



## **MANAGED ACCOUNT PROGRAMS**

**Managed Assets Consulting Services<sup>sm</sup>**

**PruStrategist Portfolios<sup>®</sup>**

**PruChoice<sup>®</sup>**

**PruUMA<sup>®</sup>**

## **FINANCIAL PLANNING SERVICES**

This Brochure provides information about the qualifications and business practices of Pruco Securities, LLC, its managed account<sup>15</sup> programs, and its financial planning services. If you have any questions about the contents of this Brochure, please contact us at the telephone number provided below. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Pruco Securities, LLC is an investment adviser registered with the SEC and provides investment advisory services and programs under the marketing name Prudential Financial Planning Services. Registration as an investment adviser does not imply any level of skill or training.

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

March 2020

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## ITEM 2 – MATERIAL CHANGES

Material changes are noted below. More changes and additional detail on the material changes can be found throughout the document. The capitalized terms are defined in the document.

### Item 4

- The MACS program is closed to new clients. Existing MACS accounts are expected to close in 2020. (pg. 9)
- Additional information is provided about the length of time your Account can remain invested in a higher-cost share class after a more favorable share class of the same Fund becomes available. Leaving you invested in a more costly share class results in lower overall performance for your Account, but greater revenue for us, so you should consider this revenue as part of our compensation when you evaluate the reasonableness of our advisory fee. (pg. 15)
- Positions can now be held as Unsupervised in your account. The Unsupervised Positions will not be included in the Program for billing or performance purposes. No advice will be provided on Unsupervised Positions. (pgs. 18-19)
- Disclosure is added to explain the significant incentive that we and your IAR have to encourage you to take a margin loan, collateralized by your Account, rather than withdraw Assets from your Account. We have an incentive to maximize our revenue, and your IAR to maximize his or her compensation, by preserving the Account balance on which our asset-based advisory fee is calculated. In addition to preserving our advisory fee, we also earn a portion of the interest you pay on the margin loan. (pg. 20-21)
- Disclosure is added to explain that we select both the menu of Sweep Vehicles available to you in the Program and the amount of the revenue share we receive on amounts invested by non-qualified Accounts in the bank deposit sweep program. This presents a conflict of interest because the higher the amount of revenue sharing we choose to receive, the lower the interest rate payable to you is on your deposits in such bank deposit sweep program. You should consider the revenue we receive, which will not exceed half (50%) of the Targeted Fed Funds Rate, as part of our compensation when evaluating the reasonableness of our advisory fee. The section also explains that we have an incentive to allocate a larger percentage of your non-qualified Account to cash than to historically higher-performing asset classes, because we can earn revenue sharing payments on Assets invested in the bank deposit sweep program that we do not receive on the rest of your Assets. This presents a conflict of interest because an overly conservative allocation to cash could result in long-term underperformance of your Account. (pgs. 21-22)

### Item 5

- Existing disclosure is clarified regarding the incentives of IARs to offer certain Programs over other products or services available from PFPS or Pruco Securities. Disclosure is also added regarding how bonuses and forgivable loans we pay to IARs are contingent on meeting certain total sales goals and create incentives for your IAR to recommend Programs and other products and services offered by PFPS or Pruco Securities to maximize their compensation rather than to give disinterested advice. (pg. 31)

### Item 6

- Additional information is provided about the role of the Committee in approving the investment options available in each Program. The section explains: (i) why the Committee approved an affiliated Model Provider for PSP that did not meet certain minimum standards required of unaffiliated Model Providers, (ii) the conflicts of interest this presents, and (iii) the ways in which PFPS seeks to mitigate such conflicts. (pgs 34-36)

### Item 9

- Disclosure is added concerning the economic and non-economic benefits that we receive by requiring you to use our affiliate, Pruco Securities, as the introducing broker and NFS as the clearing broker and custodian for your Account. These benefits include a portion of interest you pay on margin loans, a portion of the fees you pay for ancillary services (such as overdraft fees, wire transfer fees, stop payment fees, and transfer-of-assets

fees), the ability to net profits on trade errors, and the ability to negotiate preferred pricing based on a number of factors such as expected level of assets placed with NFS, an expected level of transactions and the types of securities purchased (e.g. no transaction fee mutual funds, transaction fee mutual funds, exchange traded funds, stocks, bonds, etc.). In addition to payments from NFS, we receive other benefits that defray our costs of doing business, including the ability to receive duplicate client statements and confirmations; research-related products and tools; access to a trading desk serving; the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds with no transaction fees. The receipt of these benefits from NFS creates a conflict of interest because we have an economic incentive to use our affiliated broker and NFS, even if other firms might be more beneficial to clients. You should consider these benefits as part of our compensation when you evaluate the reasonableness of our advisory fee. (pgs. 45-46)

- Language in the other compensation section has been revised to consolidate and clarify the discussion regarding the following conflicts of interest:
  - *Receipt of Joint Marketing, Conferences, and other Business Support* (pg. 46-47): We have revised and consolidated the disclosure to clarify the benefits PFPS and Pruco Securities receive from certain Sponsors with respect to joint marketing activities, conference or marketing support, and training arrangements, as well as the conflicts of interest PFPS's receipt of such benefits creates and the ways in which PFPS seeks to mitigate such conflicts of interest.
  - *Receipt of Revenue Sharing Payments* (pgs. 47-48): We have revised and consolidated the disclosure with respect to Pruco Securities' receipt of revenue sharing payments when Assets in non-qualified Accounts are invested in certain mutual funds or share classes of mutual funds, as well as the conflicts of interest that receipt of such revenue sharing payments creates and the ways in which PFPS seeks to mitigate such conflicts of interest.
  - *Transaction Charges and Potential Benefits* (pg. 48): We have revised and consolidated the disclosure with respect to the different transaction charges PFPS pays to NFS for transactions in different types of securities (e.g., PFPS is charged more for fixed income trades than for equity trades), and with respect to the frequency of trades (PFPS is charged on a per-transaction basis). We have also clarified the disclosure around the conflicts of interest such transaction charges create, and the ways in which PFPS seeks to mitigate such conflicts of interest.

The revised text of this Other Compensation sub-sections is as follows:

### **Joint Marketing, Conferences, and other Business Support**

From time to time, PFPS enters into joint marketing activities with, or asks for conference or marketing support fees or training arrangements from, Program Providers; unaffiliated insurance companies; Fund managers, sponsors or distributors; and/or Envestnet; and/or their affiliates or subsidiaries (all "Sponsors"). Sponsors may also invite IARs and PFPS personnel to attend trainings that they provide or pay for some or all of their training costs and/or cover some or all of the IARs' travel, lodging and/or meal expenses. Sponsors' representatives generally network with and train PFPS personnel and IARs at these events. Sponsors at times will also pay for some or all of PFPS's costs to host sales conferences, training conferences, or client meetings. Sponsors may also help pay for the marketing, training, or licensing expenses of the PFPS sales force. Sponsors may tie the amount of payment or their willingness to pay costs to the amount of Pruco Securities' or PFPS's product sales. Sponsors pay some or all of the cost of these activities and occasionally reimburse PFPS or its affiliates for expenses.

IARs do not directly receive any of the money Sponsors pay to help sponsor conferences or to support marketing, training or licensing expenses. PFPS at times will provide some or all of these marketing support fees or other financial support to IARs, as reimbursement for expenses they incurred in holding client meetings and seminars. IARs may be more likely to recommend PFPS advisory programs supported by Sponsors or products of Sponsors because of the education and the exposure that IARs receive at the conferences and trainings, the reimbursements IARs receive for client meetings and conferences IARs host on behalf of PFPS, the payment of their conference expenses, and/or the payment of marketing support, training or licensing expenses. To mitigate risk of inappropriate conduct or securities law violations, Pruco Securities monitors these arrangements.

Please contact us at the address or telephone number shown on Page 1 of this Brochure for a current list of Sponsors and Funds that have arrangements with us.

### **Revenue Sharing Fees**

Pruco Securities receives additional compensation from certain mutual funds or their affiliates, including shareholder servicing fees, sub-transfer agent fees and revenue sharing payments. Pruco Securities also receives revenue sharing from NFS with respect to certain families of mutual funds, mutual funds or share classes of mutual funds. PFPS will not collect revenue sharing for assets held in Accounts that are IRAs or subject to ERISA, or any other account that is subject to Section 4975 of the Code. The revenue sharing payments that PFPS receives will be in addition to the Client Fee. The amount of revenue sharing compensation received depends on the number of shares or Assets invested in these Funds, or the particular share class of the Funds that are held. The more Assets that are invested in these Funds or share classes in non-qualified Accounts, the more revenue PFPS will receive in addition to the Client Fee.

These revenue sharing payments create a conflict for PFPS, as PFPS has an incentive to include in non-qualified Accounts Funds or share classes that result in PFPS receiving revenue sharing payments in the Programs. The Committee, however, does not consider the additional compensation PFPS receives when it considers whether to add or remove a Fund or share class from a Program. At times, the number of Funds and/or share classes that pay compensation to PFPS will be larger than the number of Funds and/or share classes that don't pay compensation to PFPS. The likelihood of an IAR or Model Provider selecting a Fund and/or share classes that pays compensation to PFPS for a non-qualified Account will be greater at these times. IARs do not share in or receive any portion of this additional compensation, but there is a conflict because they may recommend Funds from which PFPS will earn more compensation. PFPS seeks to mitigate this conflict by not providing revenue sharing information to the IARs. IARs are required to act in the best interest of their clients and to recommend or select appropriate Funds and share classes for Accounts based on their risk tolerance, investment objectives and time horizon. Neither the Client Fee nor the Advisor Fee component of the Client vary based on whether PFPS receives revenue sharing payment or on the amount of any revenue sharing PFPS receives.

PFPS reviews each Account to ensure the Program is appropriate for you based on your risk profile regardless of the revenue share paid to Pruco Securities by the associated Funds or NFS.

The only Funds available in PruChoice, PSP, and PruUMA are those on the Envestnet and NFS platforms. Some of these Funds (or their managers or sponsors) pay 12b-1 or revenue sharing fees to NFS. NFS has an incentive to include mutual fund share classes and ETFs on its platform that pay it 12b-1 and revenue sharing fees. NFS shares the compensation that it receives from Funds, managers and Sponsor with PFPS. PFPS financially benefits from your IAR's recommendation that results in your selecting Funds that pay fees to NFS that it then shares with PFPS. Thus, PFPS has an incentive to include Funds that participate in NFS programs as Funds for your consideration.

### **Transaction Charges and Potential Benefits**

PFPS pays NFS a transaction charge for making trades in your Account. The amount of this charge varies based on the type of security being purchased or sold. Generally, this charge is higher for fixed income securities than for other security types, and higher for ETFs and individual equities than for mutual funds. NFS also makes available to PFPS certain Funds for which NFS does not charge PFPS a transaction fee for trades in Program Accounts. PFPS benefits from recommendations made by IARs that may result in your selecting a Manager, Strategy or Separately Managed Account that incorporates securities that result in PFPS paying lower transaction fees to NFS (including Funds for which NFS does not charge PFPS a transaction fee). In addition, because these fees are paid on a per-transaction basis, PFPS benefits from recommendations made by IARs that result in your selecting a Manager, Strategy or Separately Managed Account that trades less frequently.

IARs, however, are not charged for trades in your Account, their compensation does not vary based on the number of trades or types of securities in your Account, and PFPS generally does not provide IARs with information on the trading costs PFPS pays relating to individual securities, Managers, Strategies or Separately Managed Accounts. Moreover, neither PFPS nor your IAR has any influence over Envestnet's

trading practices in the Separately Managed Accounts and Strategies used in PSP or PruUMA Programs, or a Manager(s)'s trading practices in MACS. Envestnet is solely responsible for all trading decisions for the Strategies used in PSP and PruUMA and the equity Separately Managed Accounts used in PruUMA. Managers make all trading decisions for your Account in MACS and for fixed income Separately Managed Accounts in PruUMA. Neither PFPS nor the IAR recommends that particular trades be executed for a Separately Managed Account or Strategy, to Envestnet, the Managers or to the Model Providers. Each Account will also be periodically rebalanced pursuant to the rebalancing rules of the applicable Program, irrespective of the cost to PFPS of such rebalancing. However, if you have a PruUMA Account that includes an equities sub-portfolio, IARs will make decisions as to the appropriate individual equities to hold in your PruUMA Account.

PFPS's affiliates act as a distributor, transfer agent, shareholder servicing agent, custodian and/or investment adviser to some Funds. PFPS's affiliates are paid for their services and payments vary depending on Assets invested in a Fund. Please review the Fund's prospectus or other offering documents for more on fees and expenses.

You may receive a copy of our current Brochure, which includes all changes since the previous Brochure, or a summary of material changes to the previous Brochure at any time, without charge, by contacting your investment adviser representative ("IAR") or Financial Planner or by calling us at (800) 235-7637.

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## ITEM 4 – SERVICES, FEES AND COMPENSATION

### INTRODUCTION

Pruco Securities, LLC (“Pruco Securities”) provides investment advisory services and programs as an SEC-registered investment adviser under the marketing name Prudential Financial Planning Services (“PFPS”). Pruco Securities registered with the SEC as an investment adviser in 1984. Pruco Securities also is an SEC-registered broker-dealer, offering brokerage services and engaging in the business of selling variable life insurance, variable annuities, mutual funds, Section 529 College Savings Plans and general securities. Pruco Securities is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

In this Brochure, we refer to “PFPS” in its investment adviser capacity when discussing advisory services and programs and to “Pruco Securities” when discussing the company generally or in its broker/dealer capacity when discussing its brokerage services and operations.

We refer to the managed account programs in this Brochure as “Programs”. We refer to your assets invested through one of our Programs as “Assets” and the brokerage account that holds your Assets as your “Account.” When we discuss both mutual funds and exchange-traded funds (ETFs), we refer to them as “Funds.” We refer to the agreement you will sign to participate in a Program as the “Advisory Agreement.”

Pruco Securities is a wholly-owned subsidiary of The Prudential Insurance Company of America (“Prudential”) which in turn is an indirect wholly-owned subsidiary of Prudential Financial, Inc. (“Prudential Financial”), a global financial services organization. Pruco Securities is affiliated with other Prudential Financial insurance companies, investment advisers and broker-dealers.

PFPS acts as the sponsor of four Programs: (1) Managed Assets Consulting Services (“MACS”), a discretionary program, (2) PruStrategist Portfolios (“PSP”) a mutual fund and exchange traded fund (“ETF”) discretionary program, (3) PruChoice, a non-discretionary mutual fund and ETF program, and (4) PruUMA, a discretionary unified managed account (“PruUMA”) program. Envestnet Asset Management, Inc. (“Envestnet”), a registered investment adviser, provides services in all the Programs; Envestnet is not affiliated with PFPS. The Programs described are managed accounts or wrap fee programs that bundle, or wrap, investment advice about asset allocation and specific securities, and brokerage services (execution of transactions, reports, and custody of assets), for a single asset-based fee.

PFPS offers fee-based financial planning services and, through its financial planners (“Planners”), also offers educational seminars and workshops on financial-planning-related topics.

At the end of our fiscal year, December 31, 2019, PFPS had approximately \$8,153,145,289 of nondiscretionary assets under management and approximately \$566,016,204 of discretionary assets under management.

### Selection of a Program

Your IAR will work with you to assess whether a Program is appropriate and whether it may assist you in meeting your investment needs for your Assets. You will answer questions about your investment objectives, time horizon and risk tolerance in a Risk Tolerance Questionnaire (“RTQ”) for the Assets. PFPS uses your answers to create your risk profile and your IAR will recommend a Program and options within that Program that best align with your investment objectives, time horizon and risk tolerance for your Assets based on your financial needs and circumstances as well as the information you provide in the completed RTQ. Not all IARs will offer all Programs discussed in this Brochure, and, when considering advisory products for you, your IAR will only consider the Programs offered by PFPS. If your IAR is also licensed as a registered representative of Pruco Securities (*i.e.*, a registered representative of a broker-dealer), then, acting in that capacity, he or she may also offer you brokerage products, which are not described in this

brochure. If your IAR determines that a Program he or she does not offer is in your best interest, they will refer you to another IAR that does offer that Program.

You will decide whether you should participate in a Program, if you should accept your IAR's recommendations (all Programs except PruUMA), and whether the recommendations are suitable for your investment objectives, risk tolerance and time horizon for your Assets. After you make your choices, a Statement of Investment Selection ("SIS") is generated. The SIS outlines, among other things, your risk tolerance for the Assets, your planned initial investment amount, any reasonable investment restrictions you request for the Assets, the wrap fee you will pay ("Client Fee"), and the Program options selected.

### **Program Considerations**

The Programs are designed for clients who prefer to pay an annual fee based on total assets under management. They generally are more appropriate for investors with an intermediate to long-term investment time horizon. Your Assets are likely to be managed in a manner similar to that of other clients using the same or similar investment strategy.

You should consider whether a Program is appropriate in light of, among other things: the costs and potential benefits; your need and desire for professional money management service; whether you are comfortable giving investment discretion to a professional money manager (as in MACS, PruUMA and/or PSP) or to your IAR (as in PruUMA) or would prefer to make your own decisions (as in PruChoice); your investment objectives, risk tolerance, and time horizon for the Assets; your financial circumstances; and whether investing in securities is appropriate for you. The Client Fee may be more or less than the fee you might pay if you purchased investment advisory and brokerage services separately.

If you are depositing securities into the Account, they will be sold unless (1) they are Program eligible investments that will remain in your allocation or (2) they are maintained as Unsupervised Positions (defined below) over which PFPS has no discretion and charges no Client Fee. This generally includes shares of mutual funds that are included in the Program but are not the same share class as the shares you deposit. See the section "Mutual Funds and ETFs" below for more information. In certain circumstances, special handling may be required to process the liquidation of non-program assets. Such special handling may delay or prevent the full investment of your Assets into the selected allocation until the position(s) is liquidated. The sale of the investments may cause a taxable event. Please speak with your own tax advisor for tax related questions.

In the Programs, you may only invest in certain share classes of mutual funds. These funds and their share classes are subject to change from time to time. Generally, your Account may buy only institutional class shares and share classes of mutual funds designed for wrap fee advisory programs that are available through the Program. Institutional and wrap fee class mutual fund shares are "load-waived" or "no-load," which means that you do not pay a sales load when investing in such mutual funds through a Program. If an institutional or wrap-fee share class is not available for a particular mutual fund in the Program, your Account will be invested in other share classes, which may include sales loads or contingent deferred sales charges. If you buy shares of mutual funds outside of a Program, you might pay a sales load, and if you transfer such shares into your Account, and the shares were accepted into your Program and managed, then you will pay the Client Fee on those shares as well as the sales load you already paid. If you buy shares of mutual funds outside of a Program that are subject to a contingent deferred sales charge and transfer such shares into your Account, if the shares are subsequently liquidated, you will pay whatever contingent deferred sales charge is owed at that time. Some mutual funds available through a Program may charge a short-term trading fee in order to discourage excessive trading. You will bear your *pro rata* share of a mutual fund's fees and expenses, which are found in the fund's prospectus and/or offering documents. Program and mutual fund fees will reduce the overall value of your Account. If you terminate your Account, some or all of the Program mutual funds or fund share classes may not be held outside of the Program or you may not be able to buy more shares through a standard brokerage account. If you cannot hold shares outside of the Program, these shares will be sold, and the proceeds transferred as you direct.

Your IAR will contact you at least annually and offer to review with you the performance of your Program Account. See Review of Accounts below for more information.



To become an IAR of PFPS and provide services to you under a Program, your IAR must, among other things, meet all registration requirements, complete on-line training courses, and meet certain compliance and business conduct standards. PFPS, in its sole discretion, may waive or modify these requirements. Your IAR must also adhere to PFPS's Code of Ethics. If, for any reason, and in the sole discretion of PFPS, your IAR is unable to provide services to you, temporarily or permanently, or terminates his or her employment or association with PFPS, PFPS may assign another IAR to you. You may request a new IAR be assigned or you can terminate your Advisory Agreement with PFPS.

## **Opening an Account**

To participate in a Program, you will sign an Advisory Agreement, a brokerage new account form, SIS and any other required paperwork for your Account, in which your Assets will be transacted and held. Your Advisory Agreement supplements your SIS, which, outlines, among other things, your risk tolerance for the Assets, your planned initial investment amount, any reasonable investment restrictions that you requested, your agreed-upon Client Fee, and other information.

Because the Account is intended for use only with your Assets, your Account's risk tolerance and investment objective must substantially align with the risk tolerance and investment objective in your SIS. When your SIS and the Account do not align, initially or at a later time, the Account's risk tolerance and investment objective will be updated to match as closely as possible to the SIS.

Your IAR or Financial Planner will provide you with a copy of this Brochure and the IAR's Brochure Supplement. The Investnet Brochure will be provided with all Programs. You also will receive Brochures for your Manager(s), (for the MACS Program); and your Model Provider (for the PSP Program). Brochures describe each entity's business and services and other important information pertaining to each entity, including any material conflicts of interest and disciplinary history, if any. The IAR's Brochure Supplement describes the IAR's background information, compensation, and disciplinary history, if any. Please review these Brochures carefully before selecting a Program and service provider(s) or financial planning services.

If you plan to fund your Account with proceeds from the sale of Funds, the surrender of an insurance product, early withdrawal from a certificate of deposit, or the sale of any other financial product, you should consider the cost of any sales charges or commissions you previously paid or will pay upon sale, or any penalties you may pay upon surrender. It may be costly or inappropriate to invest through a Program in this manner. You should not fund your Account with proceeds from loans (including any cash advance or line of credit from a credit card), a margin account or a reverse mortgage. After your Account is accepted and meets the Program minimum initial investment requirement, it typically takes 2-5 business days to invest your Assets. You may request that PFPS delay making your initial investment and/or that PFPS maintain certain securities in your Account as Unsupervised Positions, in which case no trading will take place until we receive instructions from you, or the position is moved to a retail brokerage account. In addition to the Program minimum, the investment options in some Programs also have a minimum investment amount.

## **OVERVIEW OF THE PROGRAMS**

### **MACS Program**

*Effective December 23, 2019, the MACS Program has been closed to new Clients. MACS Accounts of existing Clients are expected to be closed in 2020. If you are a Client in the MACS Program, your IAR will be contacting you to discuss your options.*

The MACS Program is a third-party discretionary program, in which you select from a universe of investment strategies ("MACS Strategies") developed by third-party discretionary portfolio managers ("Managers"). Each Manager you select manages your Assets according to the MACS Strategy you select and operates independently, regardless of the number of MACS accounts that you open. PFPS and IARs do not have discretionary authority over your MACS Assets, as defined below, or the authority to make investment decisions on your behalf. You are

responsible for determining if you should accept and implement any recommendations from PFPS or your IARs.

Your Assets in MACS (“MACS Assets”) will be invested in certain securities in accordance with one or more MACS Strategies you select. Each Manager is responsible for developing the MACS Strategy for the corresponding investment style. The Manager may be an affiliate of PFPS. The Manager invests your MACS Assets in accordance with the selected MACS Strategy. Depending on the MACS Strategy you select, MACS Assets may be invested in equity and/or fixed income securities as well as cash and short-term investments such as money market funds. The Manager has full investment and trading discretion over your MACS Assets, provided that the Manager adheres to the MACS Strategy for the investment style. In some instances, a Manager may delegate investment management of a MACS Strategy and your associated MACS Assets to a subadvisor. Please refer to the Advisory Agreement and the Manager’s Brochure for additional information.

## **PruStrategist Portfolios**

PSP is a third-party discretionary investment advisory program. PFPS and Envestnet are co-advisors in the Program and Envestnet has discretion over your Account. You may invest in a variety of Funds through an investment strategy (each a “Strategy” and collectively, “Strategies”). A Strategy is an asset allocation model developed by an investment manager (“Model Provider”). Model Providers available through PSP may or may not be affiliated with PFPS. Each Strategy has investment objectives and is comprised of a unique asset class mix, some of which, in turn, consist of multiple investment styles. Investments in a Strategy may include: i) Funds managed and distributed by a PFPS affiliate (“Proprietary Funds”); ii) Funds that are advised by investment managers not affiliated with PFPS (“Third Party Funds”); or iii) a mix of Funds.

Each Model Provider recommends Funds, available through Envestnet and NFS, to Envestnet for a Strategy. Envestnet implements these recommendations and periodically updates and rebalances the Strategy according to the Model Provider’s recommendations. PFPS may, from time to time, replace existing Model Providers or add other Model Providers available through Envestnet and NFS and cannot guarantee that a Strategy will always be available. PFPS’s Investment Committee (the “Committee”) makes the final decision on which Strategies and Model Providers will be available in PSP. Please refer to Envestnet’s Brochure for additional information regarding the arrangements Envestnet has with Model Providers available through its platform and made available to wrap fee program sponsors, such as PFPS. Envestnet refers to a Strategy as a “Model” in its Brochure.

A Model Provider may use Funds they manage, or their affiliate manages (“Model Provider Funds”), in a Strategy. The Model Provider or its affiliate will receive fees from the Model Provider Funds. These fees are in addition to the Model Provider Fees and create a conflict of interest which may lead the Model Provider to use Model Provider Funds. PFPS does not manage the Model Providers’ conflicts of interest and does not consider the Model Providers’ receipt of fees or other compensation from mutual funds or their affiliates in its selection or evaluation of Model Providers. You should review the Model Provider Brochure to learn how the Model Provider addresses and mitigates conflicts related to Model Provider Funds. Other than PGIM Models (defined below), Model Providers are not expected to use Proprietary Funds in PSP.

Strategies provided by Portfolio Management Consultants (“PMC”), a division of Envestnet, may be available in PSP and PruUMA. PMC has discretion to select the Funds used in its Strategies, but it is expected that the PMC Foundation Passive Portfolios will use Funds for which PFPS does not pay transaction fees to NFS. This creates a conflict of interest, as use of a PMC Foundation Passive Portfolio in your Account will generally result in lower costs to PFPS. For additional information on this conflict, see the section “Other Compensation.” Strategic Investment Research Group (“SIRG”), of PGIM Investments LLC (“PGIM Investments”), an affiliate of PFPS, will perform research services on all Strategies provided by PMC, and PFPS’s Committee will subject PMC to the same standards as it applies to all other Model Providers. You should review PMC’s Brochure to learn how PMC addresses and mitigates conflicts related to Model Provider Funds.

PFPS and Envestnet also make available in PSP Strategies created by PGIM Investments, an affiliate of PFPS (“PGIM Models”). PGIM Investments primarily uses Proprietary Funds in the PGIM Models unless there is no Proprietary

Fund consistent with the desired asset allocation or investment strategy for the PGIM Model or, in PGIM Investments' discretion, a different mutual fund or exchange-traded fund is preferred. As a result, PGIM Models typically include Proprietary Funds notwithstanding the fact that there may be a similar Fund with lower costs or better performance. PGIM Models are expected to consist of at least a majority of Proprietary Funds but can consist of up to 100% Proprietary Funds. In creating the PGIM Models, PGIM Investments' and PFPS' affiliate, QMA, LLC, provides asset allocation and performance tracking services to PGIM Investments. For additional information on the construction of the PGIM Models, please see PGIM Investments' Brochure.

PGIM Investments receives fees from Proprietary Funds, which creates an incentive for PGIM Investments to select Proprietary Funds for inclusion in the PGIM Models. PGIM Investments will also select the class of Fund shares to be used in the PGIM Models but will select the lowest cost class of shares that is available to wrap accounts (there may, however, be lower cost shares available to other account types).

If you select a PGIM Model to be used in your PSP Account, you will pay management and other fees as a shareholder of any Proprietary Funds held in your Account. Such fees are separate from the Client Fee (defined below) you pay to participate in the Program. PFPS, however, will reduce the Client Fee payable on your Account by a Credit Amount (defined below) to offset certain of these fees. See the "Program Fees and Expenses" section for additional details. PGIM Investments will pay a portion of the fees it receives from the Assets invested in Proprietary Funds through PSP to PFPS.

The PGIM Models are not subjected to the same standards as are other Strategies and Model Providers that are included in PSP. The PGIM Models were also not identified through the Committee's normal process for reviewing the universe of Model Providers potentially available in the Programs. Instead, PGIM Investments was identified on the basis of its affiliation with PFPS, and PFPS has asked, and Envestnet has agreed, to make the PGIM Models available in the PSP program. Envestnet has included the PGIM Models on its platform since 2018. The PGIM Models are relatively new, and do not have the same length of performance history or amount of assets under management as the Committee typically requires for a Strategy to be available in PSP. Generally, the Committee considers such information for other Model Providers because a performance history gives the Committee confidence in the Model Provider's ability to manage their strategy in a variety of market conditions. PFPS, however, is familiar with PGIM Investments' investment process as well as its risk and compliance philosophy. In addition, for each fund included in the PGIM Models, PGIM Investments conducts research, analysis and reviews, among other things, the investment performance, return expectations, investment style and structure, fees, sector exposure, and risk exposure of such fund. PGIM Investments will only include a Proprietary Fund to the extent that it has at least a one-year performance history. Moreover, unlike other Strategies made available in PSP, the PGIM Models are not included on PMC's list of Model Providers to third-party sponsors, and so have not been available for distribution by other sponsors as of the date of this Brochure.

Although the Committee has not used the same selection process or applied the same standards to the PGIM Models as for other Models, the Committee has asked PMC to perform due diligence on the PGIM Models, and on the basis of that due diligence, the Committee has determined to include the PGIM Models in PSP. Prudential receives a reputational benefit from having assets managed according to the PGIM Models, and in certain circumstances will receive additional revenue as a result of your investment in the Proprietary Funds through the PGIM Models. Accordingly, you should be aware that, because of PGIM Investments' affiliation with PFPS, the Committee is more inclined to include the PGIM Models, and IARs may be more likely to recommend that you select and keep a PGIM Model. An IAR's compensation under the Program is not affected by whether they recommend a PGIM Model to you. Moreover, because IARs are compensated in PSP through the Advisor Fee, which is tied to the value of your Account, IARs are to that extent incentivized to identify Model Providers and Strategies they believe will increase the value of your Account, regardless of whether or not the Model Provider is affiliated with PFPS.

When the allocation mix of your Account does not match the allocation mix of your Strategy within certain thresholds, Envestnet will automatically rebalance the Funds in your Account back toward the allocation mix of your Strategy. This will happen when the amount of cash in the Sweep Vehicle is above or below your Cash Target, the value of your Funds has changed, or the Model Provider changes its Strategy. Rebalancing means that Envestnet will buy more

shares of certain Funds and sell shares of other Funds and will adjust the cash in your Sweep Vehicle towards your Cash Target. Any trades in your Account, including those that result when a Strategy's asset allocation is changed, may result in taxable events to which capital gains (or other) taxes apply. PFPS, IARs, Manager, and Envestnet do not provide tax or legal advice, and you should consult with your own tax or legal advisor.

## **PruUMA Program**

PruUMA is a discretionary "Unified Managed Account" program that offers a combined portfolio of investments, allocated according to an asset allocation model designed by the IAR (the "Portfolio Model") within parameters PFPS sets. Envestnet implements the Portfolio Model for your Account. Benefits include a single Account holding many types of investments, one statement, consolidated reporting and billing, and a single tax document across all Assets in your Account.

Your IAR will, without prior consultation and in agreement with your risk profile and Program requirements: (1) create your initial Portfolio Model; (2) provide rebalance instructions to Envestnet so that the allocation of Assets in your Account remains generally consistent with the Portfolio Model; (3) adjust the allocation percentages within the Portfolio Model; (4) add sub-asset classes to your Portfolio Model (at times, your IAR may not allocate Assets to each of the sub-asset classes in your Portfolio Model); and (5) remove or replace an investment with another appropriate investment.

The IAR develops a Portfolio Model for you based on an Overlay Model, developed by Envestnet, that aligns with your risk profile for the Assets. Each Overlay Model contains Asset Classes and allocations to the Asset Classes based on risk tolerance levels. The IAR can use the Overlay Model "as is" as your Portfolio Model or can adjust an Overlay Model. The IAR will do this by adjusting the Overlay Model's allocation percentages, within PFPS's permitted ranges, among the broad-based asset classes in the Overlay Model. Asset Classes include domestic equity, international equity, fixed income, and, if applicable, alternatives. To complete the Portfolio Model, your IAR then will select investments to fulfill each Asset Class and its allocation percentage. Within the allocation your IAR may choose to include a sub-portfolio comprised of individual equity positions selected by your IAR. This is a sub portfolio and will appear as one allocation on your SIS. Each Portfolio Model represents a different asset allocation and will include more than one Asset Class appropriate for different investment objectives and risk tolerances. The percentage of each Asset Class and investment in your Portfolio Model may drift slightly because of market fluctuation. This market fluctuation may also cause the risk tolerance level of the Portfolio Model to drift slightly from your risk profile.

The IAR's investment style can also affect the performance of your Portfolio Model. For example, frequently changing asset allocations or changing investments in the Portfolio Model will likely result in more frequent trading in your Account and these trades can have tax consequences for your Account. If your Account invests in mutual funds that assess short term trading fees, you will pay these fees if your IAR's trading exceeds the mutual fund's limits. Please refer to the mutual fund's prospectus for information regarding short term trading fees. If your Portfolio Model includes an allocation to a fixed-income model, transactions in fixed income securities may be executed with a broker/dealer other than NFS. Trades executed with a non-NFS broker/dealer may include a markup in the price that will not be visible on the confirmation and which is in addition to the Client Fee. Please see the section "Trading Through Other Broker Dealers" below for more details. The strategy and analysis IARs use in managing Portfolio Models may include one or more of these techniques: review of PFPS-approved research reports including conference calls hosted by affiliates and non-affiliates, use of model investment portfolios, and use of qualitative and quantitative analysis.

The Portfolio Model can be made up of some or all of these investment options: (i) Strategies; (ii) investment styles designed by third-party Model Providers that invest only in individual securities ("Separately Managed Accounts"); (iii) Funds and (iv) a sub-portfolio of individual equities managed by your IAR. The Strategies and Separately Managed Accounts are provided by unaffiliated Model Providers (defined below). Regarding management of the Separately Managed Accounts, depending on the particular Separately Managed Account selected by your IAR, a Model Provider may have discretion over the Assets included in the portion of your PruUMA Account that is allocated to them (generally for Separately Managed Accounts that invest directly in fixed-income securities), or the Model

Provider may provide instructions to Envestnet, which will have discretion to make trades in your Account (generally for Separately Managed Accounts that invest in equity securities and Funds). The Model Providers, their Separately Managed Account(s), their Strategies, and the Funds available are selected from those that are on Envestnet's approved lists. If your IAR includes a sub-portfolio of individual equities that he or she manages in your Portfolio Model, the IAR will choose individual equities for you consistent with certain parameters established by PFPS. The investment options that comprise your Portfolio Model are added and removed based upon the process described in Item 6.

A Model Provider may use Model Provider Funds and Proprietary Funds and receive fees from the Model Provider Funds. These fees are in addition to the Model Provider Fees and create a financial incentive for the Model Provider to use Model Provider Funds. You should review the Model Provider's Brochure, which may be obtained via [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or requested from your IAR, to learn how the Model Provider addresses and mitigates these conflicts. Neither PFPS nor IARs control or have any influence over the Model Providers' selection of Funds for their Separately Managed Accounts or Strategies. If a Model Provider uses a Proprietary Fund, PFPS has an incentive to include that Model Provider and its Separately Managed Account or Strategy in the universe of available investments because of the Proprietary Fund management fees a PFPS' affiliate will receive. This creates a conflict of interest that PFPS seeks to mitigate through the Committee's review of all Model Providers, Separately Managed Accounts and Strategies according to the same criteria – whether or not a Proprietary Fund is included in a Separately Managed Account or Strategy. PFPS further seeks to mitigate this conflict by not charging the Client Fee on Assets invested in a Proprietary Fund through PruUMA.

PMC serves as a Model Provider in the PruUMA Program. SIRG will perform research services on all Strategies provided by PMC, and PFPS's Committee will subject PMC to the same standards as it applies to all other Model Providers. You should review PMC's Brochure to learn how PMC addresses and mitigates conflicts related to Model Provider Funds.

Envestnet implements your IAR's investment instructions for the Portfolio Model and also implements the Model Providers' recommendations, following certain rules and procedures, for Strategies and Separately Managed Accounts (other than fixed-income Separately Managed Accounts). Envestnet also places orders for investment trades (other than trades for fixed-income Separately Managed Accounts). Model Providers for fixed-income Separately Managed Accounts implement their strategies and place orders for trades directly. Envestnet will rebalance your Account upon instructions from your IAR or rebalance your Account based on the PruUMA Program's rebalancing rules.

### **PruChoice program**

PruChoice is a non-discretionary Fund program where you make all investment decisions for your Account, except as otherwise delegated to Envestnet. The Program is a long-term investment program that gives you the ability to personalize your asset allocation model for the Program and invest in a wide range of Funds. PFPS and your IAR provide you with investment advisory and related services. Envestnet is the co-advisor for the Program and will have limited trading discretion over your Account.

You should consider the conflicts of interests and the additional costs that you will bear when deciding on Fund recommendations from your IAR. Subject to the rules of the applicable Fund, you may buy or sell mutual fund shares within and across fund families, without being subject to sales charges. If your Account invests in mutual funds that assess short term trading fees, you will pay these fees if your trading exceeds the mutual fund's limits.

Envestnet will periodically rebalance your Account so that the allocation of Funds and/or cash remains as closely aligned as possible with the allocation you selected in accordance with rebalancing frequency you selected, if any. You may choose quarterly, semi-annual, or annual rebalancing. Additionally, you may request a rebalance at any time. However, if your Account is already aligned to the allocation, a rebalance, whether scheduled or requested, will not result in trades. Because Envestnet will sell investments to rebalance your Account, there may be tax consequences for you, which you should discuss with your tax advisor.

At times PFPS and/or your IAR may recommend a different asset allocation for reasons such as: (i) you tell your IAR

that your investment objectives have changed; (ii) PFPS decides that significant long-term changes in market or financial conditions justify a different allocation based on capital markets assumptions from PMC, a division of Envestnet, or (iii) a Fund is added or removed from the Program. PFPS will follow your instructions about changes to your existing allocation. For information on PFPS' review of the Funds available in PruChoice, see Selection and Review of Program Providers, Funds and Equities below.

If you instruct PFPS to buy a Fund that is not available through the Program or cannot be purchased for any reason, monies you designated for the purchase will be invested in the Sweep Vehicle. If PFPS does not receive instructions to replace a Fund removed from the program, the investment will be converted to cash and held in the Sweep Vehicle. You may at any time instruct your IAR to invest any portion of the Sweep Vehicle in Funds available in the Program.

## **GENERAL INFORMATION ABOUT THE PROGRAMS**

### **Envestnet**

Envestnet is an investment management firm founded in 1999 that provides investment management and investment advisory services through independent investment advisors, like PFPS. Envestnet also serves institutional clients such as pension or profit-sharing plans, trusts, estates, and corporations and provides advisory and research services. The programs generally are made available by Envestnet through each PFPS IAR. In addition to the Envestnet advisory services offered in the programs, Envestnet also offers PFPS many advisory service tools, whereby Envestnet provides only administrative and technology services and investment research and due diligence.

Envestnet provides services to PFPS and clients in all of the Programs. In MACS, Envestnet facilitates trades ordered by certain Managers. In PSP, Envestnet acts on recommendations from Model Providers, adjusts asset allocations for your Account, rebalances your Account and places trades. In PruUMA, Envestnet implements your IAR's investment instructions and the Model Providers' recommendations (other than fixed-income Separately Managed Accounts), places orders for securities trades (other than fixed-income Separately Managed Accounts) and rebalances your Account. In PruChoice, Envestnet is the Program's co-advisor and places trades for your Account and rebalances your Account.

Envestnet also provides Tax Overlay Management services and Impact Services in PruUMA, as described below.

Envestnet creates and maintains the RTQ used in the Programs and creates the logic to map the results of the RTQ to a risk profile. Envestnet conducts due diligence services for PFPS. For information about Envestnet's conflicts, and how it manages them, please refer to Envestnet's Brochure.

### **National Financial Services, LLC**

Pruco Securities and National Financial Services, LLC ("NFS") have an agreement under which NFS will perform certain brokerage functions for your Account and act as a custodian for Assets held in your Account. NFS will handle the delivery and receipt of all securities, including Funds, bought or sold in your Account, value securities, receive and distribute all dividend and other distributions, and process exchange offers, rights offerings, warrants, tender offers or redemptions. NFS will also send you trade confirmations (unless suppressed by you), periodic Account statements of all activities, and all shareholder communications it receives, unless shareholder communications are directed to Envestnet or Managers as described below. NFS will maintain custody of your Assets and perform other customary custodian services. NFS charges and collects fees, including the Client Fee, and processes deposits to and withdrawals from your Account. As discussed in more detail in the section "Selection of Clearing Broker and Custodian" below, Pruco Securities receives a variety of benefits from NFS. These benefits create an incentive for PFPS to select and retain NFS as the clearing broker and custodian for Accounts, even if other clearing brokers or custodians may be more beneficial for clients.

### **Mutual Funds and ETFs**

The mutual funds available in PruUMA, PSP, and PruChoice include no-load classes of Proprietary Funds and no-load and load-waived classes of Third-Party Funds. Some mutual fund share classes charge a 12b-1 fee, which is deducted from mutual fund assets. Some ETFs charge a 12b-1 fee. PFPS includes Funds that charge 12b-1 fees in the Programs. IARs do not receive any portion of this compensation and the Funds that they recommend do not affect their compensation, but IARs may recommend Funds that enable PFPS or its affiliates to receive 12b-1 fees. If you pay any 12b-1 fee as a shareholder of a Fund, including any money market fund or ETF, through the Program, PFPS will credit your Account for 12b-1 fees paid as we receive them, so long as the 12b-1 fee was otherwise payable to Pruco Securities and NFS actually received it. Such credits will appear in your Account statement.

Pruco Securities will also receive additional compensation from certain mutual funds or their affiliates, including shareholder servicing fees and revenue sharing payments. Pruco Securities also receives revenue sharing from NFS with respect to certain families of mutual funds, mutual funds or share classes of mutual funds. Pruco Securities does not share these fees or revenue sharing payments with your IAR. The receipt of this compensation creates a conflict for PFPS, as it creates an incentive for PFPS to recommend Funds in certain Fund families, Funds, share classes, Models, Separately Managed Accounts, or Strategies that will cause PFPS to receive this compensation. For additional information about revenue sharing payments, the conflicts they create, and the ways in which PFPS seeks to mitigate such conflicts, see the *Other Compensation* section below.

Mutual funds have different shares classes with different fees. Lower cost share classes are added by mutual funds on an on-going basis. PFPS reviews share classes once per year for PruUMA and PruChoice investors and, if available, processes a conversion to a lower cost share class. Therefore, you may hold a higher cost share class of a fund in PruUMA and PruChoice for more than one year before PFPS converts your higher cost share class to a lower cost share class. You will not immediately be invested in the lowest cost share class available in PruUMA or PruChoice. Conversion to a less expensive share class does not occur unless PFPS reviews the share classes in the PruUMA and PruChoice Programs to determine that a more favorable share class has become available and then Pruco Securities implements the conversion. Any conversion to a lower cost share class typically reduces the revenue sharing payments that Pruco Securities receives from mutual funds and/or NFS for investing client assets in higher cost share classes of the same Fund. For this reason, PFPS is incentivized to conduct its review of share classes infrequently. You should consider the additional revenue sharing compensation that we receive from delaying a conversion as part of PFPS' compensation when evaluating the appropriateness of your Client Fee. If PFPS processes a share class conversion, you will be notified. The availability individual Funds and share classes of those Funds available for use in the Programs is dependent upon the agreements NFS, as clearing broker, has with the individual Funds or Fund families. As a result, the lowest-cost share classes of Funds may not always be available in the Programs.

Unlike in PruUMA and PruChoice, in PSP PFPS does not review the share classes selected for use in your Account to ensure that you are in the lowest cost share class. PFPS has an incentive not to perform such a review, as higher-cost share classes generally result in greater revenue sharing payments to Pruco Securities. To the extent PFPS's choice not to perform such a review results in your Account being invested in a higher cost share class than is otherwise available, your Account's overall performance will be lower. In PSP, IARs consider the costs of a Strategy (including the overall costs of the Funds used in that Strategy), when making a recommendation. Moreover, In PSP, Model Providers are responsible for recommending to Envestnet the Funds and classes of shares to be used to fulfill the allocations in their Strategies. If you select a PGIM Model for use in your PSP Account, PGIM Investments will select the class of Fund shares to be used in the PGIM Models but will select the lowest cost class of shares that is available to wrap accounts (there may, however, be lower cost shares available to other account types), and the share classes of Proprietary Funds that will be used in the PGIM Models do not pay 12b-1 fees or other forms of revenue sharing to PFPS. Envestnet is solely responsible for all trading decisions for the Strategies used in PSP. Because different Fund families, Funds, and share classes result in different amounts of revenue sharing compensation to Pruco Securities, your selected Model Provider's recommendations and Envestnet's trading decisions will directly affect the amount of revenue sharing compensation Pruco Securities receives. Neither PFPS nor your IAR recommends the use of specific Fund families, Funds, or share classes to Envestnet or to the Model Providers.

Any mutual fund that you transfer into your Account that is available as a Fund through a Program but is not in a share class available through a Program is an ineligible security and will generally be sold (unless designated as an



Unsupervised Asset), which may cause you to incur tax consequences. The sale proceeds will be used to buy the lowest cost share class of the same Fund that is available in the Program. At your request, if you transfer mutual fund shares of an ineligible class in your Account and do not want them sold, you may request that your IAR facilitate a share class conversion or you may hold such shares as Unsupervised Positions. A request for a share class conversion must be approved by NFS, the relevant Fund company and PFPS. Affiliates of PFPS sponsor or advise some Proprietary Funds. IARs do not earn more compensation for recommending Proprietary Funds but may have an incentive to recommend them because PFPS' affiliates earn fees from these Proprietary Funds.

The mutual funds and their share classes available through a Program are subject to change. Some or all of the asset classes may be limited to certain types of investments. Ask your IAR for information regarding the investment types available for the asset class you may be interested in.

### **Separately Managed Accounts and Strategies**

The Separately Managed Accounts in PruUMA and the Strategies in PruUMA and PSP are all developed by Model Providers. Envestnet or its affiliates may act as Model Providers. As discussed above, PGIM Investments also serves as a Model Provider in PSP, and PFPS has not subjected PGIM Investments to the same standards for inclusion in PSP as it has other Model Providers. For additional information on PFPS's selection of PGIM Investments as a Model Provider, see the section "Selection of Program Providers" below.

Separately Managed Accounts allow you to invest in equity and/or fixed income securities based on a particular investment style created and updated by the Model Providers. Strategies allow you to invest in Funds based on a particular investment style created and updated by Model Providers.

Many of the asset managers in MACS, PSP and PruUMA are accessed through the use of investment models, whereby the asset manager, acting as a Model Provider, constructs an asset allocation and selects the underlying investments for each portfolio.

Certain Model Providers make recommendations to Envestnet to add, remove or adjust the investments in or allocation of a Separately Managed Account or a Strategy. In that case, Envestnet as the discretionary asset manager, may choose to follow or not to follow a Model Provider's recommendation. Other Model Providers may exercise direct discretion over the Assets in the portion of your Account allocated to them, in which case Envestnet has no role in determining whether or not to follow the Model Provider's recommendation. All Strategies (for PSP and PruUMA) are traded through Envestnet, with Envestnet acting as the discretionary asset manager. For Separately Managed Accounts in PruUMA, Model Providers for Separately Managed Accounts that invest in equity securities trade through Envestnet, while Model Providers for Separately Managed Accounts that invest in fixed-income securities direct trades in your Account. If your Model Provider is directing fixed-income trades directly in your account, such trades may be executed with a broker/dealer other than NFS. Please see the section "Trading Through Other Broker Dealers" below for more details. You can find additional information about each Separately Managed Account and Strategy in the Program Fact Sheets available through your IAR; information about each Model Provider is found in their Form ADV Brochure, which is available via [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or from your IAR.

Envestnet refers to a Separately Managed Account and Strategy as a "Model" in the Envestnet Brochure. Model Providers are called "Managers" in the SIS and "SMA" in the Investment Proposal.

### **Individual Equity Sub-Portfolio in PruUMA**

In the PruUMA Program, your IAR may include an equity sub-portfolio managed by your IAR, on a discretionary basis, as part of your Portfolio Model. If your IAR includes an equity sub-portfolio in your Portfolio Model, he or she will select individual equities for you to invest in. Your IAR generally may only select equities for your account from an approved qualitatively researched list ("List"). The List, and research and due diligence on the equities included on the List, are provided by Morningstar (defined below). An equity security's inclusion on the List does not mean that the security will have positive performance, and securities that are not on the List may outperform securities that are



on the List. If an equity held in your account is removed from the List, the equity security will remain in your account. Your IAR will be given approximately 30 days to find a replacement or move the position to another account. If no action is taken in that time, client fee billing will be stopped, and if action continues not to be taken, the account will be converted to a retail brokerage account with all of its current holdings. See the Termination Section for additional details on conversion to a retail brokerage account.

Your IAR will be required to comply with certain parameters set by PFPS in designing an individual equity allocation for your PruUMA account. Your IAR does not receive any additional compensation for utilizing or designing an individual equity sub-portfolio for use in your PruUMA account.

You may also hold individual equities through Strategies managed by Model Providers in MACS or PruUMA. Such Model Providers are responsible for their own due diligence on investments, and may use methods of analysis, selection criteria, or portfolio parameters that are different than those used by your IAR. You should consult the Form ADV Brochure for a Model Provider for information on how that Model Provider selects securities.

### **Morningstar, Inc.**

Morningstar, Inc. (“Morningstar”) is a global financial services firm. Morningstar uses qualitative methods to provide research and due diligence on the equities available for inclusion in an individual equity sub-portfolio in PruUMA. Morningstar does not act as a fiduciary to clients in PruUMA. Morningstar has not created the list of available equity securities to address any specific individual’s investment objectives, financial situation, or the particular needs of any specific person; use of the equity securities list does not establish an advisory relationship between Morningstar and the client; and Morningstar is not responsible for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses, or opinions or their use by PFPS or the IAR. A subsidiary company of Morningstar, Morningstar Investment Services LLC, serves as a Model Provider.

### **The Best Interest Process and Selection of a Program and Program Investments and Options**

When an IAR recommends a transaction or investment strategy, the IAR must have a reasonable basis for believing that the recommendation is in your best interest. This best interest requirement applies to all recommendations that an IAR makes to all accounts. PFPS and the IAR will recommend Programs and their service providers to you in your best interest as required by the Investment Advisers Act of 1940, as amended.

To meet the best interest standard, PFPS seeks to match its recommendations to your needs based on your investment profile including but not limited to your investment objectives, risk tolerance, and financial circumstances. You will discuss with a financial professional, among other things, your personal and financial situation, goals, and objectives; risk tolerance; anticipated personal and financial needs and the costs and expenses of the options that are available to you. In certain circumstances, if your IAR believes the recommendation is in your best interest, your IAR may recommend a transaction or investment strategy even if it is more expensive than other options that are available to you. It is your responsibility to furnish the financial professional with complete and current information. The financial professional will create a profile for you and determine the attributes/features/benefits (i.e., guaranteed income, tax deferred growth, death benefit guarantees, etc.) that are important to you in meeting your needs. The financial professional determines which product type is in your best interest.

### **Reasonable Investment Restrictions**

In all of the Programs, at no additional expense, you may impose reasonable restrictions on the purchase of particular securities for your Account. You may request that certain specified securities, or certain categories of securities, not be purchased for your Account, but you may not require that particular securities be purchased, and you may not make changes to the securities in a Fund because mutual funds and ETFs operate in accordance with the investment objectives and strategies described in their prospectuses. If you impose reasonable restrictions, the portion of your Assets that would have been invested in any restricted security or category of securities may be invested in cash or cash alternatives or in an appropriate alternative security. Imposing restrictions may cause a Manager, Envestnet or

your IAR to change the investment decisions/recommendations that it would otherwise make. The IAR, Manager, Model Provider, and/or Envestnet determines whether a restriction is reasonable and manages Assets based on any accepted restrictions. Imposing restrictions may cause your account performance to be lower than the performance of unrestricted accounts.

In determining the reasonableness of a restriction, your IAR, Manager, Model Provider, and/or Envestnet, as applicable, will determine in its discretion which specific securities fall within the restricted category and may rely on outside research and sources. All PFPS wrap fee programs use Envestnet's technology platform, and therefore Envestnet will apply your restrictions to all of your accounts in any other PFPS-sponsored wrap fee program(s). Although we will accept reasonable restrictions as described above, we will not have any obligation to manage your account in accordance with any investment guidelines, policy statements or other documents unless we specifically agree to do so, in writing.

If you participate in PruUMA, for an additional fee, you may request broad investment restrictions be applied to your Account by using Impact Services, see "Tax Management and Impact Services."

### **Brokerage Account**

To participate in a Program, you must sign an Advisory Agreement with PFPS and a brokerage new account form to open an account(s) with Pruco Securities. Pruco Securities acts as the introducing broker-dealer for your Account and NFS acts as the clearing and executing broker-dealer for your account. NFS will have custody of your Assets in your Account, which is governed by the brokerage account agreement

Not all advisers require their clients to use a particular broker-dealer or custodian to participate in a managed account program. PFPS has an incentive to require you to use Pruco Securities as your introducing broker, as this allows Pruco Securities to benefit from favorable pricing with NFS, to receive revenue sharing payments from NFS, to receive a portion of interest payments on margin loans, to receive a portion of fees paid for ancillary services incurred by client actions (such as overdraft fees, wire transfer fees, stop payment fees, and transfer-of-assets fees) and to net profits on trade errors. With respect to ancillary services fees, Pruco Securities applies a markup to these fees over-and-above the fee imposed by NFS, which provides additional revenue to Pruco Securities. Pruco Securities has the discretion to set this markup, and has an incentive to increase the markup to increase its own revenues, even though it will result in you paying higher fees if you engage in the relevant transactions. These markups are addition to the Client Fee you pay in a Program, and you should consider the additional revenue that we receive when you pay ancillary services fees as part of PFPS' compensation when evaluating the appropriateness of your Client Fee. As discussed in more detail in the section "Selection of Clearing Broker and Custodian" below, Pruco Securities receives a variety of benefits from NFS. These benefits create an incentive for PFPS to select and retain NFS as the clearing broker and custodian for Accounts, even if other clearing brokers or custodians may be more beneficial for clients.

Your brokerage account agreement may contain authorizations for us to transfer funds or securities that are broader than the authorizations in your Advisory Agreement. If this happens, our authority is limited to the authority in the Advisory Agreement regardless of any broader authorization in your brokerage account agreement. Your brokerage account agreement also describes the custodian's monitoring, if any, of your Account.

The risk profile and investment objective designated for your Account must substantially align with the risk profile and investment objective set out in your SIS for that subprogram/ Program. Where there are variances, whether at the time of initial investment or due to any changes thereafter, the Account's designations will be updated to match as closely as possible to the SIS.

### **Unsupervised Positions**

Any Assets transferred into your Account will generally be sold, unless such Assets are used to fulfill an allocation within your Account. You may request, however, to maintain certain Assets in your Account outside of your selected Program ("Unsupervised Positions"). Only assets that are eligible to be held in your Account can be held as Unsupervised Positions, and PFPS reserves the right to, in its sole discretion, reject any request to hold any Assets as

Unsupervised Positions. You cannot hold cash as an Unsupervised Position, and you cannot hold an Asset that you also have managed in your Program as an Unsupervised Position (e.g., you cannot have the same share class of the same Fund both managed in the Program and held as an Unsupervised Position). Although you may request that certain securities be maintained as Unsupervised Positions, securities should generally only be held as Unsupervised Positions if your intention is ultimately to have them liquidated and the proceeds invested under your Program (although you also may transfer the securities out of the Account).

Unsupervised Positions will not be included in the Assets used to calculate your Client Fee, will not be included in determining whether you have met the required minimum investment for your Program, and advisory services will not be provided with respect to Unsupervised Positions. No advice will be provided on Unsupervised Positions, neither your IAR nor PFPS will monitor your Unsupervised Positions, and Unsupervised Positions will not be taken into consideration by your IAR, PFPS, Envestnet, or any Service Provider when deciding how to invest the Assets in your Account that are subject to the Program or whether your Account is consistent with your risk tolerance. Neither PFPS nor your IAR will have the discretion to sell Unsupervised Positions without your instruction. If you elect to hold Unsupervised Positions in your Account, you will be solely responsible for monitoring such Unsupervised Positions and determining if and when it is appropriate to liquidate such Unsupervised Positions, or whether continuing to hold such Unsupervised Positions is in your best interest.

If you hold Unsupervised Positions in your Account, such holdings will be reported along with your Program Assets on your statements from NFS. They will also be listed separately on the Quarterly Performance Review (defined below), but they will not be taken into consideration in calculating the performance of your Program Assets.

The Account is not a replacement for a retail brokerage account, and you will not be permitted to engage in trades with respect to Unsupervised Positions. The only options with respect to Unsupervised Positions are to (1) liquidate the position(s) and have the proceeds invested according to the allocation used in your Program or (2) transfer the Unsupervised Positions into a separate retail brokerage account. PFPS generally will only allow you to maintain Unsupervised Positions in your Account for 120 days, but PFPS can alter the time limit in its sole discretion.

### **Program Reporting**

You will receive (1) confirmations of transactions effected through the Account unless you ask that confirmations be suppressed through your Advisory Agreement or separate letter of instruction, (2) Account statements at least on a quarterly basis, and (3) a performance report (the "Quarterly Performance Review"). The Quarterly Performance Review contains a summary of the allocation of your Assets (excluding Unsupervised Positions), the performance history for the Assets (excluding Unsupervised Positions), rates of return as compared to appropriate market indices, and a listing of any Unsupervised Positions. PFPS may change the content of the Quarterly Performance Review and/or the Account statement at any time without notice to you.

### **Proxy Voting and Corporate Actions**

PFPS and its IARs do not take any action or give any advice about proxies, consents, waivers or other documents for any securities in your Account or for any financial planning clients. In the PSP and PruUMA Programs, you may opt out of having Envestnet vote proxies and respond to corporate actions. In the MACS Program, you may opt out of having Envestnet or Managers vote proxies and respond to corporate actions such as tender offers and mergers. In PruChoice, you are responsible for voting proxies and responding to corporate actions and neither PFPS nor its IARs can or will advise you on how to vote or respond. Envestnet's and each Manager's Form ADV Brochures describe how they vote proxies and respond to corporate actions. In all Programs, you are solely responsible for responding to any class action lawsuits involving the Assets in your Account.

### **Tax Harvesting**

The Programs offer a tax loss and gain harvesting service. To utilize this service, you must initiate a request through your IAR. You must request a dollar amount over \$500 for tax harvesting. If Envestnet or a Manager sells securities at

a loss, it will then buy them back after a 30-day “wash” period. Envestnet or a Manager will not consider assets held outside of your Account or Unsupervised Positions. If you or your spouse have other taxable or non-taxable accounts and hold in those accounts any of the securities held in your Account, you should discuss any wash sale implications for those “outside” assets with your tax advisor. None of PFPS, its IARs, Envestnet or any Manager make any guarantee that tax “harvesting” will be successful or provide any tax advice, and you should consult with your tax advisor about all tax issues.

Certain Strategies and Models available in MACS, PSP, and PruUMA may also be managed as tax-efficient or tax-aware strategies by the applicable Managers or Model Providers, as applicable. If you select a tax-efficient or tax-aware Strategy or Model for your account, you should discuss with your IAR whether the tax loss and gain harvesting service is appropriate in that circumstance.

## **Margin and Overdraft Protection**

PFPS, through NFS, allows customers to purchase securities on margin in certain non-managed brokerage accounts. If you have an unmanaged brokerage account, and elect to purchase securities on margin, you may be able to use one or more of your Program Accounts as collateral for margin loans entered into in your brokerage account. Accounts that are IRAs or subject to Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or an Individual Retirement Account (“IRA”), or any other account that is subject to Section 4975 of the Internal Revenue Code, as amended (the “Code”), are not eligible for margin purchases or to be used as collateralization for a margin loan. You cannot hold margin debit balances in your Account, nor use the proceeds of a margin loan to invest in an Account.

The PruChoice Program also offers a check writing service, and you may, at your discretion, opt to include overdraft protection on your PruChoice Account. Overdraft protection is a form of margin, as it allows you to secure a loan to cover a check with the securities in your PruChoice Account as collateral.

If you elect to use your Account to collateralize a margin loan (whether for purchases in your unmanaged brokerage account or for overdraft protection), and there are insufficient funds in your account to meet a margin call or pay an outstanding check, NFS may sell any assets in your Account, without prior notice to you, to satisfy such margin call or pay such check. NFS may sell assets in your Account without regard to tax consequences to you, and without regard to how it may affect the overall asset allocation or investment performance of your Account. You will also pay interest on any margin loan you incur.

If you are interested in using your Account to collateralize a margin loan, or in adding overdraft protection to your PruChoice Account, please discuss this with your IAR. Refer to the relevant Margin Agreement(s) with NFS for additional information regarding the terms of any use of margin, including information on relevant interest rates.

Both PFPS and your IAR have a significant incentive to encourage you to use your Account to collateralize a margin loan rather than withdraw Assets from your Account because their compensation is based on your Account value. If you maintain Assets in your Account, PFPS and your IAR will continue to collect the Client Fee on such Assets, whereas if you withdrew the Assets, then PFPS and your IAR would no longer collect such fees. In addition, PFPS has a financial incentive for you to use your Account as collateral for margin loans provided by NFS because Pruco Securities will typically receive a portion of the interest for the duration of the loan. NFS charges Pruco Securities an interest rate for margin loans that are provided to its customers. In its role as introducing broker, Pruco Securities is responsible for setting the interest rate paid by its customers. Pruco Securities keeps the difference between the rate charged by NFS to Pruco Securities and the rate charged by Pruco Securities to its customers. The rate schedule for margin interest charged by Pruco Securities is available upon request. PFPS does not share this interest payment with your IAR. Any interest and fees you pay on any debit balances held outside your Account will not be considered in computing the account value or the performance of your Account as reflected in Account statements, performance reports or otherwise.

The use of margin is not suitable for all investors, since it increases the leverage in your Account and therefore its risk. Please see the Margin Disclosure Statement and the Account Terms and Conditions for more details on the risks of margin use.

## **Tax Overlay and Impact Services**

Clients in PruUMA whose Portfolio Model contains at least one equity Separately Managed Account may select Impact Services and/or Tax Overlay Management services for an additional fee. Envestnet provides both services in its role as overlay manager. You may choose and terminate these services at any time. An IAR is not permitted to elect these services on your behalf. You must complete a separate form to use Tax Overlay Management services. If your IAR removes all equity Separately Managed Accounts from your Portfolio Model the services will terminate. These services may continue for a brief grace period while Envestnet confirms the removal of the Separately Managed Account and its effect on the services, as applicable, with your IAR.

Choosing Impact Services allows you to select from a list of impact restrictions (such as socially responsible or environmental restrictions). Impact Services will only apply to your Assets in an equity Separately Managed Account(s).

The Tax Overlay Management service may be appropriate if you seek to mitigate the effect of taxes on your Account. Envestnet evaluates proposed trades in your account and determines if the activity will have an acceptable level of taxable impact to you. The gains and losses realized with the trading of Strategies, Funds and/or ETFs are considered as part of the Tax Overlay in the Separately Managed Account. Certain Separately Managed Accounts may also be managed as tax-efficient or tax-aware strategies by the applicable Model Provider. If you or your IAR select a tax-efficient or tax-aware Separately Managed Account, you should discuss with your IAR whether the Tax Overlay Management service is appropriate in that circumstance. In addition, Tax Management and Impact Services are also only available with respect to certain types of strategies within your PruUMA Account, and if you select Tax Management or Impact Services, they will only be applied to eligible portions of your Account. Neither your IAR nor Envestnet guarantees that your tax liability will be reduced or that any indicated limits or mandates will be met, and none of them provide tax advice. Please speak with your own tax advisor for tax related questions.

## **Cash Target**

All Programs have a “Cash Target”, meaning some of your Assets are required to be in cash. For PSP, PruChoice and PruUMA, the Cash Target ranges from 0.5% to 2.00% of your Assets. In MACS, the Cash Target is typically 5% of your Assets, but varies among Managers. Envestnet will allocate some of your Assets to the Sweep Vehicle in accordance with the Cash Target. At times the amount of your Assets in the Sweep Vehicle will temporarily differ from the Cash Target. This may occur because a Fund has been sold in your Account, your contributions or withdrawals are being processed, your Account is buying its initial investments, or there are changes in market value of your Assets. Envestnet will rebalance the account to within the range of the Cash Target. As discussed in the next section, PFPS receives revenue sharing payments on the bank deposit sweep program (but not on the money market fund sweep options and except where such revenue sharing is not permitted with respect to Assets subject to ERISA or parallel provisions of the Code). If you select the bank deposit sweep program, such revenue sharing payments create an incentive for PFPS to allocate your Account to cash and to delay rebalancing transactions that would reduce your cash allocation. The receipt of both revenue sharing payments and the Client Fee on Assets invested in the bank deposit sweep program, but not necessarily on other portions of your Account, creates an incentive to allocate a larger percentage of your non-qualified Account to cash than to historically higher-performing asset classes. This presents a conflict of interest because an overly conservative allocation to cash could result in long-term underperformance of your non-qualified Account. Cash allocations, however, are set at either the Program or Manager/Model Provider level. Within PruChoice and PruUMA, your IAR does have flexibility to adjust the Cash Target within limits set by PFPS. An IAR’s compensation, however, is not affected by the Cash Target they set for client Accounts. In PruChoice, the Client Fee is not charged in Assets invested in your Sweep Vehicle. Rebalancing frequency is dependent upon your Program, and rebalancing transactions are processed by Envestnet.

## **Sweep Vehicle**

In all Programs, as part of the Account opening process, you will choose the bank deposit sweep program or a money

market fund ("Sweep Vehicle"). Deposits and dividends awaiting investment, and/or cash allocations will be held in the Sweep Vehicle. Investment options for the Sweep Vehicle vary by Program and include money market funds and a bank deposit sweep program. A Program may also charge the Client Fee on assets in the Sweep Vehicle. Please refer to the fee section below for additional information. Pruco Securities may remove the bank deposit sweep program or a money market fund as a Sweep Vehicle option upon advance notice. Please refer to the Advisory Agreement for additional information regarding these limitations. While PFPS chooses the menu of Sweep Vehicles available in the Programs, none of Envestnet, PFPS, nor your IAR recommend or select a particular Sweep Vehicle for you.

PFPS no longer offers as Sweep Vehicles proprietary money market funds managed and distributed by PFPS' affiliates. If, however, your account was invested in proprietary money market funds previously offered as Sweep Vehicles in the Programs, you will be allowed to retain your position in these proprietary money market funds at your discretion, or until you terminate the account. If you are maintaining assets in a proprietary money market fund, those assets will be excluded from computation of the Client Fee, but you will continue to pay the management and other fees and expenses you pay as a shareholder of such fund.

If you select a money market fund as your Sweep Vehicle, you will pay money market fund fees and expenses, which are in addition to the Client Fee. Please refer to the money market fund's prospectus for details. Pruco Securities receives revenue sharing payments based on the amount of cash swept into the bank deposit sweep program, generating compensation for Pruco Securities. However, if your Assets are subject to ERISA or parallel provisions of the Code, Pruco will not receive any revenue from your deposit of cash into the bank deposit sweep program. Please refer to the bank deposit sweep program disclosure from NFS for more information.

PFPS is responsible for selecting the menu of Sweep Vehicles available in the Programs, and, with respect to the bank deposit sweep program, determining the amount of revenue sharing payments that Pruco Securities will be eligible to receive. In selecting the Sweep Vehicle options, PFPS has an incentive to choose those options that result in PFPS receiving revenue sharing payments (except where such revenue sharing is not permitted with respect to Assets subject to ERISA or parallel provisions of the Code). The only Sweep Vehicle PFPS has chosen to make available in the Programs for which PFPS receives revenue sharing payments is the bank deposit sweep program. In selecting the bank sweep deposit program, PFPS has selected a bank sweep deposit option in which the amount of revenue sharing payments Pruco Securities receives is tied to the Targeted Fed Funds Rate. As the Targeted Fed Funds Rate increases, the rate at which revenue sharing is paid to Pruco Securities increases (up to 50% of the Targeted Fed Funds Rate). You should consider the revenue we receive as part of our compensation when evaluating the reasonableness of your Client Fee. The amount of revenue sharing compensation PFPS is eligible to receive in the bank sweep deposit program is also related to the amount of interest payable to clients, meaning that the higher the amount of revenue sharing PFPS chooses to receive, the lower the interest rate payable to you on deposits made into such bank deposit sweep program. In low interest rate environments, the application of the Client Fee to the Assets in your Sweep Vehicle (in MACS, PSP and PruUMA) will exceed the return on your selected Sweep Vehicle, resulting in negative net yield. The interest rate payable on the bank deposit sweep program is lower than what is available directly from a bank.

#### **Termination of a Manager, Model Provider, or Fund from the Programs and Requests to Make Changes to your Account**

PFPS may remove any Manager (and any of its associated MACS Strategies), Model Provider (and any associated Separately Managed Accounts and/or Strategies), Fund or Envestnet from a Program, and any of these may end its participation in the Programs, at any time and in any manner. In all Programs except PruUMA, PFPS will, whenever possible, notify you of removals and terminations and ask you to select a new option from the options available in a Program. If you do not (i) select a new option within the time required by the notice or (ii) provide other instructions or if PFPS cannot timely notify you about a removal or termination, the affected Assets will be sold, and the proceeds will be invested in the Sweep Vehicle until you provide investment instructions. The sale of Assets may cause a taxable event. Please speak with your own tax advisor for tax related questions. You will be notified of these transactions through trade confirmations, unless suppressed. For PruUMA, an IAR will take the appropriate action on the Account. If an IAR fails to take the appropriate action, Assets in the removed Investment will be sold or moved to a non-



managed account. If your IAR continues to not take action, your Advisory Agreement will be terminated in accordance with its Termination provisions, your participation in PruUMA will end, and your remaining Assets will be transferred in-kind to a retail brokerage account. You will no longer receive advisory services from PFPS and will receive a pro-rated refund of your Client Fee. Please refer to the Advisory Agreement for additional information.

You may terminate the Manager of your MACS Assets in MACS upon written notice to PFPS. You may terminate a Strategy in PSP upon written notice to PFPS.

If you request a change to the management of your Account (a change in Managers, Strategies, Separately Managed accounts, Funds, individual equities, or allocations among those options, as applicable), your IAR will process such change request in a reasonable time, and transmit the request to Envestnet for implementation. Any resulting trades will be processed by Envestnet in accordance with Envestnet's trading policies. Depending upon a number of factors, including the time at which your request is submitted, your instructions may not be implemented immediately, and it may take several days to fully effect your request. The sale of Assets may cause a taxable event. Please speak with your own tax advisor for tax related questions.

## **FINANCIAL PLANNING SERVICES**

### **Overview of Services**

PFPS's financial planning services typically include the development of comprehensive or modular single focused plans over two or more meetings with your Planner. The financial planning process will enable you to become more aware of your own personal finances, your future needs, and how decisions can affect you and your future. The process will help you identify and prioritize your needs and will include appropriate recommendations to help you achieve your desired planning goals.

You and your Planner will sign a Financial Planning Agreement outlining the terms and fees for your plan. In the initial meeting, or discovery interview, you and your Planner will gather your financial information and identify and/or clarify your values and objectives. The second meeting will address where your values may not be compatible with past and current financial decisions. Your Planner will then suggest a timetable for plan implementation, if you so choose.

You and your Planner will prioritize your goals by importance and their time frames. Although the focus will be on achieving all goals and objectives, you may need to address more pressing needs at any given point in time. Your Planner will provide education about financial markets and product types, which will help you evaluate your financial options and strategies. Taking into consideration your financial situation, financial goals and attitude toward risk, your Planner will provide to you a final analysis that will include action steps you should consider helping you attain your financial objectives. PFPS encourages periodic plan reviews with your Planner.

Your financial plan and recommendations are tailored to your specific financial situation, needs, goals and objectives. You and your Planner will agree on planning assumptions and your Planner may use computer software to create your plan and the recommendations. Your Planner will not recommend specific products, but rather general categories of products, such as mutual funds, Section 529 college savings plans, securities, annuities, life, disability income and long-term care insurance, and others relevant to your financial situation.

Once the planner delivers the plan to you, our financial planning services end and you are free to implement your plan on your own. You may also implement the plan using the investment, investment advisory and insurance products and services that your Planner offers in his or her capacity as a registered representative or IAR of Pruco Securities and/or as a licensed insurance agent of Prudential Insurance or its insurance company affiliates ("Prudential"). PFPS and your Planner are not and will not become your "fiduciaries," or provide "investment advice" to you, in connection with the financial planning services, as those terms defined under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Internal Revenue Code of 1986, as amended, and accompanying regulations. PFPS and your Planner do not provide tax or legal advice, and you should consult with your own tax or legal advisor.

## Active Client Participation

It is your responsibility to furnish your Planner with complete and current information about your personal and financial circumstances, goals and preferences. The information you provide to your Planner should be accurate because it will be the basis for your planning analysis and your Planner's recommendations. Neither PFPS nor your Planner independently verifies the information you provide.

## Financial Planning Topics

Dependent on your needs and concerns, your Planner may provide comprehensive financial planning services such as:

- net worth and cash flow
- retirement planning
- funding for major purchases
- business planning
- investment planning
- education planning
- risk management
- estate planning

Modular financial planning services are also available except for certain single-focused risk management financial planning services. The information below is a general overview of each topic or service. You and your Planner will agree on the service(s) you'll receive.

*Net Worth and Cash Flow:* Your Planner can provide you a concise list of your current net worth consisting of your assets and liabilities. Your Planner will also help you understand and track your current cash flow consisting of your current income, spending and savings history, as applicable. Your Planner uses both net worth and cash flow to show how your net worth may change over time and at life events, such as retirement. An analysis of your net worth and cash flow can serve as a starting point for your plan.

*Investment Planning:* Investment planning helps you identify your risk tolerance towards investing. You will receive one or more suggested asset class mixes considering your tolerance for risk and the time frame to achieve the associated goal, and an investment allocation analysis that shows your current investments in specific asset classes. Based on your risk tolerance, investment objectives, and time available to achieve a goal, your Planner will give you an analysis to help you develop a suggested asset allocation strategy that may vary from your current allocation.

*Funding for Major Purposes:* When planning for accumulation goals, such as retirement, education or saving for a major purpose, your Planner may provide you an analysis that includes your accomplishments toward achieving that goal to date, opportunities to help you attain the goal within the specified time frame and types of products or services that may be appropriate to help you achieve the goal. Your Planner may show you alternative scenarios to help you achieve your goals. You and your Planner will agree to certain assumptions such as growth rate of identified goal assets, time frame until the goal event, time frame during the goal event and life expectancy.

*Retirement Planning:* Retirement planning includes estimating your retirement needs during the years when you are no longer working or expect to work less. Your Planner will help you determine your current retirement resources accumulated, including estimated funding from government programs, and the amount you need to save currently to meet your retirement needs. Your Planner may identify types of products that can help you achieve your retirement goals such as qualified retirement savings plans. Your Planner may help with strategies to reduce taxes before and during retirement.

*Education Planning:* Education planning will include an analysis to identify the cost of your education goals and the savings needed to achieve your goals within your time frame. Your Planner may identify types of products to consider when saving for education goals, such as 529 college savings plans.

*Estate Planning:* Estate planning may help you provide a legacy to loved ones and charitable organizations you value. Your Planner may provide an estimate of your estate taxes and strategies to help reduce your taxes, as applicable. Your Planner will work with you to plan for the orderly distribution of your estate and may recommend retitling assets,



using trusts, gifting strategies and using other professional services.

***Business Planning:*** Business planning can help business owners plan for the sale of their business and create an orderly transition plan for after the sale. Your Planner will work with you to try to maximize and help protect the value of your business and may recommend other professionals to assist you.

***Risk Management:*** Unforeseen events may have an impact on you achieving your planning goals. Your Planner may provide you an analysis to educate you on risks associated with premature death, disability or a long-term-care event and can show you how those events can reduce the resources available to you and those you care about most. These analyses will help you determine if you are adequately insured, how much insurance you may need and the types of insurance products to consider in managing your risks.

## **Planning Techniques**

In addition to your Planner's training, skill and experience, your Planner will have access to various computer software programs to perform detailed financial analysis. The flexibility of these programs enables Planners to provide financial planning analysis to clients with a wide range of income, net worth, financial goals and financial concerns. These programs enable your Planner to discuss your individual financial situation, financial goals and financial concerns at a level of detail comfortable for you. With the use of these tools and models, your Planner can demonstrate the impact of taxes, inflation, and rates of return assumptions on various financial alternatives. The effects of using different assumptions and the use of financial alternatives are carefully discussed with you during plan development. PFPS uses capital market assumptions and asset allocation models provided by PMC, a division of Envestnet, in computer software programs used by Planners to develop plans.

In many cases, PFPS uses projections to model financial results using a third party's financial planning software. Projections assume a fixed rate of return for certain asset classes across time periods, and therefore do not account for market uncertainty. Any projections your Planner provides you are hypothetical in nature, are for illustrative purposes only, do not reflect actual investment results, and are not guarantees of future investment outcomes. When your Planner creates a plan, Monte Carlo analysis may be used to show how market uncertainty could affect the outcome of your plan. Monte Carlo simulations are mathematical methods used to estimate the likelihood of a particular outcome based on many simulations of market performance using past market behavior and estimates of expected future behavior. The analysis may include both projections that assume static market rates, and the Monte Carlo approach that assumes markets will change. Monte Carlo analysis is performed at the asset class level and assumes broad diversification within each asset class. The methodologies and algorithms used in this process may also be adjusted from time to time and affect the results obtained.

Our simulations are not designed to predict the future performance of any particular security or investment product. Our provision of financial planning services to you is based on the information you provide and on certain assumptions, such as rates of return and life expectancies. In reality, many of these variables will not stay the same or be predictable, because market fluctuation will affect overall asset performance, and uncertain life events may cause you to outlive your resources or to fail to save enough money. Any projections do not include the fees associated with the products illustrated (e.g., mutual funds, insurance products, etc.) and these fees would reduce your investment returns. You should refer to the disclosure documents or offering materials for the products for information regarding their respective fees.

## **Implementing Your Plan and Risk of Loss**

The product(s) you buy to implement your plan should match your stated investment profile, needs, goals, and objective(s). When you buy a product, you should carefully review all product disclosure documents, including any prospectuses. Investing in securities involves risk of loss that you should be prepared to bear. Neither PFPS nor a Planner can guarantee the results of any recommendations in your plan even if you follow all of its recommendations. You can still fail to achieve your goals even if you obtain a plan and fully implement the plan according to its recommendations. You may follow or ignore any proposed allocation, recommendation or advice from your Planner.

## **The Best Interest Process and Financial Planning**

When a Planner recommends a strategy or a type of product to you, the Planner must have a reasonable basis for believing that the recommendation is in your best interest as required by the Investment Advisers Act of 1940, as amended.

PFPS seeks to match its recommendations to your needs based on your investment profile. You discuss with a Planner your personal and financial situation, goals, and objectives; risk tolerance; and anticipated personal and financial needs. It is your responsibility to furnish the Planner with complete and current information. The Planner will create a plan for you and determine the attributes/features/benefits (i.e., guaranteed income, tax deferred growth, death benefit guarantees, etc.) that are important to you in meeting your needs. The Planner determines a plan that is in your best interest. However, you have final authority about your account, and you may follow or ignore any proposed allocation, recommendation or advice from your Planner.

PFPS does not select or recommend broker-dealers for client transactions as part of its financial planning services business. Plan recommendations are not product-specific, and you may implement your plan through any financial services provider.

## **FEES AND EXPENSES**

### **Program Fees**

You pay an annual Client Fee generally according to the schedules shown below. Fees are subject to change upon notice to you in accordance with your Advisory Agreement. Client Fees for similar services vary among PFPS's offices or IARs but will never exceed the maximum amounts shown below. Some IARs charge a higher Client Fee than others for similar services.

### **MACS Client Fee**

The Client Fee for Equity, Balanced and Convertible Securities Managers is negotiable between 3.00% and 1.14% depending on the amount of Assets in your Account. The Client Fee for fixed income Managers is negotiable between 1.25% and 0.79% depending on the amount of Assets in your Account. Your applicable Client Fee rates will appear on the SIS.

PFPS pays some of the Client Fee to Managers and Envestnet. The portion ranges from 0.23% to 0.50% of Program Assets managed by Managers, and from 0.18% to 0.40% of Program Assets for fixed income Managers. Fixed income Managers' fees will vary due to the variety of strategies, which means the portion of fees PFPS keeps also will vary. See Payments to Others below in this section for more details. The Client Fee also is applied to Assets in your Sweep Vehicle.

### **PSP Client Fee**

You pay an annual fee that compensates PFPS ("Firm Fee"), Envestnet and the Model Provider ("Manager Fee"), and your IAR ("Advisor Fee") for their services. The Client Fee can range between 2.25% and 0.75% depending the amount of Assets in the Account, associated Manager Fee and the Advisor Fee, which is the only portion of the Client Fee that is negotiable. The negotiable Advisor Fee is between 1.20% and 0.50%. The Manager Fee is between 0.50% and 0.02%. The Manager Fee varies by Strategy, and the Manager Fee for all Strategies can be found in the SIS. The Manager Fee is paid to the Model Provider and to Envestnet. The Manager Fee is set by Envestnet and is based on Envestnet's negotiations with the Model Providers for the right to use the Strategy(ies) the Model Providers create and maintain and to compensate Envestnet for providing related services. The Firm Fee is between 0.40% and 0.25%, depending on the level of Assets in the PSP Program.

The sum of the Firm Fee and the Manager Fee is the “Sponsor Fee” as shown in the SIS. PFPS uses some of the Firm Fee to pay Envestnet and NFS for their services. PFPS also shares its portion of the Firm Fee with its affiliates for certain administrative services. Envestnet may keep some of the Manager Fee as compensation for licensing the Model and supporting the Model Providers. See Payments to Others below in this section for more details. The Client Fee also is applied to Assets in your Sweep Vehicle.

If you select a PGIM Model to be used in your PSP Account, PFPS will reduce the Client Fee by a quarterly “Credit Amount” equal to the sum of an estimated amount of the (i) total net management fees attributable to Proprietary Funds during the period in which your account is invested in any Proprietary Funds included in the PGIM Model, based on the value of your PSP Account as of the end of the last business day of the previous calendar quarter; and (ii) a small additional amount (a “cushion”) designed to address any minor fluctuations in the fees attributable to the Proprietary Funds. You will not be responsible for repaying any part of the Credit Amount if the Credit Amount exceeds the net management fees Prudential or its affiliates receives from the use of Proprietary Funds in your Account based on the value of your Account as of the end of the last business day of the previous calendar quarter. This Credit Amount will not offset (i) any management fees PGIM Investments or any of its affiliates receive due to appreciation or changes in the value of your PSP Account over the quarter (other than adjustments described in the section “How Client Fees are Calculated and Paid” below) or (ii) other expenses you pay as a shareholder of a Proprietary Fund, including fees paid to PGIM Investments or its affiliates by the Proprietary Funds included in the PGIM Model (such as transfer agency or sub accounting fees).

With respect to an Account that is an employee benefit plan that is subject to ERISA, an IRA, or any other account that is subject to Section 4975 of the Code, including but not limited to Archer MSAs, HSAs, or Coverdell savings accounts, this fee reduction process is intended to assure compliance with Pruco’s duties under ERISA or the Code. For additional details about the fees and expenses associated with investing in a Proprietary Fund, please review such Fund’s prospectus.

#### **PruUMA Client Fee**

You pay an annual fee that compensates PFPS (Firm Fee) and your IAR (Advisor Fee) for their services and compensates Envestnet for the license to use Separately Managed Account(s) and Strategies (Model Provider Fee). These three fees are combined into your Client Fee. You will pay the Model Provider Fee only if your Account uses Separately Managed Account(s) and/or Strategies and only on your Assets invested in Separately Managed Account(s) and/or Strategies. The Client Fee can range between 2.25% and 0.90% depending on amount of Assets in your Account, associated Model Provider Fee, if any, and the Advisor Fee, the only negotiable portion of the Client Fee. The Advisor fee is between 1.20% and 0.50%. The Model Provider fee is between 0.60% and 0.02% and depends on the Separately Managed Accounts and/or Strategies chosen. The Model Provider Fee for all Separately Managed Accounts and Strategies can be found in the SIS. The Manager Fee is paid to the Model Provider and to Envestnet. The Manager Fee is set by Envestnet and is based on Envestnet’s negotiations with the Model Providers for the right to use the Strategy(ies) and Separately Managed Account(s) the Model Providers create and maintain and to compensate Envestnet for providing related services. The Firm Fee is between 0.40% and 0.25%, depending on the level of Assets in the PruUMA Program. The Client Fee also is applied to Assets in your Sweep Vehicle.

The Firm Fee and the Model Provider Fee are combined into the “Sponsor Fee.” PFPS uses some of the Firm Fee to pay NFS and Envestnet for their services. PFPS also shares its part of the Firm Fee with its affiliates for their administrative services. Envestnet may keep some of the Model Provider Fee as compensation for supporting the Model Providers. See Payments to Others below in this section for more details.

#### *Optional Tax Management and Impact Services Fees*

Tax Management and Impact Services are only available in PruUMA. The same fee is applied when selecting either or both services. For PruUMA the actual fee you pay is a blended fee based on the amount of Assets in each tier as set out below. The additional fee is added to the Client Fee and is applied to all Assets. Envestnet sets and is paid the fee for

these services. If you add or remove Tax Management and Impact Services from your PruUMA Account mid-quarter, the fee for those services will be adjusted at the beginning of the next quarter.

AUM	Fee
First, \$0 - \$9,999,999	0.10%
Next \$10,000,000 - \$24,999,999	0.08%
Next \$25,000,000 and above	0.05%

### **PruChoice Client Fee**

You pay PFPS a maximum annual Client Fee of 2.00% of the value of Funds, including Funds that are money market funds, but excluding any Assets held in your Sweep Vehicle. The 2.00% is the net of a 2.75% maximum Client Fee that can be charged and a simultaneous credit of 0.75%. This credit is provided to offset the advisory fees that PFPS affiliates receive from Proprietary Funds in the Program.

The Client Fee is made up of the Advisor Fee and the Firm Fee. The Advisor Fee is negotiable between you and your Advisor. The Advisor Fee is between 0.50% and 1.75% depending on the Assets in the PruChoice Program. The Firm Fee is between 0.40% and 0.25%, depending on the level of Assets in the PruChoice Program.

PFPS uses some of the Firm Fee to pay NFS and Envestnet for their services. PFPS also shares its part of the Firm Fee with its affiliates for their administrative services. See Payments to Others below in this section for more details.

### **How Client Fees are Calculated and Paid**

Envestnet calculates your Client Fee. In MACS, PSP, and PruUMA, the Client Fee is based on the total market value of the securities and Funds in your Account plus any Assets invested in a Sweep Vehicle. In PruChoice, the Client Fee is based on the total market value of the Funds in your Account and is not charged on any of your Assets invested in a Sweep Vehicle. In PruUMA, if any portion of your Assets is invested in a Proprietary Fund then the Client Fee is not charged on those Assets. PruChoice fees include Assets invested in Proprietary Funds, but a 0.75% credit on the Client Fee is given to all clients. In PSP, if you select a PGIM Model to be used in your Account, PFPS will reduce the Client Fee payable on your Account by the Credit Amount, as discussed above. Although Model Providers, other than PGIM Investments, are not expected to use Proprietary Funds in the Strategies available in PSP, if your PSP Account holds a Proprietary Fund outside of a PGIM Model, the Client Fee is not charged on those Assets. Any valuation is not a guarantee of the value of those Program Assets.

Your Client Fee is payable quarterly in advance except for the first payment. Your initial Client Fee is based on the value of your Assets on the first date that your Assets are traded in a Program. Thereafter, your Client Fee is based on the value of your Assets calculated as of the last business day of the previous calendar quarter. The initial Client Fee will cover the period from the first trade date through the last calendar day of the then-current calendar quarter and will be prorated accordingly. Thereafter, the quarterly Client Fee will cover the period from the first calendar day through the last calendar day of the then-current calendar quarter.

NFS will debit the Client Fee and any applicable Account service fees and charges from your Sweep Vehicle or another Pruco Securities account you designate. If there are insufficient Assets in your Sweep Vehicle or other account, Envestnet will sell Assets in your Account in its sole discretion to generate sufficient cash to pay for any unpaid fees and charges. NFS will deduct your initial Client Fee shortly after the first trade date for the initial investment, and thereafter NFS will deduct the quarterly Client Fee shortly after the end of each subsequent calendar quarter for the next quarter. Please notify PFPS promptly if you discover an error in your Client Fee as shown in your Account statement. All deductions from the Account by NFS will be shown in your Account statements and Quarterly Performance Review. However, if you use another Pruco Securities account to pay fees, the Client Fee will not be shown in your Quarterly Performance Report and your Account's overall performance will be higher as a result.

*Adjustments:* Your Client Fee will not be adjusted within a calendar quarter for (i) appreciation or depreciation in the value of your Assets during that quarter; (ii) for replacement of the Manager in your MACS Account or (iii) adding or removing Tax Management and Impact Services from your PruUMA Account.

Your Client Fee will be adjusted for (i) replacement of a Strategy in your PSP Account; (ii) changes in the providers of Separately Managed Accounts and/or Strategies used in your PruUMA Account; (iii) changes in the allocation of assets to Separately Managed Accounts and/or Strategies used in your PruUMA Account; or (iv) deposits or withdrawals greater than \$10,000 during the quarter in any Program account. Adjustments to your Client Fee will be calculated pro rata for the remainder of the quarter after the change is implemented. If the result of a change is that your Client Fee is reduced, you will receive a credit back to your Account for the applicable quarter. If the result of a change is that your Client Fee is increased, you will be charged the additional amount of the Client Fee for the applicable quarter.

*Sweep Vehicle:* In MACS, PSP, and PruUMA, your Client Fee is also charged on any cash held in your Sweep Vehicle (unless you have been allowed to maintain a proprietary money market sweep). In PruChoice, your Client Fee is not charged on any cash held in your Sweep Vehicle.

*Changes to your Client Fee:* Client Fees or any component of a Client Fee may change with notice to you but will not exceed the maximum rates shown above. PFPS or Envestnet may remove and replace a Manager, Model Provider, or Fund in a Program, and the replacement may have higher or lower fees. If you change your risk profile, your asset allocation or investment options, your Client Fee may change, but it will not exceed the maximum rates shown above.

*Cost of a Program:* A Client Fee and its components may be higher or lower than comparable programs of other advisory program sponsors or other advisory programs that PFPS or its affiliates offer. Your Client Fee may be higher or lower than other clients' Client Fees in the same Program. You may be able to buy the individual securities and Funds that are available through the Program outside the Program through a brokerage account (you will pay fees including commissions, transaction/execution charges and custodial fees) without participating in a Program or paying the Client Fee. The Client Fee may be more or less than the fees and charges you would pay if you paid separately for investment advice, brokerage or other services. Factors that bear upon the cost of the Program compared to buying the same services separately include, among other things, the types of securities that you transfer into and hold in your Account, the historical and/or expected size and number of trades expected to occur in your Account, the number and range of other services that you expect to receive that are not part of the Client Fee, and the total market value of your Assets. A copy of the fee schedule for a standard Pruco Securities brokerage account is available upon request. However, in a standard Pruco Securities brokerage account you will not benefit from the features of a Program including, but not limited to, portfolio management services, ongoing investment advice, account monitoring and account rebalancing (if selected for PruChoice).

## **Negotiating Fees**

*Client Fee:* In MACS, the Client Fee is negotiable based on a number of factors such as, the amount of Assets, and the number and size of related accounts you have at PFPS and Pruco Securities.

You and your IAR may renegotiate and amend the Client Fee in the MACS Program at any time through mutual consent as long as the Client Fee remains within the range set by PFPS in effect at the time of the renegotiation as reflected in this Brochure.

*Advisor Fee:* You can negotiate the Advisor Fee in PruChoice, PSP and PruUMA, but it cannot exceed the maximum Advisor Fee ranges shown above.

You and your IAR may renegotiate and amend the Advisor Fee in the PruChoice, PruUMA and PSP Programs at any time through mutual written consent as long as the Advisor Fee does not exceed the maximum range set by PFPS in effect at the time of the renegotiation, as reflected in this Brochure. Your IAR will consider a number of factors,

including, but not limited to, the amount of your Assets and the number and the size of related accounts you maintain at PFPS or Pruco Securities. PFPS, in its sole discretion, may lower a client's Advisor Fee for any reason.

PFPS may reduce or waive Client Fees for clients at any time. PFPS may reduce or waive the Client Fee for its employees, associated persons, agents, independent contractors or any of their qualified immediate family members, or those of its affiliates.

The Firm Fee and Manager Fee/Model Provider Fee components of the Client Fee in PSP and PruUMA and the Firm Fee in PruChoice are not negotiable.

### **Trading through Other Broker-Dealers**

The Client Fee covers investment advice, portfolio management services and trade execution services placed through Pruco Securities only. Envestnet, Managers (in MACS), and Model Providers with discretionary authority over your Account (providers of fixed income Separately Managed Accounts in PruUMA) have the authority to use another broker-dealer to trade for your Account when Envestnet, the Manager or the Model Provider reasonably believes that another broker-dealer may effect trades at a price, including any commissions or dealer mark-up or mark-down, that is more favorable to your Account than would be the case if Pruco Securities traded them through NFS. Even if the price is not more favorable, Envestnet, Manager(s) or Model Provider(s) may consider all relevant factors in selecting a broker-dealer, including execution capabilities, speed, efficiency, confidentiality, familiarity with potential buyers or sellers, and available inventory.

If Envestnet, Manager(s), or Model Provider(s) effects trades through another broker-dealer, you may pay additional fees to that broker-dealer. Those fees are in addition to your Client Fee and may increase your overall cost to participate in a Program. For this reason, among others, Envestnet, Manager(s) or Model Provider(s) may find that placing trades through Pruco Securities for execution by NFS is often the more favorable trading option. It is expected that many of the equity (stock) trades will be placed through Pruco Securities and executed by NFS. However, there are certain Managers in MACS and Model Providers in PruUMA that have historically directed most, if not all, of their trades to outside broker-dealers. These Managers and Model Providers include, but are not limited to, those that offer municipal, corporate and convertible fixed income MACS Strategies and/or Separately Managed Accounts, respectively. If you transfer securities to fund your Account, Envestnet may use an outside broker-dealer to sell those securities that are fixed income, hard to value, illiquid, or thinly traded, or to sell other securities that NFS cannot sell.

Envestnet, Manager(s), or Model Provider(s), as applicable, selects broker-dealers and is responsible for meeting its best execution obligations to the client. You should carefully review a Manager's, Model Provider's, or Envestnet's Brochure to learn whether and when it uses broker-dealers other than Pruco Securities to effect any trades. You also should carefully review all trading for your Account to understand the frequency of trading through other broker-dealers and any additional trading costs that may be incurred. You should discuss these trades and any associated trading costs with your IAR. Clients are encouraged to review the important information on the 'Trading Away' document provided to you when you opened your Account and that is also available by visiting:

<https://www.prudential.com/links/about/pruco-securities-updates>. You should visit this page periodically while participating in a Program to get updated information. You should also visit this page any time a new Separately Managed Account and/or Strategy is added to your PruUMA Account or a Strategy is changed in your PSP Account.

### **Other Fees**

Your Client Fee does not include costs associated with incidental services you request or incur such as express postage and handling charges, returned check charges, wire or transfer fees, or transfer taxes. The Client Fee also does not include other fees and charges assessed by third parties or PFPS such as foreign exchange fees; any fees associated with American Depository Receipts; Securities and Exchange Commission fees; fees and charges that NFS may assess for certain services related to the Account (such as ACAT fees, IRA maintenance or termination fee, etc.); charges assessed by other broker-dealers; markups, markdowns, or spreads; or other fees mandated by law. Please refer to the Command Account and Investor Account Fee Schedule.

If you sell any assets in an account other than your Account, you may need to pay a commission and/or other charges, not covered by the Client Fee, to sell or transfer assets to your Account to fund investments under a Program. Selling securities may cause you to incur tax consequences, which you should carefully consider before selling any assets or transferring any assets for sale under the Program in order to fund any investments. You should discuss all tax questions or seek tax advice from an independent tax advisor; PFPS, its IARs, Managers and Envestnet do provide any tax or legal advice.

### **Payments to Others**

PFPS pays some of the Client Fees to Managers, Model Providers, and Envestnet. The fee payable to Envestnet depends on the overall assets under management by PFPS, and is also reduced for individual accounts over a certain size. This creates an incentive for PFPS to recommend that you increase the Assets you maintain in your Account, as increased Assets in your Account will allow PFPS to retain more of the Client Fee for itself (in addition to the general increased dollar amount of the Client Fee resulting from your maintaining more Assets in your Account). PFPS also uses some of the Client Fee to pay i) NFS for its securities trading, custody and other services ii) Envestnet for acting as an overlay manager in some Programs and other services including the Programs' technology platform and iii) Morningstar for providing due diligence and research on the equities available in PruUMA. Because some of the Client Fee is used to pay NFS for each trade effected in your Account, PFPS's portion of the Client Fee will vary. PFPS has an incentive to use Managers and Model Providers whose trading costs are lower. For additional information on this conflict of interest, see the section "Other Compensation" below.

PFPS retains some of the Program/Firm and Advisor Fees as its profit and pays its affiliates for providing it with support services such as licensing, registration, and compensation administration. PFPS's affiliates will earn investment management fees if your Assets are invested in Proprietary Funds. For accounts subject to ERISA or the Code, any such investment management fees are offset or waived to the extent required by ERISA or the Code.

### **Payments to your IAR**

Your IAR receives a portion of the Advisor Fee (Client Fee for MACS). The negotiable range of the Advisor Fee is higher in PruChoice than in the other Programs. The Compensation available to your IAR through the Programs also may be more than what he or she would receive if you purchased Program services separately or purchased other Pruco Securities products or services. As a result, your IAR has a financial incentive to recommend a Program over other PFPS or Pruco Securities products or services. Your IAR may also have an incentive to recommend PruChoice over other Programs. Although, the potential Advisor Fee range for PruChoice is higher than the other Programs, the overall Client Fee you pay to participate in PruChoice can be higher or lower than the Client Fee you pay in other Programs, depending on a number of factors, including the applicable Manager Fee for any Strategies or Separately Managed Accounts used in your Account, the Advisor Fee you negotiate, and the fee for tax management and impact services (if elected in PruUMA). Moreover, although the potential Advisor Fee range is higher in PruChoice, the Advisor fee is negotiable, and must be agreed to by you prior to your enrollment in the Program.

In some instances, your IAR received a bonus or forgivable loan from Prudential when joining Pruco Securities and will be credited with repayment of some or all of the amount if he/she satisfies overall total sales goals (including products and services offered by PFPS and Pruco Securities) and/or remains associated with Pruco Securities over time. For IARs who received a loan where repayment is credited based on total sales, this loan creates an incentive for the IAR to recommend that you invest through the Programs and/or (in his or her capacity as a registered representative of Pruco Securities) recommend that you purchase products or services offered by Pruco Securities to maximize their compensation rather than to give disinterested advice. This incentive continues until the loan is fully forgiven.

### **Fund Fees**

When your Account invests in Funds, you will pay two levels of fees – the Client Fee plus your share of the Fund’s internal fees and expenses (except that, if your Account is invested in Proprietary Funds, certain special fee provisions may apply, as discussed above under How Client Fees are Calculated and Paid). These Fund fees and expenses include management fees, 12b-1 and shareholder service fees, and other expenses such as custody, legal, and accounting fees. These fees and expenses are paid out of Fund assets and are reflected in a Fund’s share price. These fees and expenses are an additional cost to you and are not included in the Client Fee and any other applicable fees and expenses shown in your Account statements. Fund fees and expenses are shown in a Fund’s prospectus or offering documents, which you should review.

Fees and expenses reduce a Fund’s net asset value and its performance. When fees and expenses are added to the Client Fee, they increase your total costs. Investing in Funds through a Program costs you more money (which lowers your investment returns) than if you bought the Funds directly without participating in the Program. If you pay any 12b-1 fee to invest in Funds through a Program, PFPS will credit your Account for any 12b-1 fees paid, so long as the fee was otherwise payable to Pruco Securities and NFS actually received the fee from the Fund. Any credit will be shown in your Account statement.

You will not pay any transaction-based sales charges for purchases of Funds through the Programs for trades executed through Pruco Securities. Nor will you pay a transaction-based charge for sales of Funds, except that some Funds charge, and do not waive, a redemption fee on certain transaction activity in accordance with their prospectuses.

### **Financial Planning Services Fees**

Our financial planning fees vary depending on the type of analysis being performed and the complexity of your financial profile. Our standard plan fees generally range between \$600 and \$15,000 for a comprehensive plan, but a particular plan fee can exceed these ranges given the complexity of the plan and number of areas covered. We may charge fees for educational seminars and workshops provided to businesses. In some instances, an hourly consulting fee is charged. Hourly fees typically range between \$50 and \$450 per hour. Our standard and hourly fees vary based on factors, including but not limited to your Planner’s level of expertise and experience, the type of analysis performed and/or the complexity of your financial situation and needs. Financial planning fees are negotiable and can be renegotiated, and you and your Planner will agree upon the fee in advance of service.

Corporate and group discount rates are available on financial planning fees. We may on occasion offer full or partial discounts on financial planning services. PFPS may also offer full or partial discounts to our, or affiliates’, employees, officers, directors, independent contractors or agents, or their qualified family members. In general, PFPS prefers, but does not require, planning fees to be paid in full upon signing of the Financial Planning Agreement. Our policy is that Planners deliver your completed plan to you within three months, but no longer than six months, from the date you sign the Financial Planning Agreement.

## **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **Types of Clients**

PFPS’s managed account clients are primarily individuals and also include trusts, charitable organizations, and corporations or other business entities. PFPS provides financial planning services to individuals, families, businesses and associations throughout the United States.

### **Account Requirements**

PFPS operates exclusively in the United States. PFPS only opens and maintains accounts for, and only provides advice and services to, individuals or entities having a legal U.S. address. You must sign an Advisory Agreement with PFPS. If you want to participate in a Program, you also must sign a brokerage new account form with Pruco Securities so that PFPS and Pruco Securities can provide Program services to you. You may have to complete other paperwork in order to open an Account or instruct PFPS, and a Manager or Envestnet (as applicable) to effect certain transactions. All



agreements are subject to acceptance by PFPS and, if applicable, Envestnet.

## Electronic Signature

For certain PFPS client offerings, you must accept the Advisory Agreement, SIS, brokerage account agreement and all other program documents by electronic means (such as clicks or other online means). These documents are legally binding, and you are considered to have "signed" them with the same effect as a manual signature. When establishing a joint account with electronic signature, each client must accept the Advisory Agreement by electronic means. Electronic records of the Advisory Agreement that are made online will also be considered to be "in writing." During the application process, you must agree to electronically receive and provide all relevant information and signatures. You may elect to receive communications electronically, including agreements, forms, statements, confirmations records, client communications, privacy notices, Form ADV disclosures, and other documents related your Account.

## Minimum Investment Requirements

Each Program has a minimum investment requirement, and you also must meet a Manager's or Model Provider's minimum, which may be higher or lower than the Program account minimum. PFPS, in its sole discretion, may lower Program account minimums for certain clients or change the minimum at any time. PFPS, in its sole discretion, may terminate your Account if the market value of the Assets in your Account falls below the minimum investment requirement. If you do not maintain a Manager or Model Provider minimum investment requirement, your participation in a Program will be terminated unless the minimum is waived, or you replace the Manager or Model Provider with one that has a lower investment minimum. Unsupervised Positions are not included in determining whether your Account has met the applicable investment minimums. A Fund also has its own minimum investment requirement, which you must satisfy in addition to the Program requirements.

<b>Program</b>	<b>Initial and Ongoing Account Minimum</b>
MACS per Separately Managed Account	\$100,000*
PSP	\$10,000**
PruChoice	\$25,000*
PruUMA	\$150,000*

\* Each Manager, Model Provider and select Funds have a minimum investment requirement; only the Manager or Envestnet (in consultation with a Model Provider) can lower or waive the investment minimum and all parties, including PFPS, must agree to the lower minimum.

\*\* In PSP, one Model Provider makes Strategies available at a minimum of \$2,000. If you select this Model Provider for use in your PSP Account, the \$10,000 minimum will be waived down to \$2,000.

You will not be accepted into a Program until i) Envestnet, NFS and PFPS, as applicable, have received your required paperwork in good order and approved it, and ii) you have met all Program, Manager, Model Provider and Fund minimum investment requirements or the minimums have been waived. Therefore, your cash and/or securities transferred into your Account will remain outside of the Program, uninvested and unmanaged, until PFPS accepts them and you have met the two Program requirements above. Once you have met all Program requirements, any securities in your Account that cannot be accepted into your Account will be sold. NFS promptly will forward your designated funds to the selected Manager(s) or Envestnet. Once your Account meets the minimum initial investment, it typically takes 2-5 business days for the Manager or Envestnet to execute the initial transactions.

You may fund your Account with check deposits or electronic cash transfers. You may transfer certain securities, including mutual funds and ETF shares, into your Account. If PFPS cannot accept certain securities for transfer, you will be notified. If securities are transferred into your Account and they are not part of your Account allocation, they will generally be sold without regard to any tax considerations and the proceeds will be invested through the Program (unless you request to maintain such securities as Unsupervised Positions). Letters of intent are not permitted. All checks must be made payable to National Financial Services, LLC. Checks with a payee other than National Financial Services, LLC will be returned to you uninvested. You are solely responsible for complying with these Account

funding requirements, and neither PFPS, IARs nor Envestnet will be responsible for any delays or the failure to invest any Assets if you have not met these requirements.

If a withdrawal of any type from your Account will cause its market value to fall below the Program Account minimum or Separately Managed Account's or Strategy's minimum, Envestnet will complete that request. The IAR will notify you of the deficiency. You will have the option of depositing additional funds or securities into your Account to raise its market value above the Program Account minimum or terminating your participation in the Program. If an account is below the Program minimum, it may be terminated by PFPS and/or converted to a retail account without managed services. Withdrawing Assets may prevent you from achieving your investment objectives. You may have tax consequences as a result of selling or withdrawing Assets from your Account. Please consult your tax advisor for more information.

## **Terminations**

*Programs:* You may terminate your participation in a Program at any time upon PFPS's receipt of your written notice. PFPS and Envestnet may terminate your participation in a Program at any time upon written notice to you. Please refer to your Advisory Agreement for more information about termination.

*Financial Planning:* You or PFPS may terminate your Financial Planning Agreement any time before plan delivery, in which case we will refund any fee you paid or paid on your behalf in advance. Once we deliver your plan to you, your Planner and PFPS's obligations under the Agreement will have been satisfied and no fees will be refunded.

## **ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **Overall Evaluation Process**

PFPS has an Investment Committee ("the Committee") that oversees the standards of the Programs and provides broad Program oversight. The Committee typically meets quarterly to discuss the Programs and investment options available therein, including potential conflicts of interest. The Committee also decides whether to add or remove Managers, Model Providers and/or a particular Strategy and/or a particular Separately Managed Account (together "Program Providers"), and Funds. On an ongoing basis, Pruco Securities reviews Envestnet to assess whether Envestnet continues to meet its contractual obligations under the service agreement with PFPS for the Programs.

The Committee does not select Program Providers, investments, or Funds for individual Program clients. The Programs generally include a wide range of investments, Funds, Program Providers, investment styles, and corresponding risk levels.

### **Selection and Review of Program Providers, Funds and Equities**

#### *Selection of Program Providers*

The Committee considers several factors and uses different tools to guide its selection and review process for Program Providers, including the use of research and due diligence reports provided by Envestnet and/or SIRG. The Committee approves all of the Program Providers available through the Programs, selecting from among those made available by Envestnet, SIRG and/or NFS for its consideration.

The Committee considers many factors in evaluating Program Providers, including: whether a particular Program Provider is available through the Envestnet platform; compliance and regulatory history; personnel changes; performance; whether another comparable Program Provider is already available under a Program; and demand for a Program Provider. The Committee uses different tools to guide its review process, including the use of research reports from SIRG about Managers in MACS and Strategies that PMC created and maintains for use in PSP and PruUMA. In providing services to the Committee, SIRG uses qualitative and quantitative screening techniques, questionnaires and analytical assessments, interviews, and on-site visits, as it deems appropriate. These assessments may consider,

organizational infrastructure, talent, asset forecasting, portfolio construction, and risk statistics. As described in this brochure, the Committee and not SIRG determines whether a Program Provider is included or removed from a Program. SIRG is not an investment adviser and does not provide investment advice to you.

The Committee also uses research reports from Envestnet and SIRG for PruUMA and PSP. Envestnet is responsible for evaluating all Model Providers other than PMC. Envestnet evaluates a Model Provider's regulatory/compliance history, investment methodology, performance, corporate governance, risk control, changes in key personnel, and other information to help PFPS decide whether to allow a Model Provider to be added or remain in a Program. Envestnet also regularly evaluates Model Providers' performance, risk, risk-adjusted performance, consistency, and/or attribution and shares its reviews with the Committee. For additional details on PMC's approval process, review Envestnet's Model Provider Form ADV disclosure brochure.

The PGIM Models are not subjected to the same standards as are other Strategies and Model Providers that are included in PSP. The PGIM Models were also not identified through the Committee's normal process for reviewing the universe of Model Providers potentially available in the Programs. Instead, PGIM Investments was identified on the basis of its affiliation with PFPS, and PFPS has asked, and Envestnet has agreed, to make the PGIM Models available in the PSP program. Envestnet has included the PGIM Models on its platform since 2018. The PGIM Models are relatively new, and do not have the same length of performance history or amount of assets under management as the Committee typically requires for a Strategy to be available in PSP. Generally, the Committee considers such information for other Model Providers because a performance history gives the Committee confidence in the Model Provider's ability to manage their strategy in a variety of market conditions. PFPS, however, is familiar with PGIM Investments' investment process as well as its risk and compliance philosophy. In addition, for each fund included in the PGIM Models, PGIM Investments conducts research, analysis and reviews, among other things, the investment performance, return expectations, investment style and structure, fees, sector exposure, and risk exposure of such fund. PGIM Investments will only include a Proprietary Fund to the extent that it has at least a one-year performance history. Moreover, unlike other Strategies made available in PSP, the PGIM Models are not included on PMC's list of Model Providers to third-party sponsors, and so have not been available for distribution by other sponsors as of the date of this Brochure.

Although the Committee has not used the same selection process or applied the same standards to the PGIM Models as for other Models, the Committee has asked PMC to perform due diligence on the PGIM Models, and on the basis of that due diligence, the Committee has determined to include the PGIM Models in PSP. Prudential receives a reputational benefit from having assets managed according to the PGIM Models, and in certain circumstances will receive additional revenue as a result of your investment in the Proprietary Funds through the PGIM Models. Accordingly, you should be aware that, because of PGIM Investments' affiliation with PFPS, the Committee is more inclined to include the PGIM Models, and IARs may be more likely to recommend that you select and keep a PGIM Model. An IAR's compensation under the Program is not affected by whether they recommend a PGIM Model to you. Moreover, because IARs are compensated in PSP through the Advisor Fee, which is tied to the value of Program Accounts, IARs are to that extent incentivized to identify Model Providers and Strategies they believe will increase the value of an Account, regardless of whether or not the Model Provider is affiliated with PFPS.

SIRG provides research services on the Models and Separately Managed Accounts that PMC creates and maintains for use in PSP and PruUMA. PMC also provides due diligence on the PGIM Models available in PSP. SIRG's research services on the PMC Models and Separately Managed Accounts, coupled with PMC's due diligence on the PGIM Models, creates a conflict of interest. This conflict is mitigated by SIRG's research process, which is significantly quantitative, meaning it is driven by SIRG's review of the PMC Models' and Separately Managed Accounts' investment performance and selection of underlying investments. With respect to the PGIM Models, PGIM seeks to mitigate this conflict by SIRG's selection and weightings process for the underlying investments in the PGIM Models, which does not take into account any information, consideration or recommendation from PMC or Envestnet. You should review PMC's Brochure to learn how PMC addresses and mitigates conflicts related to model portfolios.

PGIM Investments' compliance department assesses the compliance environment of Managers for MACS by performing periodic compliance evaluations of investment managers using questionnaires and certifications. As

described above, SIRG also regularly evaluates Managers currently available through MACS by applying quantitative and qualitative analysis that may include the review of a Manager's performance, risk, risk-adjusted performance, consistency, symmetry, and/or attribution.

One or more of PFPS's affiliate(s) act as a Manager in the MACS Program (each is an "Affiliated Manager"). While SIRG and the Committee subject all prospective and existing Managers to the same review criteria, the Committee is more inclined to include an Affiliated Manager, and IARs may be more likely to recommend that you select and keep an Affiliated Manager because of its affiliation with PFPS. An IAR's compensation under the Program is not affected by whether it recommends an Affiliated Manager to you. Each Manager charges a different management fee, and an Affiliated Manager's management fee may be more or less than comparable Managers. Neither PFPS nor its IARs have discretion over your Assets, including the selection of Managers or investments in the MACS Program. Therefore, you will decide whether to accept or reject an Affiliated Manager.

#### Selection of Funds

The Committee relies on due diligence providers, who may or may not be affiliated with PFPS, to review the Funds available in PruChoice and PruUMA. Such due diligence providers may rely on quantitative or a combination of qualitative and quantitative factors in recommending Funds for availability in PruChoice and PruUMA. The Committee will approve and periodically review the standards and factors used by the due diligence providers for approving Funds for use in PruChoice and PruUMA. In certain instances, the Committee may review individual Funds to determine whether they should be made available in one or both Programs, or removed from one or both Programs. Due diligence providers may approve Proprietary Funds for use in PruChoice, but any Proprietary Funds will be subject to the same standards as unaffiliated Funds.

#### Selection of Equities

Morningstar provides, maintains, and performs due diligence and research on, the list of equity securities available for use in PruUMA (the "List"). Only equities included on the List provided by Morningstar are available in the individual equities sub-portfolio for PruUMA. The Committee has reviewed and approved the methodology for selection of the equities that Morningstar performs, and, on that basis, has approved the List for use in PruUMA. The Committee, NFS and Envestnet will not provide any independent research or related conviction for any individual equities on the List. An equity security's inclusion on the List does not mean that the security will have positive performance, and securities that are not on the List may outperform securities that are on the List. Morningstar does not act as a fiduciary to clients in PruUMA. To minimize conflicts of interest Pruco's ultimate parent company, Prudential Financial, Inc., will not be included on the List. Other affiliated parties may be removed from the List in the future.

#### **IARs as Portfolio Managers**

In PruChoice and PruUMA, your IAR acts as your portfolio manager. In PruChoice, your IAR acts as a non-discretionary portfolio manager, meaning that you must approve all transactions in your Account (except that Envestnet will exercise delegated discretion from you to rebalance your account back to your chosen allocation in accordance with Program rules). In PruUMA, your IAR acts as a discretionary portfolio manager, meaning that your IAR can engage in transactions in your Account without first seeking your approval in accordance with your Advisory Agreement. In PruUMA, this may include directly managing a sub-portfolio of individual equities in your Account.

To become an IAR of PFPS and provide services in PruChoice and PruUMA, your IAR, among other things, must meet all required registration requirements, complete on-line training courses and meet certain compliance and business conduct standards. PFPS, in its sole discretion, may waive or modify these requirements (to the extent permitted by applicable law) for one, some or all PFPS financial professionals. Your IAR must also adhere to PFPS's Code of Ethics. If your IAR is unable to continue servicing your Account for any reason, PFPS will assign your Account to another IAR. You can always ask for another IAR to service your Account or terminate your Program participation at any time. If PFPS cannot reassign your Account to another IAR, PFPS will notify you and terminate your Advisory Agreement.

Your IAR may use one or a combination of the following techniques in managing your Account: review of PFPS approved third party research reports, review of Morningstar research and due diligence reports on individual equities (for PruUMA), use of model investment portfolios, and use of qualitative and quantitative analysis to review securities. The recommendations that you receive will likely be different from those that your IAR or other IARs may have given to other clients.

### **Portfolio Management Consultants (“PMC”) and Capital Market Assumptions**

PMC, a division of Envestnet, provides PFPS with yearly capital markets assumptions (expected return, standard deviation and correlations). PMC will update the capital market assumptions on an annual basis. Your IAR will discuss the impact of any capital market assumption changes to your Account. Please see the “Review of Accounts” section for additional information.

### **Overlay Models**

Based on PMC’s capital markets assumptions, Envestnet develops the recommended Overlay Models available within each risk profile in PruUMA, PruChoice and MACS. The Overlay Models serve as a starting point for your IAR when developing the Portfolio Model that will ultimately be adopted for your Assets. PMC will update the Overlay Models at least on an annual basis based on its capital markets assumptions and other factors. IARs will be required to implement any Asset Class changes in the Overlay Models to the asset allocations. PMC’s capital market assumptions and asset allocation models are also used by PFPS in certain computer software programs used by Planners to develop financial plans.

### **Performance-Based Fees and Side-By-Side Management**

PFPS does not charge performance-based fees to clients in any Program or to financial planning clients.

### **Calculation or Verification of Performance**

Individual Managers or Model Providers may calculate their performance or performance of particular Models, Strategies or Separately Managed Accounts, and PFPS or an IAR may provide such third-party calculations to you. Neither PFPS, its IARs, nor any third party on PFPS’ behalf, however, calculates, reviews or verifies (or retains a third party to calculate, review or verify) the performance of Managers, Envestnet, or Model Providers for accuracy or compliance with presentation standards. Performance may not be calculated on a uniform and consistent basis. These entities’ Form ADV Brochures may discuss whether and how their performance is calculated.

PFPS will monitor the performance of IARs in connection with PruUMA for its own internal purposes. PFPS does not calculate the performance record of IARs with respect to the other Programs, but may do so, in its sole discretion, either by itself or by using a third party, for its own internal purposes. PFPS does not publish the performance of IARs. Your Quarterly Performance Review will show how your Account (not including Unsupervised Positions) performed compared to certain selected benchmarks. Please see the Review of Accounts section for additional detail.

## **ITEM 7 – CLIENT INFORMATION PROVIDED TO MANAGERS OR ENVESTNET**

PFPS provides the information in your Advisory Agreement and RTQ to your IAR and NFS to provide Program services to you. PFPS gives this and more information to Envestnet (in the PruUMA Program and in the MACS Program if applicable) and to Managers (in the MACS Program), including i) account opening documents containing your investment objective, risk tolerance, and any restrictions on management of Assets; ii) online access to the Account; iii) an Investment Selection proposal that shows your proposed allocation; iv) trade confirmations; v) account statements; and vi) your Quarterly Performance Reviews. The Model Providers in the PruUMA Program and PSP Programs will not have access to your information. After PFPS receives updated material information from you, PFPS updates your data as soon as reasonably practicable so that Managers or Envestnet, as applicable, may see your

updated information.

## **ITEM 8 – CLIENT CONTACT WITH MANAGERS OR ENVESTNET**

You should contact your IAR with any questions about your Account or Program. In the MACS Program, personnel of each Manager or Envestnet and your IAR will be available for joint consultation about the management of your Assets. In the PruUMA and PSP Programs, you may request a joint consultation with personnel of Envestnet and your IAR. The Model Providers in the PruUMA Program (other than providers of fixed-income Separately Managed Accounts) and the Model Providers in the PSP Program are not an investment adviser to you and do not manage or have discretionary authority over your Assets.

## **ITEM 9 – ADDITIONAL INFORMATION**

### **Investing in Securities**

Investing in securities involves risk of loss that you should be prepared to bear. Your Account may lose value due to market fluctuation. There is no guarantee that you will achieve your investment objectives by participating in a Program. The investment returns on your Account will vary and there is no guarantee of positive results or protection against loss. PFPS does not make any warranties or representations about the benefits of participating in a Program. None of Pruco Securities, PFPS or your IAR provide legal or tax advice; if you have tax or legal questions you should seek a qualified expert for assistance.

For additional information about the risks associated with each Model Provider, Manager, the Separately Managed Accounts, Strategies, and the investments selected for these options, please refer to the Model Provider's Brochure or the Manager's Brochure which may be obtained via [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or requested from an IAR. For additional information about Funds including their risks, fees, and expenses, please refer to a Fund's prospectus or offering documents.

### **Risk of Loss**

Investing in securities necessarily involves the risk of loss as well as gain. This is not a complete list of risks, but you face the following key investment risks depending on the Program, the service providers, and the investments:

- **Asset Allocation Risk:** The risk that a client's asset allocation to asset classes or underlying Funds or equities will not anticipate market trends successfully.
- **Market Risk:** The price of a security 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.
- **Investment Style Risk:** The risk that the account's strategy may underperform other segments of the markets or the markets as a whole.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **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.

- **Sector Risk:** Some sectors may be more volatile than others. Small to medium capitalization stocks can be more volatile than larger, more established companies. Sectors that focus on narrower sections of the overall market (e.g. technology, natural resources, etc.) can be more volatile than broad based sectors.
- **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.
- **Financial Risk:** Excessive borrowing to finance a business's operations increases the risk to the business 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 lower market value.
- **Concentration Risk:** Risk of amplified losses that may occur from having a large portion of your holdings in a particular investment, asset class or market segment relative to the investor's overall portfolio.
- **Risk Associated with Advisory Assets that invest in Alternative Investments:** Alternative investment strategies go beyond the traditional long only equity and fixed income strategies and therefore involve a higher degree of risk including short sale and derivative risks. Alternative investments, including mutual funds that use alternative investment strategies, are not for everyone and may be considered speculative.
- **Fixed Income Risks:** There are a number of risks associated with investments in fixed income securities (also known as debt securities or bonds):
  - *Credit Risk* – Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for lower quality bonds, including "high yield" securities (so called "junk bonds").
  - *Income Risk* – The income earned from a debt security may decline because of falling market interest rates.
  - *Interest Rate Risk* – Interest rate risk is the risk that the value of a bond will decline because of rising interest rates. In general, debt securities increase in value when interest rates fall and decrease in value when interest rates rise. Longer-term debt securities are generally more sensitive to interest rate changes, and thus have greater interest rate risk.
  - *Prepayment Risk* – During periods of declining interest rates, some bond issuers may prepay principal earlier than scheduled, forcing a Manager, Model Provider, or Fund to reinvest in lower yielding securities. This is known as call or prepayment risk.
  - *Extension Risk* – During periods of rising interest rates, the average life of some bonds may be extended because of lower than expected principal payments, preventing a Manager, Model Provider, or Fund from reinvesting bond sale proceeds at advantageous times. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk.
  - *Valuation Risk* – Debt securities are not traded on an exchange. A pricing service typically values the debt securities in which a Manager, Model Provider, or Fund may invest using readily available market quotations obtained from broker-dealers, cash flows, and transactions for comparable instruments. A Manager, Model Provider, or Fund may be unable to sell a security at the price set by the pricing service, which could result in a loss. Different pricing services use different valuation methodologies, potentially resulting in different values for the same securities.

## Mutual Fund and ETF Risks

While not an all-inclusive list of all risks, clients whose Accounts invest in mutual funds and ETFs face the following risks in addition to the risks above:

- *Alternative Mutual Funds Risk:* Alternative mutual funds have many of the same protections as other registered investment companies but accomplish investment objectives through non-traditional investments and trading strategies. Alternative mutual funds may present risks including, but not limited to, those associated with the use of derivative instruments for hedging or leverage, liquidity and volatility risks associated with distressed investments, liquidity risks associated with restrictions on securities purchased in an initial public offering or from privately held issuers, currency risk due to investments in or exposure to foreign assets or instruments, and risks associated with short selling of securities.
- *Exchange Traded Fund Risk:* Investing in an ETF exposes a client to the risks of an ETF's holdings in direct proportion to the allocation of assets that comprise the ETF. Clients will bear a pro rata portion of the ETF's fees and expenses as a shareholder in the fund. A client's ETF holdings are subject to a number of risks associated with the management and market conditions of these ETFs. These include (but are not limited to): delisting, or the risk that an ETF is delisted and liquidated at the discretion of the issuer, which may subject the client to costs and tax consequences associated with the ETF's liquidation; hidden illiquidity, or the risk that an ETF becomes difficult to transact or experiences tracking error as a result of the illiquidity of instruments that it holds; and market maker instability, or the risk that the supply-demand balance of an ETF is destabilized by the authorized participants of an ETF, resulting in a negative impact on the value of the ETF. Further, the share price of an ETF may trade at a premium or discount to the net asset value ("NAV") of the fund, which is computed on a daily basis. The risk of deviation from NAV for an ETF is generally heightened in times of market volatility or periods of steep market decline, and clients can incur losses from the sale of ETF shares in these market conditions.
- *Collateral Risk:* At any time, the value of a synthetic ETF consists of the combined value of the collateral and the marked-to-market value of the swap. Because the counterparties in a swap transaction do not exchange notional values of the underlying basket of securities, most of the value for investors resides in the assets held in the collateral account of the ETF. An investor in a synthetic ETF is exposed to the market value of the collateral used to secure the swap in two ways. First, given that the interest received from the collateral is used to cover the funding rate (i.e., the cost) of the swap, the investor is exposed to interest rate risk if the funding cost for the swap exceeds the interest generated by the collateral. Second, if the value of the collateral falls, it could decrease the price of the ETF; liquidation of collateral could also put downward pressure on prices in the underlying asset market. This effect will be more pronounced with less-liquid collateral.
- *Underlying Investments Risks:* While the risks of owning shares of Fund generally reflect the risks of owning the underlying investments of the Fund, you may be subject to additional or different risks than if you had invested directly in the underlying investments. For example, the lack of liquidity in a Fund could result in its value being more volatile than that of the underlying securities the Fund invests in Fund.
- *Money Market Funds:* An investment in a money market fund is not a bank deposit nor is it insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market fund seeks to maintain a constant price per share of \$1.00, you may lose money by investing in the money market fund. The money market fund may experience periods of heavy redemptions that could cause the money market fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. This could have a significant adverse effect on the money market fund's ability to maintain a stable \$1.00 share price, and, in extreme circumstances, could cause the money market fund to suspend redemptions and liquidate completely.
- *Index Tracking Risk:* An index fund has operating expenses; a market index does not. The index portfolio



while expected to track its target index as closely as possible, will not be able to match performance of the index exactly.

Please refer to a Fund's prospectus or offering documents for information about risks, fees and expenses.

**Risks Relating to Portfolio Models, Separately Managed Accounts, MACS Strategies, Individual Equity Allocations, and Strategies for the PSP and PruUMA Programs**

Your IAR's advice in these Programs is based on his/her understanding of your investment objectives, risk tolerance, financial circumstances and other attributes that you have shared with your IAR. Your IAR's overall asset allocation advice and other recommendations may be materially affected by even small changes in your individual circumstances. Therefore, your failure or delay in informing your IAR of changes in your circumstances, or providing current, accurate and complete information, could affect the suitability of your recommendations.

The overall investment performance of any securities in an allocation is based in part on the decisions that the Manager, Envestnet or the Model Provider, as applicable, makes about the allocation of assets among various asset classes, sub-asset classes and Funds. Likewise, the overall performance of the sub-portfolio of individual equity securities in your PruUMA account (to the extent included in your Portfolio Model for PruUMA) is based in part on the decisions that your IAR makes about the selection of, and allocation of assets among, the individual equities in the sub-portfolio. A Model Provider or your IAR may make asset allocation recommendations to Envestnet or decisions, respectively, that result in underperformance of your Assets compared to your expectations or similar programs. There is no guarantee that a given asset allocation will produce the desired results. If you impose investment restrictions on the management of your Account, that could have an effect on the investment strategy and performance results.

*Alternative Trading Strategies:* Strategies that include Funds with exposure to alternative investments or strategies involve a high degree of risk and the value of investments made pursuant to these Strategies may be highly volatile.

*Alternative Investments:* Alternative investment strategies go beyond the traditional long only equity and fixed income strategies and therefore involve a higher degree of risk including short sale and derivative risks. Alternative investment holdings, including Funds that use alternative investment strategies, are not for everyone and may be considered speculative.

*Equity Risk:* The value of a particular security could go down and you could lose money. In addition to an individual security losing value, the value of the equity markets or a sector in which your Account invests could go down. Your Account's holdings can vary significantly from broad market indexes and the performance of your Account can deviate from the performance of these indexes. Different parts of a market can react differently to adverse issuer, market, regulatory, political and economic developments.

*Reliance on the Investment Strategies of Each Model Provider:* The success of a Separately Managed Account or a Strategy depends upon, among other things, the Model Provider's ability to develop and successfully implement trading strategies that achieve their investment objectives. Different investment styles tend to perform differently depending upon market and economic conditions and investor sentiment. Your Account may outperform or underperform other accounts that invest in similar assets but employ different investment styles.

*Reliance on the Investment Strategies of your IAR:* The success of your PruUMA Account depends upon, among other things, your IAR's ability to develop and successfully implement a Portfolio Model for your PruUMA Account. If your IAR includes an allocation to an individual equity portfolio within your Portfolio Model, the success of your PruUMA Account will depend, among other things, on your IAR's ability to develop and successfully implement trading strategies that achieve their investment objective. Different investment styles tend to perform differently depending upon market and economic conditions and investor sentiment. Your Account may outperform or underperform other accounts that invest in similar assets but employ different investment styles.

*Performance Risk:* The investment performance of any account, or Model Provider is not guaranteed, and past

performance does not guarantee or predict future performance. The investment objectives and goals for a Model Portfolio or Strategy may not be achieved. Any benchmarks used to measure the performance of a Model Provider or a Model Provider are targets only, and investment results may fail to achieve or outperform any benchmarks.

*Model Provider Selection Process:* PFPS's selection of Model Providers is inherently based on subjective criteria with the result that the true performance and abilities of any particular Model Provider may be difficult to assess. The historical performance of a Model Provider does not indicate its future performance, which can vary considerably.

*Reliance on Information Provided by Envestnet, Morningstar and Model Providers:* PFPS relies to a great extent on information provided by Envestnet, Morningstar, and Model Providers and may have limited access to other information regarding their strategies and operations. For additional information about the risks associated with Envestnet, Morningstar, and Model Providers, please refer to the relevant party's Brochure.

### **Risks Associated with a Financial Plan**

The analyses provided through your Plan, are based on the information you provide and, in certain cases, on static assumptions — e.g., fixed return rates, fixed life expectancies, fixed rates of income or cash flow, etc. Despite certain assumptions and analytical adjustments made by PFPS, this type of deterministic projection of financial results fails to reflect the inherent uncertainty of future events, including market performance. In reality, these variables will not be static — market fluctuation will affect overall asset performance, and uncertain life expectancy may cause you to outlive your resources or fail to accumulate necessary resources.

PFPS may use one or more methods of analysis and various projections during the preparation of your plan. The probability of success also varies based on differing assumptions and on changing circumstances and market information. The methodologies and algorithms used in the process may be adjusted from time to time. Results may reflect one point in time only and are only one factor you should consider as you determine how to best plan for your future. PFPS does not guarantee that the goals or objectives outlined in your plan will be met. In particular, any projections made in conjunction with the plan, are hypothetical in nature, are for illustrative purposes only, do not reflect actual investment results, and are not guarantees of future investment outcomes. Projections vary over time and each time your plan is updated.

PFPS does not attempt to model the individual return characteristics of every security or investment you own in the modeling process, and, as a result, the modeling process is subject to significant variability based on the differences in performance between the securities you own, and the capital market assumptions used in the modeling process. To the extent that the characteristics of your assets vary significantly from those of the broadly diversified asset class assumptions used, your actual performance may deviate significantly from the projections contained in your Plan.

As part of the plan, PFPS may suggest that you consider certain account types or account structures that are designed to help you reach your goals, including the use of tax-deferred or tax-free retirement, insurance, and educational savings accounts. There is no guarantee that these account structures will be successful. In addition, the legal and tax treatment of these types of accounts may change in the future, leading to unexpected consequences and PFPS is under no obligation to update you about potential changes in the tax law or the tax treatment of any account.

### **Financial Plan Implementation Specific to Individual Retirement Accounts (IRAs) and Retirement Plan Assets**

Your Planner may provide recommendations for your Individual Retirement Accounts (IRAs) or for any retirement plan assets that you have the right to self-direct; however, he or she will not recommend specific brands of investment products or any specific securities, insurance policies, annuities or other investments. Your Planner's recommendations are not "investment advice" as defined under ERISA or the Code. Your Planner also will not make specific recommendations about contributions, distributions or rollovers from or to any retirement assets you have. You alone will determine the contribution, distribution and investment choices for your IRA and for any self-directed retirement plan assets. You have the sole authority and control over buying and selling securities or other property for your pension plan or IRA and you alone will decide whether and how to implement the proposals in your plan.

## Risks Related to Technology and Cyber Security

We depend heavily on telecommunication, information technology and other operational systems, whether ours or those of others (*e.g.*, custodians, financial intermediaries, and others that we or our service providers use). These systems may fail to operate properly or become disabled as a result of events wholly or partly beyond our or their control. While we use risk management and security measures, our information technology and other systems, and those of others, could be subject to physical or electronic break-ins, unauthorized tampering or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of data assets. Technology failures or cyber security breaches, whether deliberate or unintentional, including those arising from use of third-party service providers or client usage of systems to access accounts, could delay or disrupt our ability to do business and service our clients, harm our reputation, result in a violation of applicable privacy and other laws, require additional compliance costs, subject us to regulatory inquiries or proceedings and other claims, lead to a loss of clients and revenues or financial loss to our clients or otherwise adversely affect our business.

## Disciplinary Information

The following chart provides a brief summary of Pruco Securities' regulatory matters that may be material to your evaluation of us. You can find more information about regulatory matters for us and our parent companies in our Form ADV-Part 1, which you can view online at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or as a hard copy upon request.

Resolution Date	Regulator	Description of Allegation and Resolution
April 20 <sup>th</sup> , 2017	Illinois Securities Department	On April 20 <sup>th</sup> , 2017, Pruco entered into a Stipulation and Consent Order with the Illinois Securities Department. The Department alleged that Pruco failed to reasonably supervise and enforce its supervisory systems in connection with certain sales of variable annuities in Illinois from 2013-2016 and failed to supervise in connection with responding to the Department's regulatory requests. Pruco agreed to a fine of \$750,000, plus costs (\$150,000) and restitution (approximately \$345,000) to impacted customers.
May 2, 2013	New Jersey Bureau of Securities	Involved an operational error related to its COMMAND brokerage desk's delayed processing and pricing of certain mutual fund transactions received via mail or facsimile from late 2003 through June 2011. Upon discovery of the error, Pruco Securities promptly took corrective action and subsequently consented to a disciplinary action involving a \$40,000 civil penalty, \$20,000 in costs and \$40,000 payment to the state's Investor Education Program. Pruco Securities also must pay restitution in an amount up to \$125,000 to impacted NJ residents.
December 26, 2012	FINRA	Involved an operational error related to its COMMAND brokerage desk's delayed processing and pricing of certain mutual fund transactions received via mail or facsimile from late 2003 through June 2011. Upon discovery of the error, Pruco Securities promptly took corrective action and subsequently consented to a FINRA disciplinary action involving a \$550,000 fine and restitution in an amount of at least \$10.7 million, plus interest, to impacted customers.
September 30, 2011	Kentucky Department of Financial Institutions	Involved the failure to register two IARs. Pruco Securities paid a \$3,000 fine.

## Other Financial Industry Activities and Affiliations

Pruco Securities is a registered broker-dealer and many of its management persons as well as all PFPS IARs are securities registered representatives. Pruco Securities' management persons do not receive any compensation directly related to Client Fees, Financial Planning Fees or commissions from securities transactions.

PFPS has relationships material to its advisory businesses with these Prudential Financial companies.

- **The Prudential Insurance Company of America** (“Prudential”) – the parent company of Pruco Securities, Prudential provides Pruco Securities (and therefore PFPS) with services of officers, the use of telecommunications, office space, systems and equipment, programmer and analyst services and mail operation services, among others. PFPS IARs and personnel are employees of Prudential, which provides them with salaries, expense support and other benefits.
- **PGIM Investments LLC** – an SEC-registered investment adviser that serves as the investment manager of the Proprietary Funds and provides the PGIM Models. SIRG, a team of investment professionals at PGIM Investments, provides quantitative and qualitative research to PFPS.
- **Jennison Associates LLC** (“Jennison”) – an SEC-registered investment adviser that serves as Sub-Advisor to Proprietary Funds and that may be a Manager for the MACS Program.
- **PGIM, Inc.** (“PGIM”) – an SEC-registered investment adviser that manages Proprietary Funds.
- **Prudential Investment Management Services** (“PIMS”) – an SEC-registered broker-dealer that acts as the principal underwriter and distributor for some Proprietary Funds.
- **Prudential Customer Solutions LLC** (“PCS”) – an SEC-registered investment adviser that manages wrap accounts.

A PFPS IAR may also work in brokerage and insurance capacities. The only direct form of advisory compensation he/she earns is a portion of the Client Fee and financial planning fees (for those who qualify as a PFPS financial planner). An IAR earns commissions and other compensation from brokerage and sales activities. You will enter into a separate agreement for each type of product or service that you wish to buy or use. If you have any questions about the capacity in which your IAR is acting, any compensation he or she may receive or any conflicts of interest, please ask your IAR or his/her supervisor. You can find supervisor information in the IAR’s Brochure Supplement.

## **Code of Ethics**

PFPS’s code of ethics requires advisory personnel and IARs to conduct business in an honest and forthright manner in accordance with the highest of ethical standards. Advisory personnel and IARs must put your interests ahead of their own and disclose actual and potential material conflicts of interest. The code has standards to prevent and detect insider trading, and rules for reporting and monitoring advisory personnel and IARs’ personal securities trading. Advisory personnel and IARs have a duty to know, understand and comply with the code of ethics and are required to report any violation of the code of ethics promptly to PFPS’s chief compliance officer. PFPS will provide a copy of its code of ethics to you upon request and without charge.

## **Participation or Interest in Client Transactions and Personal Trading**

Pruco Securities routinely makes securities trades for compensation for its customers and clients and recommends mutual funds, insurance and annuity products that its affiliates sponsor; it does not itself own securities that it sells to Program clients. From time to time, IARs personally participate in a Program and may select the same subprogram, Manager, Model Provider, individual equities, and Funds that they recommend to you. Your IAR could benefit indirectly when you invest in a similar manner, but this will not affect the IAR’s compensation. PFPS’s code of ethics requires that neither PFPS nor any IAR prefer her/his own interest ahead of your interest.

PFPS, its IARs, and its affiliates, may give advice to other clients, and may buy, sell or trade in any securities for their own or other clients’ accounts. This advice may be different from the advice they give or the timing or nature of action they take for your Assets. PFPS does not engage in any principal or agency cross securities transactions for client

accounts. PFPS will also not cross trades between client accounts. In a principal trade, an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys a security from or sells a security to an advisory client. In an agency cross trade, an investment adviser (or a person controlling, controlled by or under common control with the adviser) acts as broker for both the advisory client and for another person on the other side of the transaction.

### **Trade Errors**

If Pruco Securities makes a trade error, it will reverse the error and restore the client to his/her position immediately before the error occurred. If applicable, Pruco Securities through Envestnet and/or NFS will complete the original transaction. If the error correction results in a loss to the client, the loss will not be charged to the client and the client will not bear any costs of correcting the error. If an error correction results in a gain, Pruco Securities keeps the gain when permitted by law. If it does not use gains to cover an expense within a fiscal year, it treats these gains as its profit. If a third party commits an error, it generally reimburses clients for their losses. Pruco Securities may help pay for the cost of the third party's error.

### **Review of Accounts**

*Programs:* Your IAR will be available to answer your questions about a Program and will review your Account with you at least annually. You and your IAR may review, among other things, i) changes in your financial situation or investment objectives for your Account, ii) investment activity in your Account; iii) whether you wish to impose new investment restrictions or change existing restrictions on the management of your Account; and iv) whether your continued participation in your Program remains in your best interest, compared to participating in another Program or investing through a standard brokerage account. If there are changes that may have a material effect on your participation in a Program or how your Assets should be managed, your IAR will assist you in deciding if the Program you are participating in remains appropriate for you and if so, what changes should be made, such as changes to a Manager or Model Provider. We will share new or changed information with Envestnet, Managers, and/or Model Providers, as applicable. Depending on your Program, you should refer to your Manager's, Envestnet's or Model Provider Form ADV disclosure brochure to understand how (and if) it reviews accounts. We may revise our monitoring criteria from time to time without notice to you.

*Financial Planning:* We may review your plan before we give it to you. Once you accept the plan, the planning engagement ends. We recommend that you review your planning analysis periodically to determine if you are on track to meet your goals and objectives. If you experienced any change in your financial situation since you received your plan, or if any of the facts or assumptions that you gave your Planner are no longer accurate, these changes or inaccuracies may have a material effect on your Plan's recommendations. You should discuss with your Planner if an updated plan should be created. Your Planner can help you review and update your plan for an additional fee.

### **Selection of Clearing Broker and Custodian**

If you participate in a Program, Pruco Securities acts as the introducing broker and NFS acts as the clearing firm and custodian for your Account. We are not affiliated with NFS. Our use of NFS as a clearing broker and custodian is, however, a beneficial business arrangement for us and for NFS. When selecting a brokerage platform and custodian for client accounts, we consider standard benefits that are available without cost to all investment adviser firms using the platform, including PFPS. These benefits include, but are not necessarily limited to, the following products and services which defray our costs of doing business: the ability for Pruco Securities to serve as introducing broker on Accounts, receiving duplicate client statements and confirmations; research related products and tools; access to a trading desk serving; the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds with no transaction fees. PFPS's business relationship with NFS also provides Pruco Securities with considerable benefits, including favorable pricing with NFS, receipt of revenue sharing payments from NFS, receipt of a portion of interest payments on margin loans, and receipt of a portion of fees paid for ancillary services incurred by client actions (such as overdraft fees, wire transfer fees, stop payment fees, transfer-of-assets fees) and to net profits on trade errors. Pruco

Securities receives regular revenue sharing payments for NFS that are derived from certain types of transactions, positions, and assets in non-qualified client accounts held at NFS. The receipt of such compensation from NFS creates a conflict of interest for PFPS because PFPS has an economic incentive to use NFS as its clearing firm for trade execution and custody over other firms that do not or would not share such revenue with PFPS, even if such other firms might be more beneficial to clients. Further details about Pruco Securities' receipt of revenue sharing payments, the conflicts they create, and the manner in which PFPS seeks to mitigate such conflicts, are discussed in the Other Compensation section below.

Our choice to use NFS as the clearing broker and custodian for the Programs is based in part on our existing relationship with NFS, NFS' financial strength, reputation, breadth of investment products, and the cost and quality of custody and brokerage services provided to you and our other clients. Pruco Securities is able to negotiate preferred pricing with NFS based on a number of factors such as expected level of assets placed with NFS, an expected level of transactions and the types of securities purchased (e.g. no transaction fee mutual funds, transaction fee mutual funds, exchange traded funds, stocks, bonds, etc.). Where we pay transaction costs based upon these factors, we have an incentive and conflict of interest in selecting the types of securities to be purchased in order to maintain preferred pricing. Our conflicts of interest relating to trades in specific types of securities, and the manner in which PFPS seeks to mitigate such conflicts, are discussed in the Other Compensation section below.

We do not receive research or other products or services other than execution from NFS (soft dollar benefits). While we consider the overall services provided by NFS, products and services offered by NFS may benefit us but may not benefit our clients.

## **Client Referrals and Other Compensation**

### **Referrals**

At your request, your IAR may suggest lawyers, tax experts, accountants and retirement plan administrators as a courtesy to you. These outside professionals typically are not affiliated with us and you must establish separate relationships with them. Any pre-screening or monitoring of services or qualifications is your responsibility alone. Your IAR is not directly paid for recommending outside professionals, but they may later refer clients to your IAR.

If one IAR (the "referring IAR") refers you to another IAR for services (either financial planning services or managed account services), the IAR who provides services to you may agree to split a portion of the Client Fee or the financial planning fee with the referring IAR. This may result in the IAR providing services to you retaining less of the Client Fee or financial planning fee for themselves, and so they may be less inclined to negotiate a lower Client Fee or financial planning fee. For financial planning, if you subsequently implement your financial plan through your Planner in his/her capacity as a Pruco Securities registered representative, IAR and/or insurance agent of Prudential, the referring IAR may also receive a split of the fees or commissions which the referring IAR is licensed to receive.

A Pruco Securities registered representative who is not a PFPS IAR may also refer you to a PFPS IAR for advisory services, and a PFPS IAR may refer you to a Pruco Securities registered representative for brokerage services. Pruco Securities registered representatives do not receive any compensation for referring you to a PFPS IAR.

### **Other Compensation**

#### **Joint Marketing, Conferences, and other Business Support**

From time to time, PFPS enters into joint marketing activities with, or asks for conference or marketing support fees or training arrangements from, Program Providers; unaffiliated insurance companies; Fund managers, sponsors or distributors; and/or Envestnet; and/or their affiliates or subsidiaries (all "Sponsors"). Sponsors may also invite IARs and PFPS personnel to attend trainings that they provide or pay for some or all of their training costs and/or cover some or all of the IARs' travel, lodging and/or meal expenses. Sponsors' representatives generally network with and train PFPS personnel and IARs at these events. Sponsors at times will also pay for some or all of PFPS's costs to host

sales conferences, training conferences, or client meetings. Sponsors may also help pay for the marketing, training, or licensing expenses of the PFPS sales force. Sponsors may tie the amount of payment or their willingness to pay costs to the amount of Pruco Securities' or PFPS's product sales. Sponsors pay some or all of the cost of these activities and occasionally reimburse PFPS or its affiliates for expenses.

IARs do not directly receive any of the money Sponsors pay to help sponsor conferences or to support marketing, training or licensing expenses. PFPS at times will provide some or all of these marketing support fees or other financial support to IARs, as reimbursement for expenses they incurred in holding client meetings and seminars. IARs may be more likely to recommend PFPS advisory programs supported by Sponsors or products of Sponsors because of the education and the exposure that IARs receive at the conferences and trainings, the reimbursements IARs receive for client meetings and conferences IARs host on behalf of PFPS, the payment of their conference expenses, and/or the payment of marketing support, training or licensing expenses. To mitigate risk of inappropriate conduct or securities law violations, Pruco Securities monitors these arrangements.

Please contact us at the address or telephone number shown on Page 1 of this Brochure for a current list of Sponsors and Funds that have arrangements with us.

### **Financial Planning Compensation**

Planners receive some of the planning fees, which affects the overall compensation and other benefits they receive from PFPS and/or its affiliates. If you implement your plan through your Planner, he or she will also receive compensation in the form of salary, bonuses, retirement benefits or commissions, renewal commissions, "trail" commissions on insurance and securities products, and other benefits. The amount of compensation varies based on the type of product or services purchased as well as the amount invested. PFPS and its affiliates have a greater financial interest in the sale of Prudential proprietary products than in the same of non-proprietary products and services. However, your Planner generally does not have a greater financial incentive in the sale of Prudential proprietary products than in the same of non-proprietary products and services.

You can implement your plan on your own, through your Planner or through another insurance or financial services professional. Pruco Securities and the Planner's primary compensation comes from the sale of insurance and investment products.

Prudential Insurance may provide Planners with business expense support in the form of direct expense coverage or expense allowances to offset expenses incurred while writing and servicing approved business. Prudential Insurance will pay those expense allowances based on the Planner's level of sales of approved products. Planners may also be able to attend conferences for selling a certain amount of approved products.

### **Revenue Sharing Fees**

Pruco Securities receives additional compensation from certain mutual funds or their affiliates, including shareholder servicing fees, sub-transfer agent fees and revenue sharing payments. Pruco Securities also receives revenue sharing from NFS with respect to certain families of mutual funds, mutual funds or share classes of mutual funds. PFPS will not collect revenue sharing for assets held in Accounts that are IRAs or subject to ERISA, or any other account that is subject to Section 4975 of the Code. The revenue sharing payments that PFPS receives will be in addition to the Client Fee. The amount of revenue sharing compensation received depends on the number of shares or Assets invested in these Funds, or the particular share class of the Funds that are held. The more Assets that are invested in these Funds or share classes in non-qualified Accounts, the more revenue PFPS will receive in addition to the Client Fee.

These revenue sharing payments create a conflict for PFPS, as PFPS has an incentive to include in non-qualified Accounts Funds or share classes that result in PFPS receiving revenue sharing payments in the Programs. The Committee, however, does not consider the additional compensation PFPS receives when it considers whether to add or remove a Fund or share class from a Program. At times, the number of Funds and/or share classes that pay compensation to PFPS will be larger than the number of Funds and/or share classes that don't pay compensation to

PFPS. The likelihood of an IAR or Model Provider selecting a Fund and/or share classes that pays compensation to PFPS for a non-qualified Account will be greater at these times. IARs do not share in or receive any portion of this additional compensation, but there is a conflict because they may recommend Funds from which PFPS will earn more compensation. PFPS seeks to mitigate this conflict by not providing revenue sharing information to the IARs. IARs are required to act in the best interest of their clients and to recommend or select appropriate Funds and share classes for Accounts based on their risk tolerance, investment objectives and time horizon. Neither the Client Fee nor the Advisor Fee component of the Client vary based on whether PFPS receives revenue sharing payment or on the amount of any revenue sharing PFPS receives.

PFPS reviews each Account to ensure the Program is appropriate for you based on your risk profile regardless of the revenue share paid to Pruco Securities by the associated Funds or NFS.

The only Funds available in PruChoice, PSP, and PruUMA are those on the Envestnet and NFS platforms. Some of these Funds (or their managers or sponsors) pay 12b-1 or revenue sharing fees to NFS. NFS has an incentive to include mutual fund share classes and ETFs on its platform that pay it 12b-1 and revenue sharing fees. NFS shares the compensation that it receives from Funds, managers and sponsor with PFPS. PFPS financially benefits from your IAR's recommendation that results in your selecting Funds that pay fees to NFS that it then shares with PFPS. Thus, PFPS has an incentive to include Funds that participate in NFS programs as Funds for your consideration.

### **Transaction Charges and Potential Benefits**

PFPS pays NFS a transaction charge for making trades in your Account. The amount of this charge varies based on the type of security being purchased or sold. Generally, this charge is higher for fixed income securities than for other security types, and higher for ETFs and individual equities than for mutual funds. NFS also makes available to PFPS certain Funds for which NFS does not charge PFPS a transaction fee for trades in Program Accounts. PFPS benefits from recommendations made by IARs that may result in your selecting a Manager, Strategy or Separately Managed Account that incorporates securities that result in PFPS paying lower transaction fees to NFS (including Funds for which NFS does not charge PFPS a transaction fee). In addition, because these fees are paid on a per-transaction basis, PFPS benefits from recommendations made by IARs that result in your selecting a Manager, Strategy or Separately Managed Account that trades less frequently.

IARs, however, are not charged for trades in your Account, their compensation does not vary based on the number of trades or types of securities in your Account, and PFPS generally does not provide IARs with information on the trading costs PFPS pays relating to individual securities, Managers, Strategies or Separately Managed Accounts. Moreover, neither PFPS nor your IAR has any influence over Envestnet's trading practices in the Separately Managed Accounts and Strategies used in PSP or PruUMA Programs, or a Manager(s)'s trading practices in MACS. Envestnet is solely responsible for all trading decisions for the Strategies used in PSP and PruUMA and the equity Separately Managed Accounts used in PruUMA. Managers make all trading decisions for your Account in MACS and for fixed income Separately Managed Accounts in PruUMA. Neither PFPS nor the IAR recommends that particular trades be executed for a Separately Managed Account or Strategy, to Envestnet, the Managers or to the Model Providers. Each Account will also be periodically rebalanced pursuant to the rebalancing rules of the applicable Program, irrespective of the cost to PFPS of such rebalancing. However, if you have a PruUMA Account that includes an equities sub-portfolio, IARs will make decisions as to the appropriate individual equities to hold in your PruUMA Account.

PFPS's affiliates act as a distributor, transfer agent, shareholder servicing agent, custodian and/or investment adviser to some Funds. PFPS's affiliates are paid for their services and payments vary depending on Assets invested in a Fund. Please review the Fund's prospectus or other offering documents for more on fees and expenses.

### **Making an Informed Decision**

We want you to make an informed decision when you purchase products or receive services from us and our financial professionals. We disclose material arrangements and any potential conflicts of interest that you may find informative when making decisions. We also communicate, train, and supervise our financial professionals on our conflicts



policies and procedures.

When a PFPS financial professional recommends a product or program to you, we review whether the recommendation is appropriate for you against information such as your risk tolerance, time horizon and investment objective. You should always carefully and independently review all product or program features and risks, along with any applicable disclosures, before making any investment decisions.

### **Financial Information**

We do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and therefore have not included a balance sheet for our most recent fiscal year. We are not aware of any financial condition that is reasonably likely to impair our ability meet contractual commitments to clients, nor have we been the subject of a bankruptcy petition at any time during the past ten years.