



## **PRIVATE PORTFOLIO PARTNERS LLC**

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### **ADV PART 2A FIRM BROCHURE**

**March 30, 2020**

This brochure provides information about the qualifications and business practices of Private Portfolio Partners LLC (“PPP” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at (201) 939-6644.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. PPP is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about PPP is available on the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Private Portfolio Partners, LLC believes that communication and transparency are the foundation of its relationship with Clients and continually strives to provide its Clients with complete and accurate information. We encourage all current and prospective Clients to read this Disclosure Brochure and discuss any questions you may have with us.

The following material changes have been made to this Disclosure Brochure since the last filing and distribution to Clients:

### **Item 12. Brokerage Practices**

#### **Ticket Charges**

Disclosure has been amended to clarify that each IAR pays a flat asset-based fee to PPP which is passed to the Custodian to cover transaction and execution costs in Client accounts using a calculation based on the IAR's aggregate regulatory assets under management. IARs pay an asset-based fee regardless of how much or little they trade. The asset-based fee that IARs pay for assets custodied at LPL Financial is less than Fidelity and therefore IARs have an economic benefit for recommending Client assets be custodied at LPL.

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations, and routine updates as required by securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs.

At any time, you may view the current Disclosure Brochure online at the SEC's Investment Adviser Public Disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching our Firm name or CRD# 165616. You may also request a copy of this Disclosure Brochure at any time, by contacting us at (201) 639-7289.

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#### **Item 4. Advisory Business**

##### **Description of the Advisory Firm**

Private Portfolio Partners LLC (“PPP” or the “Firm”) is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). The Firm was organized as a limited liability company under the laws of the State of New Jersey in September 2012 and is principally owned by Richard G. Dragotta, the Firm’s President and Managing Director.

PPP’s business model is based on a network of Investment Adviser Representatives (“IARs” or “Supervised Persons”) doing business in offices located in several states and cities. Although IARs are registered with PPP, and subject to oversight by from a centralized location, they operate their business as independent contractors. Some IARs operate under other business names (“doing business as” or “DBAs”). For more information about an IAR, please refer to the IAR’s Form ADV 2B Brochure Supplement. For a complete list of the Firm’s DBAs, please refer to Schedule D in Section 1.B (Other Business Names) of Form ADV Part 1, which can be found on the SEC’s Investment Advisor Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although PPP is not registered as a broker-dealer, most IARs of PPP are also dually registered with an unaffiliated broker-dealer, LPL Financial (“LPL”)<sup>1</sup>. LPL is registered with the SEC as a broker-dealer and investment adviser and is a member of FINRA and SIPC. In view of this arrangement, most Supervised Persons are able to offer a Client investment advisory services through PPP, including LPL Financial Sponsored Advisory Programs, and brokerage services as a registered representative through LPL. Before engaging with a Supervised Person, Clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of service best serves the Client’s investment needs and goals. Clients should speak to the Supervised Person to understand the different types of services available to them.

Each advisory account at the Firm is managed by one or more IAR who serves as the primary point of contact between the Firm and the Client and determines which other available Firm resources to utilize in connection with providing investment advice to Clients. Some IARs

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<sup>1</sup> Additional information about LPL Financial is available on the FINRA’s BrokerCheck® Website at <https://brokercheck.finra.org/>.

choose to incorporate more of the Firm's available resources in their provision of advisory services to their Clients than others do.

As of December 31, 2019, PPP had \$518,327,874 in regulatory assets under management, most of which was managed on a discretionary basis.

### **Types of Advisory Services**

PPP offers six (6) primary types of managed account Programs for its advisory Clients as well as financial planning. From time to time, individual IARs offer custom consulting or other services. In such events, the details will be disclosed in the specific agreements with the Client.

For all of the assets in its primary asset management programs, the Firm provides continuous and regular supervisory or management services (as defined by the SEC) based on the Client's individual goals, objectives, risk tolerance, time horizon, liquidity needs, investment assets and income ("financial circumstances") utilizing the investment strategy selected by the Client. IARs obtain a financial profile for each Client to aid in the construction of a portfolio that matches the Client's specific situation. Many Clients maintain "household" accounts, in which multiple accounts for an individual or members of a family may be managed jointly to maximize efficiencies. (The term "Client" includes such households, for purpose of this brochure.) For all of the different types of asset management programs, the IAR will assist Clients in assessing their goals, risk tolerance, income and tax situation and select an investment strategy and asset allocation that are appropriate for the Client's specific circumstances. However, PPP does not provide tax advice to Clients.

PPP, through its IARs, is available to Clients on an ongoing basis to discuss Client financial circumstances, the selected portfolio and the securities therein or to process instructions from Clients concerning advisory assets.

The investment strategies used by PPP vary from Client-to-Client, as warranted by the

individual circumstances.

Clients are advised to promptly notify the PPP if there are changes in their financial situation, investment objectives or if they wish to impose any reasonable restrictions upon the Firm's investment management services. Clients can engage the Firm to manage all or a portion of their assets on a discretionary or non-discretionary basis by entering into one or more written agreements with the Firm. Clients are typically required to enter into additional written agreements with the Custodian for the accounts, third-party asset managers, platform managers, insurance companies, investment managers or other parties that are not affiliated with PPP.

All investments have risk and there is no guarantee that utilizing the asset management or financial planning services of PPP or its IARs will produce favorable results.

At the present time PPP offers its investment management services to Clients utilizing the managed account Programs and other services described below.

**1. Strategic Wealth Management II Program ("SWM II")**

SWM II is a Program where PPP, through its IARs, provides ongoing investment management of Client assets custodied at LPL. The IAR reviews the Client's financial circumstances and exercises discretion to determine the securities to be bought or sold in the Client's account, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities. The types of securities used in this Program typically include mutual funds, unit investment trusts, closed-end funds, exchange traded products, equities, options, and fixed income securities.

IARs provide investment management services tailored to the individual needs of the Client based on the investment objectives chosen by the Client. Clients may impose restrictions on investing in certain securities or groups of securities by indicating in the Account Application. Given the long-term nature of many SWM II strategies, an account may have little or no turnover during a given

period.

There is no minimum required account value in the SWM II Program. Other than direct investments, assets in the Program are custodied at LPL, which is unaffiliated with PPP. Clients should refer to their account application package for specific information on LPL's custody and administrative fees. If direct investments are utilized, the assets will be identified on the LPL Financial account statements, but the actual securities are often held with and valued by the issuer of the security.

## **2. Manager Asset Select Program ("MAS")**

MAS is an LPL Financial Sponsored Advisory Program that provides Clients access to the investment advisory services of professional portfolio management firms for the individual management of Client accounts. The Program offers two alternatives (i) the Separately Managed Account Platform ("SMA Platform"); and (ii) the Model Portfolio Platform ("MP Platform") (collectively "Platforms"). For both Platforms, the IAR will assist Client in identifying a third-party portfolio manager ("Portfolio Manager") from a list of Portfolio Managers made available by LPL. The Portfolio Manager manages Client's assets on a discretionary basis. The IAR will provide initial and ongoing assistance regarding the Portfolio Manager selection process and serves as the point of contact between the Client and Portfolio Manager with regards to changes in the Client's investment objective, financial circumstances and investment restrictions (if any).

### **SMA Platform**

The SMA Portfolio Manager selected by the Client has ongoing investment discretion regarding the investment and reinvestment of account assets in accordance with the investment objective restrictions and guidelines set forth in the Investment Management Agreement and Account Application. The SMA Portfolio Manager independently

determines whether to accept the Client account based on the content of the Account Application, suitability and whatever other factors the SMA Portfolio Manager has deemed appropriate. The SMA Portfolio Manager has the sole authority to determine the securities to be purchased, sold or exchanged and which portion, if any, of the assets shall be held uninvested. The SMA Portfolio Manager has discretion to invest among a broad variety of security types, including equities, fixed income securities, options, mutual funds and ETFs. The IAR does not play a role in the selection of securities to be purchased or sold.

#### MP Platform

Under the MP Platform, LPL provides ongoing discretionary investment advice regarding the investment and reinvestment of account assets in accordance with the Model Portfolio selected. LPL is expected to closely track the Model Portfolio, making modifications only to redress account issues, including tax loss harvesting, rebalancing, and to ensure that investment restrictions are being followed. The IAR does not play a role in the selection of securities to be purchased or sold.

LPL selects and reviews SMA Portfolio Managers and MP Model Advisors for the Platform based on quantitative, qualitative and infrastructure criteria. Portfolio Managers and Model Advisors that are “Recommended” by LPL Research are subject to more rigorous selection and review process. Clients should speak to their IAR regarding whether the Portfolio manager or Model Advisor being considered for selection or that has been selected by the Client is “Recommended” or “Participating.”

A minimum account value of \$100,000 is required for the MAS Program; however, in certain instances, the minimum account size may be lower or higher.

Clients should note that an account will not be invested until the applicable minimum for the investment strategy or Model Portfolio has been reached. Clients should consult with their IAR to obtain more information about the



applicable investment minimum based on the strategy or Model Portfolio selected.

LPL acts as Custodian to MAS accounts. Clients direct third-party asset managers to execute transactions through LPL, subject to the third-party asset manager's duty as an investment advisor to seek best execution. Third-party asset managers may choose to place some or all trades for accounts with broker-dealer firms other than LPL ("step-out") where the execution price to the Client may include a commission or other fee imposed by the broker-dealer in addition to the account fee. PPP is unaffiliated with LPL and third-party managers utilized under the program. Clients should refer to their account application package and third-party manager disclosure brochure for specific information on LPL's management fees and fees imposed by third parties.

### **3. Model Wealth Portfolios Program ("MWP")**

MWP is an LPL Financial Sponsored Advisory Program that offers Clients professionally managed mutual fund and ETF asset allocation models. The IAR will obtain the necessary financial data from the Client, assist the Client in determining the suitability of the MWP Program and assist the Client in setting an appropriate investment objective. The IAR will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL's Research Department consistent with the Client's stated investment objectives. LPL's Research Department or third-party portfolio strategists are responsible for selecting the mutual funds or ETFs within a model portfolio and for making changes to the mutual funds or ETFs selected.

Portfolio Strategists are independent investment advisor firms. Portfolio Strategists provide LPL on an ongoing basis with a Portfolio that includes recommended asset allocations and funds. LPL enters into an agreement with the Portfolio Strategist for these Portfolio services. Other than the IAR and LPL, Portfolio Strategists do not have discretion from the Client to implement the Portfolio and do not provide individualized investment advice to specific

program Clients. In certain cases, a Portfolio may consist only of mutual funds and/or ETFs within the same fund family or within affiliated fund families. In such a Portfolio, the Portfolio Strategist will select only those funds within the fund family or affiliated fund families, and a third-party Portfolio Strategist or its affiliates may earn two levels of fees with respect to the assets; a strategist fee and fund-level fees, including fund management fees.

The Client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds and ETFs and to liquidate previously purchased securities. The Client will also authorize LPL to effect rebalancing for MWP accounts.

MWP requires a minimum asset value for a Program account to be managed. The minimums vary depending on the Portfolio(s) selected and the account's allocation amongst Portfolios. The lowest minimum Portfolio is \$25,000. In certain instances, a lower minimum for a Portfolio will be permitted. Note that an account will not be invested according to a Portfolio or Portfolios until the applicable minimum for the Portfolio(s) and allocation has been reached. Clients should consult with IAR to obtain more information about the applicable investment minimum based on the Portfolio(s) selected and the allocation amongst Portfolios.

LPL acts as Custodian to MWP accounts, provides brokerage and execution services as the broker-dealer on transactions, and performs administrative services, such as quarterly performance reporting to Clients. PPP is unaffiliated with LPL. Clients should refer to their account application package for specific information on LPL's management fees and fees imposed by third parties.

#### **4. Optimum Market Portfolios Program ("OMP")**

OMP is an LPL Financial Sponsored Advisory Program offering Clients the ability to participate in a professionally managed asset allocation program using Optimum Funds shares. Under OMP, the Client authorizes LPL on a discretionary basis to purchase and sell Optimum Funds pursuant to investment

objectives chosen by the Client. The IAR will assist the Client in determining the suitability of the OMP for the Client and assist the Client in setting an appropriate investment objective. The IAR will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the Client's investment objective. LPL will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the Client. LPL will also have the authority to rebalance the account.

A minimum account value of \$10,000 is required for the OMP Program. In certain instances, a lower minimum for the Program will be permitted. LPL acts as Custodian to OMP accounts, provides brokerage and execution services as the broker-dealer on transactions, and performs administrative services, such as quarterly performance reporting to Clients. PPP is unaffiliated with LPL. Clients should refer to their account application package for specific information on LPL's management fees and fees imposed by third parties.

#### **5. SEI Mutual Fund Models Program ("SEI")**

The SEI Program is a professionally managed mutual fund models Program in which SEI Investments Management Corporation (SIMC) develops various model mutual fund asset allocation portfolios designed to be invested in accordance with the Client stated investment objective. The IAR obtains the necessary financial data from the Client, assists the Client in determining the suitability of the Program and assists the Client in setting an appropriate investment objective. The IAR has discretion to select actively managed mutual fund model portfolios comprised of SEI funds model portfolio of funds consistent with the Client's stated investment objective. SEI has discretion to buy and sell mutual funds in the account and will invest the account based on the Portfolio selected. The IAR and Client can decide whether to subject the accounts to automatic quarterly rebalancing so the allocation selected by the Client remains consistent over time. Given the long-term nature of most of the mutual fund strategies, an SEI account may have little or no activity during any given period.

Clients should be aware that PPP provides LPL access to confidential Client information including personally identifiable information (“PII”) and other information including financial information, transactions and holdings for accounts established through SEI even if the Client does not establish an account through LPL.

There is no minimum required account value for the SEI Mutual Fund Portfolio Program. Assets in the SEI Mutual Fund Portfolios Program are custodied at SEI Private Trust Company (“SPTC”), which is unaffiliated with PPP. Clients should refer to their account application for specific information on SPTC custody fees and management fees.

## **6. Fidelity Institutional Wealth Services Program**

Fidelity IWS is a Program where PPP, through its IARs, provides ongoing investment management of Client assets custodied at Fidelity. The IAR reviews the Client’s financial circumstances and exercises discretion to determine the securities to be bought or sold in the Client’s account, the amount of securities to be bought or sold and the timing of the purchases and sales of the securities. The securities used in this Program typically include mutual funds, closed-end funds, exchange-traded products, equities, options, and fixed income securities.

IARs provide investment management services tailored to the individual needs of the Client based on the investment objectives chosen by the Client. Clients may impose restrictions on investing in certain securities or groups of securities by indicating in the Agreement. Given the long-term nature of many individual strategies employed in the Fidelity Program, an account may have little or no turnover during a given period.

Clients should be aware that PPP provides LPL access to confidential Client information including personally identifiable information (“PII”) and other

information including financial information, transactions and holdings for accounts established through Fidelity even if the Client does not establish an account through LPL.

There is no minimum required account value in the Fidelity Program. Fidelity is unaffiliated with PPP. Clients should refer to their account application package for specific information on Fidelity's custody and other applicable fees.

## **7. Financial Planning Services**

Fee-based financial planning services are based on fixed fees documented in the Financial Planning Agreement. Financial Planning is designed to meet the Client's financial goals, needs and objectives. The scope of financial planning services varies depending on the Client and typically involves some combination of a review of the Client's current financial circumstances including estate planning, insurance planning, education planning, retirement planning, charitable giving, and business succession planning and portfolio analysis. PPP does not typically advise on business value analysis and/or business liquidations, or property and casualty insurance, but these components can be referred to third-parties. Neither PPP, nor any IAR of the Firm, provide tax, accounting or legal advice to Clients. Clients should make all decisions regarding the tax and legal implications of their investments and plans with their independent tax or legal advisors.

PPP may recommend the services of itself, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer, and/or other professionals to implement its recommendations.

Following delivery of the financial planning services (which may or may not include a written plan), the investment advisory relationship terminates for Clients who have engaged PPP as investment advisor for the limited purpose of producing a financial planning services.

Clients are free to implement none, some or all of the recommendations and may do so through PPP or through other providers of such services. Charges may be lower or higher if the plans are implemented away from PPP.

If financial planning Clients choose to implement the recommendations contained in the financial plan through PPP, the IARs will typically recommend products and services offered through LPL and they may act in their capacities as registered representatives and/or insurance agents.

In circumstances where the IAR recommends specific investments and is otherwise involved in implementing the plan the opportunity for the IAR and PPP to receive additional compensation as a result of such recommendations creates a conflict between the Client's interests and those of the IAR and PPP. In addition, if a Client separately purchases a product or service recommended by the IAR to implement a financial planning recommendation, the Client will generally be charged commissions or fees in connection with those transactions and services that are separate from and in addition to the fees charged by PPP for financial planning services.

In addition to these primary types of managed account programs and financial planning services, Clients and IARs may negotiate other types of services for a retainer, flat fee or otherwise. These arrangements will be documented separately with the Client, the IAR and PPP.

All investments have risk and there is no guarantee that utilizing the financial planning, asset management and/or advisory consulting services of PPP or its IARs will produce favorable results.

### **Other Aspects of Asset Management**

In its provision of investment advice and asset management, PPP utilizes various types of investments, such as mutual funds, unit investment trusts, closed-end funds, exchange traded products, equities, options, fixed income securities, and other

securities.

PPP offers the same suite of services to all its Clients; however, each IAR independently determines, based on his own investment strategies, methods of analysis, and preferences in conjunction with each Client's specific profile and financial circumstances, which services and products to recommend. Clients may impose reasonable restrictions on PPP regarding investing in certain securities or types of securities in accordance with their values or beliefs (or based on their employer's restrictions) except with certain third-party managers. However, if the restrictions prevent PPP from properly servicing the Client account, or if the restrictions would require the Firm to deviate from its standard platform of services, the Firm reserves the right to decline or terminate the relationship.

Clients should be aware that PPP offers direct investment advisory products that are approved by LPL, such as structured products, market-linked investments, alternative investments and fee-based variable annuities. PPP does not offer direct investment products through Fidelity. The availability of these investment products presents an incentive for IARs to recommend Clients use LPL's custodial platform rather than Fidelity's platform.

Clients should be aware that while IARs recommend investment advisory Programs based on what they believe is appropriate for the Client, a conflict of interest exists for the IAR to recommend Programs offered through LPL because, more often than not, a percentage of the fee payout to the IAR is the same or higher than Programs offered through Fidelity.

### **Wrap Fee Programs**

PPP participates in wrap fee programs which are investment programs wherein the investor pays one stated fee that includes portfolio management, asset allocation, execution of transactions, and preparation of quarterly performance reports. PPP's wrap fee Programs currently include SWM II, MAS, MWP, OMP, SEI, and Fidelity IWS. PPP provides continuous and regular supervisory or management services to investments in wrap fee programs. The fees paid to the wrap programs will be given to PPP as a management fee. Other parties may also receive a portion of the Client's overall

management fee, which is in addition to the fee paid to PPP. For example, third-party managed programs can allow the IAR to select one or more other portfolio managers. Each portfolio manager selected for the Client charges a fee for managing a portion of the Client's selected assets.

Clients should be aware that if there is little or no trading activity in a wrap account, the Client will pay more in advisory fees than commission charges if the account was a non-managed account or if such services were purchased separately.

For additional information on PPP's wrap fee programs refer to Form ADV Part 2A, Appendix 1 ("Wrap Brochure").

## **Item 5. Fees and Compensation**

### **Investment Supervisory Services Fees**

When a Client engages PPP to provide investment management services, the Client is charged a fee. IARs set their own asset-based fee for their services, so long as their asset-based fee does not exceed the Firm's maximum fee of 2%. IARs consider various factors in determining what fee to charge, which may include, among other things, the nature and size of the overall Client relationship with the IAR. Clients may negotiate fees for the IAR's services. Clients with assets in MAS, MWP, OMP, and SEI will also pay fees to other parties, such as third-party asset manager(s), and platform manager. These fees are in addition to the fee the Client pays PPP. Regardless of the Program selected, Clients will pay Custodial fees and internal expense and management fees in connection with transactions in certain types of securities such as mutual funds, exchange traded products, and direct investment products, which can vary considerably. Clients should be aware that if there is little or no trading activity in the account, the Client will pay more in advisory fees than commission charges if the account was a non-managed account or if such services were purchased separately.

The fee charged for assets in SWM II and Fidelity IWS Programs is included in the



written Investment Management Agreement between PPP and the Client. For MAS, MWP, OMP and SEI Programs, the fees are covered in the written Investment Management Agreement between PPP and the Client in conjunction with separate Agreements directly between the Client and third-party money manager and Custodian and platform manager. For these programs, the Client pays separate fees to those managers and to PPP; although both fees may be deducted from the assets managed by the Custodian and/or third-party manager.

While IARs recommend investment advisory Programs based on what they believe is appropriate for the Client, a conflict of interest exists for the IAR to recommend Programs offered through LPL because more times than not, a percentage of the fee payout to the IAR is the same or higher than Programs offered through Fidelity.

Since PPP began providing these services, it has had other asset-based fee structures in effect, which may have been lower or higher, as the case may be, than that described above. As new fee structures are put into effect, they are generally made applicable only to new Clients, and fees to existing Clients are generally not affected.

### **Financial Planning Fees**

Financial Planning fees are negotiable and are generally determined based on the nature and extent of the services being provided, the complexity of the Client's circumstances, as well as other aspects of the Client's current and historical relationship with PPP. All fees are agreed upon prior to entering into an Agreement with any Client. Fees are payable by check in advance and may and may change depending on whether or not new complexities present themselves. Any changes made to a financial plan will be discussed with Clients in advance, and a new agreement will be signed to reflect the changes. The fees charged to a Client are paid to PPP and a portion of the fee is paid to the IAR.

### **Payment of Fees**

For SWM II, MAS, MWP and OMP Programs, fees are due and payable in advance

and are based upon the ending account values as of the close of business on the last day of the previous calendar quarter. Fees are calculated and deducted from the managed account by LPL, the qualified Custodian of record. Fees for the initial quarter are adjusted pro rata based upon the number of calendar days in the calendar quarter that the Investment Advisory Agreement goes into effect. If assets are deposited into or withdrawn from an account after inception of a billing period, the fee payable with respect to such assets is prorated to reflect the change in portfolio value. The advisory relationship may be terminated by the Client, PPP or by third-parties to the contract in accordance with the provision of the Investment Management Agreement. The Client receives a pro rata refund of any prepaid unearned advisory fees. Clients receive an account statement from their qualified Custodian at least quarterly. The statement includes the amount of any fees debited or credited, as the case may be, from the Client's' account pursuant to written authorization.

Advisory fees for the SEI Program are calculated daily and payable monthly in arrears net of any income, withholding or other taxes. Fees are calculated and deducted from the managed account by the qualified Custodian of record. The first payment is calculated based on the number of days assets are placed in the account during the calendar month. The advisory relationship may be terminated by the Client, PPP or by third-parties to the contract in accordance with the provision of the Investment Management Agreement. If an account is terminated prior to the end of a calendar month, the terminating Client will pay prorated fees due up to the account termination date. Clients receive an account statement from their qualified Custodian at least quarterly. The statement includes the amount of any fees debited or credited, as the case may be, from the Client's' account pursuant to written authorization.

Advisory fees for the Fidelity IWS Program are due and payable in advance and are based upon the ending account values as of the close of business on the last day of the previous calendar quarter. Fees are calculated by PPP and deducted from the managed account by Fidelity, the qualified Custodian of record. Fees for the initial quarter are adjusted pro rata based upon the number of calendar days in the calendar quarter that the Investment Advisory Agreement goes into effect. The advisory relationship may be terminated by the Client, PPP or by third-parties to the contract in accordance with the provision of the Investment Management Agreement. The Client receives a pro

rata refund of any prepaid unearned advisory fees. Clients receive an account statement from their qualified Custodian at least quarterly. The statement includes the amount of any fees debited or credited, as the case may be, from the Client's' account pursuant to written authorization

Clients are advised to review the Investment Advisory Brochures and applications/contracts/agreements with applicable third-parties for complete information on how fees are charged by such parties because their processes for charging fees may change from time-to-time. If you have questions about a particular Program, Custodian, or fees please contact your IAR.

### **Other Types of Fees and Expenses**

Clients are responsible for the payment of all third-party fees such as Custodian fees, charges imposed directly by a mutual fund, index fund, exchange traded product or direct investment which shall be disclosed in the fund's prospectus or issuer's offering document (i.e., management fees and other expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from the Custodian ("step-out trades"), platform fees, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. The Custodian utilized by third-party managers may impose other charges. These fees are not included within the wrap-fee. Clients are charged by PPP. As noted throughout, Clients are encouraged to review all documentation provided by those managers for full and current details regarding their practices. Please contact your IAR if you have any questions.

### **Internal Product Fees and Expenses**

Additionally, all collective instruments, including mutual funds, exchange traded products, unit investment trusts and direct investments, such as structured products, alternative investments, and variable annuities have their own internal fees which are also disclosed in each product's offering documents and vary considerably. These internal charges often include operating expenses, management fees, administrative fees, 12b-1 fees, redemption fees, M&E&A fees, fees for additional riders on the

contract, and other fees and expenses that increase the expense ratio of the investment. These fees are a second layer of fees and in addition to the fees charged by PPP.

If Clients transfer in B or C share classes of mutual funds, and if such shares are liquidated after being transferred to PPP, those shares will incur a contingent deferred sales charge (“CDSC”) from the mutual fund company if they are within the CDSC holding period.

PPP has available for purchase through its Custodians mutual funds which are no-load or load-waived share classes and therefore not subject to any upfront sales charge (Platform Shares). Clients should be aware that load-waived funds charge 12b-1 fees, which can vary considerably. Clients should further understand that IARs can select more expensive share classes available on the Custodian’s Platform when a lower-cost share class is available for the same fund. All sales loads and 12b-1 fees are retained by the Custodian and not directly or indirectly paid to PPP or its IARs and are not credited to Clients’ advisory accounts.

Most mutual funds available in the Programs may be purchased directly from the issuer. Therefore, Clients could generally avoid the second layer of fees by not using the advisory services of PPP and by making their own decisions regarding the investment. PPP encourages all Clients to closely review the investment’s prospectus or offering documents for all such investments with their IARs and to consider aggregate costs. Clients should contact their IAR with any questions about any particular product’s fees and expenses.

Clients should understand that available Platform Shares in many cases will not be the least expensive share class that the mutual fund issuer makes available. Share classes are selected by Custodians to be available on their Platforms in certain cases because the share class pays the Custodian compensation for the administrative and record keeping services the Custodian provides to the mutual fund. PPP or its IARs do not share directly or indirectly in any compensation received by Custodians for these services.

While PPP endeavors to use the lowest-cost share class available and periodically reviews its holdings in order to convert higher cost shares to lower cost shares, the Firm cannot ensure that all Clients will hold the lowest cost shares available on the Platform at any given time. Further, some third-party money managers are more careful about utilizing the lowest cost share class than others.

### **Third-Party Manager Step-out Trades**

Third-party managers may choose to place trades through the broker-dealer associated with the Program, or through other broker-dealers if the third-party manager determines that such other broker-dealer is providing best execution considering applicable circumstances. If a third-party manager executes trades through a broker-dealer other than the one associated with the selected Program, there will most likely be a commission or mark-up on the trade in addition to the account fee.

Clients are encouraged to review the disclosure brochure for the third-party manager selected for more information regarding their practices. Please see the Brokerage Practices Section for further information regarding step-out trades and best execution practices.

### **Limitations due to LPL Licensing/Registration**

Supervised Persons that are licensed as registered representatives of LPL Financial are subject to regulations that restrict them from conducting securities transactions away from LPL without written authorization from LPL. Clients should, therefore, be aware that for accounts where LPL serves as the Custodian, the Supervised Person is limited to offering services and investment vehicles that are approved by LPL prohibited from offering service and investment vehicles that may be available through other broker-dealers and custodians.

### **Commission or Sales Charges for Recommendations of Securities and Insurance**

Most of PPP's Supervised Persons are also registered with LPL as FINRA broker-dealer registered representatives. A conflict of interest exists to the extent that Supervised Persons of PPP, in their individual capacities as registered representatives of LPL, recommend

Clients utilize the brokerage services of LPL where Supervised Persons receive commissions, concessions, sales charges and other transaction fees for brokerage or insurance services provided. PPP does not directly or indirectly receive any portion of commissions, concessions, sales charges or transaction fees for brokerage or insurance services provided by Supervised Persons or by LPL. Clients are in no way required to purchase any product or service through any Supervised Persons of PPP in their outside capacities.

As part of a financial plan, a Supervised Person may recommend changes to a Client's insurance coverage. If a Client requests that a Supervised Person assist them in implementing the recommendations in a financial plan, the Supervised Person, in [his/her] capacity as an insurance agent, may suggest insurance products, which will generate commissions to them. Most of PPP's Supervised Persons can place insurance as brokers through many insurance companies. Supervised Persons often access these insurance products independently through LPL's insurance network or through other agencies unaffiliated with PPP or LPL. Clients are advised that some of these insurance carriers pay allowances and benefits to some of the agents and brokers (which include trips, training support, educational conferences among other benefits), which vary considerably from year-to-year. All these allowances and benefits are customary in the industry and are in addition to the commissions generated on insurance sales and are based on the volume of business they conduct on an annual basis. Although this arrangement creates a conflict of interest and incentivizes Supervised Persons to recommend that Clients use insurance carriers which provide higher compensation, Supervised Persons who sell insurance recommend insurance carriers based on what they believe is appropriate for the Client.

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

Not applicable. Neither PPP nor any of its Supervised Persons accept performance-based fees.

#### **Item 7. Account Requirements and Types of Clients**

PPP's Clients are primarily individuals, high net worth individuals, corporations and businesses, pension and profit-sharing plans, and charitable organizations.

### **Minimum Account Size**

PPP's primary types of managed account Programs have minimum account value ranges from \$0 to \$100,000, depending on the specific Program or third-party money manager utilized as described in Item 4 above. In certain instances, a lower minimum for the Program will be permitted.

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

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

Clients are managed independently by portfolio managers (IARs) and IARs are under no obligation or requirement to buy or sell the same investments for accounts, even when the investment strategy may be similar. Given the number of IARs providing advice at PPP, the methods of analysis, investment strategies and investment selections will vary based upon the individual IAR providing the advice. IARs may conduct their own research and due diligence when making a securities recommendation. Several tools available to IARs include (i) LPL's Research Department; (ii) WealthVision; (iii) Black Diamond, (iv) Morningstar; (v) Riskalyze; (vi) financial publications; (vii) third-party research; and (viii) other sources to construct portfolios and research track records and fundamentals regarding the investments recommended.

Clients should be aware that while LPL's Research Department and other third-party research sources make recommendations regarding asset allocation, mutual funds and money managers, IARs may or may not follow these recommendations in providing investment advice.

While IARs recommend investment advisory Programs based on what they believe is appropriate for the Client, a conflict of interest exists for the IAR to recommend Programs offered through LPL because more times than not, a percentage of the fee payout to the IAR is the same or higher than programs offered through Fidelity. PPP does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a Client's assets).

IAR investment strategies involve certain risks. There can be no assurance that any particular

strategy will be successful in achieving the Client's investment goals and objectives. The material risk for any strategy under an IAR's advice is the risk of loss of principal investment value. Each method of analysis an IAR undertakes requires subjective assessments and decision-making by experienced investment professionals.

PPP and its IARs offer third-party asset management program ("TAMP") platforms that provide integrated portfolio management, administration and reporting. These platforms (currently limited those sponsored by LPL Financial) offer asset allocation portfolios designed to meet different investment objectives and a broad array of professional third-party managers. These platforms are supported by investment specialists in asset allocation, portfolio construction and manager due diligence as well as technology platforms that facilitates custody, trading, and tax reporting. While PPP conducts due diligence on the investment platforms to validate their business models, ability to identify and access attractive third-party managers to the platform and the costs of the platform, PPP does not conduct due diligence on actual third-party managers offered on the platform. When conducting due diligence on investment platforms, PPP typically participates in a conference call and/or meeting with a member of the management team and reviews the platform's internal due diligence process. The investment platforms offer a wide spectrum of professional third-party managers with different strategies and risk exposures. Depending on the platform's internal due diligence processes, PPP often relies heavily on the due diligence performed by the investment platforms and IARs conduct additional screening on the third-party managers available to identify strategies that are suitable for a particular Client's objectives, risk tolerance and other preferences.

### **General Risks**

Although IARs consider many risks before recommending a security or investment manager to Clients (or investing on their behalf), there are a myriad of circumstances that may cause investments to lose value. An IAR's assessment of any investment manager or security's likely future performance is inherently a prediction and it is subject to uncertainty and risk that the outlook might prove wrong. An outcome contrary to what the IAR anticipated may arise from a number of factors, such as an erroneous assessment of the value offered by the investment manager/security, a change in strategy by the selected manager, market changes, unanticipated changes to interest rates or the tax code, among others.



PPP does not create, manufacture or recommend any particular type of security; rather, IARs invest in and recommend securities they believe to be appropriate for the Client based on an understanding of the Client's investment objectives and risk tolerance. Summarized below are specific risks broadly relating to the types of securities PPP primarily invests in for Client accounts; however, securities may be the subject of additional risks specific to that security or issuer. Clients are strongly encouraged to review the prospectus disclosures and offering documents relating to the securities held in their portfolios if they have questions, as these documents discuss in more detail the risks relating to the particular product. Clients with additional questions regarding a particular security should contact their IAR.

### **Specific Risks**

Clients participating in any of the offered Programs should understand the underlying securities holdings involve risk and the potential of loss of investment value.

Money markets used are generally considered low risk but are not guaranteed and may be subject to loss and/or change in market value.

Mutual funds and exchange traded products often provide diversification but may be concentrated in a particular asset category or class within a category. Investments in funds impose risk due to exposure to economic forces or factors for which the future is uncertain. Some of these risks are unique to individual funds, but many are common to many funds. A fund's risk depends on how closely its return is coupled with given indexes, the riskiness of each index and how closely the indexes tend to move together.

The level of overall investment market diversification will vary depending on the underlying exposure of the Portfolio's securities. The risk is a function of the underlying asset classes and weighting of the securities. Further, all investment strategies involve risk and the investment performance and success of any strategy cannot be predicted or guaranteed. Past performance should not be used to forecast future result.

When Clients invest in direct investments, such as structured products, market-linked investments and alternative investments, such as non-traded REITs for example, they

receive offering documents which identify the specific risk factors associated with those securities and issuers. Some of these types of investments can be speculative in nature and may use leverage or other aggressive investment practices. In some instances, these investments have limited liquidity with no available market price and the underlying properties are valued infrequently. Clients are encouraged to review the specific issuer's disclosure documents for additional risk disclosures.

Similarly, Clients are encouraged to review investment advisory brochures for all third-party managers, official statements for bond offerings and standardized options disclosure documents for additional disclosures on the characteristics and risks of those programs and types of investments.

Investing in securities involves a risk of loss that you, as a Client, should be prepared to bear.

This list of specific risks is not exhaustive. When Clients invest in mutual funds, exchange traded products, unit investment trusts and newly issued municipal bonds, for example, they receive prospectuses, offering documents or official statements which identify the risk factors associated with those securities and issuers. Clients are encouraged to review such disclosure documents. Similarly, Clients are encouraged to review the offering documents for private investments and investment advisory brochures for all third-party managers for additional risk disclosures. Please contact your IAR if you have any questions about the risks related to your investments.

#### **Item 9. Disciplinary Information**

Not applicable. PPP has no legal or disciplinary events to disclose.

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

##### **LPL Financial**

In most instances, the Firm's Supervised Persons are also registered with LPL as a FINRA broker-dealer registered representatives. A conflict of interest exists to the extent that Supervised Persons of PPP, in their individual capacities as registered representatives of LPL,

recommend Clients utilize the brokerage services of LPL where Supervised Persons receive commissions, concessions, sales charges and/or other transaction fees for brokerage and/or insurance services provided. Clients are in no way required to purchase any product or service through any Supervised Person of PPP in their outside capacities.

As discussed previously, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about PPP's Clients, even if the Client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact (201) 939-6644.

### **Other Insurance Brokerage Services**

Most of PPP's Supervised Persons can place insurance as brokers through many insurance companies through agencies unaffiliated with PPP or LPL. A conflict of interest exists to the extent where they receive commissions and other remuneration for their insurance activities. PPP does not supervise these activities. Clients are in no way required to purchase any product or service through any Supervised Person of PPP in their outside capacities.

### **Gladstone Institutional Advisory, LLC**

PPP is a hybrid Registered Investment Advisor ("RIA") of LPL and outsources its Chief Compliance Officer and Supervisors to Gladstone Institutional Advisory, LLC ("GIA"), dba Gladstone Wealth Group, a separate entity and hybrid RIA of LPL. GIA pays a fee for these services to PPP in which PPP assists with the implementation and oversight of GIA's compliance program and performs supervision and oversight from a centralized location.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

PPP believes it owes Clients the highest level of trust and fair dealing. As part of its fiduciary duty, PPP endeavors to put the interests of its Clients ahead of the interests of the Firm and its personnel. To this end, PPP has adopted a Code of Ethics that emphasizes the high standards of conduct the Firm seeks to observe. PPP personnel are always required to conduct themselves with integrity and follow the principles and policies detailed in the Firm's Code

of Ethics.

PPP's Code of Ethics attempts to address specific conflicts of interest it has identified or that could likely arise specific to its business model. PPP personnel are required to follow guidelines in areas such as prohibitions on insider trading, personal securities transactions, conflicts of interest, gifts, confidentiality and privacy, compliance procedures, certification of compliance, training, record keeping and adherence to applicable securities laws.

Clients may request a copy of PPP's Code of Ethics by contacting the Firm's Chief Compliance Officer at (201) 939-6644.

### **Personal Trading Practices**

PPP's Code of Ethics requires "access persons" (as defined by the SEC) to periodically report their personal securities transactions and holdings to the Firm and for designated person(s) to review those reports for improper trades or patterns of trading.

PPP does not maintain "restricted lists", implement "blackout periods" or require prior written approval ("pre-clearance") for personal securities transactions other than initial public offerings ("IPOs") and private placements. PPP does not hold or trade securities for its own accounts, although from time to time, IARs may trade in securities for their own accounts that they also trade in Client accounts, and they also trade in different securities that they do not feel are appropriate for certain Clients. The conflict presented in this practice could lead to an IAR purchasing or selling a security and receiving a better price than the Client. PPP conducts risk-based monitoring of such transactions to look for potential conflicts of interest and to ensure that IARs transact Client business before their own when the same securities are being bought or sold in the same trading session.

### **Principal Transactions**

PPP does not execute trades on a principal basis in Program accounts.

### **Cross Transactions**

PPP does not execute cross transactions involving Program accounts.

## **Item 12. Brokerage Practices**

### **Ticket Charges**

Although Clients or IARs do not pay ticket charges (individual transaction charges) in any of the primary asset management Programs, Clients should be aware that each IAR pays a flat fee (“asset-based fee”) to PPP which is passed to the Custodian to cover transaction and execution costs on a calculation based on the IAR’s aggregate regulatory assets under management. IARs pay an asset-based fee regardless of how much or little they trade. The asset-based fee that IARs pay for assets custodied at LPL is less than at Fidelity and therefore IARs have economic benefit for recommending Client assets are custodied at LPL. Regardless of whether Client assets are custodied at LPL or Fidelity, we believe that this fee structure reduces potential conflicts of interest that may arise with individual ticket/transaction charges that can influence an IAR’s decision whether or not to trade an account.

Fidelity offers no transaction fee mutual fund share classes (“NTF funds”) that are excluded from an IAR’s aggregate regulatory assets under management for asset-based billing purposes. This presents a conflict because there is an economic benefit for the IAR to place Client assets in NTF funds over other fund share classes on the Fidelity Platform. To mitigate this conflict, IARs must pay a minimum fee per account regardless of share classes selected. We believe that this fee structure reduces potential conflicts of interest which may arise that can influence an IAR’s mutual fund share class selection.

### **Trade Allocation**

Transactions for each Client in the SWM II and Fidelity Programs will generally be effected independently and are not “batched”. However, IARs do have the option to batch Client trades in these Programs when they determine it is in the best interest of their Clients to do so. When trades are batched, the transactions will be aggregated and averaged as to price and typically will be allocated pro rata among Clients that participated in the batch trade. For trade aggregation practices in connection with MAS, MWP, OMP, and SEI Programs, Clients should refer to the investment management agreements they enter into as well as the brochures for the third-party managers selected.

### **Best Execution**

PPP maintains a fiduciary duty to seek the best execution pricing available for Client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it is a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market and the specific needs of the Client.

PPP routes order flow to LPL and Fidelity, depending on the Custodian selected by the Client, and relies on the executing firm's regular and rigorous review of execution quality as permitted in accordance with FINRA Rule 5310. PPP periodically evaluates the extent to which the executing firms conduct their reviews of execution quality and the degree to which Clients receive best execution and price improvement to ensure the services provided by the executing broker remain competitive and are in the best interest of the Firm's Clients.

### **Soft Dollar Arrangements**

#### **LPL Platform Economic Benefits**

PPP may recommend that Clients establish brokerage accounts with LPL, a registered broker-dealer, member FINRA/SIPC, to maintain custody of Clients' assets and to effect trades for their accounts. The decision to custody assets with LPL is at the discretion of the Client. PPP is independently owned and operated and not affiliated with LPL.

Brokerage transactions are directed to LPL in return for investment research and access to products and services that assist PPP in its investment decision-making process. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because PPP does not have to produce or pay for the products or services.

PPP receives an economic benefit from LPL primarily in the forms of support services, product offerings, loans, and transition assistance. PPP receives support services and access to products from LPL, many of which assist PPP to better monitor and service Program

accounts custodied at LPL and elsewhere. Some of the services and products benefit PPP and not Client accounts. These include national, regional or PPP specific educational events organized and/or sponsored by LPL. Other benefits include occasional business entertainment of personnel of PPP by LPL personnel, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities. Support services and/or products may be received without cost, at a discount, and at a negotiated rate and include investment-related research, pricing information and market data, software and other technology that provide access to Client account data, compliance and/or practice management-related publications, attendance at conferences, meetings and educational events, marketing support, computer hardware and software, and other products and services used by PPP in its investment advisory business operations. LPL provides these services and products to PPP directly or through third-party vendors. In the case of third-party vendors, LPL may pay for some, all or none of the third-party's fees.

In most instances, PPP's Supervised Persons have received a loan and/or transition payment from LPL in order to assist the Supervised Person, in their capacity as a dually registered person of LPL, with the costs (including foregone revenues during account transition) associated with transitioning business to the LPL custodial platform (referred to as "Transition Assistance"). The proceeds of such transition assistance payments are intended to be used for a variety of purposes, including but not limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the dually registered person's prior firm, offsetting account transfer fees (ACATs) payable to LPL as a result of the dually registered person's Clients transitioning to LPL's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of transition assistance payments is often significant in relation to the overall revenue earned or compensation received by the dually registered person at [his/her] prior firm. Such payments are generally based on the size of the dually registered person's business established at [his/her] prior firm and/or assets under custody at LPL.

Transition assistance payments and other benefits are provided to Supervised Persons in their capacity as registered representatives of LPL. However, the receipt of transition assistance by

such dually registered persons creates conflicts of interest relating to PPP's advisory business because it creates a financial incentive for Supervised Persons to recommend that its Clients establish their accounts with LPL.

PPP attempts to mitigate these conflicts of interest by evaluating and recommending that Clients use LPL's services based on the benefits that such services provide rather than transition assistance earned by any dually registered person. To the extent PPP recommends Clients custody their accounts at LPL, it is because PPP believes that it is in the Client's best interest to do so based on the quality and pricing of execution, benefits of an integrated platform for brokerage and advisory accounts, and other services provided.

These support services are provided to PPP based on the overall relationship between PPP and LPL. It is not the result of soft dollar arrangements or any other express arrangements with LPL that involves the execution of Client transactions as a condition to the receipt of products and services. PPP will continue to receive the services regardless of the volume of Client transactions executed with LPL. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by PPP or any other entity to invest any specific amount or percentage of Client assets in any specific securities as a result of the arrangement. However, because PPP receives these benefits from LPL, there is a potential conflict of interest. The receipt of these products and services presents a financial incentive for PPP to recommend that its Clients use LPL's custodial platform rather than another Custodian's platform.

#### **Fidelity Platform Economic Benefits**

PPP may recommend that Clients establish brokerage accounts with Fidelity, a registered broker-dealer, member FINRA/SIPC, to maintain custody of Clients' assets and to effect trades for their accounts. The decision to custody assets with Fidelity is at the discretion of the Client. PPP is independently owned and operated and not affiliated with Fidelity.

Fidelity provides PPP with access to its institutional trading and custody services, which are typically not available to Fidelity retail investors. These services generally are available to independent investment advisors at no charge. Fidelity's services generally are available to independent investment advisors at no charge. Fidelity's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in



the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Fidelity also makes available to PPP other products and services that benefit the Firm but may not benefit its Clients' accounts. These benefits include educational events organized and/or sponsored by Fidelity. Other potential benefits may include occasional business entertainment of personnel of PPP by Fidelity personnel, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist PPP in managing and administering Clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple Client accounts), provide research, pricing information and other market data, facilitate payment of PPP's fees from its Clients' accounts, and assist with back-office training and support functions, recordkeeping and Client reporting. Many of these services generally may be used to service all or some substantial number of PPP's accounts, including accounts not maintained at Fidelity. Fidelity also makes available to PPP other services intended to help the Firm manage and further develop its business enterprise. These services include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, and insurance and marketing. In addition, Fidelity may make available, arrange and/or pay vendors for these types of services rendered to PPP by independent third-parties. Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to PPP.

These support services are provided to PPP based on the overall relationship between PPP and Fidelity. It is not the result of soft dollar arrangements or any other express arrangements with Fidelity that involves the execution of Client transactions as a condition to the receipt of products and services. PPP will continue to receive the services regardless of the volume of Client transactions executed with Fidelity. Clients do not pay more for services as a result of this arrangement.

While, as a fiduciary, PPP endeavors to act in its Clients' best interests, PPP's recommendation/requirement that Clients maintain their assets in accounts at Fidelity may be based in part on the benefit to the Firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity, which may create a potential conflict of interest.

#### **Oversight Fee for Assets Held Away**

As stated previously, individuals associated with PPP are licensed as registered representatives of LPL Financial. As a result of this licensing relationship, LPL Financial is responsible for "oversight" of certain activities of PPP to the extent PPP manages assets at a broker-dealer and Custodian other than LPL Financial. LPL Financial charges a fee for this oversight. This presents a conflict of interest in that PPP has a financial incentive to recommend that Clients maintain their account with LPL Financial rather than another Custodian in order to avoid the oversight fee. However, to the extent PPP recommends a Client use LPL Financial for such services, it is because PPP believes that it is in the Client's best interest to do so based on the quality and pricing of the execution, benefits of an integrated platform for brokerage and advisory accounts, and other services provided by LPL Financial.

#### **Directed Brokerage**

With respect to services provided pursuant to the SWM II, MAS, MWP and OMP Programs described herein, Clients authorize PPP to use LPL as the Custodian and broker-dealer for trades. Clients should be aware that third-party managers in the MAS Program may step-out transactions.

With respect to the Fidelity Program described herein, Clients authorize PPP to use Fidelity as the Custodian and broker-dealer for trades.

For some third-party manager programs, the executing broker is affiliated with the Custodian of the assets. For additional information please refer to the brochure of the third-party asset manager.

### **Trade Errors**

In the event of a trade error attributable to PPP, the Firm's policy is to place the Client in the position [he/she] would have been in absent the error unless otherwise directed by the Client. In such cases, the Firm will own any profit or loss resulting from the reversing transactions.

### **Item 13. Review of Accounts**

IARs review Client accounts on an ongoing basis and complete a formal review of each Client account at least annually to have reasonable grounds to believe that the advisory account continues to be in the Client's best interest. The underlying premise of suitability for an advisory account is based on the totality of services provided; not on any single service or component of the overall fee (e.g., long-term customer investment objectives, level of trading activity, fees, performance reviews, client fee structure preferences, account specific guidelines).

IARs meet with Clients to review such items as monthly or quarterly account statements provided by the qualified Custodian, quarterly performance information, fees and other information or data related to the Client's account and investment objective. Additional reviews may be triggered by material market, economic, or political events, or by changes in Client's financial situations, such as retirement, change in employment or marital status, physical move, inheritance or other life events.

Each Client will receive written reports from the Custodian that detail the Client's positions and activity. Many IARs also provide their Client with periodic performance reports, which may show performance across multiple accounts within a household. Clients are advised to always compare those reports to the ones provided by the qualified Custodians, which are the official records of the accounts.

For financial planning, the Client agreement terminates upon delivery of the plan; however, Clients are encouraged to update their financial plans annually. Such annual reviews are conducted at the election of the Client and a new agreement for services between PPP, the Client and the IAR will be required. The review may consist of a new personal financial plan if the Client's circumstances and/or goals have changed. Alternatively, the review may be a comparison of the Client's current assets and goals as stated in the personal financial plan.

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

### **Client Referrals**

In some cases, PPP acts as a cash solicitor on behalf of a third-party manager and receives a referral fee from the third-party manager. Third-party manager's actively manage the assets on a continuous basis and have discretion to buy, sell and trade securities in accordance with the program selected by the Client. IARs will provide consultative services to assets in third-party manager programs and may recommend periodic rebalancing among third-party manager offerings. Clients are advised to review the investment advisory brochure for any recommended third-party manager.

The primary third-party manager programs available to PPP include AssetMark Inc. (formerly Genworth Financial Asset Management), Brinker Capital Inc., BTS Asset Management Inc., LWI Financial Inc. (Loring Ward), Advisors Capital Management and Symmetry Partners, LLC. PPP limits referrals of third-party managers to those where LPL has conducted initial and ongoing due diligence. PPP and its IARs have an incentive to refer Clients to those third-party managers on the platform because they receive a portion of the Client fee received by the third-party manager. PPP addresses this conflict by providing the Client with a disclosure statement explaining the role of PPP, IAR, third-party manager and discloses the fee paid to PPP for Client referrals.

### **Other Compensation**

PPP receives an economic benefit from LPL primarily in the forms of support services, product offerings, loans, and Transition Assistance. Please see Item 12 Brokerage Practices for detailed disclosure of the conditions and potential conflicts of interest.

IARs receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation includes such items as gifts with a de minimis value, an occasional dinner or ticket to a sporting or entertainment event, or reimbursement in connection with an educational meeting with the IAR, Client workshops or events, marketing events or advertising initiatives. Product sponsors can also pay for, or

reimburse PPP for the costs associated with, education or training events that are attended by PPP employees and IARs and for PPP-sponsored conferences and events.

### **PPP Compensation to IAR**

The IAR recommending an advisory service receives compensation from PPP. PPP compensates IARs pursuant to an independent contractor agreement, and not as an employee. This compensation is based on the amount of Client assets they service and includes a portion of the advisory fee and, such portion received by IAR may be more or less than what IAR would receive at another investment advisor firm.

### **Item 15. Custody**

PPP does not have custody of Client funds or securities except in the limited circumstances detailed below. All Client funds and securities are held by a qualified Custodian in accounts identified individually to the Client and will be sent monthly and/or quarterly written summary account statements directly from the qualified Custodian that holds and maintains their assets. Any funds being deposited for investment should be payable to the qualified Custodian where the account is held, not PPP or one of its IARs. These custodial statements will reflect the account holdings, transactions for the period reported, and any additions and withdrawals from the account, including the withdrawal of PPP's advisory fees. IARs utilize third-party software applications to produce written reports summarizing periodic account activity and performance, which they may provide to their Clients from time to time. Clients are urged to carefully review all custodial statements, compare them to any reports provided by the IAR, and notify the IAR of any discrepancies as soon as possible.

The SEC issued a no action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 providing guidance on the Custody Rule as well as clarified that an RIA who has the power to disburse Client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. To this end, PPP has adopted the following safeguards with its qualified Custodians:

1. The Client provides an instruction to the qualified Custodian in writing, that includes the Client's signature, the third-party's name, and either the third party's address or

the third party's account number at a qualified Custodian to which the transfer should be directed.

2. The Client authorizes the investment adviser, in writing, either on the qualified Custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The Client's qualified Custodian performs appropriate verification of the instruction, such as signature review or other method to verify the Client's authorization, and provides a transfer of funds notice to the Client promptly after each transfer.
4. The Client has the ability to terminate or change the instruction to the Client's qualified Custodian.
5. The investment adviser has no authority or ability to designate or change the identity of the third party contained in the Client's instruction.
6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The Client's qualified Custodian sends the Client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instructions.

#### **Item 16. Investment Discretion**

The exercise of discretion is noted in the investment management agreements signed by the Client.

PPP accepts discretionary authority to manage securities accounts on behalf of its Clients in its Programs as detailed in the specific Program descriptions under Item 4. IARs and third-party managers (if applicable) that exercise discretion determine the securities to be bought or sold, the amount of securities to be bought or sold, the timing of the purchases and sales of the securities, or managers selected to meet Client objectives.

Clients can place limitations on an IARs discretionary authority including, for example, restrictions on investing in certain securities, industries, security types, issuers, securities with certain credit ratings or limitations on the percentage of cash held at any one time. In order for PPP to assume discretionary authority both the Client and the Firm must sign a contract that explains the discretionary authority and details the restrictions or limitations if any (*i.e.*,

Investment Management Agreement”). Clients should be aware that Client restrictions can affect the account’s performance and that it may differ from and be less successful than that of other accounts that have not limited discretion.

PPP also provides advisory services on a non-discretionary basis upon the Client’s written request.

#### **Item 17. Voting Client Securities**

PPP will not request or accept voting authority for Client securities. Clients will receive proxies directly from the issuer of the security or the Custodian. Clients should direct all proxy questions to the issuer of the security.

#### **Item 18. Financial Information**

Not applicable. PPP does not require or solicit Clients to prepay fees of more than \$1,200 six months or more in advance.