



PROSPERITY CAPITAL ADVISORS

FORM ADV PART 2A – BROCHURE

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Effective Date – March 30, 2012

This brochure provides information about the qualifications and business practices of PROSPERITY CAPITAL ADVISORS (hereinafter "PCA"). If you have any questions about the contents of this brochure, please contact Clint Pelfrey at (888) 240-1923. 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 PROSPERITY CAPITAL ADVISORS is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Prosperity Capital Advisors is 156480.

*PROSPERITY CAPITAL ADVISORS is an SEC registered investment adviser.
Registration does not imply any level of skill or training.*

Item 2. Material Changes

This item discusses only the material changes that have occurred since a previous last annual update.

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Item 4. Advisory Business

PCA provides financial planning, consulting and investment management services. Prior to engaging PCA to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with PCA setting forth the terms and conditions under which PCA renders its services (collectively the “*Agreement*”).

PCA has been in business since February 2011. PCA is the trade name of C2P Capital Advisory Group, LLC, of which Jason L Smith, David M. Alison, Clint Pelfrey and Pablo Terra are the principal owners. This Disclosure Brochure describes PCA’s the business. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of PCA’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on PCA’s behalf and is subject to PCA’s supervision or control.

Asset Management Services

Clients can engage PCA to manage all or a portion of their assets on a discretionary basis. PCA emphasizes continuous and regular account supervision. As part of its asset management service, PCA primarily allocates clients’ investment management assets among *Independent Managers* (as defined below), mutual funds, options, exchange-traded funds (“ETFs”), and individual debt and equity securities in accordance with the investment objectives of the client. PCA also provides advice about any type of investment held in clients’ portfolios.

PCA also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client’s primary custodian. In so doing, PCA either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

PCA tailors its advisory services to the individual needs of clients. Each portfolio will be initially designed to meet a particular investment goal, which PCA determines to be suitable to the client’s circumstances including: investment needs, goals, objectives, risk tolerance and time horizon.

Clients are advised to promptly notify PCA if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon PCA’s management services.

Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in PCA’s sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Financial Planning Services

PCA may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include business planning, investment planning, insurance, retirement, estate planning, charitable planning, education planning, corporate and personal tax planning, mortgage/debt analysis and personal financial planning.

PCA's written financial plans or consultations usually include general recommendations for a course of activity or specific actions to be taken by the client. For example, PCA may recommend that clients begin or revise an investment program, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. Clients who engage PCA to provide written financial plans will be provided with a written summary of their financial situation, PCA's observations and recommendations. For financial consulting arrangements, PCA's service is typically less formal and does not include a written summary. Plans or consultations are typically completed within six months from the beginning of the engagement, assuming that the client has provided the necessary documentation and other information requested by PCA.

In performing its services, PCA is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. PCA may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if PCA recommends its own services. The client is under no obligation to act upon any of the recommendations made by PCA under a financial planning or consulting engagement or to engage the services of any such recommended professional, including PCA itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of PCA's recommendations. Clients are advised that it remains their responsibility to promptly notify PCA if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising PCA's previous recommendations and/or services.

Investment Consulting Services – Mutual Fund Asset Allocations

PCA may engage in agreements to provide investment consulting services for a fee, based on either a flat fee or a percentage of assets under management to other Independent Investment Advisors ("Advisor(s)").

Clients of Advisor(s), who subscribe to this service, will have their assets managed in accordance with the available model asset allocations. Under the service, PCA will provide research and build, monitor and update these model asset allocations. PCA will provide the information to Advisors to implement and execute and the Advisor(s) will manage the Client's Account in accordance with the appropriate model asset allocations. The Advisor(s) will provide individualized investment advice concerning funds to be invested by the Client. The collaboration between PCA and the Advisor(s) will provide Clients with investment analysis, allocation of investments, quarterly portfolio summaries and ongoing monitoring services for the portfolio assets.

The Advisor will be solely responsible for the day-to-day investment management decisions for the Account(s). PCA is not responsible for making, nor is authorized to make, such decisions. PCA is responsible only for the management, research, and monitoring of the subscribed to, model asset allocations.

Retirement Plan Services

PCA may engage itself to assist businesses and non-profit organizations with their 401k and employee benefit plans. The firm will assist these businesses and organizations to ensure that these plans meet the employer's and employee's needs and that they comply with the necessary regulations.

Trustees and Investment Committees

PCA provides investment advisory services to investment committees and trustees of Defined Benefit Plans, Non-Participant directed 401k plans and Non Profit Organizations. PCA may act either as an ERISA 3(38) Investment Fiduciary thereby implementing and managing the investments decisions agreed upon in the Investment Policy Statement or as a 3(21) Investment Fiduciary providing investment advice for a fee to the trustees or the committee to implement.

Participant Directed Retirement Plans

PCA provides investment advisory services to investment committees and trustees of Participant Directed Retirement Plans. PCA may act either as an ERISA 3(38) Investment Fiduciary thereby implementing and managing the investments decisions agreed upon in the Investment Policy Statement or as a 3(21) Investment Fiduciary providing investment advice for a fee to the trustees or the committee to implement.

Use of Independent Managers

As mentioned above, PCA recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between PCA or the client and the designated *Independent Managers*. PCA renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of *Independent Managers*. PCA also monitors and reviews the account performance and the client's investment objectives. PCA receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, PCA reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that PCA considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, PCA's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by PCA, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to PCA's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than PCA. In such instances, PCA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Sponsor / Manager of Wrap Program

PCA is the sponsor and manager of the PCA Wrap Fee Program (the "*Program*"). In the event the client participates in the *Program*, PCA provides its investment management services and arranges for brokerage transactions under a single annualized fee.

Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure.

Item 5. Fees and Compensation

PCA offers its services on a fee basis, which may include fixed fees as well as fees based upon assets under management. Additionally, certain of PCA's *Supervised Persons*, in their individual capacities, may offer insurance products under a commission arrangement.

Financial Planning and Consulting Fees

PCA may charge a fixed fee for financial planning and consulting services. These fees are negotiable, but generally range from \$500 to \$15,000 on a fixed fee basis depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. Should the client opt to engage the firm for an annual update of the Financial Plan, such annual updates will be provided for a flat fee generally ranging from \$100 to \$1,000. If the client engages PCA for additional investment advisory services, PCA may, in its sole discretion, offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging PCA to provide financial planning and/or consulting services, the client is required to enter into a written agreement with PCA setting forth the terms and conditions of the engagement. Generally, PCA requires one-half of the financial planning/consulting fee payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

Investment Management Fee

PCA provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by PCA. PCA's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. PCA does not, however, receive any portion of these commissions, fees, and costs. PCA's annual fee is prorated and charged monthly, in arrears, based upon the market value of the assets being managed by PCA on the last day of the previous month. The annual fee typically varies (between 0.50% and 2.50%) depending upon a number of factors, including the market value of the assets under

management, whether the client participates in the *Program*, and the type of investment management services to be rendered, as follows:

PCA, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (*e.g.*, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

Investment Consulting – Mutual Fund Asset Allocations

Fees for Investment Consulting Services are negotiated and agreed upon on a case-by-case basis and are offered to professional financial services firms only, not to individual investors.

Retirement Plan Services

Trustees and Investment Committees

Fees assessed for services provided to Trustees and Investment Committees are negotiated on a plan-by-plan basis, based on the complexity of plan. For ongoing services, PCA will receive an annual fee, paid monthly, and normally based upon a percentage of the plan's total assets. These fees are in addition to any custodial, record-keeping, or investment management fees (from Mutual Funds, ETF's, etc.). Services may be terminated by either party, at any time, by giving written notice to the other. Any collected, unearned fees will be returned to the client.

All fees are either paid directly by the plan sponsor or are charged directly to the participants through the plan's record-keeper. PCA receives no compensation from 12(b)-1 fees or revenue sharing programs. Any revenue sharing programs paid out by fund companies are collected by the custodian and/or record keeper and used to offset both the custodial and/or record-keeping expenses (if there are excess fees, it is the plan sponsor's discretion how these dollars are to be used). Upon termination, any fees paid in advanced and not earned will be refunded to the client.

Participant Directed Retirement Plans

Fees charged for Investment Advisory Services for PCA's Retirement Plan Services are in addition to any custodial, recordkeeping, or investment management fees (from Mutual Funds, ETF's, etc.). Services may be terminated by either party, at any time, by giving written notice to the other. Any collected, unearned fees will be returned to the client.

All fees are either paid directly by the plan sponsor or are charged directly to the participants through the plan's record-keeper. PCA receives no compensation from 12(b)-1 fees or revenue sharing programs. Any revenue sharing programs paid out by fund companies are collected by the custodian and/or record keeper and used to offset both the custodial and/or record-keeping expenses (if there are excess fees, it is the plan sponsor's discretion how these dollars are to be used). Upon termination, any fees paid in advanced and not earned will be refunded to the client.

Fees are negotiated and agreed upon on a case-by-case basis.

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), PCA generally recommends that clients utilize the brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“TD Ameritrade”). TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. PCA receives some benefits from TD Ameritrade through its participation in the program.

PCA may only implement its investment management recommendations after the client has arranged for and furnished PCA with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, TD Ameritrade, any other broker-dealer recommended by PCA, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “Financial Institutions”).

Clients may incur certain charges imposed by the Financial Institutions and other third parties such as fees charged by Independent Managers (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to PCA’s fee.

PCA’s Agreement and the separate agreement with any Financial Institutions may authorize PCA or Independent Managers to debit the client’s account for the amount of PCA’s fee and to directly remit that management fee to PCA or the Independent Managers. Any Financial Institutions recommended by PCA have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PCA

Fees for Management During Partial Months of Service

For the initial period of investment management services, the fees are calculated on a pro rata basis.

The Agreement between PCA and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. PCA’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to PCA’s right to terminate an account. Additions may be in cash or securities provided that PCA reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to PCA, subject to the usual and customary securities settlement procedures. However, PCA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. PCA may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees

assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a month the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the month.

Item 6. Performance-Based Fees and Side-by-Side Management

PCA does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

PCA primarily provides its services to individuals, trusts, estates, businesses, non-for-profit organizations, fraternal organizations, charitable organizations, and institutional public fund accounts.

Minimum Account Size and/or Fee

As a condition for opening an account, PCA generally requires a minimum portfolio size of \$5,000 but does not impose a minimum annual fee. However, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than PCA. In such instances, PCA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

PCA utilizes a “top-down” approach to evaluate the evolving economic environment and a wide variety of industry and business cycle variables to develop a short-term and long-term outlook for the markets. This analysis serves as the basis for making short-term modifications to our overall strategic asset allocation. These tactical changes allow us to enhance overall performance in an ever-changing environment. We provide clients with a choice of the following model portfolios:

Capital Preservation: This portfolio primarily seeks the protection of principal with an emphasis on liquidity. Most appropriate for very short time horizons (1 year or less).

Conservative Income: This portfolio seeks to create current income while attempting to minimize the effects of inflation on the portfolio. Appropriate for investors who are income-oriented yet are willing to accept a moderate level of risk.

Stable Income: This portfolio seeks to create current income while attempting to minimize the impact of market fluctuations. Appropriate for those that are willing to accept the impact of some market fluctuations in return for higher income levels.

Balanced: This portfolio seeks a balance of current income and growth of principal value. It uses a diverse asset allocation mix to maintain a moderate level of market risk.

Capital Appreciation: This portfolio seeks higher levels of principal growth with little regard to current income. Good diversification is ensured through a broad mix of asset classes. Level of market risk is moderately high.

Aggressive Growth: This portfolio seeks high levels of principal growth. It is made up of assets that have historically produced higher levels of return over long periods of time. Level of market risk is high.

Methods of Analysis

PCA's primarily employs the following methods of investment analysis: fundamental, technical and cyclical.

- Fundamental analysis involves the fundamental financial condition and competitive position of a company. PCA will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.
- Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that PCA will be able to accurately predict such a reoccurrence.
- Cyclical analysis is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that PCA is recommending. The risks with cyclical analysis are similar to those of technical analysis.

Risks of Loss

General Market Risks

The profitability of a significant portion of PCA's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds.

There can be no assurance that PCA will be able to predict those price movements accurately.

Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Similarly Managed Accounts

For certain clients, PCA may manage portfolios by allocating portfolio assets among various mutual funds /securities on a discretionary basis using one or more of recommended investment strategies (collectively referred to as "investment strategy"). In so doing, PCA buys, sells, exchanges and/or transfers shares of mutual funds / securities based upon the investment strategy.

PCA's management using the investment strategy complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the investment strategy, with a safe harbor from the definition of an investment company.

The investment strategy may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to PCA's clients may be limited. For example, various mutual funds or insurance companies may limit the ability of PCA to buy, sell, exchange or transfer securities consistent with its investment strategy. As further discussed in response to Item

12B (below), PCA allocates investment opportunities among its clients on a fair and equitable basis.

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Item 9. Disciplinary Information

PCA is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. PCA does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

PCA is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. PCA has described such relationships and arrangements below.

Licensed Insurance Producers

Certain of PCA's *Supervised Persons*, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While PCA does not sell such insurance products to its investment advisory clients, PCA does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that PCA recommends the purchase of insurance products where PCA's *Supervised Persons* receive insurance commissions or other additional compensation.

Referrals to Related Certified Public Accountants

PCA does not render legal or estate planning services to its clients. Certain of PCA's *Supervised Persons*, in their individual capacities, may recommend the services of an outside legal estate planning specialist to its investment advisory clients. A conflict of interest exists to the extent that PCA recommends legal and estate planning services where PCA's *Supervised Persons* may receive any fees or additional compensation, referral or otherwise.

Item 11. Code of Ethics

PCA and persons associated with PCA ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with PCA's policies and procedures.

PCA has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent

the unlawful use of material non-public information by PCA or any of its associated persons. The *Code of Ethics* also requires that certain of PCA's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Unless specifically permitted in PCA's *Code of Ethics*, none of PCA's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of PCA's clients.

When PCA is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when PCA is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact PCA to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

As discussed above, in Item 5, PCA generally recommends that clients utilize the brokerage and clearing services of *TD Ameritrade*.

Factors which PCA considers in recommending *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *TD Ameritrade* enables PCA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by PCA's clients comply with PCA's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where PCA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. PCA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

PCA periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct PCA in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and PCA will not seek better execution services or prices from other *Financial Institutions* or be able to “batch” client transactions for execution through other *Financial Institutions* with orders for other accounts managed by PCA (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PCA may decline a client’s request to direct brokerage if, in PCA’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless PCA decides to purchase or sell the same securities for several clients at approximately the same time. PCA may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among PCA’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among PCA’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that PCA determines to aggregate client orders for the purchase or sale of securities, including securities in which PCA’s *Supervised Persons* may invest, PCA generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. PCA does not receive any additional compensation or remuneration as a result of the aggregation. In the event that PCA determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, PCA may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist PCA in its investment decision-making process. Such research generally will be used to service

all of PCA's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because PCA does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

PCA may receive from *TD Ameritrade*, without cost to PCA, computer software and related systems support, which allow PCA to better monitor client accounts maintained at *TD Ameritrade*. PCA may receive the software and related support without cost because PCA renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and related systems support may benefit PCA, but not its clients directly. In fulfilling its duties to its clients, PCA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that PCA's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence PCA's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Although there is no direct link between PCA's participation in the program and the investment advice it gives to its clients, PCA receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. Additionally, PCA may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products or services may assist PCA in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help PCA manage and further develop its business enterprise. The benefits received by PCA's participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by PCA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence PCA's recommendation of *TD Ameritrade* for custody and brokerage services.

Item 13. Review of Accounts

For those clients to whom PCA provides asset management services, PCA monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom PCA provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of PCA's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with PCA and to keep PCA informed of any changes thereto. PCA contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the

impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom PCA provides investment advisory services will also receive a report from PCA that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from PCA.

Those clients to whom PCA provides financial planning services will not receive either written or oral reports regarding their financial plans unless they enter into a subsequent agreement with PCA for post-financial plan services, which include additional meeting and/or updates to the existing financial plan.

Item 14. Client Referrals and Other Compensation

If a client is introduced to PCA by either an unaffiliated or an affiliated solicitor, PCA may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from PCA's investment management fee, and does not result in any additional charge to the client. If the client is introduced to PCA by an unaffiliated solicitor, the solicitor provides the client with a copy of PCA's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of PCA discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of PCA's written disclosure brochure at the time of the solicitation.

Item 15. Custody

PCA's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize PCA through such *Financial Institution* to debit the client's account for the amount of PCA's fee and to directly remit that management fee to PCA in accordance with applicable custody rules.

The *Financial Institutions* recommended by PCA have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PCA. In addition, as discussed in Item 13, PCA may also provide periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from PCA.

Item 16. Investment Discretion

PCA is generally given the authority to exercise discretion on behalf of its investment advisory clients. PCA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. PCA is given this authority through a power-ofattorney included in the agreement between PCA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). PCA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

No Investment Discretion for Investment Consulting

PCA does not have discretionary authority with respect to assets managed by both firms which hire PCA for investment consulting services. The firms with which PCA has investment consulting relationship are responsible to supervise and direct the investments of their own clients. PCA is not authorized to: (1) buy, sell, exchange and otherwise trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold on an individual account basis and (3) place orders with the custodian.

Item 17. Voting Client Securities

PCA is required to disclose if it accepts authority to vote client securities. PCA does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

For clients invested with *Independent Managers*, such Independent Managers may vote proxies on behalf of clients. In the event an Independent Manager does indeed have a policy to vote proxies, clients maintain exclusive responsibility to: 1) direct the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and 2) making any elections pertaining to the client's investment assets.

Item 18. Financial Information

PCA is required to disclose whether it requires or solicits the prepayment of more than \$1,200 in fees six months or more in advance of providing services. PCA does not charge clients more than \$1,200 in fees more than six months in advance and therefore has no further disclosures to make.