

# Prosperify, Inc.

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## **Form ADV Part 2A**

### **Client Brochure**

October 16, 2014

This brochure ("Brochure") provides information about the qualifications and business practices of Prosperify Inc. ("Prosperify"). If you have any questions about the contents of this Brochure, please contact us at (239) 777-9698. Currently, our Brochure may be requested free of charge by contacting Andrew Dudley, President, at (239) 777-9698 or [andrew@prosperify.com](mailto:andrew@prosperify.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.

Prosperify's CRD number is 172096.

## Item 2: Material Changes

Prosperify Inc has not yet filed an annual updating amendment using the Form ADV Part 2A. Therefore there are no material changes to report.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-based fees and Side-by-Side Management.....	6
Item 7: Types of Clients.....	6
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss.....	6
Item 9: Disciplinary Information.....	7
Item 10: Other Financial Industry Activities and Affiliations.....	7
Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading.....	8
Item 12: Brokerage Practices.....	9
Item 13: Review of Accounts.....	9
Item 14: Client Referrals and Other Compensation.....	10
Item 15: Custody.....	10
Item 16: Investment Discretion.....	10
Item 17: Voting Client Securities.....	11
Item 18: Financial Information.....	11

## Item 4: Advisory Business

Prosperify is a Corporation organized in the state of Delaware. The entity was formed in May of 2014. Prosperify maintains its principal office at 2674 Briarfield Avenue, Redwood City, CA 94061. As disclosed in Prosperify's Form ADV Part 1, Prosperify manages \$110,000 in client assets through our software based financial advisor service on a discretionary basis. This total is calculated using the closing U.S. market prices from October 14, 2014. Prosperify does not manage assets on a nondiscretionary basis.

Model portfolio management via the Prosperify web-site:

Prosperify begins with informing the client that the service currently offers only an aggressive model portfolio maintained by Prosperify. The model portfolio establishes long/short positions in the U.S. equities market (specifically, constituents of the S&P 500). The positions are determined by mean reversion strategies that identify which S&P 500 constituents are currently undervalued or overvalued. Client accounts will be managed in the complete discretion of the manager, and may include the use of leverage.

Clients are provided with a login to their designated custodian (Interactive Brokers, please see Item 12 for more information) where they can review their holdings and their account history. Prosperify trades each client's portfolio on a periodic basis.

In its management of model portfolios on behalf of clients, Prosperify will ensure that the following conditions are met and maintained:

- 1) Prosperify will manage each client's account on the basis of the client's financial situation and investment objectives and any reasonable investment restrictions the client may impose;
- 2) Prosperify will obtain sufficient client information to be able to provide individualized investment advice to the client. At least annually, Prosperify will contact the client to determine whether there have been any changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions;
- 3) On a quarterly basis the client will notify Prosperify in writing if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions. These quarterly notifications will include the means through which contact shall be made to Prosperify;

- 4) Prosperify will be reasonably available to consult with the client;
- 5) Each client is able to impose reasonable investment restrictions on the management of the account;
- 6) Each client will receive monthly and quarterly statements with a description of all account activity; and,
- 7) Each client will retain certain indicia of ownership of the securities and funds in the account, e.g. the ability to withdraw securities, among others.

## Item 5: Fees and Compensation

The specific manner in which fees are charged by Prosperify is established in a client's written agreement with Prosperify. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement. Client may cancel this Agreement after the Grace Period by providing 15 days advance written notice of cancellation to Advisor. All fees are subject to negotiation. Prosperify's standard fee schedule is as follows, though fee arrangements for individual client accounts may differ substantially.

### Model portfolio management via the Prosperify web-site:

An annual fee of 0% - 1.5% of client assets is currently charged quarterly. The specific manner in which fees are charged by Prosperify is established in a client's written agreement with Prosperify.

### General information on fees:

Prosperify'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 disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of

and in addition to Prosperify's fee, and Prosperify shall not receive any portion of those commissions, fees, and costs.

Clients have the option to purchase investment products that Prosperify recommends through other brokers or agents that are not affiliated with Prosperify.

Item 12 further describes the factors that Prosperify considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## **Item 6: Performance-based fees and Side-by-Side Management**

Prosperify does not charge performance based fees. Our advisory fees are only charged as disclosed above in Item 5.

## **Item 7: Types of Clients**

Prosperify currently provides portfolio management services to individuals and high net worth individuals. The minimum amount required to open and maintain a Prosperify account is \$5,000 for the model portfolio management solution referenced in Item 4.

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

For its portfolio management services, Prosperify determines client portfolio allocation as described in Item 4. A more detailed explanation of the strategy can be found in Item 4.

Investing in securities involves risk of loss that clients should be prepared to bear. All securities investments can potentially result in a total loss of the investment. Specific and material risks associated with Prosperify's portfolio management include but are not limited to:

**MARKET RISK:** Prosperify's portfolios are generally uncorrelated with the world stock indices. A selloff in equities will not generally result in losses in Prosperify's managed portfolios.

**LEVERAGE:** Prosperify at its discretion may apply leverage to clients' portfolios. This can amplify exposure to the market, meaning that a percentage of market loss may be greater in a client's portfolio.

**SHORT POSITIONS:** Prosperify may hold securities short in a client's portfolio. With a short position, the potential for loss is unlimited.

**DERIVATIVES:** Prosperify does not trade options within client portfolios.

**CONCENTRATION:** As disclosed under Item 4, model portfolios offered on-line via Prosperify.com web-site are allocated to the U.S. Equities market, and this concentration creates a greater potential risk to portfolio loss than a diversified portfolio.

## **Item 9: Disciplinary Information**

Prosperify is obligated to disclose any disciplinary event that might be material to any Client evaluating our services.

We do not have any legal, financial, regulatory, or "other" disciplinary item to report to any Client.

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

Neither Prosperify nor its management person, Andrew Dudley, are registered or have an application pending as a broker dealer, a registered representative of a broker dealer, a futures commission merchant, a commodity pool operator, or a commodity trading advisor. No relationships or arrangements between Prosperify, Andrew Dudley and any other persons or entities creates a material conflict of interest with Prosperify's clients.

## Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading

Prosperify 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 Prosperify must acknowledge the terms of the Code of Ethics annually, or as amended.

Prosperify anticipates that, in appropriate circumstances and consistent with clients' investment objectives, it will cause accounts over which Prosperify has discretionary authority to effect the purchase or sale of securities in which Prosperify, its management persons and/or clients, directly or indirectly, have a position of interest. Prosperify's employees and persons associated with Prosperify are required to follow Prosperify's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Prosperify and its employees may trade for their own accounts in securities which are recommended to and/or purchased for Prosperify's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Prosperify 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 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 Prosperify'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 Prosperify and its clients.

Prosperify's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Andrew Dudley at (239) 777-9698.



## Item 12: Brokerage Practices

Prosperify participates in the professional services program offered to independent investment advisers by Interactive Brokers, FINRA registered broker-dealer. Interactive Brokers will be recommended to advisory clients that have selected Prosperify's model portfolio management services for the execution of all transactions.

Prosperify regularly reviews these programs to ensure that its recommendation is consistent with its fiduciary duty. Prosperify may not accept clients who direct the use of other brokers.

Prosperify request that clients direct Prosperify to place all trades through Interactive Brokers. Prosperify has evaluated Interactive Brokers and believes that it will provide Prosperify clients with a blend of execution services, commission costs and professionalism that will assist Prosperify in obtaining best execution for transactions. While Prosperify has a reasonable belief that Interactive Brokers is able to obtain best execution and competitive prices, Prosperify will not be independently seeking best execution price capability through other broker dealers. Prosperify reserves the right to decline acceptance of any client account that directs the use of broker dealer other than Interactive Brokers, if Prosperify believes that this would adversely affect Prosperify's duty to obtain best execution.

Prosperify does not have any arrangements to compensate any broker dealer for client referrals.

## Item 13: Review of Accounts

Model portfolios are reviewed at minimum once monthly but generally daily and weekly. Andrew Dudley conducts these reviews. For model portfolios proprietary as well as commercially available software is used to review the portfolios on a daily basis to ensure that they are in line with investment objectives. Additional reviews may be triggered by material changes in variables such as a client's individual circumstances, or the market, political or economic environment.

Clients receive monthly performance reviews of their account and have access to daily and even current account balances and positions through their designated custodian. Quarterly,

Interactive Brokers sends clients an account statement showing all transactions and account balances during the prior quarter. All reports are sent via email, as agreed to with each client.

## Item 14: Client Referrals and Other Compensation

Prosperify does not currently utilize solicitors to refer advisory clients to the firm. Andrew Dudley, as Managing Member of Prosperify, is the only individual that receives compensation or economic benefit from recommending the investment advice, portfolio management or advisory services of Prosperify. Prosperify's sole source of compensation is the receipt of advisory fees from its clients; as such, no person or company who is not a client of Prosperify's provides economic benefit to the firm.

## Item 15: Custody

Clients receive monthly and quarterly statements from our broker-dealer partner, Interactive brokers. Prosperify urges clients 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.

## Item 16: Investment Discretion

Prosperify 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. As such, prior to Prosperify accepting discretionary authority over a client's account, each client is required to execute a limited power of attorney (or similar document). In all cases, however, Prosperify's discretion will be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Prosperify observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Prosperify'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 Prosperify in writing.

## Item 17: Voting Client Securities

As a matter of firm policy and practice, Prosperify 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. Clients will receive proxies and other solicitations directly from their designated custodian. Prosperify may provide advice to clients regarding the clients' voting of proxies.

Prosperify will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct Prosperify to transmit copies of class action notices to the client or a third party. Upon such direction, Prosperify will make commercially reasonable efforts to forward such notices in a timely manner.

## Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about an adviser's financial condition. Prosperify 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.