

# Prism Capital Management, LLC

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01/01/2017

This Brochure provides information about the qualifications and business practices of Prism Capital Management, LLC. hereafter known as “Prism”. If you have any questions about the contents of this Brochure, please contact us at 206-443-4321 and/or [ddrews@prismadvisor.com](mailto:ddrews@prismadvisor.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.

Prism is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provides information with which you can determine to hire or retain an Adviser.

Client may cancel the management agreement without penalty within five business days of signing the agreement if the client was not furnished a copy of Form ADV Part 2 at least 48 hours prior to signing the agreement.

Additional information about Prism also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CRD#135440

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated 05/28/2013 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Dieter Drews J.D., Founder/CEO at 206-443-4321 or [ddrews@prismadvisor.com](mailto:ddrews@prismadvisor.com). Our Brochure is also available on our web site [www.prismadvisor.com](http://www.prismadvisor.com), also free of charge.

Additional information about Prism is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Prism who are registered, or are required to be registered, as investment adviser representatives of Prism.

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#### **Item 4 – Advisory Business**

Prism offers a wide range of investment advisory services to its Clients. In its capacity as an Advisor, Prism will provide various information including its ADV Part 2 brochure, investment philosophy, performance, fee structure, et cetera, when they originally contact or are contacted by prospective discretionary portfolio management advisory clients. Once retained as the discretionary portfolio management advisor, Prism will ascertain data such as the investment goals, objectives and risk tolerance levels of the client(s), which will be utilized in the development of a personalized and proprietary asset allocation investments plan. The implementation of the plan will commence upon the execution of an Investment Management Agreement by the Client and Advisor for discretionary execution of all account transactions on the client(s)' behalf. Prism offers Trust Company of America (TCA) as custodian to new clients. TD Ameritrade (TDA) is available as custodian to current TDA clients or to new clients with needs not offered through TCA. Jefferson National is offered to current and new clients requiring annuities.

Prism will execute securities transactions for client Accounts in individual accounts held at TCA. All brokerage transactions within the Account are entered through TCA of execution either through TCA's affiliated broker-dealer TCA Advisors Network, Inc., member FINRA/SIPC, or through other broker-dealers as may be directed by us. Cash in the Account carried by TCA is protected by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Coverage does not protect against a decline in the market value of securities. TCA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity account within the Account. Neither TCA Advisors Network Inc. nor Prism will act as a custodian for any Account. Rather, TCA or the applicable insurance companies will maintain custody of all funds and securities. The annual discretionary management Account fees service will be negotiated with each client; Prism will quote an exact percentage to each client based on both the complexity and total dollar asset value of that account.

Short sales; margin transaction; and option writing, including covered options, uncovered options, or spreading strategies are only available to TDA clients. TCA does not offer these choices.

Prism is available to meet with clients on a by-appointment-only basis. Appointments are required. Prism's main office is located in Seattle, WA. Phone call answering hours are 7:00am to 4:30pm PST Monday through Thursday and 7:00am to 1:00pm PST Friday; closed on NYSE holidays. Special arrangements can be made to accommodate Washington clients who live outside of the Seattle area and wish to meet with an advisor or staff member.

## Item 5 – Fees and Compensation

Fees are as follows:

\$200 per annum – \$10,000 to \$30,000  
2.00% - \$30,001 to \$100,000  
1.75% - \$100,001 to \$250,000  
1.50% - \$250,000 to \$500,000  
1.25% - \$500,001 to \$1,000,000  
1.00% - over \$1,000,000

The specific manner in which management fees are charged by Prism is established in a client's written Investment Management Agreement with Prism. Prism will generally bill its fees on a quarterly basis. TCA clients are billed in arrears, TDA and all other custodian clients are billed in advance. Fees are generally deducted directly from the client's account. Clients may request, in writing, that fees may be deducted from a master account for the benefit of other accounts within the group or household. In the event that the billed master account is closed, fee deduction will be levied from the account generating the fee.

Management fees for TDA clients will be paid quarterly in advance, with payment due within 10 days from the date of the invoice. A late charge of 1½% per month may be charged upon any balance unpaid within one month of the invoice date. The fee will be equal to the agreed upon rate per annum, times the market value of the account at the end of the previous quarter, divided by four quarters. The market value will be construed to equal sum of the values of all assets in the account, not adjusted by any margin debit. Fees for partial quarter at the commencement or termination of this Agreement will be billed or refunded on a pro-rated basis contingent on the number of days the account was open during the quarter. Quarterly fee adjustments for additional assets received into the account during a quarter or for partial withdrawals will also be provided on the pro rata basis.

All brokerage commissions, stock transfer fees and other similar charges incurred in connection with transactions for the account will be paid out of the assets in the account and are in addition to the investment management fees paid to Prism.

Management fees for TCA clients will be calculated at the beginning of a quarterly periodic schedule and based on the Average Daily Balance (ADB) of the client's account assets under management for the previous period. The ADB considers neither unprocessed securities nor days when the Account has a zero balance. At the beginning of each period, TCA will provide clients a quarterly brokerage account statement for the prior quarter that will

include a Management Fee Notification disclosing the ADB computed fee, any adjustment, and net fee to be automatically deducted later in the period from the client's cash position held within the Account. A client Account that is opened mid-period will be charged an initial management fee that includes a portion of the fee that is pro-rated for the number of days that the Account is opened in the first period.

Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Prism's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Prism's fee, and Prism shall not receive any portion of these commissions, fees, and costs.

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

Prism does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

Prism provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions. The account minimum is \$50,000. A group or household may be accepted when the aggregate meets or exceeds \$50,000.

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

Prism will act primarily for the benefit of the Client. Prism cannot warrant or guarantee any particular level of account performance, or that account will be profitable over time. Not every investment decision or recommendation made by Prism will be profitable. Client assumes all market risk involved in the investment of account assets under the Investment Advisory Agreement and understands that investment decisions made for this account are subject to various market, currency, economic, political and business risks. Except as may otherwise be provided by law, Advisor will not be liable to client for any loss arising from Prism's adherence to Client's instructions.

**“Investing in securities involves risk of loss that clients should be prepared to bear.”**

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Prism or the integrity of Prism's management. Prism has no information applicable to this Item.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Prism may use the services of TCA, TDA or Jefferson National when managing client assets. Prism may select and monitor third party money managers to manage client assets.

## Item 11 - Code of Ethics

Prism has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Prism must acknowledge the terms of the Code of Ethics annually, or as amended.

Prism anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Prism has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Prism, its affiliates and/or clients, directly or indirectly, have a position of interest. Prism's employees and persons associated with Prism are required to follow Prism's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Prism and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Prism's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Prism will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Prism's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Prism and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Prism's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Prism will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.



Prism's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Dieter Drews, JD.

It is Prism's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Prism will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

#### **Item 12 – Brokerage Practices**

Upon receiving written authorizations from the client, Prism may manage client's assets on a discretionary basis and is prohibited from withdrawing funds and/or securities from client accounts. Furthermore, discretionary trading authority is limited to exchanges in variable annuity subaccounts, no-load funds and load funds at Net Asset Value (NAV). Clients wishing to implement the advice of Prism are free to select any broker they desire and are so informed. If the client's inclination is to have Prism implement the advice in their capacity as investment advisor, TCA will be used. TCA has a wide range of approved securities products for which it performs due diligence on prior to selection, and the investment advisors are required to adhere to these products when implementing securities transactions through TCA. The commissions charged by TCA may be higher or lower than commissions clients may be able to obtain if the transactions were implemented through another broker/dealer.

#### **Item 13 – Review of Accounts**

It is anticipated that Dieter Drews, J.D., Founder and CEO of Prism, to ensure that the portfolio continues to meet the needs of the client, will review each portfolio at least quarterly. Significant changes in macro-economic conditions, the securities market and/or client circumstances may result in more frequent reviews of individual portfolios. It is the

client's responsibility to notify Applicant of any changes of circumstances related to client objectives and/or needs.

Portfolio analysis is performed to facilitate the formulation of asset allocation strategies with the achievement of client investment objectives being the primary concern. Subject to the specific investment objectives of each client, macro-economic conditions and the market environment, Prism generally structures portfolios with either a concentration in equities which are commonly referred to as stock (or stocks) and equity-based investments such as mutual funds; fixed income investments such as bonds or bond mutual funds; or as a combination of equities and fixed-income investments. Subject to individual client objectives, allocation among equities, bonds and cash in each portfolio will change with relation to either relevant advantageous or disadvantageous market and/or economic conditions. Historic data are part of the investment decision-making process for future planning, past performance is neither indicative or nor a guarantee of future results. Due to the dynamically changing nature of the tax laws, it should be noted that although tax implications are considered when making investment selection and trading decisions, such decisions are made with the relevant tax code in existence at the time the decision is made. Future negative ramifications of such decisions based on subsequent changes in the tax laws that are unforeseen are not the responsibility of Prism.

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

Prism has no arrangements, written or oral, in which it compensates for referrals.

#### **Item 15 - Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Prism urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Advisor is in compliance with WAC 460-24A-108.

### **Item 16 – Investment Discretion**

Prism usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Prism observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Prism’s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Prism in writing.

### **Item 17 – Voting *Client* Securities**

As a matter of firm policy and practice, Prism does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Prism may provide advice to clients regarding the clients’ voting of proxies.

### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Prism’s financial condition. Prism has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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

Prism requires appropriate educational training and/or business experience for persons providing investment advice to clients. Typically, this would consist of a college degree and other professional designations or equivalent business management experience.

Dieter U Drews, JD; Founder/CEO

**EDUCATION**

1991 - University of Chicago  
Chicago, IL  
Bachelor of Arts Business

1997 - Syracuse University College of Law  
Syracuse, NY  
Juris Doctorate  
Federal Taxation/Economics

**Item 19 – Requirements for State-Registered Advisers cont.**

**EXPERIENCE**

1997 -2000  
Prudential Securities  
Syracuse, NY

2000 – 2005  
Charles Schwab & Co  
Seattle, WA

2005 - Present  
Prism Capital Management, LLC  
Seattle, WA

Year of birth: 1969