

# **BROCHURE**

**Cover Page (Item 1)**

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## **The Prosperity Consulting Group, LLC**

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**August 26, 2020**

This Brochure provides information about the qualifications and business practices of The Prosperity Consulting Group, LLC ("The Prosperity Consulting Group" or the "Firm"). It contains information that you should consider before becoming a client of our Firm.

The information contained herein has not been approved or verified by any governmental authority. Our Firm is an SEC registered Investment Adviser Firm. Registration of an Investment Adviser does not imply a certain level of skill or training, only that we have filed the appropriate registration documents in the proper jurisdictions and with the respective governmental entities.

Additional information about The Prosperity Consulting Group can be found on the Investment Adviser Public Disclosure Website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov). The Prosperity Consulting Group's IARD No. is [133777](#).

A "Brochure Supplement" for each Investment Adviser Representative of our Firm is also included with this document. This Brochure is not complete without a Brochure Supplement.

## **MATERIAL CHANGES (Item 2)**

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***This version of our Brochure is an interim updating amendment. The following are the material changes since our last annual amendment filing on March 20, 2020:***

1. We revised Item 1 to update our main office address, which is now located at 10065 Red Run Boulevard, Suite 200, Owings Mills MD 21117.
2. We revised Item 5 to describe the conflict of interest involved with our receipt of asset-based fees, as well as how we address that conflict of interest. Please see Item 5 for more information.
3. We revised Item 18 to indicate that we applied for and received a loan from the Small Business Association under the federally authorized Paycheck Protection Program put in place due to the COVID-19 pandemic. We also explain the nature of our request for the loan, the amount received, and the effect of the loan. Please see Item 18 for more information.

***The following are the material changes since our annual amendment filing on March 22, 2019:***

1. We revised Item 4 to indicate that we no longer have an office in Sykesville, Maryland. We have further revised Item 4 to indicate that we have two additional offices in Aventura, Florida and McLean, Virginia. Please see Item 4 for more information.
2. We revised the description of how we address the conflict of interest associated with the sale of insurance products by our investment adviser representatives who are licensed insurance agents. Please see Items 5 and 10 for more information.

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Donna C. Gestl, CFP®, AIF®	
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William C. Martin, Jr., CPA	
Erin M. Ansalvish, MBA	
Lauren M. Rebbel, CFP®	
Harold L. Mohn, Jr., CPA	
Roger M. Richardson	

## **ADVISORY SERVICES (Item 4)**

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### **About Our Business**

The Prosperity Consulting Group, LLC (hereinafter, “we”, “our”, the “Firm”, or “The Prosperity Consulting Group”) is a wealth management company that provides the following services: investment planning, tax planning, income protection and asset preservation planning, retirement planning, business planning, estate planning, debt management, insurance planning, education planning, and consulting to pensions, 401(K) plans and other retirement plans.

Located in Owings Mills, Maryland, we have been managing the wealth of our clients since 2005. Donald N. Hoffman is the majority owner of our Firm. Donna Gestl is the other managing principal of our Firm. We have seven (7) investment adviser representatives on our staff: Mr. Hoffman, Ms. Gestl, William C. Martin, Jr., Erin M. Ansalvish, Lauren M. Rebbel, Roger Richardson and Harold L. Mohn, Jr. Donna C. Gestl is our Firm’s Chief Compliance Officer.

We also have offices in Florida and Virginia, specifically at 3131 NE 188 Street, Unit 1-803, Aventura, Florida 33180 and 1750 Tysons Boulevard, Suite 1500, McLean, Virginia 22102.

Our team includes certified public accountants and Certified Financial Planners™. Other professionals (e.g., lawyers) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client using this disclosure brochure.

The initial meeting is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

### **Types of Advisory Services**

The Firm provides investment advisory services to individuals, trusts, estates, retirement plans and other business entities. We assist you in devising financial strategies for wealth preservation, growing investments and planning for the future. A more detailed explanation of our services is as follows:

#### **1. Financial Planning Services**

We prepare financial plans to assist clients in reaching their financial and retirement goals. The Firm develops plans after consultation by evaluating data relative to a client’s personal financial profile, investment objectives and goals, risk tolerance, and tax status. Our financial plans may include information regarding retirement planning, advanced education planning, college planning, life and disability insurance needs, long-term care needs, and estate planning issues. Our plans may also include information or analyses with respect to tax liabilities or risks. We also provide business-planning consulting services for entrepreneurs and other professionals.

A client who chooses to engage us for financial planning will be required to furnish certain records and documents to The Prosperity Consulting Group for review. These documents may include tax returns, current financial specifics including W-2s or 1099s, information on current retirement plans and insurance provided by the client’s employer, mortgage information, insurance policies, statements reflecting current investments in retirement and non-retirement accounts, copies of wills or trusts, and other documents that may be deemed pertinent.

Upon receipt of these documents, The Prosperity Consulting Group will review the client’s current financial situation and make recommendations based on the client’s current situation, expectations, investment objectives and investment time horizon. At the same time, the client’s risk tolerance (or ability to live comfortably with risk in association with your investments) will be taken into account. A written plan will then be presented along with an outline of suggestions to improve the client’s current financial situation as well as suggested steps to help the client reach his, her or its investment goals.

The financial plan chosen by the client may be “comprehensive” or “modular” in structure. A comprehensive plan would focus on all areas listed that are pertinent to the client. A modular plan would focus on only one

or two areas of particular interest such as retirement or education planning. Other areas of concern to the client may be reviewed by The Prosperity Consulting Group or outsourced to other experts for their review (only with prior approval of the client). The financial plan may include specific financial and investment strategies as well as specific product recommendations, including equity, fixed income and insurance products.

At no time is the client under any obligation to implement (with The Prosperity Consulting Group or with any other firm) any or all of the suggestions as outlined in the financial plan. Implementation is solely the client's decision. Clients have the option to purchase investment and insurance products recommended by The Prosperity Consulting Group through other brokers and agents unaffiliated with The Prosperity Consulting Group. It is the responsibility of the client to notify The Prosperity Consulting Group of any changes to their financial situation or objectives that may impact the focus of the financial plan. The Prosperity Consulting Group typically assists the client with implementation of the financial plan through its relationships with Triad Advisors, LLC or Schwab Advisor Services, a division of Charles Schwab & Co., Inc., and City National Rochdale, LLC, a third-party manager.

## 2. Investment Management Services

We offer both discretionary and non-discretionary investment management services to meet the client's investment goals and objectives. Our services may consist of asset allocation, portfolio construction, managing or supervising assets, and active trading strategies. Our advice regarding securities encompasses primarily exchange-traded equity securities, including over-the-counter equities, open-ended mutual funds and exchange-traded funds (ETFs).

The Prosperity Consulting Group provides client portfolio construction, asset management, and monitoring which constitutes an ongoing process by which:

- Client's investment objectives, constraints and preferences are identified and specified;
- Strategies are developed and implemented through combinations of financial assets;
- Capital market conditions and client circumstances are monitored;
- Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above relevant variables.

The client, with assistance from The Prosperity Consulting Group, will fully and accurately complete a Risk Profile Questionnaire in the form provided by The Prosperity Consulting Group describing the client's financial situation, investment objectives, time horizon, risk tolerance and investment preferences. The client will promptly notify The Prosperity Consulting Group of any material changes in the information furnished by the client in the profile or information that is otherwise material to the client's financial situation, investment objectives, time horizon, risk tolerance and investment strategy. The Prosperity Consulting Group will utilize the profile in rendering services to the client. Upon receipt of the client's profile, The Prosperity Consulting Group and the client will determine the appropriate portfolio type based on results of the Risk Profile Questionnaire. The client and The Prosperity Consulting Group may choose to exclude certain asset classes from their portfolio or choose to disregard the Risk Profile Questionnaire for the portfolio type indicated. The currently available portfolio types range from Ultra-Conservative to Aggressive Growth. Portfolio types may be changed or created from time to time by The Prosperity Consulting Group. The portfolios may consist of, but are not limited to, money market funds, mutual funds, institutional mutual funds, stocks, bonds, exchange traded funds and certificates of deposit. The client's portfolio may be invested similar to, or different from, other clients with the same or similar objectives. The Prosperity Consulting Group will monitor market conditions and the performance of the client's portfolio, and if managed on a discretionary basis, reposition assets as needed. If the account is managed on a non-discretionary basis, approval will be received from the client before changes are made. The client will notify The Prosperity Consulting Group of any changes in their investment objectives.

The Prosperity Consulting Group manages accounts on a discretionary basis with the client's express written authorization. For discretionary clients, The Prosperity Consulting Group will determine the securities to be bought or sold in accounts and may make changes to the asset allocation or specific securities selected, without prior consultation with the client.

If the client elects to have one or more accounts managed on a non-discretionary basis, the client will be consulted, and approval will be obtained from the client prior to any transactions or reallocation of assets or holdings.

3. Third-Party Investment Management

We may determine that opening an account with a professional third-party investment manager is in the client's best interests. We also analyze and recommend advisory platforms of other investment advisers with managed strategies to meet the investment needs of our clients. The money manager selected under this program will have discretion to determine the securities to buy and sell within the account, subject to reasonable restrictions imposed by the client. We will not manage or obtain discretionary authority over the assets in the accounts participating in these programs. We will monitor the third-party money manager's strategies to ensure that its objectives remain aligned with the investment objectives and risk tolerance of our clients. *(Please review Item 10, Other Investment Advisers for additional details regarding programs).*

4. Retirement Plan Advisory Services

We serve as an adviser to retirement plans, providing both fiduciary and non-fiduciary services. Our services include providing non-discretionary investment advice to the client about asset classes and proposed designated investment alternatives available for the Plan that are consistent with the Plan's investment policies and objectives. We may also assist the client with the selection of investment options consistent with the investment option selection provisions of ERISA section 404(c) and the regulations thereunder, assist the client in the development of an investment policy statement (IPS), assist in monitoring investment options by preparing periodic investment reports, meet with client on a periodic basis to discuss the reports and the investment recommendations, provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative ("QDIA") and assist in the education of the participants in the Plan about general investment principles and the investment alternatives available under the Plan. We also assist Plan sponsors in organizing plan enrollment meetings and conducting investment education seminars for participants. In conjunction with educational services, we assist retirement plan participants or beneficiaries in understanding investment options offered by the plan as well as providing advice regarding selection and allocation of investment choices within the retirement plan.

5. Apex Portfolios (an Automated Investment Program)

We offer an automated investment program, Apex Portfolios Program ("Apex Portfolios") through which clients are invested in a range of investment strategies we have constructed and manage on a discretionary basis, each consisting of a portfolio of exchange-traded funds ("ETFs") and a cash allocation. The client may instruct us to exclude up to three ETFs from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("Schwab"). We use the Institutional Intelligent Portfolios® Platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisers and an affiliate of Schwab, to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, Schwab, or their affiliates (together, "Schwab").

We, and not Schwab, are the client's investment advisor and primary point of contact with respect to Apex Portfolios. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Apex Portfolios for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for Apex Portfolios. The Platform enables us to make Apex Portfolios available to clients online and includes a system that automates certain key parts of our investment process (the "System").

The System includes an online questionnaire that helps us determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that we will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the

information we have about the client. The System also includes an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). We charge clients a fee for our services as described below under Item 5 Fees and Compensation. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Schwab as part of Apex Portfolios. Schwab does receive other revenues in connection with Apex Portfolios.

We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at Schwab that are not enrolled in the Program. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in Apex Portfolios. This arrangement represents a conflict of interest because we have an incentive to recommend or require that our clients with accounts not enrolled in Apex Portfolios be maintained with Schwab. We mitigate this conflict by only recommending a client use Schwab services if it is in the client's best interest.

Clients eligible to enroll in the Apex Portfolio Program include individuals, IRAs, inherited IRAs, sole proprietorship SEP and SIMPLE IRAs, custodial accounts and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Apex Portfolio Program. The minimum investment required to open an account in the Apex Portfolios Program is \$5,000. The minimum account balance required to be eligible for tax-loss harvesting is \$50,000. The Apex Portfolios Program Disclosure Brochure describes other eligibility conditions.

Existing clients of The Prosperity Consulting Group as of December 31, 2016 have the option of selecting the Apex Portfolios or the Enhanced Apex Portfolios Program. Under the Apex Portfolios Program, clients receive a meeting once per year to review their account and discuss their general financial situation. Under the Enhanced Apex Portfolios Program, clients receive the same services as the Apex Portfolios Program, plus a retirement analysis, insurance analysis and unlimited calls for any questions they may have. New clients of The Prosperity Consulting Group on or after December 31, 2016 are only eligible for the Enhanced Apex Portfolios Program at this time.

#### 6. Financial Education Seminars

We conduct financial education seminars that may focus on either comprehensive or modular financial planning matters. Our seminar topics may include education regarding retirement planning, estate and tax planning, cash flow and debt management, asset protection, and other general topics relating to investments or insurance.

#### Tailored Services

Our advice and services are based on the individual needs of our clients after analyzing and thoroughly evaluating the client's goals, objectives, investment horizon, and risk tolerance. Clients may impose restrictions on investing in certain asset classes or any specific types of securities by advising their investment adviser representative of such restrictions.

#### Wrap Fee Programs

The Prosperity Consulting Group is not a sponsor of, or participant in, any wrap fee program(s).

#### Assets Under Management

As of August 21, 2020, we managed \$287,311,642 in client assets on a discretionary basis and \$7,481 in client assets on a non-discretionary basis.

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## **FEES AND COMPENSATION (Item 5)**

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#### Advisory Fees

The Prosperity Consulting Group is compensated by a combination of hourly charges, fixed fees, a percentage of the assets we manage, and solicitor fees paid from third-party investment managers. In some



instances, the fee may be negotiable, at The Prosperity Consulting Group's discretion. Our fees for services are as follows:

### 1. Financial Planning Fees

Since financial planning involves a discovery process, situations may occur wherein the client is unaware of certain financial exposures or predicaments. In the event that the client's situation is substantially different from that disclosed during the initial meeting, a revised fee will be provided for mutual agreement. Clients must approve the change in the scope of planning in advance of the additional work being performed when a fee increase is necessary. The additional work will be either charged at an hourly rate, by a fixed amount, or as agreed to by client and the Firm. Our Hourly and Fixed fees for financial planning services are as follows:

#### (a) Hourly Fees

Depending on the complexity of the financial plan and needs of the client, our hourly fees for financial planning services are up to \$300.00 per hour (min. 1 hour). These fees are negotiable and the final rate, as agreed upon, will be outlined in our Financial Planning Agreement.

#### (b) Fixed Fees

Financial planning fees may be determined in advance and set at a "fixed" or "flat" fee. This fee is based on the anticipated number of hours to be devoted to the project and the complexity of the client's financial situation. In all cases, this fee will be determined by The Prosperity Consulting Group and agreed to in advance with the client. It will not be increased during the term of the project unless the scope of the project is changed greatly by the client. Financial planning services may also be provided at no charge or at a reduced fee for managed account program clients.

### 2. Investment Management Services

Our Investment Management fees are outlined in our Investment Advisory Agreement. Our standard fee schedule for Investment Management Services is as follows:

#### The Prosperity Consulting Group – Investment Management Fee Schedule

Assets Management	Annual Fee
First \$500,000	1.50%
Next \$500,000	1.10%
Next \$4,000,000	1.00%
Next \$5,000,000	0.85%
Over \$10,000,000	Negotiable

#### Sample Fee Calculation:

Value of Investment \$1,000,000  
 First \$500,000 (.015) [\$7,500] plus additional  
 \$500,000 (.011) [\$5,500]  
 Annual Fee of \$13,000 or Quarterly Fee \$3,250

Assets are aggregated by client household for purposes of determining the fee charged.

### 3. Third-Party Investment Management Portfolio Fees

The total management fee for portfolios managed by third-party managers does not exceed 2%. The fee to the third-party money manager generally ranges from .35% to 1.00% depending on the account value (declining scale) and managed account program. The third-party money manager's fees are outlined in its Brochure, management agreement and other disclosure documents, which are provided to clients. Fees for third-party manager programs may be higher or lower than if you obtained the program directly from the manager.

Currently we recommend managers available through City National Rochdale ("Rochdale"). Rochdale's management fees are negotiable. Every client who we recommend Rochdale will receive a copy of its disclosure brochure (ADV Part 2A).

4. Solicitor Fees

For accounts managed by Rochdale we receive solicitor fees. These fees may vary depending on the size of the account and the management style or types of assets being managed. The solicitor fees paid to us may vary and generally range from .50% to 1%; the collective management fees (Rochdale's management fee and our solicitor fees) will not exceed 2%. Each client will be given a compensation disclosure form at the time the investment management agreement is signed that describes the amount of our solicitor fee as a percentage of the assets being managed by the third-party manager.

5. Retirement Plan Advisory Fees

Our management fees for retirement plan advisory services are assessed as follows:

The Prosperity Consulting Group – Retirement Plan Advisory Fee Schedule

Assets Management	Annual Fee
\$0 - \$750,000	0.75%
\$750,001 to \$2,000,000	0.50%
\$2,000,001 to \$5,000,000	0.35%
Over \$5,000,000	Negotiable

**Sample Fee Calculation:**

Value of Plan Assets \$1,000,000  
Annual Fee \$5,000 annual fee

6. Apex Portfolios Fee

Our management fee for our Apex Portfolios is an annual 0.30%.

**Sample Fee Calculation:**

Value of Plan Assets \$ \$100,000  
Annual Fee \$ 300

Our management fee for our Enhanced Apex Portfolios is an annual 0.80%.

**Sample Fee Calculation:**

Value of Plan Assets \$ \$100,000  
Annual Fee \$ 800

As described in Item 4 Advisory Business, clients do not pay fees to SPT or brokerage commissions or other fees to Schwab as part of the Program. Schwab does receive other revenues in connection with the Program. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

7. Financial Education Seminar Fees

We may sponsor financial education seminars at no cost to participants.

Billing Procedures

1. Financial Planning Fees

Fees for financial planning services are billed as indicated in our financial planning agreement. Typically, fees for financial plans are billed and due upon delivery of the financial plan. Typically, we

waive our financial planning fees for clients who implement the plan through our investment management services.

**2. Investment Management Fee**

Fees for investment management services are billed quarterly in advance. The fee assessment is based on the value of the account as of the close of trading on the last business day of the previous quarter (e.g., January through March billing statements are transmitted January 1 based on value of asset as of December 31). For subsequent additions into the account during the quarter, no partial billings will be made. Likewise, no refunds will be given on partial withdrawals taken during the quarter. Upon termination, the client is entitled to a refund of unearned fees for the quarter. Refunds will be calculated by multiplying the last quarter-end market value of the account with the annual billing rate, multiplying by the days in the quarter service was provided, dividing by 365, and subtracting that amount from the amount originally billed. For existing client accounts as of March 31, 2019, refunds are calculated proportionately based on the number of days remaining in the quarter. If the account does not contain sufficient funds to pay advisory fees, The Prosperity Consulting Group has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. Upon initial implementation of the portfolio, advisory fees will be charged in advance upon establishment of the value of the portfolio based upon the market value of the account multiplied by the annual billing rate which is multiplied by the days remaining in the quarter divided by 365.

We customarily receive written authorization to deduct advisory fees directly from clients' accounts, although some clients may prefer to be billed directly for our fees.

**3. Third-Party Investment Management Billing**

Fees for managed account platforms are billed quarterly in advance. The fee assessment is based on the value of the account as of the close of trading on the last business day of the previous quarter (e.g., January through March billing statements are transmitted January 1 based on value of asset as of December 31).

**4. Retirement Plan Advisory Service Fee Assessments**

Fees for management services to retirement plan sponsors are billed in one of five ways:

(1) Fees are billed quarterly in advance. The fee assessment is based on the value of the account as of the close of trading on the last business day of the previous quarter (e.g., January through March billing statements are transmitted January 1 based on value of asset as of December 31). For subsequent additions into the account during the quarter, no partial billings will be made. Likewise, no refunds will be given on partial withdrawals taken during the quarter. Upon termination, the client is entitled to a pro-rated refund of unearned fees for the quarter. If the account does not contain sufficient funds to pay advisory fees, The Prosperity Consulting Group has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. Upon initial implementation of the portfolio, advisory fees will be charged in advance upon establishment of the value of the portfolio based upon the proportion of the number of days remaining in the quarter;

(2) The amount of the fee is determined by applying the specified percentage to the average daily balance of the Investable Assets of the Plan for the calendar days in the applicable quarter or portion thereof. Fees will be extracted from all participant accounts on a pro-rata basis or equal-per-participant basis, as specified by the Plan Sponsor. The target fee extraction date is the last business day of the quarter or as soon as administratively feasible.

(3) The amount of the fee is determined by applying the specified basis points percentage to the monthly ending balance of the Investable Assets of the Plan. Fees will be extracted from all participant accounts with an invested balance on a pro-rata basis and will be processed on the last business day of the month or as soon as administratively feasible.

(4) The amount of the fee is determined by applying the specified basis points percentage to the quarterly ending balance of the Investable Assets of the Plan. Fees will be extracted from all participant accounts with an invested balance on a pro-rata basis.

(5) The fee is calculated for each plan participant using the periodic average daily balance of a participant's account multiplied by the annual basis point fee rate. Fees are charged to participant accounts periodically (generally monthly). The final payment for a plan is the sum of the fees collected for each participant in the plan during the payment period.

5. Apex Portfolios Fee

Fees for investment management services are billed quarterly in advance. The fee assessment is based on the value of the account as of the close of trading on the last business day of the previous quarter (e.g., January through March billing statements are transmitted January 1 based on value of asset as of December 31). For subsequent additions into the account during the quarter, no partial billings will be made. Likewise, no refunds will be given on partial withdrawals taken during the quarter. Upon termination, the client is entitled to a refund of unearned fees for the quarter. Refunds will be calculated by multiplying the last quarter-end market value of the account with the annual billing rate, multiplying by the days in the quarter service was provided, dividing by 365, and subtracting that amount from the amount originally billed. For existing client accounts as of March 31, 2019, refunds are calculated proportionately based on the number of days remaining in the quarter. If the account does not contain sufficient funds to pay advisory fees, The Prosperity Consulting Group has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. Upon initial implementation of the portfolio, advisory fees will be charged in advance upon establishment of the value of the portfolio based upon the market value of the account multiplied by the annual billing rate which is multiplied by the days remaining in the quarter divided by 365.

We receive written authorization to deduct advisory fees directly from clients' accounts.

6. Financial Education Seminars

We do not charge for our financial education seminars.

Other Fees & Expenses

Clients may also incur additional fees and expenses related to management of their investments. These fees include, but are not limited to, mutual fund ticket charges, brokerage transaction costs, deferred sales charges on previously purchased mutual funds, account maintenance fees, clearing costs, and other legal or transfer fees.

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services.

Mutual funds may also charge 12b-1 distribution charges. The 12b-1 distribution charges are typically 0.25% annually.

The Prosperity Consulting Group will recommend both "no-load" and "load" mutual funds. The load mutual funds typically have a front-end sales charge; however, the sales charge is waived when purchased in a managed account. However, the 12b-1 distribution charges will still apply. Advisory fees are not reduced to offset the 12b-1 distribution charges and The Prosperity Consulting Group does not receive any portion of the 12b-1 fees. Whenever possible, we offer institutional mutual funds which do not charge 12b-1 fees and offer lower internal expenses.

All aforementioned fees and charges pertaining to mutual funds are disclosed in the fund's prospectus and will vary between fund families.

The broker-dealers, mutual fund companies, and other custodians who provide services for your account charge these fees ("third-party fees") and clients are responsible for payment of all third-party fees and expenses. It is important to note that the advisory fees paid to The Prosperity Consulting Group are separate and distinct from the maintenance fees and transaction expenses charged by these third parties. Please refer to *Brokerage Practices* section (Item 12), for more information regarding our brokerage custodian.

## Refund Policy

Either party may terminate the advisory agreement at any time upon advance written notice. Upon receipt of a termination request, The Prosperity Consulting Group will assess fees pro rata to the date of termination and any unearned portion of prepaid fees will be refunded within fourteen (14) business days. Refunds for investment management services for accounts opened after March 31, 2019 are calculated by multiplying the last quarter-end market value of the account with the annual billing rate, multiplying by the days in the quarter service was provided, dividing by 365, and subtracting that amount from the amount originally billed.

## Other Compensation

The investment adviser representatives of The Prosperity Consulting Group may also be registered representatives of Triad Advisors, LLC (CRD No. 25803) ("Triad"), a registered broker-dealer (member of FINRA and SIPC), or licensed insurance agents. Accordingly, our representatives also earn compensation for the sale of securities, insurance or other investment products, which include asset-based sales charges or service fees from the sale of mutual funds.

### 1. Conflicts of Interest

The Prosperity Consulting Group's fees are based upon a percentage of the assets we advise upon. We do not charge an advisory fee on products on which our representatives earn commissions in their separate capacities as registered representatives or insurance agents. This avoids some of the conflicts of interest associated with recommending investment or insurance products with commission-based compensation. Nevertheless, our representatives still have a financial incentive to recommend commission-based products based upon the compensation to be received by that product.

We manage the conflict of interest involved with the sale of insurance products by (1) requiring all representatives who are licensed to offer insurance products to our clients to assure that the recommendation to purchase insurance products is in the client's best interest; (2) requiring all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed; and (3) fully disclosing to a client when a particular transaction will result in the receipt of commissions or other associated fees. Insurance products may be available through other channels and as a client you are not obligated to purchase insurance products recommended by our representatives.

We manage the conflict of interest involved with dual registration and the receipt of advisory fees and commissions by (1) conducting periodic suitability reviews on our clients' portfolios; (2) not charging an advisory fee for any investment product as to which we receive a commission or asset-based sales charge; and (3) disclosing all commissions and asset-based sales charges before any such transaction is executed. To further mitigate this conflict of interest, financial planning clients may be recommended products or services based on a financial plan in order to help achieve the client's stated goals and objectives. *(Please also review Item 10, Financial Industry Activities and Financial Industry Affiliations).*

Advisory fees are based on a percentage of assets, which can still lead to conflicts of interest between our Firm and our client. This is because the more assets there are in the client's account, the more the client will pay in fees. Therefore, we have an incentive to encourage clients to increase the assets in their accounts. Similar conflicts of interest arise when we recommend how much a client should maintain in a non-managed cash account. We address these conflicts of interest by ensuring any such recommendations are in the client's best interest.

A conflict of interest also arises when we advise clients to roll over assets from a retirement plan to a managed account with our Firm. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If we recommend that a client roll over their retirement plan assets into an account to be managed by The Prosperity Consulting Group, such a recommendation creates a conflict of interest as we

will earn a new (or increase our current) advisory fee as a result of the rollover. We address this conflict of interest by reviewing any such recommendation to ensure it is in the best interest of the client. No client is under any obligation to roll over retirement plan assets to an account managed by us.

The Prosperity Consulting Group remains committed at all times to act in our clients' best interests, disregarding any impact of the decision upon our Firm.

2. Non-Exclusive Investment Products

The investment products offered by our Firm are available through other registered representatives or broker-dealers not affiliated with The Prosperity Consulting Group or Triad. As a prospective client or client, you are not obligated to purchase investment products recommended by our Firm.

3. Commissions Revenue

Our Firm's investment adviser representatives who are also registered representatives of Triad earn revenue from commissions. In addition, approximately 1% of our Firm's revenue is derived from the sale of commission-based insurance products. We do not charge an advisory fee on insurance product assets for which we have received a commission.

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## **PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT (Item 6)**

The Prosperity Consulting Group does not charge performance-based fees and we do not conduct side-by-side investment management services.

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## **TYPES OF CLIENTS (Item 7)**

The Prosperity Consulting Group manages investments for many different types of clients. We generally provide advice to individuals, high net worth individuals, 401(k) plans, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities not listed above.

The Prosperity Consulting Group does not generally require a minimum for investing with us. In regards to the Apex Portfolios Program, the minimum investment required to open an account is \$5,000, and the minimum account balance required to be eligible for tax-loss harvesting is \$50,000.

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## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS (Item 8)**

### **Methods of Analysis and Investment Strategies**

The Prosperity Consulting Group relies upon information received from the client regarding time horizons, risk tolerance, and financial goals and objectives in developing an investment plan for that client. Each client executes a Plan that documents their objectives and their desired investment strategy.

A tremendous amount of academic research concludes that asset allocation - not market timing or stock selection - is the primary determinant of variation in portfolio returns. Asset allocation is an investment discipline that apportions your investment dollars among specific categories of assets, such as stocks, bonds, and real estate. The Prosperity Consulting Group allocates and diversifies the client's assets among various asset classes and then among individual investments, as outlined in each client's written Investment Policy Statement.

Portfolios generally consist of, but are not limited to, money market funds, mutual funds, institutional mutual funds, stocks, bonds, unit investment trusts, exchange traded funds and certificates of deposit.

Our Apex Portfolios Program invests entirely in Exchange Traded Funds (ETFs). The Program Disclosure Brochure includes a discussion of various risks associated with the Apex Portfolio Program, including the risks of investing ETFs, as well as risks related to the underlying securities in which ETFs invest. In addition,

the Program Disclosure Brochure also discusses market/systematic risks, asset allocation/strategy/diversification risks, investment strategy risks, trading/liquidity risks, and large investment risks.

The main sources of information for security analysis include commercially available investment information and evaluation services, financial newspapers and journals, academic white papers and research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that The Prosperity Consulting Group may use include Morningstar information and stock information, Y Charts, fi360 and the World Wide Web. Security analysis methods may include both fundamental and technical analysis.

#### Material Risks of Methods of Analysis and Investment Strategies

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

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks, among others:

- **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.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as 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.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **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. Some securities are highly liquid while others are highly illiquid. Illiquid investments carry more risk because it can be difficult to sell them.
- **Financial Risk:** Excessive borrowing to finance a business' operations decreases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

#### Recommendation of Specific Types of Securities

The Prosperity Consulting Group does not focus its advice on, or make recommendations relative to, any particular type of security. Our advice encompasses an array of securities and investment vehicles.

However, most of our investment management and advice relates to mutual funds, including exchange traded funds, unit investment trusts, and equities.

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## **DISCIPLINARY INFORMATION (Item 9)**

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Neither The Prosperity Consulting Group nor its management has been involved in legal or disciplinary events related to our advisory business.

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## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS (Item 10)**

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### **Financial Industry Activities**

The Prosperity Consulting Group is not a registered broker-dealer and does not have an application pending for registration as a broker-dealer. Nevertheless, some of the investment adviser representatives of our Firm are also registered representatives of Triad Advisors, LLC (CRD No. 25803), a registered broker-dealer. The detailed information about each representative is described on his or her brochure. As such, they are or may be entitled to receive a portion of the commissions or other remuneration on the sale of investment products paid by our clients to Triad. This creates a conflict of interest in that The Prosperity Consulting Group and its IARs have an incentive to sell our clients investment products that will pay commissions on other forms of transaction-based compensation. The Prosperity Consulting Group addresses this conflict of interest by conducting periodic suitability reviews on our clients' portfolios and by disclosing this conflict to our clients through this Brochure. To further assure that our clients' interests are protected, the Firm's policy is to fully disclose all forms of compensation before any such transaction is executed.

The Prosperity Consulting Group receives client referrals from Charles Schwab & Co., Inc. ("CRD No. 5393") through our participation in the Schwab Advisor Network®. This arrangement and the related conflicts of interest are described below under Item 14 - Client Referrals and Other Compensation.

### **Financial Industry Affiliations**

The Prosperity Consulting Group is not registered as, and does not have applications pending to register as, a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor, nor are members of our management or our supervised persons registered as associated persons thereof.

### **Other Affiliations**

The Firm is also a state-licensed insurance agency, currently licensed to offer and sell insurance products for asset and income protection in the states of Maryland, Mississippi, Louisiana, Virginia and the District of Columbia. Our insurance offerings include life insurance, health insurance, disability insurance, long-term care, group life, and fixed annuities. Many of our insurance products are sold through separate and distinct vendors.

As an insurance agency, we will receive separate, yet customary compensation for insurance product sales. Acting in dual capacities (insurance agency and financial advisor) and receiving compensation as such, creates a conflict of interest. We manage this conflict of interest by requiring all representatives who are licensed to offer insurance products to our clients to assure that the recommendation to purchase insurance is in the client's best interest. We also require all representatives to seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly disclosed and fully disclose to a client when a particular transaction will result in the receipt of commissions or other associated fees before any such transaction is executed. This is our notification of the aforementioned conflict of interest; additional conflicts will be disclosed in writing in advance of providing other services or effecting such purchases. Insurance products may be available through other channels and as a client you are not obligated to purchase products recommended by our representatives.

Our Firm is affiliated with an accounting firm, The Hoffman Group, LLC. One of our investment advisor representatives, Donald N. Hoffman is a licensed Certified Public Accountant with The Hoffman Group, LLC. Mr. Hoffman is also the owner of The Hoffman Group, LLC. Mr. Hoffman provides accounting, tax preparation services, and consultations related to such matters. From time to time, The Hoffman Group,



LLC offers accounting and tax preparation services to our advisory clients. The Hoffman Group, LLC will typically receive separate compensation for accounting and tax preparation services, although said compensation may be waived at The Hoffman Group's discretion. Fees for tax preparation are negotiable and some clients may receive lower fees than other clients at the discretion of the Hoffman Group. Fees for accounting and tax preparation services do not inure to the benefit of The Prosperity Consulting Group but do, however, inure to the benefit of one of our owners. In situations when we recommend The Hoffman Group, LLC, there is a conflict of interest. This conflict is addressed by application of our policies and procedures and ensuring that recommendations are in the best interest of the client. Accounting services may be available through other channels, including less expensive services. As a client, you are not obligated to purchase accounting or tax services even if recommended by our Firm. This is our notification of the aforementioned conflict of interest; additional conflicts will be disclosed in writing in advance of providing services.

Similarly, other investment adviser representatives of our Firm may recommend to our advisory clients that they purchase accounting or tax preparation services from a tax or accounting firm with which the representative is affiliated. Those firms will typically receive separate compensation for accounting and tax preparation services, although said compensation may be waived at the discretion of the firm. Fees for tax preparation are negotiable and some clients may receive lower fees than other clients at the discretion of the firm providing the service. Fees for accounting and tax preparation services do not inure to the benefit of The Prosperity Consulting Group, but do, however, inure to the benefit of the firm and the investment adviser representative providing the service. In situations in which our representatives recommend their respective accounting firms, there is a conflict of interest. This conflict is addressed by application of our policies and procedures and ensuring that recommendations are in the best interest of the client. Accounting services may be available through other channels, including less expensive services. As a client, you are not obligated to purchase accounting or tax services even if recommended by our Firm. This is our notification of the aforementioned conflict of interest; additional conflicts will be disclosed in writing in advance of providing services.

Except as disclosed hereby, neither The Prosperity Consulting Group nor its management has any arrangement or relationship that is material to its business or clients with a related person that is a broker-dealer, municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), other investment advisor or financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, pension consultant, real estate broker or dealer, sponsor or syndicate of limited partnerships not already disclosed herein. *(Please also review Item 4 - Other Business Activities of each Brochure Supplement).*

#### Other Investment Advisers

We currently select and recommend City National Rochdale, LLC ("Rochdale"), as a third-party money management platform for clients. Rochdale is an institutional investment advisor (third-party money manager) registered with the United States Securities and Exchange Commission<sup>1</sup> ("SEC") that offers investment management services through multi-manager platforms. These platforms provide separately managed portfolios and mutual fund wrap fee programs. We reserve the right to utilize additional separately managed account programs. Rochdale utilizes Pershing as its custodian for advisory accounts.

Please be advised that the fee-sharing compensation derived by our Firm from referral of third-party money management products and services can be significant and compensation to our Firm will vary based on the third-party money management platform recommended to clients. Fee-sharing arrangements create conflicts of interest for our Firm because we are recommending the services of third-party money managers who have agreed to share a portion of its management fee with our Firm versus other third-party managers who have not agreed to pay compensation for such referrals. Due to the fee-sharing arrangements, the third-

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<sup>1</sup> Registration does not imply any particular level of skill.

party money management fees paid to our Firm may be higher or lower than if you obtain these services directly or if advisory services were obtained separately.

Moreover, conflicts of interest exist when our Firm recommends third-party money managers who share a larger percentage of its management fee versus third-party money managers who share a smaller percentage or who do not share fees. To mitigate or remedy any conflicts of interest, fee-sharing arrangements are fully disclosed in this Brochure (*See Item 5, Fees and Compensation and Item 14, Client Referrals and Other Compensation*) and highlight in our compensation disclosure form to clients before effecting transactions.

To remain informed of conflicts and advise our clients accordingly, our Chief Compliance Officer will review these transactions periodically to assess client suitability to ensure compatibility, fee reasonableness to clients, over-concentrations with respect to any product and service offering by a particular third-party money manager, and the fee-sharing arrangements for compensation that appears to extend beyond normal compensation ranges.

We may enter into non-discretionary consulting arrangements with independent third parties relating to the management of certain portions of client portfolios. We will do so if a consultant can demonstrate knowledge and expertise in a particular investment category or strategy. We examine the experience, expertise, investment philosophies and past performance of independent third-party consultants in an attempt to determine if that consultant can provide sustained benefit to our clients.

Based on a client's individual circumstances and needs, we will determine if a consultant's strategy is appropriate for that client. Factors considered in making this determination include account size, risk tolerance and the consultant's philosophy. We will provide each client with the appropriate disclosure documents for each consultant used and will update the documents on at least an annual basis. We encourage clients to review each consultant's disclosure documents regarding the particular characteristics of their consultation.

We will regularly and continuously monitor the benefit to our clients in retaining the consultant. If we determine that a consultant is not providing sufficient value to our clients, we will terminate the services of that consultant.

Client management fees paid to The Prosperity Consulting Group are not affected by The Prosperity Consulting Group's decision to use non-discretionary, independent third-party managers.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING (Item 11)**

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### **Code of Ethics**

The Prosperity Consulting Group, its management, and supervised persons (collectively, "personnel") subscribe to a strict code of ethics. Our Code of Ethics is constructed to comply with the investment advisory laws and regulations that require firms to act as fiduciaries in transactions with their clients. Our inherent fiduciary duty requires that we act solely in your best interest and adhere to standards of utmost integrity in our communications and transactions. These standards ensure that your interests are given precedence. Accordingly, we have implemented policies, guidelines, and procedures that promote ethical practices and conduct by all of our Firm's personnel. We will provide a copy of our complete Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions**

The Prosperity Consulting Group does not recommend that clients buy or sell securities in which a related person may have a material financial interest.

### **Personal Trading**

### **Proprietary Trading**

We may at times, buy or sell securities for our own account that we have also recommended to clients. The Prosperity Consulting Group will always document any transactions that could be construed as a conflict of interest. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, we will monitor trading reports for adherence to our Code of Ethics.

#### Simultaneous Trading

From time to time, the Firm and its representatives may buy or sell advisory products for their own accounts at or around the same time as clients. In any instance where similar securities are purchased or sold, we will uphold our fiduciary duty by always ensuring that transactions are beneficial to the interest of our clients.

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## **BROKERAGE PRACTICES (Item 12)**

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### Selection and Recommendation

The Prosperity Consulting Group makes selection of account custodians after evaluating several factors, including but not limited to relatively low fees and expenses, execution capabilities, reputation, access to securities markets and expertise in handling brokerage support processes. We may also select custodians based on dual registrations or other qualifications or experience.

Our Firm maintains a custodial services agreement with Charles Schwab & Co., Inc., (hereinafter, "Schwab"). Schwab is a registered broker-dealer (member of FINRA and SIPC) and we are participants in Schwab's Institutional Services platform for Independent Investment Advisers. Schwab provides brokerage, operational support and other custodial services to our Firm. Schwab will be recommended to certain of our investment management clients as a result of our established services agreement, cost implications, operational support, and custodial services provided.

Client accounts enrolled in the Apex Portfolios program are maintained at Schwab, and receive the brokerage services of Schwab. While clients are required to use Schwab as custodian/broker to enroll in this program, the client decides whether to do so and opens its account with Schwab. We do not open the account for the client. If the client does not wish to place his or her assets with Schwab, then we cannot manage the client's account with Apex Portfolios. Schwab may aggregate purchase and sale orders for ETFs across accounts enrolled in Apex Portfolios, including both accounts for our clients and accounts for clients of other independent investment advisory firms using this platform.

Our investment adviser representatives may also maintain dual registration with Triad Advisors, LLC, (CRD No. 25803) ("Triad"), a FINRA registered broker-dealer (member of FINRA and SIPC). As a result of this affiliation, we recommend Triad's broker-dealer services for our non-discretionary investment management accounts. Client accounts are maintained with National Financial Services, LLC ("NFS") pursuant to the clearing agreement between NFS and Triad. Our affiliation with Triad is designed to maximize efficiency and cost effectiveness on behalf of our non-discretionary clients. By recommending that clients use Triad as a broker-dealer and NFS as a custodian, we seek to achieve the most favorable results relative to trading costs, allocation of funds, and rebalancing of client's non-discretionary investments.

Due to our dual registration, certain conflicts of interest exist when recommending that clients utilize Triad as a broker-dealer and NFS as an account custodian. Investment advisor representatives will receive additional compensation for transactions where such compensation is separate, distinct and in addition to compensation to our Firm. There may be situations where our investment advisor representatives receive third-party compensation as a result of their registered representative capacity. *(Please review Item 5 - Other Compensation for information regarding our conflicts of interest and advisory fee abatements).*

### 1. Soft Dollar and Other Benefits

When The Prosperity Consulting Group uses client commissions (or markups or markdowns) to obtain research or other products or services, or obtains research or other products or services by maintaining a relationship with a custodian or maintaining a certain level of assets with a custodian, we receive a benefit because we do not have to produce or pay for the research, products or services. We also may have an

incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

The Prosperity Consulting Group receives research or other products or services from broker-dealers in exchange for placing trades or processing securities related transactions for clients (i.e., soft dollar benefits). No client is charged for these services. The products or services received may benefit all of our customers, not just those whose assets are custodied at the broker-dealer who provides the products or services. This may result in higher transaction costs than those that would have been incurred but for the soft dollar benefits. We have determined that the transaction damages we incur and charge to you are reasonable in relation to the value of the services received.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business servicing independent investment advisory firms like us. Through Schwab Advisor Services, Schwab provides us and our clients, both those enrolled in the Apex Portfolio Program and our clients not enrolled in the Program, with access to its institutional brokerage services - trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Here is a more detailed description of Schwab's support services:

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit the client and the client's account.

Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events;
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab provides some Firm clients with reimbursements for the transfer of account exit fees which new Firm clients must pay to transfer their accounts to The Prosperity Consulting Group's management and its recommended custodian. The reimbursement for account exit fees is contingent upon additional client assets managed by The Prosperity Consulting Group and held at Schwab. The receipt of this benefit gives

us an incentive to recommend that our clients' accounts be held with Schwab. We address this conflict of interest by assuring that each recommendation of a custodian for assets managed by The Prosperity Consulting Group, is in the best interest of the client and is consistent with our obligation of best execution.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

The availability of services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and except for those relating to the Apex Portfolio Program, they are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. With respect to the Apex Portfolios Program, as described above under Item 4 Advisory Business, we are required to pay SWIA fees for its services in connection with the Apex Portfolios Program unless we maintain \$100 Million in client assets in accounts at Schwab that are not enrolled in the Apex Portfolios Program. This fee arrangement gives us an incentive to recommend that our clients with accounts not enrolled in the Apex Portfolio Program be maintained with Schwab. It also may give us a disincentive to recommend the Apex Portfolio Program to clients in order to be able to offer, or continue to offer, the Apex Portfolio Program to other clients without cost to us. We address these conflicts of interest by assuring that each recommendation to participate or not participate in the Apex Portfolio Program, as well as our recommendation of custodians for assets not in the Apex Portfolio Program, are in the best interest of the client and are consistent with our obligation of best execution.

As a fiduciary, we endeavor to act in our client's best interests. We may have an incentive to select or recommend Schwab or another broker-dealer based on our receipt of these types of benefits. However, we monitor and periodically assess the totality of these benefits, including particularly those that inure directly or indirectly to our clients, to assure that the continued recommendation of Schwab or such other broker-dealer is in our clients' best interests.

2. Brokerage for Client Referrals

The Prosperity Consulting Group receives client referrals from Schwab through our participation in the Schwab Advisor Network®. We pay Schwab fees to receive client referrals through the Service, and the fees may vary according to whether the assets are maintained in custody at Schwab or not. Accordingly, we have an incentive to recommend Schwab based on our interest in receiving client referrals, rather than on the client's interest in receiving most favorable execution. We manage this conflict of interest by assuring that each recommendation of a custodian is in the best interest of the client and is consistent with our obligation of best execution. *(Please review Item 14 – Client Referrals and Other Compensation for more information regarding this arrangement and our conflicts of interest).*

3. Directed Brokerage

Clients may also direct brokerage although it is not the preferred method for establishing or maintaining accounts. If clients prefer to utilize their own broker-dealer, we will notify the broker-dealer of our advisor-client relationship. Please be aware that when clients direct brokerage we may not be able to effect transactions in the most cost effective manner.

4. Best Execution

Schwab and Triad, the latter through its clearing broker-dealer NFS, transmit the orders of our clients to various exchanges or market centers based on a number of factors. These include size of the order, trading characteristics of the security, favorable execution prices, access to reliable market data, availability of automated transaction processing and reduced execution costs through price or other concessions. The Firm reviews the execution of trades at each custodian used to determine whether the clients are receiving the best execution for their transactions. We will consider whether the total costs to our clients, considering all factors, including any discounted commissions and other trading costs charged to our clients by virtue of our relationships with our existing broker-dealers, are significantly affected by poor execution or execution errors. If we determine it is in the best interests of our clients to do so, we will change broker-dealers.

When buying bonds, we focus on the highest net yield (assuming credit is good). For certain bond transactions, we may utilize another broker-dealer to purchase the bonds, instead of a broker-dealer mentioned above. In these instances, we compare bids/offers from these third-party broker-dealers with the bids/offers from Schwab to determine the best value for our clients. Fees, commission, and price markups are variables in calculating the net yield, and therefore influences our purchase decisions. We go through all platforms to ensure we are securing the best net yield. We buy some of our bonds from third-party brokers because they have a better inventory and show us bonds, we do not see through the custodian. In addition, with third-party brokers we may have the opportunity to negotiate the price and mark up on the bonds. We are able to negotiate price more effectively with the third-party brokers versus the custodians because the custodians are generally a pass through and are not selling from inventory.

#### Order Aggregation

Most trades initiated by the Firm are purchases or sales of exchange traded funds or mutual funds. In those cases, order aggregation does not yield any benefit to clients.

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### **REVIEW OF ACCOUNTS (Item 13)**

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#### Periodic Reviews

The Prosperity Consulting Group's criteria for reviewing client accounts is as follows:

1. **Review of Financial Plans**  
Our Firm prepares financial plans based on the financial data that clients provide to our Firm. Financial plans are updated on an as-needed basis. Once a client elects to revise a financial plan, a summary of the services to be rendered and relevant fees will be described in a new financial planning agreement. It is the client's responsibility to provide financial updates for information contained in the comprehensive Financial Plan and other Confidential Questionnaires.
2. **Review of Investment Management Portfolios**  
The Prosperity Consulting Group reviews client account activity at least quarterly. Either Donald N. Hoffman or Donna C. Gestl will review all accounts. Our reviews consist of determining whether your portfolios and strategies continue to align with your investment goals and objectives. If reallocation of investments is necessary and depending on our authority (i.e., discretionary or non-discretionary), we may either buy or sell, contact you to sell underperforming investments, or to buy new investments that are more appropriate for your investment goals and objectives.
3. **Review of Third-Party Managed Portfolios**  
We review third-party managed account activity quarterly. On an annual basis, we perform a detailed review of each client's portfolio to ensure that the strategy of the portfolio aligns with the client's investment objective. This process includes reviewing the various asset classes, investment management styles, and specified risk and return data of the portfolio. If reallocation is necessary, we may recommend different portfolios or third-party managers.

#### Intermittent Review Factors

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status or investment objections or risk tolerance. It is the responsibility of the client to notify us of any change to financial status, investment objectives or risk tolerance (such as retirement, termination of employment, relocation, or inheritance).

#### Client Reports

The Prosperity Consulting Group may issue separate written quarterly reports regarding your managed accounts to clients. The written updates may include a performance report, statement of gains and losses, or a financial markets summary. You will also receive statements at least quarterly from the account custodian detailing your account activity, holdings, and performance.

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## **CLIENT REFERRALS AND OTHER COMPENSATION (Item 14)**

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### **Economic Benefits for Advisory Services**

For its offering of Rochdale separately managed portfolios (third-party money managers) to clients, our Firm receives advisory compensation in the form of solicitor's fees. (See *Item 5, Other Investment Advisors*). This results in a potential conflict of interest. The Firm's solicitor compensation agreements comply with Rule 206(4)-3. Clients who engage us for these services will receive additional disclosure documents specifically describing the arrangement and the compensation paid to us by Rochdale.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under *Item 12 Brokerage Practices*. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Compensation for Client Referrals**

The Prosperity Consulting Group receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with the Firm. Schwab does not supervise the Firm and has no responsibility for the Firm's management of clients' portfolios or our other advice or services. The Prosperity Consulting Group pays Schwab fees to receive client referrals through the Service. The Firm's participation in the Service may raise potential conflicts of interest described below.

The Prosperity Consulting Group pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all referred clients' accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by the Firm is a percentage of the fees the client owes to the Firm or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. The Prosperity Consulting Group pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to the Firm quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by the Firm and not by the client. The Prosperity Consulting Group has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs the Firm charges clients with similar portfolios who were not referred through the Service.

The Prosperity Consulting Group generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, the Firm will have an incentive to recommend that client accounts be held in custody at Schwab. We address this conflict of interest by assuring that each recommendation of a custodian is in the best interest of the client and is consistent with our obligation of best execution.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of The Prosperity Consulting Group's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, the Firm will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit the Firm's fees directly from the accounts. We address this conflict of interest by assuring that each recommendation of a custodian is in the best interest of the client and is consistent with our obligation of best execution.

For accounts of The Prosperity Consulting Group's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from the Firm's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees.

Thus, the Firm may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. We address this conflict of interest by assuring that each recommendation is consistent with our duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for the Firm's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

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## **CUSTODY (Item 15)**

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### **Custodian of Assets**

The Prosperity Consulting Group does not hold physical custody of client funds or securities. We require that qualified custodians hold client assets. These custodians are Schwab and Triad as more fully described in Item 12. For more information regarding the broker-dealer custodian that services our accounts, please review the Brokerage Practices section (Item 12). Our Firm has custody of client funds and securities because of our written authorization and ability to deduct advisory fees directly from clients' accounts. We also have custody due to our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. This authority is granted to us by the client through the use of a standing letter of authorization ("SLOA") established by the client with his or her qualified custodian. The SLOA authorizes our Firm to disburse funds to one or more third parties specifically designated by the client pursuant to the terms of the SLOA and can be changed or revoked by the client at any time. We have implemented the safeguard requirements of SEC regulations by requiring safekeeping of your funds and securities by a qualified custodian. We have further implemented procedures to comply with the requirements outlined by the SEC in its February 21, 2017 No-Action Letter to the Investment Adviser Association.

### **Account Statements**

Although we are your adviser, your official statements are mailed or sent electronically by the account custodian. Please review these statements carefully, comparing asset values, holdings, and advisory fees on your statement to that in previously received statements, confirmations, and fee invoices.

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## **INVESTMENT DISCRETION (Item 16)**

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### **Discretionary Authority**

For those clients who so choose, The Prosperity Consulting Group will exercise limited discretionary authority in order to supervise and direct the investments of client's accounts. This authority is granted upon execution of our Investment Advisory Agreement. Discretionary authority is for the purpose of making and implementing investment decisions without prior consultation with clients. Investment decisions are made in accordance with your stated investment objectives and you may at any time during our engagement advise our Firm in writing of limitations that you would like to impose on our authority. You may impose limitations on securities in specific industries or countries, etc., and dollar amounts or percentage of, investments in the foregoing. Some clients prefer not to grant such discretionary authority.

### **Standard Limitations**

Our discretionary authority does not include taking or having possession of any assets in your account or direct delivery to us of any securities or payment of any funds held in the account. Furthermore, our authority by agreement does not allow us to direct the disposition of such securities or funds to anyone except the account owner.

### **Non-Discretionary Authority**

Clients may also request that we manage their investments on a non-discretionary basis. This means that we will seek your consultation prior to implementing investment decisions.



## **VOTING CLIENT SECURITIES (Item 17)**

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The Prosperity Consulting Group and its representative do not participate in proxy voting on behalf of clients. Our clients are responsible for directing their own proxies solicited by issuers of securities. You are responsible for making elections relative to mergers, acquisitions, tender offers, bankruptcy proceedings and other type events pertaining to the securities in your account. You will receive proxy and other solicitation information by mail from the account custodian. Please follow the instructions for proxy voting included in the mailing. The Prosperity Consulting Group will not routinely provide advice on tender offers but may provide advice on tender offers at the Firm's sole discretion, on either a solicited or unsolicited basis, for no additional fee. If The Prosperity Consulting Group does provide advice on some tender offers, that does not obligate the Firm to provide advice on all tender offers.

## **FINANCIAL INFORMATION (Item 18)**

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### **Balance Sheet Requirement**

The Prosperity Consulting Group does not require or solicit prepayment of more than \$1200 in advisory fees, six (6) months or more in advance and therefore is not required to submit a balance sheet.

### **Discretionary Authority, Custody of Client Funds or Securities and Financial Condition**

It is customary for The Prosperity Consulting Group to exercise full discretionary authority with respect to supervising and directing the investments in client accounts. Clients can also choose to have accounts managed on a non-discretionary basis. We have custody of client funds and securities because of our authorization and ability to deduct advisory fees directly from clients' accounts, as well as our standing authority to make third-party transfers on behalf of our clients who have granted us this authority. More importantly, our Firm does not have any financial condition that will impair our ability to meet our contractual commitments to clients.

Under the Paycheck Protection Program (PPP), we have received a loan of \$187,700. Our business has been economically impacted by the coronavirus pandemic and the loan proceeds will be used to pay staff salaries and to prevent layoffs during these challenging times. We do not anticipate any further liquidity needs during this time period and do not anticipate taking further loans. These conditions will not impair our firm's ability to meet contractual commitments to our clients.

### **Bankruptcy Petition Filings**

The Prosperity Consulting Group has not been the subject of a bankruptcy petition at any time during the past ten (10) years.