client's interest first which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith.

## **Item 5: Account Requirements and Types of Clients**

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### **Account Minimum**

PWM requires a minimum of \$1,000,000 to open an account, but the firm does have the discretion to accept accounts with less assets. Minimum size accounts are accepted as an accommodation to clients with multiple accounts, and/or for those making regular additions to their account(s). PWM's target minimum is \$1,000,000, as it allows for greater diversification opportunities and allocation flexibility.

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### **Types of Clients**

PWM generally provides investment advice to individuals, high net worth individuals, charitable organizations, and pension and profit sharing plans.

## **Item 6: Portfolio Manager Selection and Evaluation**

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### **Portfolio Manager**

Rick Prime will manage all Program accounts. Clients make the decision to select PWM as their portfolio manager.

In general, all individuals that render investment advice on behalf of PWM are required to have a college degree and/or a professional designation and/or five (5) years of equivalent industry experience. In addition, all advisory representatives must be properly registered.

Each individual will be reviewed and considered on a case-by-case basis by an executive member of HFG Trust. PWM and HFG Trust require that individuals be honest, possess high morals, adhere to established ethical standards, be committed to continuous industry learning, provide high quality investment advice, and always place the clients' best interest first. The Adviser owes the client a fiduciary duty to put the client's interest first, which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith. Additionally, advisory representatives will be required to pass regulatory examinations and obtain any required licenses and are encouraged to earn professional designations.

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### **Conflicts of Interest**

In establishing a Program account, client elects to appoint TD Ameritrade Institutional, a Division of TD Ameritrade, Inc., member FINRA/SIPC or Charles Schwab & Co., Inc. ("Schwab"), Millennium Trust Company, or Matrix Trust Company division of Broadridge Financial Solutions, Inc as the broker/dealer and custodian with respect to processing securities transactions for the Program account. PWM does not maintain custody of client assets.



Securities transactions for Program account are affected without commissions being charged to client. While PWM makes every attempt to obtain the best execution possible, there is no assurance that it will be obtained. Clients should consider whether or not the appointment of the custodian may or may not result in certain costs or disadvantages to the client as a result of possibly less favorable executions. In considering whether or not to restrict the execution of transactions through TD Ameritrade or Schwab considered the capabilities of TD Ameritrade or Schwab.

Although client will not be charged a transaction charge for transactions through the custodian, client should be aware that PWM will be required to pay transaction charges to the custodian. The transaction charges borne by PWM vary based on the type of transactions (e.g., mutual fund, equity or fixed income security) and for mutual funds based on whether or not the mutual fund pays 12b-1 fees and/or sub-transfer agent fees that are retained by the custodian in amounts sufficient to cover the majority of trading costs. Client should understand that the cost to PWM of transaction charges may be a factor PWM considers when deciding which securities to select and whether or not to place transactions in a Program account.

No agency-cross transactions or principal transactions are affected by PWM in Program accounts.

PWM may aggregate transactions for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained.

Advisor participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade "), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, PWM participates in TD Ameritrade's institutional customer program and PWM may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for

business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

The fees not included in the advisory fee for our wrap services are 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), fees for trades executed away from the custodian, mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

The Program may cost the client more or less than purchasing Program services separately. Factors that bear upon the cost of the Program account in relation to the cost of the same services purchased separately include: the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client related services provided to the account.

Schwab has eliminated commissions for online trades of equities, ETFs and options (subject to \$0.65 per contract fee). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to Schwab. We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If you choose to enter into a wrap fee arrangement, your total cost to invest could exceed the cost of paying for brokerage and advisory services separately. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [schwab.com/aspricingguide](https://schwab.com/aspricingguide).

The Annual Fee is an ongoing fee for investment advisory services and may cost the client more than if the assets were held in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a Program account.

PWM receives compensation as a result of the client's participation in the Program. The amount of this compensation may be more or less than what PWM would receive if the client participated in other programs or paid separately for investment advice, brokerage and other client services. Therefore, PWM may have a financial incentive to recommend the Program account over other programs and services. PWM acts as the portfolio manager for the Program and retains the management fee less execution costs. This may create a conflict

of interest because PWM may have a disincentive to trade securities in the account to keep the execution costs low therefore retaining a larger portion of the management fee.

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### **Advisory Business**

PWM offers clients an asset management account through the Program in which PWM directs and manages Program assets for client.

Client provided goals and objectives are documented in individual client files. Investment strategies are created that reflect the stated goals and objective.

A client may impose restrictions on a minimum level of cash they want in their account, as well as from which account they want their withdrawals to come. Also, a client may issue restrictions on what specific securities or security types they do not want PWM to buy or sell in their account.

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### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

PWM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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### **Methods of Analysis**

PWM's method of investment selection is based on the premise that asset allocation is the primary determinant of a portfolio's return variability, with security selection and market-timing playing minor roles, although PWM may employ a wide range of methods to manage portfolios and evaluate investments. PWM's analysis is based on sources of information from academic research materials, corporate rating services, financial publications, annual reports, prospectuses, and filings with the SEC.

PWM's investment philosophy is grounded in Modern Portfolio Theory, which refers to the process of reducing risk in a portfolio through systematic diversification across and within asset classes. PWM typically adheres to the passive style of investing and, thus, recommends passive, asset-class mutual funds and exchange-traded funds. PWM typically does not recommend individual stocks, bonds, actively managed mutual funds, or annuity products or related sub-accounts in its asset allocation strategies and portfolio recommendations to clients. Variable investment products are not recommended for purchase.

PWM analyzes exchange traded funds and mutual funds recommended to clients based on the fund's total operating expenses, portfolio turnover, investment objective and investment restrictions and limitations. PWM typically recommends that clients invest in exchange traded funds and no-load institutional mutual funds that have low operating expenses, low portfolio turnover, below-average capital gains distributions and a fundamental investment objective of investing in a particular asset class. If unmanaged products, including but not limited to unmanaged cash and non-traded REITs, are recommended for managed accounts, including static client assets, these assets will not be included in the Adviser's management fee calculation.

PWM believes in diversified asset-class exposure obtained primarily through a diversified mix of low cost mutual funds and exchange-traded funds that represent desired asset classes. Mutual funds and exchange traded funds recommended by PWM typically invest in some or all of the following types of securities:

- U.S. Stocks of any market capitalization
- Foreign Stocks, including Emerging Markets
- Investment Grade Fixed Income Securities (Domestic and Foreign)
- U.S. Government and Government Agency Securities
- Real Estate Investment Trusts (Domestic and Foreign)
- Natural Resources and Commodity Funds
- Money market funds

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### **General Investment Strategy**

Asset allocation models and specific funds recommended to clients typically are set forth in the client Investment Policy Statement. PWM primarily recommends low cost exchange traded funds or mutual funds for the reason that such funds can provide a diversified portfolio that is designed to, and may limit the impact of large fluctuations in values of individual stocks and bonds. Exchange traded funds and Mutual funds do not offer protection from market volatility. At times, different funds may be recommended to improve client portfolios. Upon the request of a client, PWM may provide a limited review of client assets for which we do not have discretionary authority in the context of the overall plan. PWM invests for the long-term and does not engage in market timing.

PWM generally does not recommend individual stocks or bonds, but certain exceptions may be made in cases where the stocks were obtained before becoming a client or are requested by the client and may be difficult to liquidate to tax issues or personal preference. PWM monitors individual stock exposure in the overall portfolio.

PWM may give advice and take action with respect to other clients that is different from the advice, timing, and nature of action taken with respect to your account. Timing, allocation, and types of investments are determined as part of each client's overall financial plan.

PWM typically uses long-term investment strategies to implement investment advice given to clients. A long-term purchase strategy generally assumes the financial markets will go up in the long-term, which may not be the case. There is also the risk that certain segments of the market that you are invested in will go down over time even if the overall financial markets advance. Purchasing investments long-term may involve an opportunity cost – that of “locking-up” assets that may be better utilized in the short-term for other investments.

There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

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### **Security Specific Material Risks**

Investing in securities involves risk of loss that clients should be prepared to bear. Risk refers to the possibility that you will lose money (both principal and any earnings) or fail to make

money on an investment. PWM cannot guarantee that it will achieve a client's investment objective. Investors face the following investment risks and should discuss these risks with PWM:

- *Market Risk:* The prices of securities held by mutual funds in which clients invest may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by a fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations. Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value.
- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Management Risk:* The advisor's investment approach may fail to produce the intended results. If the advisor's assumptions regarding the performance of a specific asset class or fund are not realized in the expected time frame, the overall performance of the client's portfolio may suffer.
- *Equity Risk:* Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
- *Fixed Income Risk:* The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating

of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by a fund is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.

- *Investment Companies Risk:* When a client invests in open end mutual funds or ETFs, the client indirectly bears their proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value or (ii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. Adviser has no control over the risks taken by the underlying funds in which client invests.
- *REIT Risk:* To the extent that a client invests in REITs, it is subject to risks generally associated with investing in real estate, such as (i) possible declines in the value of real estate, (ii) adverse general and local economic conditions, (iii) possible lack of availability of mortgage funds, (iv) changes in interest rates, and (v) environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.
- *Derivatives Risk:* Funds in a client's portfolio may use derivative instruments. The value of these derivative instruments derives from the value of an underlying asset, currency or index. Investments by a fund in such underlying funds may involve the risk that the value of the underlying fund's derivatives may rise or fall more rapidly than other investments, and the risk that an underlying fund may lose more than the amount that it invested in the derivative instrument in the first place. Derivative instruments also involve the risk that other parties to the derivative contract may fail to meet their obligations, which could cause losses.
- *Foreign Securities Risk:* Funds in which clients invest may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional

conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

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### **Proxy Voting**

PWM does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent.

When assistance on voting proxies is requested, PWM will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client

## **Item 7: Client Information Provided to Portfolio Managers**

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### **Description**

PWM obtains the necessary financial data from the client and assists the client in setting appropriate investment objectives for the Program account. PWM obtains updated information from the client as necessary to provide personalized investment advice to the client. It is the client's responsibility to inform PWM of any changes in their stated objectives, financial situation, life circumstances or risk tolerance.

Client will be required to enter into a written agreement with PWM in order to establish a Program account. Client will also be required to complete an application with the broker/dealer that will act as custodian for Program account assets.

## **Item 8: Client Contact with Portfolio Managers**

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### **Restrictions**

There are no restrictions placed on clients' ability to contact and consult with the portfolio managers since Rick Prime is the portfolio manager.

## **Item 9: Additional Information**

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### **Disciplinary Information**

#### Criminal or Civil Actions

The firm and its management have not been involved in any criminal or civil action required to be reported. The firm and its management have not been subject to any self-regulatory organization (SRO) proceedings.

#### Administrative Enforcement Proceedings

The firm and its management persons have not been subject to any administrative proceedings.

#### Self Regulatory Organization Enforcement Proceedings

The firm and its management have not been involved in legal or disciplinary events related to past or present investment clients required to be reported.

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

#### Broker-Dealer or Representative Registration

PWM is not registered as a broker-dealer and no affiliates are registered representatives of a broker-dealer.

#### Futures or Commodity Registration

PWM does not have an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

#### Material Relationships Maintained by this Advisory Business and Conflicts of Interest

Rick Prime maintains an independent insurance license for the purpose of providing insurance advice. Less than 1% of the affiliate's time is spent on insurance practices. Affiliates and employees of PWM do not receive compensation in the form of commissions for the sale of insurance products. Clients may be referred to insurance agents which no financial relationship exists with PWM or its affiliates. Clients have the option to purchase these products through another insurance agent or broker of their choosing.

#### Recommendations or Selections of Other Investment Advisors and Conflicts of Interest

PWM does not utilize the services of third-party money managers.

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### **Code of Ethics Description**

The employees of PWM have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of PWM employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of PWM. The Code reflects PWM and its supervised persons' responsibility to act in the best interest of their client.

One area the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

PWM's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of PWM may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

PWM's Code is based on the guiding principle that the interests of the client are our top priority. PWM's officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When a conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.



The Code applies to “access” persons. “Access” persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

As an investment adviser registered under the Securities Act of Washington, and other applicable federal and state securities laws, the Adviser owes the client a fiduciary duty to put the Client's interest first which includes, but is not limited to, a duty of care, loyalty, obedience, and utmost good faith.

Investment Recommendations Involving a Material Financial Interest and Conflict of Interest  
PWM and its employees do not recommend to client's securities in which we have a material financial interest.

Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest  
PWM employees may buy or sell securities that are also held by clients. In order to avoid conflicts of interest such as front running of client trades, employees are required to disclose all reportable securities transactions as well as provide PWM with copies of their brokerage statements.

The Chief Compliance Officer of PWM is Rick Prime. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest

PWM does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, employees may buy or sell securities at the same time they buy or sell securities for clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide PWM with copies of their brokerage statements.

The Chief Compliance Officer of PWM is Rick Prime. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

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## **Review of Accounts**

Schedule for Periodic Review of Client Accounts and Advisory Persons Involved

Account reviews are performed quarterly when preparing client reports, in addition to being reviewed annually and more often depending on the nature of the account and client relationship. All reviews are conducted by Rick Prime. Account reviews are performed more frequently when market conditions dictate. Client accounts are also monitored by HFG Trust.

#### Review of Client Accounts on Non-Periodic Basis

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

#### Content of Client Provided Reports and Frequency

Clients receive account statements usually on a monthly basis, but no less than quarterly for managed accounts. Account performance reports are issued on a quarterly basis.

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

#### Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

As disclosed above, PWM participates in TD Ameritrade's Institutional advisor program or Charles Schwab & Co., Inc. (Schwab) and PWM may recommend TD Ameritrade or Schwab to Clients for custody and brokerage services. There is no direct link between PWM's participation in the program and the investment advice it gives to its Clients, although PWM receives economic benefits through its participation in the program that are typically not available to retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving PWM participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to PWM by third party vendors.

Custodians may also have paid for business consulting and professional services received by PWM's related persons. Some of the products and services made available by the custodian through the program may benefit PWM but may not benefit its Client accounts. These products or services may assist PWM in managing and administering Client accounts, including accounts not maintained at PWM's custodian. Other services made available by custodians are intended to help PWM manage and further develop its business enterprise. The benefits received by PWM or its personnel through participation in the program does not depend on the amount of brokerage transactions directed to the custodian. As part of its fiduciary duties to clients, PWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by PWM or its related persons in and of itself creates a conflict of interest and may indirectly influence the PWM's choice of custodian for custody and brokerage services.

#### Advisory Firm Payments for Client Referrals

PWM does not compensate for client referrals, nor receive compensation for client referrals to third-party advisors

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**Financial Information**Balance Sheet

A balance sheet is not required to be provided because PWM does not serve as a custodian for client funds or securities and PWM does not require prepayment of fees of more than \$500 per client and six months or more in advance.

Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

PWM has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

Bankruptcy Petitions during the Past Ten Years

Neither PWM nor its management has had any bankruptcy petitions in the last ten years.