



PROSPERA

FINANCIAL SERVICES

Form ADV Part 2A Disclosure Brochure

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This Brochure provides information about Prospera Financial Services, Inc. and our qualifications and business practices. If you have any questions about this Brochure's contents, please contact us at 972-581-3000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about us is available on the SEC's website at www.adviserinfo.sec.gov. You can view our information on this website by searching for "Prospera Financial Services" or searching by our firm's CRD number (10740) or our SEC number (801-65845).

***Registration as an investment advisor does not imply a certain level of skill or training.**

ITEM 2 – SUMMARY OF MATERIAL CHANGES

The following is a summary of the material changes made to this Brochure on and since the last annual update on December 23, 2019:

- Enhanced disclosure of specific financial conflicts to refer business on the Wells Fargo platform added to Item 12.
- Clarified transaction fees in the Summit Program are assessed by Prospera and not passed through from Wells Fargo in Item 5.
- Enhanced disclosures concerning margin use, billing on margin positions, and our conflicts therein in Item 5.
- Clarified process for 12b-1 fees and the conflict involved added to Item 5.
- Added language concerning billing on short positions to Item 5.
- Additional language added concerning potential securities-based lending options and the conflict with insurance premium financing added to Item 5.

You may request a copy of our current Brochure at any time, without charge, by calling at 972-581-3000. Additional information about Prospera is available via the SEC's Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with Prospera who are registered, or are required to be registered, as Investment Adviser Representatives of Prospera.

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ITEM 4 – ADVISORY BUSINESS

Introduction, Firm History and Owners

Prospera Financial Services, Inc. (referred to as PFS, we/us/our throughout this document) is a corporation formed under the laws of the State of Texas and is dually registered as an investment advisor, a municipal advisor firm and broker/dealer. We have been in business since 1982.

We are registered with the Securities and Exchange Commission (SEC) as an investment advisor firm and as a broker/dealer firm. We are also registered with the Municipal Securities Rulemaking Board (MSRB) as a Municipal Advisor firm. In our broker/dealer capacity, we are a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). We are primarily owned by Prospera Holdings, LLC which in turn is owned and operated by the following principal shareholders who hold the following offices in Prospera Holdings:

- David Walter Stringer, President and Treasurer
- Richard Dean Pascuzzi, Senior Vice President and Secretary
- Tim Alan Edwards, Senior Vice President

This Brochure is intended to provide you with information regarding our investment advisory services, fee arrangements, qualifications, and business practices that should be considered before becoming our advisory client.

Individuals who are appropriately licensed, qualified or approved as investment advisor representatives with us will be authorized to provide investment advisory services for us. Investment advisor representatives only provide services and charge fees based on the descriptions detailed in this document. However, the exact services you will receive and the fees you will be charged depend on your particular investment advisor representative. Fees also vary depending on your geographic location and/or your selected investment advisor representative. Investment advisor representatives are instructed to consider your individual needs when recommending an advisory platform.

Most of our investment advisor representatives are approved to also provide investment advice in their separate capacity as registered representatives of our dually registered broker/dealer. When acting as a registered representative, these representatives will charge commissions on a per-transaction basis when implementing their advice for clients.

When deciding which, if any, of the advisory programs available through us is appropriate for your needs, you should bear in mind that fee-based accounts, when compared with commission-based accounts, may result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, fee-based accounts may actually result in higher annual costs. The total cost for transactions under a fee account versus a commission account can vary significantly and depends upon a number of factors, such as account size, amount of turnover (number of transactions), type and quantities of securities purchased or sold, commission rates and the client's tax situation. You should have a conversation with your investment advisor representative and read this Brochure carefully as it explains our programs in detail.

Our investment advisor representatives and their branch offices may use marketing names or other names that are held out to the public. Such names are known as "doing business as" or "dba" names. The purpose for using these other names is so that the investment advisor representative can create an identifiable brand that is specific to him or her personally or to their branch office but separate from us. While we allow our investment advisor representatives to use other names, they have been instructed to disclose on advertising and client correspondence that their advisory services and securities are offered through us.

Advisory Services Tailored to Individual Client Needs

Services are always provided based on individual client needs. This means, for example, that you are given the ability to impose restrictions on your accounts managed by us, including specific investment selections and sectors. Investment advisor representatives work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information. Prospera will provide services that reflect prudence and diligence based on your stated investment objectives, risk tolerance, financial circumstances, and investment needs, without regard to the financial or other interests of us, your financial advisor or any affiliate or related entities.

Wrap-Fee Program versus Portfolio Management Program

We provide asset management services through both wrap-fee programs and traditional management programs. Under a wrap-fee program, advisory services and transaction services are provided for one fee. This is different from traditional management programs whereby advisory services are provided for a fee, but transaction services are billed separately on a per-transaction basis. From a management perspective, there is no fundamental

difference in the way we manage wrap-fee accounts versus traditional management accounts other than the way in which you pay for transaction services.

Advisory Services

PFS provides its clients with investment management and/or consulting services in connection with programs we developed and through programs sponsored by Envestnet Asset Management, Inc. (Envestnet) and Wells Fargo Advisors (Wells Fargo). We also provide asset management programs through arrangements with Fidelity Institutional Wealth Services platform (Fidelity), and Pershing.

Envestnet is an SEC Registered Investment Advisor providing integrated portfolio, practice management and reporting solutions to PFS and our investment advisor representatives.

In November 2016, First Clearing, LLC merged and consolidated its operations into Wells Fargo Advisors, LLC. The resulting firm is now known as Wells Fargo Clearing Services, LLC (WFCS or FCC), Member SIPC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company. WFCS operates its brokerage and advisory business under the trade name "Wells Fargo Advisors". First Clearing is also a trade name used by WFCS when carrying customer accounts and acting as custodian for funds and securities deposited through introducing firms such as PFS or as a result of transactions it processes for customer accounts.

Programs offered by us that are not sponsored by Envestnet, Fidelity, Wells Fargo, or Pershing include:

- Summit Advisory Program
- Summit II Advisory Program
- P-Summit Advisory Program
- Summit-OP Advisory Program, and
- Prospera Financial Planning Program

These programs do not have separate disclosure brochures, because this document and the attached wrap brochure serve as their disclosure brochure. We also provide this Brochure for the asset management program we offer through an arrangement with the Fidelity Institutional Wealth Services platform (Fidelity). If you open an account through a program sponsored by Wells Fargo, you will receive the applicable program disclosure brochure prepared and distributed by Wells Fargo.

PFS generally requires using First Clearing as the qualified custodian and clearing broker/dealer for all client accounts established within the Summit Advisory Program. National Financial Services, LLC (NFS), an affiliated broker/dealer of Fidelity, will be recommended for the Summit II Advisory Program. Pershing acts as the qualified custodian and clearing broker/dealer for all client accounts established within the P-Summit Advisory Program. The custodians for the Summit-OP Advisory Program will vary depending on the assets managed and where those assets are kept. Recommending First Clearing, Pershing, or NFS is based on several factors more thoroughly discussed in the Brokerage Practices section of this Brochure.

First Clearing is the trade name used by Wells Fargo for clearing and custodial services and therefore the decision to use Wells Fargo sponsored programs is a main factor in also recommending First Clearing and vice-versa. Programs offered by us that are sponsored by Wells Fargo include:

- Private Investment Management
- Asset Advisor
- Allocation Advisors
- Masters
- Diversified Managed Allocations
- Wells Fargo Compass
- Private Adviser Network
- CustomChoice
- FundSource and Pathways.

While you may be solicited to establish an account through any of the programs described in this document, not all programs offered are suitable for you. Therefore, your investment advisor representative must analyze your financial situation to recommend a program or service that is suitable for you. Further, it should be noted while you receive individualized treatment from your investment advisor representative, if you have an account managed by us (i.e. the PFS investment advisor representative is responsible for selecting underlying portfolio holdings within client accounts) you will receive more personalized treatment than if your account is managed by selected third-party money managers (i.e. the selected money manager is responsible for selecting underlying portfolio holdings within client accounts).

PFS Investment Advisor Representative Managed Programs Sponsored by PFS

Each program described in this section requires that we enter into an advisory agreement together for services to be provided. Either of us may end the agreement by providing notice to the other party. In the event you end our services (preferably in writing), we will terminate the agreement effective with your notification. We may end our services by providing you with written notice. If services are ended within five (5) business days of executing the agreement, services will be ended without penalty. If services are ended after five (5) business days, your accounts, including qualified and/or ERISA accounts, are charged a termination fee to close the Account.

SUMMIT ADVISORY PROGRAM

PFS sponsors the Summit Advisory Program (Summit), an investment advisory asset allocation program. Summit is not a wrap-fee program because it charges transaction costs. However, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types. A conflict exists if the IAR pays these fees as she is incentivized not to trade. Only PFS investment advisor representatives may serve as portfolio managers in Summit. Therefore, participants in Summit must be advisory clients of PFS.

Through Summit, we provide investment supervisory and management services defined as providing continuous investment advice based on your individual needs. Services are provided on a discretionary (Advisor Directed) or non-discretionary (Client Directed) basis. Upon execution of a *Summit Advisory Agreement*, we will assist you in establishing an individual account (Account) with us (as the introducing broker/dealer) which is cleared through First Clearing. All client accounts through the Summit program must be established through First Clearing, which serves as the qualified custodian-broker/dealer. If the accounts to be managed are held at another broker/dealer or custodian other than First Clearing, a separate advisory agreement is required. The clearing broker/dealer serves as the qualified custodian for Accounts through Summit.

Your investment advisor representative will construct a portfolio for you consisting of, but not necessarily limited to, equity investments, fixed income, no-load mutual funds and mutual funds traded at NAV.

In addition to the asset management fee, we offer our services on a performance-based fee arrangement to qualifying clients. Not all qualifying clients will be charged a performance-based fee as the determination to charge a performance-based fee will be made between the client and the investment advisor representative on a case-by-case basis.

Our performance-based fee arrangement shall comply with Section 205-3 of the Investment Advisers Act of 1940. According to Section 205-3, you must meet the SEC's definition of "qualified clients" to enter into a performance-based compensation agreement with us. You must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000 under management with us at the time you enter into an agreement with us; or
- Provide documentation to us so that we shall reasonably believe you have either a net worth of \$2,000,000 or are a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.

Please refer to ITEM 6 of this Brochure for more information.

SUMMIT II ADVISORY PROGRAM

PFS sponsors the Summit II Advisory Program (Summit II), an investment advisory asset allocation program. Summit II is a wrap-fee program because it does not charge transaction costs to the client, unless the client exceeds 40 trades per year after which a transaction charge of \$7.95 per trade applies. However, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types. A conflict exists if the IAR pays these fees as she is incentivized not to trade. Your advisor may also recommend National Financial Services, LLC (NFS) approved No Transaction Fee mutual funds (NTF), which are not assessed any transaction charge. Although NTF funds do not assess transaction charges, most NTF funds have higher internal expenses than funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds. Depending upon the frequency of trading and hold periods, NTF funds may cost you more, or may cost PFS or your advisor less, than mutual funds that assess transaction charges but have lower internal expenses. In addition, the higher internal expenses charged to clients who hold NTF funds will adversely affect the long-term performance of their accounts when compared to share classes of the same fund that assess lower internal expenses. A conflict of interest exists because PFS and your advisor have a financial incentive to recommend or select NTF funds that do not assess transaction charges but cost you more in internal expenses than funds with transaction charges but cost you less in internal expenses. In addition to reading this Brochure carefully, clients are urged to inquire whether lower-cost share classes are available and/or appropriate for their account in consideration of their expected investment holding periods, amounts invested, and anticipated trading frequency. Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus.

Only PFS investment advisor representatives serve as portfolio managers in Summit II. Therefore, participants in Summit II must be advisory clients of PFS. Through Summit II, we provide investment supervisory and management services defined as providing continuous investment advice based on your individual needs. Services are only provided on a discretionary (Advisor Directed) basis. Upon execution of a *Summit II Advisory Agreement*, we will assist you in establishing an individual account (Account) cleared through National Financial Services, LLC (NFS) as a result of our participation in the Fidelity Institutional Wealth Services program. All client accounts through the Summit II program must be established through NFS, which serves as the qualified custodian-broker/dealer. If the accounts to be managed are held at another broker/dealer or custodian other than NFS, a separate advisory agreement is required. The clearing broker/dealer serves as the qualified custodian for Accounts through Summit II.

Your investment advisor representative will construct a portfolio for you consisting of, but not necessarily limited to, equity investments, fixed income, no-load mutual funds and mutual funds traded at NAV. We may also recommend using unaffiliated Sub-Advisers to manage all or a portion of your assets. Any unaffiliated Sub-Advisers recommendation shall be made on a non-discretionary basis, shall be based on your needs and will only include Sub-Advisers registered or exempt from registration in your home state. You will enter into an agreement directly with the unaffiliated Sub-Adviser(s). A complete description of the third-party investment advisor's services, fee schedules and account minimums will be disclosed in the Sub-Adviser's Form ADV or similar Disclosure Brochure which will be provided to you at the time an agreement for services is executed and an Account is established.

Your investment advisor representative will answer your questions regarding the portion of your Account managed by the Sub-Adviser and will act as the communication conduit between you and the Sub-Adviser. Sub-Advisers may take discretionary authority to determine the securities purchased and sold for your account. Sub-Adviser fees shall be calculated and collected separately from Summit II's fee described below.

P-SUMMIT and P-SUMMIT WRAP PROGRAMS

PFS sponsors the P-Summit programs (P-Summit), which are both investment advisory asset allocation programs and were formerly known as the Select Account program. P-Summit is not a wrap-fee program and your investment advisor representative (at her sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types. A conflict exists if the IAR pays these fees as she is incentivized not to trade. P-Summit Wrap (formerly known as the Select Account program) is a wrap-fee program up to 120 trades per year. The wrap-fee program does not bill transaction costs separately from the overall management fee until you exceed 120 per year, after which a \$19.95 transaction charge applies to each trade, while the non-wrap fee program will bill \$19.95 transaction costs for each trade. The investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay the transaction fees in the non-wrap fee program rather than pass them through to you for certain account types other than ERISA and IRA accounts. Only PFS investment advisor representatives serve as portfolio managers in P-Summit. Therefore, participants in P-Summit must be advisory clients of PFS.

Through P-Summit, we provide investment supervisory and management services defined as providing continuous investment advice based on your individual needs. Services are provided on a discretionary (Advisor Directed) or non-discretionary (Client Directed) basis. Upon execution of a *P-Summit Advisory Agreement* or a *P-Summit Wrap Agreement*, we will assist you in establishing an individual account (Account) with us (as the introducing broker/dealer) which is cleared through Pershing. All client accounts through the P-Summit program must be established through Pershing, which serves as the qualified custodian-broker/dealer. The clearing broker/dealer serves as the qualified custodian for Accounts through P-Summit.

Your investment advisor representative will construct a portfolio for you consisting of, but not necessarily limited to, equity investments, fixed income, no-load mutual funds and mutual funds traded at NAV.

SUMMIT-OP ADVISORY PROGRAM

PFS sponsors the Summit-OP Advisory Program (Summit-OP), an investment advisory asset allocation program for assets held directly with outside custodians. Summit-OP is not a wrap-fee program because it charges transaction costs and the outside custodian may also charge sub-account, mortality and expense, and product rider fees as well. Only PFS investment advisor representatives serve as portfolio managers (excluding underlying sub-account managers or other product investment management services) in Summit-OP. Therefore, participants in Summit-OP must be advisory clients of PFS.

Through Summit-OP, we provide investment supervisory and management services defined as providing continuous investment advice based on your individual needs. Services are provided on a discretionary (Advisor Directed) or non-discretionary (Client Directed) basis. Upon execution of a *Summit-OP Advisory Agreement*, we will assist you in managing your individual account (Account) held away from our normal clearing platforms. The clearing broker/dealer serves as the qualified custodian for Accounts through Summit-OP.

Your investment advisor representative will construct a portfolio for you based on the investment choices available to the Account from the Custodian or plan provider. The available investments choices may be more limited than those provided to Accounts established through our other Custodian-Broker/Dealers discussed in this Brochure. We may also recommend using Sub-Advisers to manage all or a portion of your assets. Any unaffiliated Sub-Advisers recommendation shall be made on a non-discretionary basis, shall be based on your needs and will only include Sub-Advisers registered or

exempt from registration in your home state. You will enter into an agreement directly with the unaffiliated Sub-Adviser(s). A complete description of the third-party investment advisor's services, fee schedules and account minimums will be disclosed in the Sub-Adviser's Form ADV or similar Disclosure Brochure which will be provided to you at the time an agreement for services is executed and an account is established.

Your investment advisor representative will be available to answer questions you may have regarding the portion of your account managed by the Sub-Adviser and will act as the communication conduit between you and the Sub-Adviser. Sub-Advisers may take discretionary authority to determine the securities purchased and sold for your account. Sub-Adviser(s) fee shall be calculated and collected separately from the Summit-OP program fees described below.

PROSPERA FINANCIAL PLANNING PROGRAM

Upon execution of a financial planning agreement, PFS investment advisor representatives provide investment advice through the PFS Financial Planning Program. Financial planning services may be provided in the form of written financial plans or in the form of financial planning consultations. Services may be provided on a one-time basis or on an on-going basis as you selected and memorialized in the agreement. Financial planning services generally cover one or more of the following six topics of concern: (1) financial situation, (2) income taxes, (3) insurance, (4) investments, (5) retirement planning, and (6) estate planning. To determine a suitable course of action, we perform a review of the variables that are presented. Such review may include, but would not necessarily be limited to, investment objectives, consideration of your overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to your particular circumstances.

When we provide written financial planning services, we review your present financial situation and provide an analysis (usually in writing) and report of recommendations in accordance with your goals and objectives. This service may include an initial consultation and subsequent follow-up visits. If you are contracting for consultations only, you will not be provided with a written report or plan.

Unless engaged separately to do so, we will not be responsible for the implementing the plan. You have the sole responsibility for determining whether or not to implement the recommendations made.

PFS Investment Advisor Representative Managed Programs Sponsored by Envestnet

ADVISOR AS PORTFOLIO MANAGER (APM) PROGRAM

Envestnet sponsors the Advisor as Portfolio Manager (APM) Program which allows your investment advisor representative to create, maintain and implement custom portfolio models regarding the assets in your account. Your investment advisor representative can create specific model positions and combine portfolio recommendations from a network of strategists and customize investment solutions. APM is a wrap-fee program so it does not bill transaction costs separately from the overall management fee, provided that the number of transactions per calendar year do not exceed 120. The cost for additional transactions will be billed directly to your account; however, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types other than ERISA and IRA accounts. A conflict exists if the IAR pays these fees as she is incentivized not to trade. Only investment advisor representatives of PFS serve as portfolio managers in APM. Therefore, participants in APM must be advisory clients of PFS.

Through APM, we provide investment supervisory and management services defined as providing continuous investment advice based on your individual needs. Services are provided on a discretionary (Advisor Directed) basis. Upon execution of a *Statement of Investment Selection/Portfolio Station Terms and Conditions Agreement*, we will assist you in establishing an individual account (Account) with us (as the introducing broker/dealer) which is cleared through First Clearing.

Your investment advisor representative will construct a portfolio for you consisting of, but not necessarily limited to, equity investments, fixed income, no-load mutual funds, exchange traded funds and mutual funds traded at NAV. PFS will be responsible for managing all or a portion of your investable assets held in APM. Your Investment Advisor Representative will be responsible for investment decisions and when formulating investment recommendations, may consult with independent managers that serve in a sub-advisor capacity to provide investment recommendations and trade signals. When we hire a sub-advisor, we rely on the sub-advisor for all or some of the following: development of model portfolios, expertise in certain strategies or disciplines, specific recommendations of securities, and general investment advice. In some situations, a sub-advisor may be used on a limited basis and in other situations a sub-advisor may perform more substantial services as well as tailor its advice to the needs and circumstances of specific circumstances and objectives.

Investment advice and trade signals provided by sub-advisors are **not** made in consideration or knowledge of individual clients' specific needs. Therefore, you will not enter into an agreement directly with the sub-advisor and the sub-advisor will not be provided access to your account(s) or confidential information. PFS is responsible for applying sub-advisor recommendations to your account(s). To do so, we are given discretionary authority to implement securities transactions in your account(s). When we use a sub-advisor to help manage your accounts, the decision to make changes in client accounts will

typically be based on the sub-advisor's advice. PFS and your investment advisor representative are then responsible for accepting or rejecting any advice and recommendations provided by a sub-advisor and to make corresponding changes in your account. This Brochure acts as the disclosure document for the PFS Models program.

PFS Investment Advisor Representative Managed Programs Sponsored by Wells Fargo

PRIVATE INVESTMENT MANAGEMENT (PIM) AND ASSET ADVISOR PROGRAMS

PFS participates in the Private Investment Management (PIM) and Asset Advisor programs sponsored by Wells Fargo. PIM and Asset Advisor are wrap-fee programs, so they do not bill transaction costs separately from the overall management fee, provided that the number of transactions per calendar year does not exceed 120. The cost for additional transactions will be billed directly to your account; however, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you. A conflict exists if the IAR pays these fees as she is incentivized not to trade. Both programs allow the PFS investment advisor representative to provide on-going supervision and management services. PIM is an Advisor Directed program whereas Asset Advisor is a Client Directed program. All client accounts through the PIM and Asset Advisor programs must be established through First Clearing.

The description provided in this section regarding the Wells Fargo sponsored programs we manage is intended to provide you with a brief summary of each program. Wells Fargo will provide you with a full description and disclosure document at the time you establish an account through either the PIM or Asset Advisor programs. Please note that some restrictions Wells Fargo places on PIM accounts for its own clients are not necessarily applicable to PFS clients, such as the ability to include certain types of securities (such as low-priced stocks or concentrated positions) in the account.

PFS MODELS PROGRAM

PFS acts as the money manager for the PFS Models program sponsored by us. The PFS Models program relies on the investment advice and trade signals provided by sub-advisors. PFS implements trade orders, periodically updating and rebalancing the PFS Models program. Investment advisor representatives may select the PFS Models Program in the PIM program sponsored by Wells Fargo and the Unified Managed Account program sponsored by Envestnet.

When we hire a sub-advisor, we rely on the sub-advisor for all or some of the following: development of model portfolios, expertise in certain strategies or disciplines, specific recommendations of securities, and general investment advice. In some situations, a sub-advisor may be used on a limited basis and in other situations a sub-advisor may perform more substantial services as well as tailor its advice to the needs and circumstances of specific circumstances and objectives.

Investment advice and trade signals provided by sub-advisors are **not** made in consideration or knowledge of individual clients' specific needs. Therefore, you will not enter into an agreement directly with the sub-advisor and the sub-advisor will not be provided access to your account(s) or confidential information. PFS is responsible for applying sub-advisor recommendations to your account(s). To do so, we are given discretionary authority to implement securities transactions in your account(s). When we use a sub-advisor to help manage your accounts, the decision to make changes in client accounts will typically be based on the sub-advisor's advice. PFS and your investment advisor representative are then responsible for accepting or rejecting any advice and recommendations provided by a sub-advisor and to make corresponding changes in your account. This Brochure acts as the disclosure document for the PFS Models program.

PFS MODELS THROUGH SPONSORED INVESTMENT MANAGEMENT PLATFORMS OR INVESTMENT WRAP PROGRAMS

Investors may also gain access to our PFS Models through programs or investment platforms sponsored by unaffiliated investment advisors and/or broker-dealers. These programs may be wrap-fee programs, lists of available investment managers, or general asset allocation programs. Through these programs or platforms, clients must establish an account directly with the program sponsor. PFS is then available to clients for selection as an independent signal provider. Many of the terms and conditions of these programs are determined by the program sponsor. Through these programs, PFS will be available to clients for selection as an independent signal provider.

Clients must establish an account directly with the program sponsor. All applicable contracts and account paperwork will be completed by the client with the assistance of the program sponsor representative. The program sponsor representative will obtain the necessary financial data from the client, assist the client in determining suitability, and help the client to set the appropriate investment objectives.

The program sponsor representative will meet periodically to review the client's financial situation, investment objectives, and current portfolios and then make any necessary changes to our investment signals. The program sponsor representative is responsible for approving and implementing all trades.

PFS is not responsible for executing transactions in the client's account. In these situations, we are simply a "signal provider". We are not granted trading authorization. Instead, we will provide all trade instructions to the sponsor of the program who will be responsible for executing our recommendations.

Conflicts arise in the allocation of investment opportunities among accounts that we manage or advise. We strive to allocate investment opportunities believed to be appropriate on equitable and consistent with the best interests of all clients involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner.

Accounts established through a program sponsored by an unaffiliated investment advisor and/or broker-dealer will be held and cleared through a broker-dealer selected by the program sponsor, pursuant to a relationship between the sponsor and the clearing broker-dealer. The program sponsor reserves the right to designate alternative clearing and custody arrangements similar to those of its preferred clearing broker-dealer. Physical custody of funds and securities is maintained by the various clearing firms, not by PFS. Clients accessing PFS Models through a Platform have the ability to impose reasonable restrictions on their accounts within the procedures set forth by the Platform sponsor.

Third-Party Money Manager Programs – PortfolioStation Programs Sponsored by Envestnet

PFS participates in programs sponsored by Envestnet where PFS investment advisor representatives assist you in allocating your assets among one or more third-party money managers. Through the SMA and UMA programs, Envestnet may be provided discretionary authority to select and remove underlying third-party money managers. Under this type of arrangement, Envestnet and/or your PFS investment advisor representative do not have to receive your authorization to add or remove a money manager. When you do not grant discretionary authorization to select and remove third-party money managers, you must provide us and the custodian, i.e. First Clearing, with written instructions to add or change a money manager.

Envestnet retains Sub-Managers for portfolio management services through separate agreements entered into between Envestnet and the Sub-Manager on terms and conditions that Envestnet deems appropriate. For certain Sub-Managers, Envestnet entered into a licensing agreement with the Sub-Manager, where it would perform administrative and/or trade order implementation duties at the direction of the Sub-Manager. In such situations, the Sub-Manager is a Model Provider. Many of the asset managers available in the Envestnet sponsored programs are accessed through the use of investment models ("Third Party Models"), whereby the asset manager, acting as a "Model Provider," constructs an asset allocation and selects the underlying investments for each portfolio. Envestnet performs overlay management of the Third-Party Models by implementing trade orders, periodically updating and rebalancing each Third-Party Model pursuant to the direction of the Model Provider. Envestnet may, from time to time, replace existing Model Providers or hire others to create Third Party Models and cannot guarantee the continued availability of Third-Party Models created by particular Model Providers.

The description provided in this section regarding the Envestnet sponsored programs we manage is intended to provide you with a brief summary of each program. Envestnet will provide you with a full description and disclosure document at the time you establish an account through any of the programs. In addition, you will receive a disclosure document for all third-party money managers who manage your assets. Only third-party money managers that are registered as investment advisors or are exempt from investment advisor registration will be recommended.

SEPARATELY MANAGED ACCOUNT (SMA)

SMA is a discretionary wrap-fee program offering access to an actively managed investment portfolio chosen from a roster of independent asset managers (each a "Sub-Manager") from a variety of disciplines for individually owned securities that can be tailored to fit your investing preferences. Your investment advisor representative, through Envestnet, will help you identify individual asset managers and investment vehicles that correspond to proposed asset classes and styles or to independently identify asset managers.

UNIFIED MANAGED ACCOUNT (UMA)

UMA is a discretionary wrap-fee program allowing for a single portfolio that accesses multiple asset managers and Funds and represents various asset classes. Envestnet's tools allow your investment advisor representative to customize your asset allocation models or select Envestnet's proposed asset allocations for similar types of investors fitting your profile and investment goals. PFS and/or your investment advisor representative then further customize the portfolio by selecting the specific underlying investment strategies or Funds in the portfolio to meet your needs. Once the content of the portfolio is established, Envestnet provides overlay management services for UMA accounts and implements trade orders based on the directions of the investment strategies contained in the UMA portfolio.

Third-Party Money Manager Programs – Separate Account Manager Programs Sponsored by Wells Fargo

ALLOCATION ADVISORS, MASTERS, DIVERSIFIED MANAGED ALLOCATIONS (DMA) AND WELLS FARGO COMPASS PROGRAMS, PRIVATE ADVISOR NETWORK INVESTMENT CONSULTING SERVICE (NETWORK)

PFS participates in separate account manager programs sponsored by Wells Fargo. Through these programs, PFS investment advisor representatives assist you in allocating your assets among one or more third-party money managers.

Currently, we participate in the following Wells Fargo sponsored wrap-fee programs:

- Allocation Advisors
- Masters
- Diversified Managed Allocations (DMA)
- Wells Fargo Compass, and
- Private Advisor Network

PFS also participates in the Private Advisor Network Investment Consulting Service (Network) platform, a program sponsored by Wells Fargo. Under the Masters, DMA, and Network programs, PFS investment advisor representatives assist you in determining and selecting third-party money managers who will be provided discretionary authority to select investment options to manage your assets. Under the Allocation Advisors and Compass programs, the Wells Fargo Advisory Services Group will be provided discretionary authority as it serves as the third-party money manager.

Through the Masters and DMA programs, PFS investment advisor representatives may be provided discretionary authority to select and remove underlying third-party money managers. Under this type of arrangement, your PFS investment advisor representative does not have to receive your authorization to add or remove a money manager. When you do not grant discretionary authorization to select and remove third-party money managers, you must provide us and the custodian, i.e. First Clearing, with written instructions to add or change a money manager.

The description provided in this section regarding the Wells Fargo sponsored programs we manage is intended to provide you with a brief summary of each program. Wells Fargo will provide you with a full description and disclosure document at the time you establish an account through any of the programs. In addition, you will receive a copy of all third-party money managers who manage your assets. Only third-party money managers that are registered as investment advisors or are exempt from investment advisor registration will be recommended.

Mutual Fund Wrap-Fee Programs Sponsored by Wells Fargo

CUSTOMCHOICE, FUNDSOURCE AND PATHWAYS PROGRAMS

PFS participates in two mutual fund wrap-fee programs sponsored and administered by Wells Fargo:

- CustomChoice
- FundSource and Pathways.

CustomChoice is a non-discretionary client directed mutual fund wrap program. You must execute the *CustomChoice Client Agreement* to participate in this program. Accounts through this program are managed by us on a non-discretionary basis. There are approximately 5,000 no-load, load waived, and institutional share class mutual funds from which to choose. You must approve all implementation decisions made through this program.

FundSource is a discretionary mutual fund wrap program based on Wells Fargo research-driven Optimal Blends or Customized Blends. You must execute the *FundSource Program Agreement* to participate in this program. All assets are managed by Wells Fargo who is given discretionary authority to implement changes within your account based on your individualized situation and based on information provided by you to our investment advisor representative. Portfolios are comprised of mutual funds selected by Wells Fargo.

Pathways is an asset allocation option within the FundSource Program that allows you to allocate assets among mutual fund portfolios (Pathways Funds) which are administered by Russell Investment Company (Russell). Russell will provide a selection of optimal blends of model investment portfolios or accept instructions from you with respect to a custom blend in various funds that are operated and administered by Russell, based on its evaluation of your financial goals, circumstances and risk tolerances. Russell is responsible for evaluating and retaining one or more investment management organizations to manage each Pathways Fund. The portfolios are designed for a specific investor. You must execute the *Pathways Program Agreement* to participate in this program.

We are not related to Russell, and Wells Fargo and Russell are not related entities. A portion of the fee charged for Pathways is paid to Russell for its investment advisory services.

We provide you with consulting services when selecting optimal blend mutual fund portfolios constructed by Wells Fargo for the FundSource program and by Russell for the Pathways program. You may also create your own customized mutual fund portfolio blend.

The description provided in this section regarding the Wells Fargo sponsored programs we manage is intended to provide you with a brief summary of each program. Wells Fargo will provide you with a full description and disclosure document at the time you establish an account through any of the programs. Pathway's clients will also receive all necessary disclosure documents relating to Russell.

Advisory Services to Retirement Plans and Plan Participants Contracted by Plan Sponsor

PFS offers various levels of advisory and consulting services to employee benefit plans and/or to the participants of such plans ("Participants"). The services are designed to assist plan sponsors ("Plan Sponsors") in meeting their management and fiduciary obligations to the Participants under the Employee Retirement Income Securities Act ("ERISA") and the Pension Protection Act of 2006 ("PPA"). Generally, investment advice provided to Plan Sponsors and Participants is regulated under ERISA and the PPA. We will provide a set of services to Plan Sponsors and their Participants which may include all or some of the offerings described below. Plan Sponsors must make the ultimate decision to retain us for pension consulting and other advisory services including services at the participant level. The Plan Sponsor is free to seek independent advice about the appropriateness of any recommended services for the plan. The following services are provided for general informational purposes. Not all clients contracting for retirement plan services will receive every level of service described below. The exact scope and types of services provided will be agreed upon with each client and listed in the client agreement.

The services provided to employee benefit plans ("the Plan") and their Plan Sponsors may include the following:

Investment Policy Statement. PFS may assist with the drafting and adoption of an Investment Policy Statement (IPS) for each Plan.

Reasonableness Opinion. PFS may provide a written opinion as to the appropriateness and reasonableness of including, or continuing to include, the shares of the employer's own stock as an investment option under the Plan, in respect of the IPS.

Cash Flow Analysis. PFS may assist the Plan's oversight committees with the review of the quarterly cash flow analysis as provided by the plan provider.

Selection of Qualified Default Investment Alternative. PFS may recommend to the client an investment fund product or model portfolio meeting the definition of a "Qualified Default Investment Alternative" ("QDIA") in ERISA Regulation 2550.404c-5(e)(3). The QDIA shall be reflected in the IPS.

Investment Performance Monitoring or Analysis. PFS may assist the Plan's oversight committees with the review of the quarterly investment performance of the Plan's investment options. Under applicable circumstances, PFS will monitor the appropriateness and continued suitability of each of the investments with a view to complying with the "broad range" requirement under ERISA Section 404(c).

Asset Allocation Analysis. PFS may assist the Plan's oversight committees with the review of the quarterly asset allocation analysis as provided by the Plan provider.

Performance Reports. PFS may prepare reports evaluating the performance of the Plan's investment manager(s) or investments, as the case may be, as well as comparing the performance thereof to benchmarks set forth in the IPS. The information used to generate the reports will be derived from statements provided by the client.

Education Services to Plan Committee. PFS may provide training for the members of the Plan Committee with regard to their service on the committee, including guidance with respect to fiduciary duties.

Participant Education Services. PFS may conduct in-person, group sessions and provide printed educational materials (which may include posters, payroll stuffers, and emails) to Participants, providing information to them about the investment options under the Plan and providing information on how to complete plan enrollment paperwork. Services provided under an "Eligible Investment Advice Arrangement," as defined under the PPA, shall be governed by a separate agreement.

Expense Analysis. PFS may assist the Plan's oversight committees with the review of the investment expense characteristics for each of the investment options.

Investment Structural Analysis. PFS may assist the Plan's oversight committees with the review of the Investment Structural Analysis for each of the investment options.

Third Party Product or Service. Advisory services provided to retirement plans may be solely provided by advisory representatives, or in combination with third parties and their retirement plan services. PFS may use the product or service offered by a third party in providing services to a client and the Plan.

Plan Search Support. PFS may manage the preparation, distribution, and evaluation of Request For Proposals, finalist interviews, and conversion support.

Additional Services. Services as agreed upon by PFS and client.

Services for Plan Participants. Plan Sponsors retain PFS and its advisory representatives to provide services to Participants pursuant to an "eligible investment advice arrangement," as defined under the PPA. The scope of the services and fees are established and approved in advance by the Plan Sponsor and shall be clearly set forth in the executed agreement for services.

Advisory Representatives will meet with individual Participants to collect pertinent information regarding their financial circumstances and investment objectives. Advisory Representatives will then deliver advice either by:

- providing direct investment advisory services to the Participant (in which case the PFS fee will not vary based on the advice given to the Participant)
- generating portfolio recommendations for a Participant based on an unbiased computer model that has been certified and audited by an independent third party.

Advisory Services to Retirement Plan Participants Not Contracted by Plan Sponsor

Participants also directly retain PFS and its advisory representatives to provide direct advisory services by executing a *Summit-OP Advisory* or *Prospera ERISA Services Agreement*. The services and fees are set forth in the executed agreement and approved by participant in lieu of the plan sponsor. Participants may elect to roll-over retirement plan assets to an individual account at PFS under the same investment advisor representative who provided advisory services while those assets were maintained within the original qualified plan.

Advisory Services to Individual Retirement Plans

PFS provides services to individual retirement plans, and in doing so we charge reasonable compensation. PFS has identified and determined that our material conflicts of interest are fair and reasonable and have adopted measures reasonably designed to avoid such conflicts. More information on these mitigation measures can be found in Item 12 of this disclosure document.

Management of Client Assets

PFS manages assets on a discretionary and non-discretionary basis. As of June 30, 2020, PFS managed \$3,369,868,229 in client assets of which \$2,209,740,383 was managed on a discretionary basis and \$1,160,127,846 was managed on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

Although PFS does not generally waive from these fee schedules, we reserve the right to charge you a higher or lower fee or one different from the guidelines set forth in these fee schedules and one lower or higher than fees charged to another client with a similar account.

For newly established advisory accounts where assets transfer in from other broker/dealers or outside accounts, the fee for the first month will be billed in arrears based on the market value of your account assets at the end of the month in which your account was first funded and pro-rated for the number of days applicable. For PFS brokerage accounts converted to advisory accounts, the first month's fee may be billed in arrears and based on the market value of the former brokerage account's assets at the end of the previous month and pro-rated for the number of days applicable. Thereafter and depending on the program selected, the Fee will be either (a) calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets, or (b) paid at the beginning of each month based upon the average daily balance of the assets in the Account as of the previous month. Fees are not pro-rated or refunded for any partial month when the advisory relationship is terminated. Therefore, you may be assessed a fee for the entire last month if you terminate the advisory services at any time before the final day of that same month. The fee is considered earned when paid.

For the purposes of calculating fees, "Account Value" shall mean the sum of the absolute market value of all eligible long and short security positions, including accrued income, cash and cash alternatives held in your Account. To the extent margin is used in your Account, you should be aware that the margin debit balance does not reduce the Account Value. If you use margin to purchase additional securities, your Account Value increases and therefore the amount of fees you pay will increase. You will also be charged margin interest on the debit balance in your Account. Margin interest is in addition to the Program Fee and Platform Fee. The interest charges, combined with Fee, may exceed the income generated by the assets in your Account and, as a result, the value of your Account may decrease. In determining the Account Value, we will use the closing prices or, if not available, bid prices of the last recorded transactions for listed securities, options and over-the-counter securities. For mutual funds, we will use the fund's most current net asset value, as computed by the fund company. We will use information provided by quotation services believed to be reliable in determining the Account Value. If any such prices are unavailable or believed to be unreliable, we will determine prices in good faith so as to reflect our understanding of fair market value. The Fee will be applied to cash alternatives (i.e., money market funds) held inside the Account. Clients will, in most instances, pay more in fees with respect to sweep vehicle holdings, than the interest earnings that may be generated by these sweep vehicle holdings. Due to trade date or settlement date accounting, the treatment of accrued income, short positions and other factors, the Account Value used in the calculation of fees could differ from that shown on your monthly account statement and/or performance report.

Whenever there are changes to your fee schedule, the schedule charges previously in effect shall continue until the next billing cycle. We have the ability to amend your Client Agreement at any time. Any changes we make to your Client Agreement will be effective after 15 days written notice to you. Your continued use of the services indicates your agreement to the modified terms.

To the extent margin is used in your account you should be aware that the margin debit balance will not reduce the market value of eligible assets and will therefore increase the asset-based fee you are charged. The increased asset-based fee is an incentive for your IAR to recommend the use of margin strategies. The use of margin is not suitable for all investors since it increases leverage in your account and the therefore the risk and potential for losses. PFS also sets the margin rates for accounts, so this is an additional conflict when recommending margin.

Margin Loans

Certain Advisory Programs may permit margin borrowing and trading. We will not extend margin in an advisory account unless authorized by you through a separate margin agreement. You are responsible for notifying us if you decide that you no longer want to use margin in your Account. You may also discontinue use of margin in your Account according to the terms of the Client Agreement. We are not responsible for any losses resulting from our failure or delay in implementing such instructions.

- Margin Loans Are Subject to Separate Terms and Conditions. If you take out a Margin Loan, the terms and conditions applicable to the Margin Loan are governed by the Margin Disclosure Statement and the Client Agreement. You should review carefully the terms, conditions, and risk disclosures for Margin Loans and understand that such risks are heightened in the event you hold a concentrated position in your pledged Account or if your pledged Account makes up all, or substantially all, of your overall net worth or investable assets. Certain eligibility requirements must be met, and documentation in the form of a separate margin agreement must be completed prior to using margin.
- Costs Are in Addition to Advisory Fees. As discussed above, if you use margin to purchase additional securities, your Account Value increases and therefore the amount of fees you pay will increase. You will also be charged margin interest on the debit balance in your Account, which is in addition to Fee. This results in additional compensation to us. The interest charged on a Margin Loan is higher than the interest charged on Securities-Based Loans.
- We Have an Incentive to Recommend the Use of Margin. The increased asset-based fee and interest that you pay on a Margin Loan provides an incentive for your Financial Advisor to recommend the use of margin. Your Financial Advisor also has an incentive to use margin to purchase additional securities and other assets instead of selling existing securities or other assets, and PFS sets the margin rates, which is an additional conflict. We address these conflicts by disclosing them to you.
- Margin Loans May Not Be Suitable for You. Using margin is not suitable for all investors. As described in the next paragraph, the use of margin increases leverage in your Account and therefore increases risk to a portfolio. We generally believe the use of margin is most appropriate when short in duration. Before deciding to use margin, you should consider the intended duration and total cost of the Margin Loan, as well as other options available to you, such as alternative loan options or liquidating your Account assets.
- Using Margin Involves Higher Risks. Generally, we believe that the use of margin adds risk to a portfolio that you should not assume unless you are prepared to experience significant losses. Losses in the value of an asset purchased on margin will be magnified because of the use of borrowed money. You can lose more funds than amounts deposited in margin accounts. In addition, you generally will not benefit from using margin unless the performance of your Account exceeds interest expenses on the Margin Loan plus advisory fees incurred. You should also understand that the use of margin can negatively impact our ability to rebalance your account. You should carefully consider whether the additional risks are appropriate prior to using margin due to the increased potential for significantly greater losses associated with using margin. You assume full responsibility for the use of margin in your Account. **Please see the Margin Disclosure Statement and the Client Agreement for more details on the risks of margin use. You should read this documentation carefully.**

Securities-Based Loan Programs

You may pledge your Account assets as collateral for Securities-Based Loan Programs with our consent and where you are eligible under the programs. In order for your Account to be eligible to serve as collateral for a Securities-Based Loan, your Account may not also serve as collateral for a Margin Loan. If you wish to use your Account as collateral for a Securities-Based Loan, we will automatically discontinue the availability of margin for your Account.

There are risks, costs, and conflicts of interests associated with Securities-Based Loan Programs. You are encouraged to speak with your Financial Advisor to the extent you have questions about how your Account may be used in connection with a Securities-Based Loan Program and how such arrangement should be taken into consideration when discussing the management of your Account.

- Securities-Based Loan Programs Are Subject to Separate Terms and Conditions. If you have elected to participate in a Securities-Based Loan

Program, the terms and conditions applicable to that Securities-Based Loan Program are governed by the applicable Securities-Based Loan documents and other service agreements and are not included or described further in this brochure. You should review carefully the terms, conditions and any related risk disclosures for the Securities-Based Loan Program and understand that risks are heightened in the event you hold a concentrated position in your pledged Account or if your pledged Account makes up all, or substantially all, of your overall net worth or investable assets. Certain eligibility requirements must be met and documentation must be completed prior to obtaining Securities-Based Loans.

- Interest Rates for Securities-Based Loan Programs Differ. In certain circumstances, more than one Securities-Based Loan Program product may be available to you.
- Costs Are in Addition to Advisory Fees. The costs, including interest, associated with a Securities-Based Loan Program are not included in the Program Fee or Platform Fee and will result in additional compensation to us and our Financial Advisors. The interest charges on your Securities-Based Loan Program, combined with the Program Fee and Platform Fee, may exceed the income generated by your pledged Account assets and, as a result, the value of your Account may decrease. You are encouraged to consider carefully the total cost of taking out a Securities-Based Loan, and any additional compensation that PFS and your Financial Advisor will receive, when determining to take out and/or maintain a Securities-Based Loan against your Account assets.
- Financial Advisors Receive Compensation on Securities-Based Loans. In addition to receiving a portion of the Fee, Financial Advisors also receive compensation based on the outstanding loan balances of PCL and Securities-Based Loan Programs.
- We Have an Incentive to Recommend the Use of Securities-Based Loan Programs. Since PFS and your Financial Advisor are compensated through asset-based advisory fees paid on your Account, we benefit if you draw down on your Securities-Based Loan, which preserves asset-based advisory fee revenue and generates additional loan-related compensation, rather than sell securities or other investments in your Account, which would reduce the assets in your Account and our asset-based advisory fee revenue. This presents a conflict of interest for your Financial Advisor when addressing your liquidity needs. In addition, where a Securities-Based Loan is secured by both brokerage and advisory assets, a Financial Advisor will benefit if your brokerage assets are liquidated prior to or instead of your advisory assets because the Financial Advisor would be able to maintain advisory Account assets subject to the Program Fee and Platform Fee. We address these conflicts by disclosing them to you.
- Securities-Based Loan Programs May Not Be Suitable for You. There are other lending products that may be suitable for you and for which we and your Financial Advisor would receive different or no compensation. You are responsible for independently evaluating if a Securities-Based Loan is appropriate for your needs, if the lending terms are acceptable, and whether the Securities-Based Loan will have potential adverse tax or other consequences for you.
- There Are Limitations on the Use of Securities-Based Loan Proceeds. Except for margin accounts, where the loan proceeds can be used to purchase, carry, or trade securities, the proceeds of PCL may not be used to (a) purchase, carry, or trade securities or (b) reduce or retire any indebtedness incurred to purchase, carry, or trade securities. If your Account is used as collateral for a Securities-Based Loan, the Account is pledged to support the Securities-Based Loan and you are not permitted to withdraw funds or other assets from your Account unless sufficient amounts of collateral remain to continue supporting the Securities-Based Loan (as determined under the applicable Securities-Based Loan Program). Although you are required to satisfy such collateral requirements, you can terminate your advisory relationship with PFS, at which time the funds and assets in your account will be treated as a brokerage account and the collateral requirements for the Securities-Based Loan will continue to apply.

Additional Considerations Associated with Pledging Advisory Account Assets for Margin Loans and Securities-Based Loans

In addition to the risks mentioned above, if your Account assets are pledged or otherwise used as collateral for Margin Loans or Securities-Based Loans, the exercise of our rights and powers over your Account assets, including the disposition and sale of any and all assets pledged as collateral, may be contrary to your interests and the investment objective of your Account.

- There Are Collateral Maintenance Requirements. When you use margin to purchase securities or draw down on a Securities-Based Loan, your Account assets serve as collateral. We can increase our "house" maintenance requirements or call your Margin Loan or PCL at any time and for any reason and are not required to provide you with advance written notice. If your Account assets decline in value, so does the value of the collateral. If the required collateral is not maintained, you may need to deposit additional cash or securities as collateral or repay a partial or entire amount of the funds borrowed on short notice. You are not entitled to an extension of time on a margin call. The lender may refuse to fund any advance request due to insufficient collateral. Where the lender assigns different release rates to different asset types, you may be able to satisfy collateral maintenance requirements by selling securities with a low release rate and investing and/or holding the proceeds in assets that have a higher release rate for the loan.

- Liquidation of Securities in a Maintenance Call. Failure to promptly meet requests for additional collateral or repayment, or other circumstances including but not limited to a rapidly declining market, will cause the liquidation of some or all of the collateral supporting any Margin Loans or Securities-Based Loans in order to meet the maintenance requirements. We can sell your Account assets without contacting you. We are not required to notify you of a maintenance call. You will be responsible for any shortfall if your Account assets are insufficient to cover the maintenance deficiency. Even if we have notified you and provided a specific date by which you can meet a maintenance call, we can still take necessary steps to protect our financial interests, including immediately selling your Account assets without notice to you. You should understand that because your Account assets are collateral for the Margin Loans or Securities-Based Loans, in selling such assets, we will seek to protect or advance our interests (and/or those of our affiliated lender if you selected an affiliated Securities-Based Loan Program) over your interests. You should expect that our interests will not be aligned with --and will be adverse to --your interests when we sell assets during a maintenance call, and that we may sell assets that you desire to keep or sell them at prices that may be less than the value that we or you believe the assets are worth. You are not entitled to choose which Account assets are liquidated or sold to meet a maintenance call. If there are Account assets that you desire to own during the term of your Margin Loan or Securities-Based Loan, you should not pledge them as collateral. Depending on market circumstances, the prices obtained for your Account assets may be less favorable and may be less than the value that we or you believe the assets are worth. If a margin or maintenance call cannot be fully satisfied from your Account assets, you remain liable for the outstanding debt.
- Impact of Margin and Maintenance Calls on Management of Your Account. In a maintenance call, we might liquidate Account assets that you, your Financial Advisor, or your Manager otherwise would not sell, and that might not otherwise be in your best interests to sell, and you might not get to choose the assets that are liquidated. We or a third-party Manager will seek to manage your Account as agreed under your advisory Client Agreement and applicable Program Features and Fee Schedule, provided that, if a maintenance call takes place, you should expect that we or your Manager will not be able to manage your Account consistent with our or the Manager's overall strategy. In addition, in order to preserve sufficient collateral value to support the loan and avoid a maintenance call, depending on your leverage, a Financial Advisor may be inclined to invest your Account in more conservative investments, which may result in lower investment performance than more aggressive investments (depending on market conditions). We mitigate this risk by requiring and monitoring to ensure that your Account is managed consistent with your respective investment strategies.
- No Legal or Tax Advice. PFS and your Financial Advisor do not provide legal or tax advice. You should consult with your own legal counsel and independent tax advisor before using securities as collateral for loans in order to fully understand the tax implications associated with pledging your Account as loan collateral and the potential liquidation of pledged assets.

Options

Either of us may end the agreement by providing notice to the other party. In the event you end our services (preferably in writing), we will terminate the agreement effective upon delivery of your notification. We may end our services at any time by providing you written notice. If services are ended within five (5) business days of executing the agreement, services will be ended without penalty. Your qualified and/or ERISA accounts may be charged a termination fee to close the Account depending on the custodian.

In addition to the annual management fee, PFS and its investment advisor representatives retain 12(b)-1 fees or other revenue sharing paid by investments in your accounts, including mutual funds, outside custodians, or variable annuities. This creates a conflict for your advisor to select investments that have higher expense ratios, because such share classes generally result in higher compensation to the advisor and PFS. Prospera seeks to supervise such conflicts to ensure the best execution and fiduciary obligations to our clients is fulfilled and conducts periodic reviews of client holdings in mutual fund investments to ensure the appropriateness of mutual fund share class selections and whether alternative mutual fund share class selections are available that would be more appropriate given the client's particularized investment objectives and any other appropriate considerations relevant to mutual fund share class selection.

Fees are typically deducted directly from your Account. You must provide written authorization to have us deduct fees from the Account or any other account you select. The qualified custodian will send your client statements, at least quarterly, showing all disbursements for the Account including the amount of the advisory fee deducted. You may direct us to pay the fee from a different account. If approved by us, you may pay advisory fees upon receipt of a billing invoice from us in lieu of having fees debited directly from the Account.

You may also incur certain charges imposed by other third parties for investments made through the Account, including but not limited to, mutual fund sales loads, surrender charges, IRA and qualified retirement plan fees, clearing costs, and fees required for the opening, closing or servicing of the account, including but not limited to applicable maintenance fees, exchange fees or other charges required by law. The management fees we charge are separate and distinct from the fees and expenses charged by investment company securities recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. Management fees are also separate and distinct from the fees and expenses charged by the qualified custodian serving as the clearing broker/dealer (e.g. First Clearing, Pershing, or NFS). We will retain or share a portion of any fees charged by a third-party if any portion of those fees is shared with us by the third-party as described further in this Item 5.

Summit Advisory Program Fees

Summit clients pay a fixed fee or annualized fee based upon a percentage of the market value of Account assets for services provided by us. Fees charged on all assets are negotiable and the maximum annual fee charged for program accounts shall not exceed 3.00% annually. The minimum annual fee is \$25. Transaction charges of \$9.95 will be applied to all trades made in this program, which is in addition to the advisory fee.

For newly established advisory accounts where assets transfer in from other broker/dealers or outside accounts, the fee for the first month will be billed in arrears based on the market value of your account assets at the end of the month in which your account was first funded and pro-rated for the number of days applicable. For PFS brokerage accounts converted to advisory accounts, the first month's fee may be billed in arrears and based on the market value of the former brokerage account's assets at the end of the previous month and pro-rated for the number of days applicable. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. Off-platform assets linked to and shown on the statement are usually considered excluded assets in the fee calculation unless you agree (either on the Program advisory agreement or through a separate advisory agreement) that they are included in the calculation. Fees are not pro-rated or refunded for any partial month when the advisory relationship is terminated. Therefore, you may be assessed a fee for the entire last month if you terminate the advisory services at any time before the final day of that same month. The fee is considered earned when paid. The actual fee charged is based on factors such as, but not necessarily limited to, the amount of assets under management, totality of services provided to you and your overall financial complexity. The specific services to be provided and fee charged will be mutually agreed upon and described in the *Summit Advisory Agreement* before commencing services.

PFS advisors have a conflict when recommending Summit versus other programs, because PFS advisors are assessed a lower internal cost for Summit accounts after they meet certain thresholds for total Summit assets. Summit assess a transaction charge per trade as opposed to available wrap fee programs. This is a conflict when advisors choose a transaction fee advisory program instead of an available and comparable wrap fee program.

Summit II Advisory Program Fees

Summit II clients pay an annualized fee for services provided by us, based upon a percentage of the market value of Account assets, and a transaction charge of \$7.95 for any trades after the account has executed 40 trades in a given year. Fees charged on all assets are negotiable and the maximum annual fee charged for program accounts shall not exceed 3.00% annually. Please see the descriptions herein for more information on fees and conflicts. These accounts are also subject to a \$25.00 quarterly minimum account fee, which will be reduced by any charged advisory fees.

When clients have a portion of their assets managed by a Sub-Adviser, the total advisory fee (our fee plus Sub-Advisers' fees) shall not exceed 3.00% of your total assets on an annual basis. Fees paid to Sub-Advisers will be calculated and deducted by the Sub-Adviser per the conditions set forth in the client agreement with each applicable Sub-Adviser.

For newly established advisory accounts where assets transfer in from other broker/dealers or outside accounts, the fee for the first month will be billed in arrears based on the market value of your account assets at the end of the month in which your account was first funded and pro-rated for the number of days applicable. For PFS brokerage accounts converted to advisory accounts, the first month's fee may be billed in arrears and based on the market value of the former brokerage account's assets at the end of the previous month and pro-rated for the number of days applicable. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. Fees are not pro-rated or refunded for any partial month when the advisory relationship is terminated. Therefore, you may be assessed a fee for the entire last month if you terminate the advisory services at any time before the final day of that same month. The fee is considered earned when paid. The actual fee charged is based on factors such as, but not necessarily limited to, the amount of assets under management, totality of services provided to the client, and the client's overall financial complexity. The specific services to be provided and fee charged to a client will be agreed upon and described in the *Summit II Advisory Agreement* before commencing services.

P-Summit Program Fees

P-Summit clients pay an annualized fee for services provided by us, based upon a percentage of the market value of Account assets. The maximum annual fee charged for P-Summit program accounts shall not exceed 3.00% annually and the minimum annual fee is \$25. Transaction charges of \$9.95 will be applied to all trades made in this program, which is in addition to the advisory fee, unless the client is in P-Summit Wrap.

For newly established advisory accounts where assets transfer in from other broker/dealers or outside accounts, the fee for the first month will be billed in arrears based on the market value of your account assets at the end of the month in which your account was first funded and pro-rated for the number of days applicable. For PFS brokerage accounts converted to advisory accounts, the first month's fee may be billed in arrears and based on the market value of the former brokerage account's assets at the end of the previous month and pro-rated for the number of days applicable. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. Off-platform assets linked to and shown on the statement are usually considered excluded assets in the fee calculation unless you agree (either on

the Program advisory agreement or through a separate advisory agreement) that they are included in the calculation. Fees are not pro-rated or refunded for any partial month when the advisory relationship is terminated. Therefore, you may be assessed a fee for the entire last month if you terminate the advisory services at any time before the final day of that same month. The fee is considered earned when paid. The actual fee charged is based on factors such as, but not necessarily limited to, the amount of assets under management, totality of services provided to you and your overall financial complexity. The specific services to be provided and fee charged will be mutually agreed upon and described in the *P-Summit Advisory Agreement* before commencing services.

Summit-OP Program Fees

Summit-OP clients pay an annualized fee for services provided by us, based upon a percentage of the market value of Account assets. Fees charged on all assets are negotiable and the maximum annual fee charged for program accounts shall not exceed 3.00% annually.

Fees may be collected monthly or quarterly depending on the frequency with which the off-platform Custodian provides valuations for the Account. The fee for the first period will be billed in arrears based on the market value of the off-platform assets at the end of the period in which you enter into the Summit-OP agreement and pro-rated for the number of days applicable. Thereafter, the Program fee is calculated and collected for the current period based on the value of Program assets as of the last business day of the prior period, net of any excluded assets. Fees are not pro-rated or refunded for any partial month when the advisory relationship is terminated. Therefore, you may be assessed a fee for the entire last month if you terminate the advisory services at any time before the final day of that same month. The fee is considered earned when paid. The actual fee charged is based on factors such as, but not necessarily limited to, the amount of assets under management, totality of services provided to you and your overall financial complexity. The specific services to be provided and fee charged will be mutually agreed upon and described in the *Summit-OP Advisory Agreement* before commencing services.

Prospera Financial Planning Program Fees

Fees for financial planning services may be based on a fixed or hourly fee and the actual amount charged to you will be affected by factors such as the complexity of the services provided and the PFS investment advisor representative providing services. While fees charged will vary from client to client, the maximum hourly fee a PFS investment advisor representative may charge is \$400. Actual fees charged are negotiated between you and the PFS investment advisor representative and will be as stated on the agreement.

In providing services, the PFS investment advisor representative will provide you with an estimate of the number of hours needed to complete services or an estimated fixed fee. All fees are negotiable and are agreed upon when entering into a contract. In the event the PFS investment advisor representative requires additional time to complete services, we will obtain your approval before commencing additional services. All fees are due upon completion of financial planning services in accordance with the parameters set forth in the written financial planning agreement. We may waive the agreed upon fee if you purchase products or enter into agreements for other services with us.

You are under no obligation to act on the financial planning recommendations of PFS investment advisor representatives. If PFS investment advisor representatives assist you in implementing any financial planning recommendations or if you elect to open an advisory account with us, we are responsible for ensuring that you receive the best execution possible.

PFS Models Program Fee

Annual fees for accounts maintained with PFS charged under these programs are charged to the PFS investment advisor representative and collected as part of the overall fee charged in the Program selected. This fee is never charged directly to you.

PFS Models Through Sponsored Investment Management Platforms Or Investment Wrap Programs Program Fees

When serving as a third-party money manager or sub-advisor to clients of unaffiliated investment adviser firms, our fees will generally not exceed 0.35% of the assets allocated to PFS Models. A portion of this fee will be paid to sub-advisors we utilize to help for the development of model portfolios, expertise in certain strategies or disciplines, specific recommendations of securities, and general investment advice.

Depending on the program, the PFS fee will either be charged in addition to the overall program fee charged to a client or included in the program fee charged to the client. Our investment management fees are non-negotiable with clients.

In accordance with the program sponsor's billing arrangements, we may provide the program sponsor, broker-dealer, or account custodian a quarterly invoice. Our fees are then billed and collected by the program sponsor, broker-dealer, or account custodian and remitted directly to PFS. Clients should refer to the program sponsor's disclosure brochure and contract for a full description of all fees and billing arrangements related to the program.

Fees for accounts managed by PFS on a broker-dealer or custodian platform will be calculated and collected by the platform sponsor and remitted to PFS. In those cases, any other fees or costs, such as a platform fee or trading costs, are deducted and retained by the sponsor. PFS is not a party to, and does

not participate in, such fees.

The process for removing PFS as a sub-advisor or money manager on a Platform must comply with the procedures established by the Platform sponsor and the termination provisions outlined in the client agreement.

Advisor as Portfolio Manager (APM) Program Fees

Annual fees charged under the APM program are billed monthly in advance and usually deducted directly from your Account. This program is not sponsored by PFS. When fees are negotiable, the negotiating factors include the complexity of your financial situation, securities positions held in the account, and the amount of assets under management. The maximum annual fee charged for APM program accounts shall not exceed 3.00% annually, and the minimum annual fee is \$250.

The initial fee for the first month (or part thereof) in which you participate in the APM Program shall be calculated on the day after your initial assets are placed into the Program and then debited the first day of the new month afterward. The initial fee for any partial month is pro-rated based on the number of calendar days in the partial month. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. The fee for each month will equal (on an annualized basis) the percentage set forth in the Fee Schedule. If you terminate your participation in and/or withdraw all assets from the Program prior to the end of a month, the pro-rata portion of the Program Fee will be reimbursed to you.

APM's management fee includes up to 120 transactions per calendar year. The cost for additional transactions will be billed directly to your account; however, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types other than ERISA and IRA accounts.

Separately Managed Account (SMA) Program Fees

Annual fees charged under the SMA program are billed monthly in advance and usually deducted directly from your Account. When fees are negotiable, the negotiating factors include the complexity of your financial situation, securities positions held in the account, and the amount of assets under management. The maximum annual fee charged for SMA program accounts shall not exceed 3.00% annually, and the minimum annual fee is \$600.

The initial fee for the first month (or part thereof) in which you participate in the SMA Program shall be calculated on the day after your initial assets are placed into the Program and then debited the first day of the new month afterward. The initial fee for any partial month is pro-rated based on the number of calendar days in the partial month. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. The fee for each month will equal (on an annualized basis) the percentage set forth in the Fee Schedule. If you terminate your participation in and/or withdraw all assets from the Program prior to the end of a month, the pro-rata portion of the Program fee will be reimbursed to you.

Unified Managed Account (UMA) Program Fees

Annual fees charged under the UMA program are billed monthly in advance and usually deducted directly from your Account. When fees are negotiable, the negotiating factors include the complexity of your financial situation, securities positions held in the account, and the amount of assets under management. The maximum annual fee charged for UMA program accounts shall not exceed 3.00% annually, and the minimum annual fee is \$675.

The initial fee for the first month (or part thereof) in which you participate in the UMA Program shall be calculated on the day after your initial assets are placed into the Program and then debited the first day of the new month afterward. The initial fee for any partial month is pro-rated based on the number of calendar days in the partial month. Thereafter, the Program fee is calculated and collected for the current month based on the value of Program assets as of the last business day of the prior month, net of any excluded assets. The fee for each month will equal (on an annualized basis) the percentage set forth in the Fee Schedule. If you terminate your participation in and/or withdraw all assets from the Program prior to the end of a month, the pro-rata portion of the Program fee will be reimbursed to you.

Private Investment Management (PIM) Program Fees

Annual fees charged under these programs are billed quarterly in advance and are deducted directly from your accounts pursuant to the PIM ADV. When fees are negotiable, the negotiating factors include the complexity of your financial situation, securities positions held in the account, and the amount of assets under management. The maximum annual fee charged in PIM equity and fixed income accounts shall not exceed 3.00% annually. Fees charged on accounts are negotiable.

PIM's management fee includes up to 120 transactions per calendar year. The cost for additional transactions will be billed directly to your account; however, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to

you for certain account types other than ERISA and IRA accounts. Costs for transactions greater than 120 per calendar year are priced and passed along at PFS's cost.

Asset Advisor Program Fees

The maximum annual fee charged in Asset Advisor accounts shall not exceed 3.00% annually. This program is not sponsored by PFS. Fees charged on accounts are negotiable, and this program is not sponsored by PFS.

Asset Advisor's management fee includes up to 120 transactions per calendar year. The cost for additional transactions will be billed directly to your account; however, the investment advisor representative (at his sole discretion) may elect (but is not obligated) to pay these fees rather than pass them through to you for certain account types.

Allocation Advisors, Masters, Diversified Managed Allocations (DMA) and Wells Fargo Compass Program Fees

Annual fees charged under these programs are billed quarterly in advance and deducted directly from your account. These programs are not sponsored by PFS. When fees are negotiable, the main factor is the amount of assets under management, but other factors may include your level of service in other PFS programs and the complexity of your overall situation.

The annualized fee charged under the Allocation Advisors program typically ranges from 1.50% to 2.25% for Tactical Portfolios and 1.00% to 1.50% for Strategic Portfolios with fees negotiable on accounts above \$2,000,000 with a portion of the management fee retained by Wells Fargo. There is a minimum quarterly client fee of \$56.25 for the Tactical Portfolios and \$75 for the Strategic Portfolios.

The annualized fee charged under the Masters Program typically ranges from 2.00% to 2.75% with fees being negotiable on accounts above \$2,000,000. There is a minimum quarterly fee of \$112.50. This fee includes a portion directed to the money managers which typically ranges between 0.80% to 0.15% annually based on total aggregate client dollars with each adviser.

The annualized fee charged under the Diversified Managed Allocations (DMA) Program typically ranges from 2.00% to 2.75% for equity and balanced accounts and 1.00% to 1.50% for fixed income fees with fees being negotiable on accounts above \$2,000,000. This fee includes a portion directed to the money managers selected in the client's account. There is a minimum quarterly fee of \$168.75. The annual money manager fee does not exceed one-half of the overall fee charged to you.

The annualized fee charged under the Wells Fargo Compass Advisory Program typically ranges from 1.50% to 2.50% for the Individual and Asset Allocation growth strategies, 1.00% to 2.00% for the ETF and Asset Allocation growth and income strategies and 1.00% to 1.50% for the Fixed Income strategies with fees being negotiable on accounts above \$2,000,000 with a portion of the management fee retained by Wells Fargo. There is a minimum quarterly client fee of \$43.75 for the Individual, Asset Allocation and ETF strategies and \$375 for the Fixed Income strategies.

Private Advisor Network (Network) Fees

Wells Fargo offers a choice of two options to compensate for Private Advisor Network services. This program is not sponsored by PFS. The two options are (1) payment of a fee for Private Advisor Network services and execution charges or (2) an execution schedule for services and execution charges. The annualized fee charged under the Private Advisor Network typically ranges from 1.00% to 2.00% for equity and balanced accounts and 0.50% to 1.00% for fixed income accounts with fees being negotiable on accounts above \$2,000,000. There is a minimum quarterly fee requirement of \$87.50. Fees charged by money managers selected under the Network program are billed and collected separately from the annual fee retained by us. Under the Execution Schedule, you pay for Private Advisor Network services by paying commissions for each transaction in the account at the normal commission rate for such agency transactions and at the normal markup or markdown imposed on your accounts for principal transactions. You are also subject to any other fees associated with standard brokerage accounts, including postage and handling fees, transfer taxes, exchange fees, and any other fees required by law. In addition, if household assets are less than \$250,000, you will be subject to Wells Fargo' annual account fee.

CustomChoice, FundSource and Pathways Program Fees

Fees charged under these three programs are billed quarterly in advance and are deducted directly from your account. These programs are not sponsored by PFS. When fees are negotiable, the main factor is the amount of assets under management, but other factors include your level of service in other PFS programs and the complexity of your overall situation. There is no minimum quarterly fee charged under the FundSource, CustomChoice and Pathways Programs.

The standard fee schedule under the Custom Choice Program is as follows:

- First \$250,000 of assets – 1.75%
- Next \$750,000 of assets – 1.50%
- Over \$1,000,000 of assets – 1.15%

The standard fee schedule under each of the FundSource Programs is 2% with no applicable breakpoints. These fees are negotiable.

Retirement Plans and Plan Participants Advisory Service Fees

Fees for Advisory Services to Retirement Plans and Plan Participants are charged on either a 1) flat fee basis, 2) percentage of a plan's assets, or 3) on a combination of these methods, as agreed to between PFS and the Plan Sponsor. The exact fee charged will depend on the variables, such as the number of participants, the amount of assets in the Plan, the complexity of the situation, the location of the client, and the advisory representative providing services. In the event fees are charged based on the percentage of the Plan assets, the maximum fee charged will not exceed 2.00% annually. The fee charged for reviewing individual Participant accounts is contingent upon the amount of assets held within the accounts being reviewed and the number of accounts being reviewed. In the event fees are charged based on the percentage of the Participant's Plan assets, the maximum fee charged will not exceed 2.00% annually. Participant fees may be paid by the Participant or the Plan Sponsor depending on the agreement between the Plan Sponsor and PFS. Services may be provided on a one-time or on-going basis. Upon execution of a client agreement, the client will have five (5) business days to end services with no penalty (i.e. no fees due or refund of any fees paid in advance). The annual fee may be divided and collected monthly, quarterly, or semi-annually depending on the agreement. In the event the entire annual fee is collected in advance, the fee will be considered earned when paid. In these cases, PFS does not provide a refund if the service is ended after the initial five (5) day period.

The exact fee charged and the billing arrangements will be agreed upon before commencing services. The fee and fee arrangements will be detailed in the client agreement.

Clients shall also incur certain charges imposed by third parties other than us in connection with investments made through a Plan, which are not included in the fee paid to PFS.

Performance-Based Fees

The following performance-based fee schedule should be used as a guideline only. All fees are subject to negotiating at the sole discretion of PFS. PFS may charge a lesser or no management fee based upon criteria such as existing financial planning client relationship, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition or negotiations with the client.

<u>Quarterly Percentage Change in Net Equity</u>	<u>Quarterly Performance Percentage Assessment</u>
0.00% or less	0.00%
Greater than 0.00%	20.00%

The quarterly performance fee shall be based on the net equity increase in market value of your total assets under management with us. The quarterly net equity increase shall be understood to be the percentage difference between the net equity market value of your total assets (plus/minus additions or withdrawals) under our management on the last business day of a calendar quarter compared to the net equity market value of your total assets under our management on the first business day of that same calendar quarter.

We shall not collect a quarterly performance-based fee from you until any previous losses in your accounts have been recovered. Annual management fees shall continue to be assessed regardless of quarterly performance. No increase in our fees shall be effective without prior written notification to you.

Commissions

PFS and its investment advisor representatives licensed as securities agents do receive commissions from the execution of securities transactions, including assets excluded from Advisory Fee billing. In addition, they receive 12b-1 fees from certain investments as outlined in the investments' prospectuses on positions excluded from Advisory Fee billing. 12b-1 fees and trails come from investment assets, therefore, indirectly from client assets. Receiving such fees creates an incentive and conflict for investment advisor representatives to recommend investments with 12b-1 fees and trails over investments that have no fees or lower fees or positions subject to an advisory fee. Furthermore, PFS and its investment advisor representatives licensed as securities agents receive mutual fund sales loads, 12b-1 distribution fees, fixed income security commissions, commissions on managed futures, variable annuity and variable life sales commissions and trail commissions from investments excluded from Advisory Fee billing but placed in a PFS advisory account. These 12b-1 fees are rebated to client accounts if the positions is not excluded from billing.

Off-Platform Investments

Clients have the option to purchase investment products we recommend through other brokers or agents not affiliated with PFS.

Other Fees and/or Costs

PFS adds a markup to the fees noted below assessed by its clearing firm and paid by clients or clients' advisors to compensate PFS for the cost of its resources utilized in processing the transaction(s) and to generate additional revenue for PFS. In addition to the annual management fee, PFS clients will pay transaction charges as set forth below and as may be modified from time to time by PFS or the applicable custodian.

Transaction Charges – Charged Directly to the Client – First Clearing	
Retirement Account Fees	
Annual IRA Maintenance Fee	\$55.00 per year *
Termination Fee	\$95.00 per account *
Non-Retirement Account Fees	
Full Account Transfer Fee	\$95.00 per account *
Inactivity Fee	\$65.00 per year *
UGMA Account Fee	\$45.00 per year *
Alternative Investment Fees	
Outside Assets in IRA Accounts	\$100.00 per position per year
Physical Certificates	
Physical Securities Transfer / Issuance	\$500.00 per position
Rejection of Ineligible Physical Certificates	\$50.00 per position
Replacement of Securities Lost by Customer	\$100.00 + Transfer Bonding per position *
Transfer Agent / Bonding	Usually 3% of Market Value per replacement
DRS Rejection Fee	\$75.00 per item
Safekeeping	\$500.00 * \$150.00 presentment fee for new positions *
Cash Management Service Fees	
Advantage Basic Account	\$0.00 per year
Advantage Standard Account	\$125.00 per year
Debit Card	Included in Standard Account per order
Additional Debit Card	\$10.00 per order
Returned Check Fee	\$25.00 per check *
Check Copies	3 Free - \$15.00 each additional copy
Stop Payment	\$25.00 per order *
Initial Order – Checks	\$0.00 - \$20.00 per order
Reorder Checks	\$9.00 - \$25.00 per order
Corporate Checks	Varies – Call for pricing
Wire Fee – Domestic	\$15.00 per transaction
Wire Fee - International	\$35.00 per transaction *
Transaction / Trade Fees	
No-Load Transaction Fee **	\$25.00 per transaction *
Transaction Charge – Assessed by PFS	\$7.95 per transaction
Option Regulatory Exchange Fee	\$1.25 per contract *

Miscellaneous	
Prepay on Trade	\$15.00 + Margin Rate per transaction *
High Net Worth Financial Review	Call Practice Management
Foreign Securities	Charged at cost per security

* Fees subject to a markup by PFS as described above. ** Not applicable for advisory accounts

The listed fees do not include commissions, other transaction-related fees (if applicable) or advisory fees. Fees may not apply to all account types. Some of these fees may be waived under certain conditions.

Transaction Charges – Charged Directly to the Client - Pershing	
Customer Re-Billable Fees	
Mutual Fund and SRS Exchanges	\$8.00 per exchange
Applicable Transaction Fee	\$7.95
Checking Stop Payment	\$10.00 per event
Returned Checks	\$25.00 per event *
Confirmation Fee	\$9.95 per confirmation *
DK Items	\$25.00 per item *
Margin and COD Extensions	\$25.00 per event *
Margin Schedule	Available upon request
Inactive Account Fees*	
Retail Account Fee	\$50.00 per inactive account, per year *
Mutual Fund Only Accounts	\$25.00 per inactive account, per year *
Reorganization Items - Voluntary	\$50.00 per event
Reorganization Items - Mandatory	\$10.00 per event
Safekeeping	\$10.00 per account, per position, per month
Foreign Securities	\$10.00 per account, per position, per month
<p><i>* Inactive accounts are defined as accounts holding a security position for a calendar year (January 1 – December 31) without generating a.) a trade or b.) a free credit or margin interest of at least \$100. Mutual fund systematic reinvestments and exchanges will be considered a trade. Dividend reinvestment activity is not considered a trade. Inactive fees do not apply to Corestone Gold or Platinum, LoanAdvance, Directed Trust Services, Lockwood and Pershing Managed Accounts Solutions, or retirement accounts where Pershing acts as custodian or servicing agent and collects service fees. Accounts exclusively holding – book entry only fixed income positions, an aggregate FundVest position of 410,000 or more, or a Cash Management Choice – Group 1 sweep balance of \$10,000 per month or more are exempt from this fee. Pershing will exempt 5% of Broker's total inactive account fees. Pershing reserves the right to charge this fee on a pro rata basis for accounts that terminate their relationship with Pershing and upon termination of the Fully Disclosed Clearing Agreement for any reason by either Broker or Pershing.</i></p>	
Transfers	
Legal, GNMA, and Restricted Items	\$135.00 per transfer
Outgoing Account Transfers	\$95.00 per transfer *
Accommodation Transfer	\$120.00 per transfer *
Register and Ship certificate	\$120.00 per transfer *
Direct Registration	\$10.00 per transfer
Wire funds	\$35.00 per wire transfer *
Retirement Account and Savings Account Fees	
IRA, ROTH IRA, Coverdell Education Savings	\$40.00 Maintenance Fee *

Account, and IRS Model	
SARSEP, Prototype SEP, Simple IRA, Money Purchase, Profit Sharing 401(k), and Individual 401(k)	\$50.00 Maintenance Fee
Mutual Fund Only IRA and ROTH	\$10.00 Maintenance Fee
Termination Transfer Fee – all of the above	\$95.00 Transfer Fee
<i>A fee of \$50.00 will apply for conversions to a Mutual Fund Only IRA or Mutual Fund Only ROTH IRA from a Traditional IRA or Traditional ROTH IRA.</i>	
Asset Management Accounts – Corestone Account and Account Payment Program	
Silver Account	\$25.00 waived if cash sweep balances exceed \$25,000
Silver Account Plus	\$100.00
Gold Account	\$100.00
Platinum Account	\$150.00
Corporate Gold Account	\$150.00
Corporate Platinum Account	\$250.00
Checks – Personal (Initial Order)	Waived
Checks – Re-order Silver - Gold - Platinum	\$12.50 - \$10.00 - \$7.50
Checks – Carbon Copy (Initial Order)	\$15.00
Checks – Re-order Silver - Gold - Platinum	\$25.00
Checks – Business (Initial Order)	\$50.00
Checks – Re-order Corp Gold – Platinum	\$40.00
Business Checks Replacement Binder	\$20.00
Returned Checks	\$25.00
Stop Payments	\$25.00
Cash Advance Fee (Non-ATM)	0.25% of principal (\$2.50 minimum)
Copy of Paid Checks or MasterCard Draft	\$2.50
<i>Corestone Gold and Platinum accounts receive free Tax-Lot, PES, and 1099 tax and year-end statements.</i>	
Year-End Reports	
1099 Tax and Year-End Statement	\$2.00 annual fee
Year-End Account Activity Report	\$3.00 per report plus postage and handling
Tax-Lot and Portfolio Evaluation Service (PES)	
Tax-Lot Base Package	\$12.00 per account per year
Online Performance Package	\$24.00
<i>All accounts with a market value greater than \$100,000 will receive the base package free of charge.</i>	
Performance Package with Quarterly Performance reports – Non-Managed Accounts	
Basic package	\$75.00 per account per year
Full Account	\$125.00 per account per year
Alternative Investment Network Platform	
No-Fee Alt Investment Network Platform	Transaction and per position fee waived

Transaction Fee for all others	\$50.00 per position per event
Registered Alternative Investments	\$35.00 per position
Unregistered Alternative Investments	\$125.00 per position

* Fees subject to a markup by PFS as described above.

Transaction Charges – Charged Directly to the Client - Fidelity	
Customer Re-Billable Fees	
UITs	\$30 per order charged to customer
Alternatives Investment Custody – Buy/Sells	\$100 per transaction
Alternatives Investment Custody – Transfers/registrations	\$25 per transaction
Alternatives Investment Custody – Annual Custody Fee	\$50 per position, with a max of \$150 per account
Wire Fee	\$15 (\$30 if cashiering feature not used)
Margin Schedule	Maximum of FABLR + 2.00%
Check reorder	\$6 per order
Overnight Delivery of Checks	\$8 per order
Account Closing Fee – Non-retirement accounts - For full transfers out to another firm only	\$75 per account
Account Closing Fee – IRA and Fidelity Retirement Plans	\$125 per account

ITEM 6 – PERFORMANCE BASED FEES AND COMMISSIONS

As described above in Item 5 – Fees and Compensation, through the Summit Advisory Programs we provide services and are compensated in a way in which we accept performance fees, that is, fees based on a share of capital gains or capital appreciation of your assets. We also provide services and are compensated in a way in which we accept asset-based fees or fees based on the total amount of assets you own.

PFS faces conflicts of interest in managing these accounts at the same time. For example, the nature of a performance fee poses an opportunity for us to earn more compensation than under a stand-alone asset-based fee. Thus, we will be conflicted to favor performance fee accounts over those accounts where we receive only an asset-based fee. One way we may favor performance fee accounts is that we may devote more time and attention to performance fee accounts than to accounts under an asset-based arrangement.

There are other conflicts associated with performance fees that are not as common under an asset-based fee arrangement. Performance fees can encourage unnecessary speculation with your assets to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset-based account. On the other hand, riskier investments historically have a higher chance of losing value. Also, since in a performance fee arrangement an advisor is compensated based on capital gains or capital appreciation, these arrangements could give an investment advisor an incentive to time transactions in a client's account on the basis of fee considerations rather than on what is necessarily in your best interests.

Performance fees can potentially cause us to engage in transactions or strategies which will increase the amount of the performance fees, but which may not increase the overall performance of your account. For example, an account may lose value during a year and no performance fee will be earned. In the following year, we may receive a performance fee for simply recouping losses from the previous year. We control this conflict of interest by using a benchmark (also known as a high-water mark) as detailed in Item 5 of this Brochure. A performance fee may also encourage us to make riskier and more speculative investments. We do not represent that the amount of the performance fees or the manner of calculating the performance fees is consistent with other performance related fees charged by other investment advisers under the same or similar circumstances. The performance fees we charge may be higher than the performance fees charged by other investment advisers for the same or similar services.

We have established policies and procedures to address the various conflicts of interest associated with charging a performance fee:

- PFS investment advisor representatives must devote equal time to the management of performance fee accounts and asset-based accounts.
- Only clients that are able to assume additional risk are solicited to engage in a performance fee arrangement.

- PFS provides such clients full disclosure of the additional risks associated with a performance fee arrangement.
- Performance of client accounts must reach a pre-determined and agreed upon benchmark (or high-water mark).

ITEM 7 – TYPES OF CLIENTS

We provide the advisory services described in this Brochure to individuals, pension and profit-sharing plans, trusts, estates or charitable organizations, and corporations or other business entities.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investing in securities involves risk of loss that investors should be sure they understand and should be prepared to bear.

PFS primarily serves retail investors. Each advisor associated with PFS has the independence to take the approach he or she believes is most appropriate when analyzing investment products and strategies for clients. There are several sources of information that PFS and the advisor may use as part of the investment analysis process. These sources include, but are not limited to:

- Prospectuses and offering materials
- Product and sponsor sales materials
- Sponsor due diligence meetings and product presentations
- Financial publications
- Research materials prepared by others
- Corporate rating services
- SEC filings (annual reports, prospectus, 10-K, etc.)
- Company press releases

As a firm, PFS does not favor any specific method of analysis over another and, therefore, would not be considered to have one approach deemed to be a “significant strategy.” There are, however, a few common approaches that may be used by PFS or your advisor, individually or collectively, in the course of providing advice to clients. **It is important to note that there is no investment strategy that will guarantee a profit or prevent loss.**

Following are some common strategies employed by PFS and its advisors in the management of client accounts:

- **Dollar Cost Averaging (“DCA”):** The technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. DCA is believed to lessen the risk of investing a large amount in a single investment at higher price. DCA strategies are not effective and do not prevent against loss in declining markets.
- **Asset Allocation:** An investment strategy that aims to balance risk and reward by allocating assets among a variety of asset classes. At a high level, there are three main asset classes—equities (stocks), fixed income (bonds), and cash/cash equivalents—each of which has different risk and reward profiles/behaviors. Asset classes are often further divided into domestic and foreign investments, and equities are often divided into small, intermediate, and large capitalization. The general theory behind asset allocation is that each asset class will perform differently from the others in different market conditions.
By diversifying a portfolio of investments among a wide range of asset classes, advisors seek to reduce the overall volatility and risk of a portfolio through avoiding overexposure to any one asset class during various market cycles. Asset allocation does not guarantee a profit or protect against loss.
- **Technical Analysis (aka “Charting”):** A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security’s intrinsic value. Instead, they use charts and other tools to identify patterns that can suggest future activity. When looking at individual equities, a person using technical analysis generally believes that performance of the stock, rather than performance of the company itself, has more to do with the company’s future stock price. It is important to understand that past performance does not guarantee future results.
- **Fundamental Analysis:** A method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security’s value, including macroeconomic factors (e.g., the overall economy and industry conditions) and company-specific factors (e.g., financial condition and management). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security’s current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced =

sell or short). This method of security analysis is considered the opposite of technical analysis.

- **Quantitative Analysis:** An analysis technique that seeks to understand behavior by using complex mathematical and statistical modeling, measurement, and research. By assigning a numerical value to variables, quantitative analysts try to replicate reality mathematically. Some believe that it can also be used to predict real-world events, such as changes in a share price.
- **Qualitative Analysis:** Securities analysis that uses subjective judgment based on nonquantifiable information, such as management expertise, industry cycles, strength of research and development, and labor relations. This type of analysis technique is different from quantitative analysis, which focuses on numbers. The two techniques, however, are often used together.

PFS's portfolios are based on asset allocation concepts and modern portfolio theory. These portfolios are designed to provide long-term, risk-adjusted returns for investors across the risk/return spectrum. Depending on the program and model selected by a client, the program may invest in open-end mutual funds, closed-end funds, ETFs, individual municipal fixed income securities, and individual equity securities managed by PFS's own Investment Management and Research team. When selecting investments for inclusion or removal from the portfolios, the PFS Investment Management and Research team conducts extensive due diligence.

PFS's investment philosophy process has five steps: (1) screening, (2) evaluation, (3) analysis, (4) portfolio construction, and (5) ongoing monitoring:

- **Step 1—Screening:** An initial screening process based on quantitative criteria is used as a starting point for further research. Its purpose is to narrow down the universe of investments that meet PFS's objective criteria.
- **Step 2—Evaluation:** After screening, the investment (or group of investments) under consideration is evaluated by applying a scoring system based on returns that are adjusted to take into account quantifiable risk. The investment is also evaluated based on its peer group ranking, benchmark relative performance, and consistency of investment management style.
- **Step 3—Analysis:** The objective of this step is to build a solid understanding of how the investment operates. During this stage, the Investment Management team spends a great deal of time evaluating the investment's philosophy and process to ensure that they are consistent. After the in-depth quantitative and qualitative analysis is complete, the team meets with the potential investment's key decision makers—either on-site or over the phone—to gain a greater understanding of their process for managing the portfolio.
- **Step 4—Portfolio Construction:** After PFS's portfolio managers have determined that the investment is attractive on a stand-alone basis, they assess how well the investment complements and fits with other portfolio holdings. A review of certain metrics, such as excess-return correlation, is performed to reasonably ensure that holdings will perform as expected in different market environments.
- **Step 5—Ongoing Monitoring:** The portfolios are monitored on an ongoing basis. The Investment Management team continually conducts performance reviews, holdings-based attribution analysis, firm commentary reviews, and conference calls and meetings to determine whether a portfolio is meeting the team's risk-adjusted return expectations and an investment's stated objective.

Risks of Loss

Regardless of what investment strategy or analysis is undertaken, investing in securities involves risk of loss that clients must be prepared to bear; in fact, some investment strategies could result in total loss of your investment. Some risks may be avoided or mitigated, while others are completely unavoidable. Some of the common risks you should consider prior to investing include, but are not limited to:

- **Market risks:** The prices of, and the income generated by, the common stocks, bonds, and other securities you own may decline in response to certain events taking place around the world, including those directly involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.
- **Interest rate risks:** The prices of, and the income generated by, most debt and equity securities may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities generally will decline when interest rates rise and will increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call," or refinance a security before its stated maturity date, which may result in having to reinvest the proceeds in lower-yielding securities.
- **Credit risks:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- **Risks of investing outside the U.S.:** Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent.

Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in

securities issued by entities domiciled in the United States may also be subject to many of these risks.

Your investments are not bank deposits and are not insured or guaranteed by the FDIC or any other governmental agency, entity, or person, unless otherwise noted and explicitly disclosed as such, and as such may lose value.

ITEM 9 – DISCIPLINARY INFORMATION

On June 3, 2015, without admitting or denying the findings, the Firm consented to the sanctions and to the entry of findings (Case number 2014040008801) by FINRA that it failed to transmit 32,636 reportable order entry events (ROES) to the order audit trail system (OATS) on 140 business days. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the rules of FINRA. The firm's written supervisory procedures (WSPs) failed to provide the minimum requirements for adequate WSPs for OATS. The firm was censured and fined \$12,500.00.

On August 25, 2016, without admitting or denying the findings, the Firm consented to the entry of an Order (File No. 3-17502) by the United States Securities and Exchange Commission (the "SEC") Instituting Cease-and-Desist Proceedings, Making Findings, and Imposing a Cease-and-Desist Order (the "order"). The Order states that from September, 2011 to October 1, 2013, in reliance on F-Squared Investment, Inc's ("F-Squared") false statements, Prospera's AlphaSector advertisements falsely stated that F-Squared had assets invested in the AlphaSector strategy from April 2001 to September 2008, and that the track record for these investments had significantly outperformed the S&P 500 Index during the period.

The Order also states that the Firm took insufficient steps to confirm the accuracy of F-Squared's AlphaSector performance data for this period and failed to obtain sufficient documentation to substantiate F-Squared's advertised performance, resulting in the Firm violating Sections 206(4) and 204(a) of the Advisers Act and Rules 206(4)-1(a)(5) and 204-2(a)(16) thereunder. The Order requires the Firm to cease and desist from committing or causing any violation of the above-referenced provisions and to pay a \$100,000 penalty to the SEC. All legal and disciplinary events for PFS and its supervised person can be accessed on the FINRA website at www.finra.org/brokercheck or the SEC website at www.adviserinfo.sec.gov.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

PFS is not and does not have a related company that is a (1) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (2) futures commission merchant, commodity pool operator, or commodity trading advisor, (3) banking or thrift institution, (4) accountant or accounting firm, (5) lawyer or law firm, (6) pension consultant, (7) real estate broker or dealer, or (8) sponsor or syndicator of limited partnerships.

Other Business Activities

PFS, THE BROKER/DEALER

PFS is registered as an investment adviser and a broker/dealer. PFS' registration as a broker/dealer is material to PFS' advisory business because substantially all of PFS' managed accounts are held with PFS' broker/dealer. Depending upon the securities registrations held by each individual advisor, PFS advisors offer a variety of securities and investments to their clients, including, but not limited to, mutual funds, Section 529 college savings plans, annuities, individual stocks and bonds, options, limited partnerships, UITs, real estate investment trusts, alternative investments, and a variety of other securities and insurance products approved for sale by PFS. Several of PFS' principal executive officers and management persons, including PFS' President and Executive Vice Presidents are each individually registered with PFS' broker/dealer. As discussed above in Item 5. Fees and Compensation, and Item 12. Brokerage Practices of this Brochure, PFS' relationship as a broker/dealer presents a variety of material conflicts of interest with its clients. PFS has separate, fully disclosed clearing arrangements with Wells Fargo Clearing Services, NFS, and Pershing.

Other PFS-Related Companies and Material Conflicts of Interest

As part of the investment advisory programs offered to clients, PFS, in its capacity as a broker/dealer, provides brokerage execution services to PFS advisory clients participating in PFS's managed account programs. PFS and its advisors make securities and insurance recommendations to clients (or, in the case of discretionary services, make investment decisions for clients) regarding PFS's investment advisory programs and services. Where permitted by law, PFS and/or your advisor will receive transaction-based commissions, insurance commissions, mutual fund 12b-1 fees, distributor fees, service fees, due diligence fees, marketing reimbursements, revenue sharing, and other payments relating to your investment in or otherwise supporting PFS's or your advisor's activities regarding the securities and insurance products recommended, purchased, or held within your PFS advisory program account or pursuant to the advisory services provided. To the extent PFS is the investment adviser, sponsor, or other service provider to your investment advisory program, PFS receives compensation for its services. Clients should be aware that PFS's or your advisor's receipt of commissions, fees, payments, and other compensation presents a conflict of interest because PFS and your advisor have an incentive to make available or to recommend those products,

programs, or services or make investment decisions regarding investments, that provide additional compensation to PFS or your advisor over other investments that do not provide additional compensation to PFS or your advisor. As a matter of policy PFS credits the mutual fund 12b-1 fees it receives in managed accounts back to the accounts paying such 12b-1 fees unless the position is excluded from billing.

PFS is affiliated with Prospera Life & Annuity Services, Inc. (PLA), an insurance general agency under common ownership with PFS. Prospera Holdings, LLC is the direct owner of PFS and the three owners of Prospera Holdings, LLC directly own PLA. Some of our investment advisor representatives are insurance agents of PLA and some investment advisor representatives are independently licensed as insurance agents. In these capacities, PFS and our investment advisor representatives may recommend insurance products in connection with investment advisory services. You are not obligated to purchase any insurance products through PLA or through our investment advisor representative acting in their individual capacity as an insurance agent. However, when you do purchase such products, commissions for the sale of insurance products from various, unaffiliated, insurance companies are received. Implementing and purchasing of any insurance product is solely at your discretion.

The Firm is also a registered Municipal Advisor. A municipal advisor is a person (who is not a municipal entity or an employee of a municipal entity) that provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, or that undertakes a solicitation of a municipal entity or obligated person.

The Firm is also registered with the NFA as an introducing broker for managed futures.

Some of our investment advisor representatives use Wells Fargo/First Clearing, Fidelity/NFS services, and Pershing and programs through the PFS securities agent's independent investment advisor firm. You are not obligated to purchase any advisory services through our investment advisor representative acting in their individual capacity as an advisor for these additional entities.

Third Party Investment Advisors

As described in Item 4 – Advisory Business and Item 5 – Fees and Compensation, we have formed relationships with independent, third-party investment advisors. When we refer clients to a third-party investment advisor through our programs, we will receive a portion of the fee charged. Therefore, we have a conflict of interest in that we will only recommend third party investment advisors available through the programs described in Item 5 of the Disclosure Brochure.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

PFS and our supervised persons will buy or sell for their personal accounts investment products identical to those recommended to clients. Section 204A-1 of the *Investment Advisers Act of 1940* (Act) requires us to establish, maintain and enforce a Code of Ethics, which we have done. We are considered a fiduciary according to the Act and have a fiduciary duty to our clients. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. This fiduciary duty is considered the core underlying principle for our Code of Ethics which also covers Insider Trading and Personal Securities Transactions Policies and Procedures. We require all supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. At least annually, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with our Code of Ethics. We have the responsibility to make sure that the interests of all clients are placed ahead of our interests or our supervised person's own investment interest. Full disclosure of all material facts and conflicts of interest will be provided to you before any services are conducted. We must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty. This disclosure is provided to give you a summary of our Code of Ethics. However, if you wish to review the Code of Ethics in its entirety, we will provide a copy promptly upon request.

Participation or Interest in Client Transactions

PFS may, at its discretion and in its capacity as a broker/dealer, execute client orders for certain types of securities on a principal basis. We are not a clearing broker/dealer and, while we are authorized to do so, we do not currently maintain an inventory in any securities; however, when certain orders are received, we may execute the order for our proprietary account. When executing from its proprietary account, we may include a mark-up or mark-down, and subsequently bill the trade to the account of the client for which the order was executed. Any additional compensation earned by PFS from a mark-up is in addition to advisory fees charged to clients.

As a broker/dealer, PFS and our investment advisor representatives are also licensed as securities agents to sell securities products for commissions. This could present a conflict of interest in receiving both advisory fees and brokerage commissions. In most situations, the investment advisor representative will waive the brokerage commissions from recommended securities transactions enacted through an advisory program. However, when purchasing fixed-income securities still in syndication, we will receive a commission in addition to any advisory fees paid. As securities agents we receive mutual fund sales

loads, 12(b)-1 distribution fees, variable annuity and variable life sales commissions and trail commissions from investments placed in your advisory account. As a result, there is a conflict of interest.

PFS and our investment advisor representatives licensed as securities agents are able to effect securities transactions for separate and typical compensation for any client requesting these services. Financial planning clients are not obligated to engage us to implement the financial planning recommendations made. The decision to implement any, all or none of the recommendations is solely at the discretion of the financial planning client.

Personal Trading

PFS and our investment advisors will recommend or effect transactions for your accounts in securities in which a PFS director, officer, employee or other related person may also be invested directly or indirectly. This poses a conflict of interest to the extent that transactions in such securities on behalf of PFS clients that will advantage such related persons. However, PFS and its investment advisors are constrained by fiduciary principles to act in your best interests when managing your accounts. We monitor activity in client accounts in an effort to ensure that transactions are appropriate, and any such conflicts are resolved in a manner that is fair and equitable to clients.

ITEM 12 – BROKERAGE PRACTICES

General Overview

PFS renders investment advice to a large majority of its advisory clients on a discretionary basis pursuant to written authorization granted by the client. PFS maintains a primary clearing relationship for the execution of client transactions with WFCS as the account custodian. PFS maintains secondary clearing relationships for the execution of client transactions with Pershing and NFS as the account custodians. In some cases, PFS will approve the use of other account custodians for its advisory accounts. Substantially all of PFS's advisory clients must select PFS as the broker/dealer of record and WFCS as the clearing firm for their PFS managed accounts. WFCS, NFS, and Pershing offer their broker/dealer clients substantial financial strength and stability, economies of scale, and reliable technology.

PFS clients do not generally have the option to direct securities brokerage transactions to other broker/dealers or other account custodians. If, however, a client should request, and PFS approve, the use of a broker/dealer other than WFCS, NFS, or Pershing for securities transaction execution, the client should be aware that PFS will generally be unable to negotiate commissions or other fees and charges for the client's account, and PFS would not be able to combine the client's transactions with those of other PFS clients purchasing or selling the same securities ("batched trades"), as discussed further below. As a result, PFS would be unable to reasonably ensure that the client receives "best execution" with respect to such directed trades. PFS may also be unable to provide timely monitoring of transaction activity or provide the client with quarterly performance reporting and other operational or administrative services.

Not all investment advisers that are dually registered as broker/dealers or that have affiliated broker/dealers require their clients to use the adviser's related broker/dealer to execute transactions. Although PFS is often able to obtain price improvement through its trade executions with WFCS that it believes is beneficial to its clients, PFS's clearing relationship with WFCS provides PFS's broker/dealer with substantial economic benefits by using itself as the broker/dealer and WFCS as the clearing firm for its Summit accounts, or recommending WFCS programs, rather than an unaffiliated broker/dealer. For example, PFS adds a markup to the account charges and fees that are assessed to PFS client accounts as described in Item 5 of this Form ADV. Additionally, PFS receives lowered account administration costs from WFCS when total PFS account values at WFCS reach certain thresholds. PFS also maintains a FDIC sweep program with WFCS as described below. This program creates substantial financial benefits for PFS and WFCS when recommending clients hold cash. PFS's agreement with WFCS also provides that WFCS shall pay to PFS incentive credits for reaching certain net flow percentage asset targets on new assets. This additional compensation received by PFS in its broker/dealer capacity creates a significant conflict of interest with PFS's clients because PFS has a substantial economic incentive to use WFCS as its clearing firm for trade execution and custody over other firms that do not or would not provide these incentives to PFS. WFCS also provides PFS with substantial annual retention payments if PFS maintains its relationship with WFCS. This is a conflict to recommend WFCS as your custodian.

PFS's clearing relationship with Pershing includes an Insured Bank Deposit Program that shares revenue on FDIC client cash balances creating a conflict when PFS recommends a client hold cash positions. This program is described in more detail below. PFS also adds a markup to the account charges and fees that are assessed to PFS client accounts held with Pershing as described in Item 5 of this Form ADV. This additional compensation received by PFS in its broker/dealer capacity creates a significant conflict of interest with PFS's clients because PFS has a substantial economic incentive to use WFCS as its clearing firm for trade execution and custody over other firms that do not or would not provide these incentives to PFS.

Additionally, by using itself as the broker/dealer for its accounts, PFS may be unable to achieve the most favorable execution for client transactions, which may cost clients more money. Further detailed discussion of the substantial economic benefits PFS receives from its relationship with WFCS can be found in this Item 12 and in Item 14. Client Referrals and Other Compensation below. Clients are urged to read and consider the contents of this Brochure carefully and to inquire about PFS's and the advisor's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by PFS and their advisor.

Best Execution

PFS seeks to obtain, through its clearing firms, the best combination of net price and execution when effecting brokerage transactions for client accounts. PFS periodically and systematically reviews WFCS', NFS', and Pershing's brokerage execution quality and PFS's processes to ensure that PFS continues to meet its best execution obligations for its clients.

A number of judgmental factors are utilized by PFS in analyzing overall trade execution quality and its selection of clearing firms. Such factors include, but are not necessarily limited to:

- The nature of the securities being purchased or sold
- Access to market participants, which may be limited due to thin or no trading activity for a particular security
- The size of the transaction
- The speed of the transaction
- The size of the spread
- The ability to obtain price improvement
- The desired timing of the transaction
- The activity existing and anticipated in the market for the particular security
- The execution, clearance, and settlement capabilities of the executing broker/dealer
- The overall trade execution quality of the executing broker/dealer as compared with other leading executing broker/dealers
- The executing broker/dealer's financial stability and industry reputation
- The efficiency and reliability of the executing broker/dealer's systems and technologies
- The quality of PFS's access to the executing broker/dealer's senior management and the executing broker/dealer's responsiveness to PFS
- The extent to which PFS can leverage the strength of its relationship with the clearing broker/dealer to improve overall service and technology

PFS mitigates these potential conflicts to best execution by conducting regular and rigorous reviews of its trading to monitor best execution for its clients.

Aggregation of Trade Orders

Because PFS advisors generally manage their client's accounts independently of one another based on each client's specific needs and objectives, transactions for each client account are often executed independently. When advisors believe it is appropriate or beneficial to do so, however, they will often aggregate the purchase or sale of multiple clients' securities together to help facilitate best execution and provide each client with the same execution price. Aggregating multiple client orders together is particularly useful when PFS or your advisor is utilizing model portfolio management strategies.

When PFS and its advisors aggregate orders, they do so in a manner reasonably designed to ensure that no participating client obtains a more favorable execution price than other clients. When PFS or your advisor aggregates multiple client orders, transactions are typically allocated pro rata to the participating client accounts in proportion to the size of the order placed for each account. PFS or your advisor may increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd lot or small numbers of shares for particular clients. Additionally, if PFS is unable to fully execute an aggregated order and PFS determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, PFS will allocate such securities in a manner determined in good faith to be fair and equitable to the clients involved.

In the event a money manager ("Manager") through the Summit Programs elects to utilize brokers or dealers other than PFS to effect a transaction in a security (commonly referred to as "stepping out" a trade), brokerage commissions, markups and markdowns, and other charges for those transactions are generally charged to the client by the executing broker or dealer, whereas the wrap fees assessed by PFS cover the costs of brokerage commissions and other charges on transactions effected through PFS. Clients in the Summit Program should be aware that, in cases where a Manager engages in step-out trades, the executing broker or dealer may assess a commission markup or markdown or other charge for having executed the transaction, which will be in addition to the wrap fee assessed by PFS. In such cases, the net purchase or sale price reflected on trade confirmations and brokerage statements provided by PFS for those trades will include the cost of brokerage commissions or dealer markups or markdowns charged by the executing broker and paid for by the client. Due to the additional costs often incurred by clients when Managers engage in step-out trades, the Managers that elect to engage in step-out trades will generally cost clients more than those Managers that do not engage in step-out trades. Some Managers have historically directed most, if not all, of their program trades to outside broker/dealers.

In the selection of brokers or dealers to effect transactions, the Manager is expected to comply with its best-execution obligations and consider all relevant factors, including, but not limited to, the speed and efficiency, execution quality, commission rates, and responsiveness of the executing broker or dealer. The Manager may select brokers or dealers that provide the Manager research or other transaction-related services and may cause the client to pay such brokers or dealers commissions or other transaction-related fees in excess of those that other brokers or dealers may have charged, including PFS. Such research and other services may be used for the benefit of the Manager's accounts as and where permitted by rule or regulation.

Managers that specialize in fixed income, international, small-cap, or ETP disciplines may be more likely to trade away from PFS due to market conditions, liquidity, exchange availability, or other factors they consider relevant in satisfying their best-execution obligations to clients.

Clients should understand that PFS does not evaluate whether a Manager is meeting its best-execution obligations to clients when trading away, as it is not a party to those transactions and is not able to negotiate the prices obtained or transaction-related charge(s) assessed between the Manager and the executing broker or dealer. PFS does not discourage or restrict a Manager's ability to trade away.

Clients participating in the PFS SMA/UMA Program should review the respective Manager's Form ADV Disclosure Brochure carefully prior to deciding to do business with any particular Manager. Among other things, the Manager's Brochure must disclose the Manager's conflicts and various sources of compensation, best execution policies and practices, and the costs incurred by clients that result from engaging in step-out trades, among other things. Clients should also discuss the use or intended use of any particular Manager with their advisor, including the Manager's trading practices and the costs that will be borne by the client by choosing to participate in the PFS SMA/UMA Program.

Research and Other Soft-Dollar Benefits

PFS does not use commissions to pay for research and brokerage services (i.e., soft-dollar transactions). Research, along with other products and services other than trade execution, are available to PFS on a cash basis in accordance with the terms of PFS's clearing agreements with NFS and Pershing. Certain product sponsors, including Wells Fargo, Fidelity, NFS, Pershing provide us with other economic benefits as a result of sales activities directed to the sponsors, including but not limited to, financial assistance or the sponsorship of conferences and educational sessions, marketing support, incentive awards, payment of travel expenses, tools to assist us in providing various services to you such as reporting programs and portfolio analysis and directing brokerage transactions in our capacity as a broker/dealer.

WFCS FDIC Sweep Programs ("FDIC")

WFCS offers a FDIC cash sweep program ("Program"). The Program is the core account investment vehicles used to hold your cash balances while awaiting reinvestment for eligible accounts. The cash balance in your eligible PFS accounts will be deposited automatically or "swept" into interest-bearing FDIC-insurance eligible Program deposit accounts ("Deposit Accounts") at one or more FDIC-insured financial institutions including WFCS' affiliate Wells Fargo Bank. The Program creates financial benefits for PFS and WFCS. We will receive revenue sharing from WFCS in connection with the Program (equal to a percentage of all participants' average daily deposits at the Program Banks). Amounts will vary but in no event will this revenue sharing be more than 2.50% on an annualized basis as applied across all Deposit Accounts. The amount of fee received will affect the interest rate paid to customers by the Program Bank. From time to time, if the fee increases, you will receive notification of any such change.

The Program Banks use Program Deposits to fund current and new lending and for investment activities. The Program Banks earn net income from the difference between the interest they pay on Program Deposits and the fees paid to us and the income they earn on loans, investments, and other assets. As noted above, the Program Banks may pay rates of interest on Program Deposits that are lower than prevailing market interest rates that have been paid on accounts otherwise opened directly with the Program Bank. Program Banks do not have a duty to provide the highest rates available and may instead seek to pay a low rate. Lower rates will be more financially beneficial to a Program Bank. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market mutual fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the money market mutual fund's investment objective, which can be found in the fund's prospectus.

The revenue received by PFS may be greater than revenues generated by sweep options at other brokerage firms and may be greater than other core account investment vehicles currently available to you or possible core account investment vehicles that we have used in the past or may consider using in the future. Because of the fees and benefits described above, the Program may be more profitable to us than other available sweep options, if any. Due to this revenue sharing, there is a conflict when PFS recommends client maintain cash in their accounts as opposed to investing in a money market fund. This revenue sharing with PFS may be eliminated or compressed based on declining interest rates.

Pershing Insured Bank Deposit Program (IBD)

The Pershing Insured Bank Deposit Program pays PFS a percentage of the interest earned on client FDIC cash sweep balance. After the participating bank removes its profit, Pershing credits itself a fee and pay the remainder to PFS.

The IBD Banks use IBD Deposits to fund current and new lending and for investment activities. The IBD Banks earn net income from the difference between the interest they pay on IBD Deposits and the fees paid to us and the income they earn on loans, investments, and other assets. As noted above, the IBD Banks may pay rates of interest on IBD Deposits that are lower than prevailing market interest rates that have been paid on accounts otherwise opened directly with the IBD Bank. IBD Banks do not have a duty to provide the highest rates available and may instead seek to pay a low rate. Lower rates will be more financially beneficial to a IBD Bank. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market mutual fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the money market mutual fund's investment objective, which can be found in the fund's prospectus.

The revenue received by PFS may be greater than revenues generated by sweep options at other brokerage firms and may be greater than other core

account investment vehicles currently available to you or possible core account investment vehicles that we have used in the past or may consider using in the future. Because of the fees and benefits described above, the IBD may be more profitable to us than other available sweep options, if any. Due to this revenue sharing, there is a conflict when PFS recommends client maintain cash in their accounts as opposed to investing in a money market fund. This revenue sharing with PFS may be eliminated or compressed based on declining interest rates.

Recommendation of WFCS

For the majority of services we offer, we require accounts be established and held through us as an introducing broker/dealer and generally cleared through WFCS. Both accounts managed by PFS investment advisor representatives and accounts established through a Wells Fargo sponsored program can be established at PFS and cleared through WFCS. However, in limited cases when WFCS cannot accommodate your securities holdings, an account may be established at a broker/dealer you select. Accounts opened through the Summit II Advisory Program are established through Fidelity and accounts opened through the P-Summit and P-Summit Wrap Advisory Programs are established through Pershing (see additional information below).

If you direct us to use of a particular broker/dealer or other qualified custodian, (a) we may not be able to obtain the best prices and execution for the transaction and (b) you may receive less favorable prices than would otherwise be the case if you had not designated a particular broker/dealer or qualified custodian. Further, clients with directed brokerage arrangements are not able to participate in aggregate trades (i.e. block trades) and directed trades may be placed after effecting non-directed trades.

The general requirement to use WFCS is based on the fact that we have established a clearing agreement with First Clearing as our preferred clearing broker/dealer and qualified custodian. The decision to use WFCS is based on past experience, minimizing commissions and other costs as well as offerings or services WFCS provides us that we and our clients may require or find valuable such as online access. You may pay commissions to us and/or WFCS that are higher than those obtainable from other broker/dealers in return for products and services offered through us and WFCS and fee structures of various broker/dealers are periodically reviewed to ensure clients are receiving best execution. Accordingly, while we will consider our rates competitive, they will not necessarily be the lowest possible commission rates for your account transactions.

Through the relationship with WFCS, we receive economic and non-economic benefits, which creates conflicts of interest. These benefits include, but are not necessarily limited to:

- a dedicated service group and a Relationship Manager dedicated to PFS accounts on the WFCS platform
- receipt of duplicate client confirmations and bundled duplicate statements, access to Online Access (through which clients may access their account information over the internet)
- availability of third-party research and technology
- access to a trading desk
- access to block trading which provides the ability to aggregate securities transactions
- allocate the appropriate share amount to client accounts
- the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements)
- electronic download of trades, balances and position information
- access to InfoMax
- access to an electronic communications network for client order entry and account information.

The decision to use WFCS is also directly related to PFS' participation in advisory programs sponsored by Wells Fargo. Wells Fargo Advisors and First Clearing are trade names for the parent company WFCS. Not all Registered Investment Advisors require their clients to direct brokerage to a custodian, and the benefits detailed above create a conflict of interest for PFS to recommend this custodian instead of another. By directing brokerage to this custodian, PFS may be unable to achieve most favorable execution of client transactions, and this practice may cost you more money.

PFS receives certain benefits which create a conflict for it to recommend WFCS. These conflicts include incentive payments predicated on new assets PFS places with WFCS, margin debit balance and cash credit balance profit sharing, sponsorships of PFS conferences, reduced internal account administration fees once we achieve minimum advisory asset levels, shared revenues from lending activities to PFS accounts, the FDIC sweep conflict detailed above, and additional substantial cash payments to maintain business with WFCS over the next few years including retentions cash bonuses, technology credits, cash bonuses for recruiting new advisors to the WFCS platform and cash payments if advisors from Wells Fargo do not transfer to PFS, and includes a termination fee if we remove our business from WFCS. While clients may receive beneficial rates at WFCS, there is a conflict for PFS to recommend lending activities for its clients through WFCS or any other lender where PFS shares in the interest revenue or uses the proceeds to purchase products we profit from such as in the case of insurance premium financing.

Recommendation of Fidelity and National Financial Services

For accounts established through the Summit II Advisory Program, we use the services of Fidelity Institutional Wealth Services Group. While there is no direct linkage between the investment advice you are given and our participation in the Fidelity Institutional Wealth Services Group program, we receive economic benefits which would not be received if we did not give investment advice to clients but which create material conflicts of interest.

These benefits include:

- a dedicated trade desk that services Fidelity Institutional Wealth Services Group participants exclusively
- a dedicated service group and an account services manager dedicated to PFS accounts on the Fidelity platform
- access to a real-time order matching system
- ability to “block” clients’ trades
- electronic download of trades, balances and position information
- access, for a fee, to an electronic interface with Fidelity Institutional Wealth Services Group’s software
- duplicate and batched client statements, confirmations and year-end summaries, and the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements)
- availability of third-party research and technology
- a quarterly newsletter
- access to Fidelity mutual funds
- access to AdvisorChannel.com (internet access to statements, confirmation and transfer of asset status)
- access to Account View (through which clients may access their account information over the internet via Advisor’s web site)
- access to over 350 mutual fund families and 4500 mutual funds not affiliated with Fidelity, of which over 2,000 have no transaction fees
- ability to have loads waived for our clients who invest in certain Fidelity loaded funds when certain conditions are met and maintained
- the ability to have custody fees waived (when negotiated by us and allowed under certain circumstances).

In addition, brokerage, custodial, administrative support, recordkeeping and related services will be provided that is intended to support us in conducting business and in serving the best interests of our clients. The benefits received through participation in the Fidelity Institutional Wealth Services Group program do not depend upon the amount of transactions directed to or amount of assets managed through Fidelity Brokerage Services, Inc. Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity’s commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

PFS is not an affiliated company of NFS or Fidelity. Not all Registered Investment Advisors require their clients to direct brokerage to a custodian, and the benefits detailed above create a conflict of interest for PFS to recommend this custodian instead of another. By directing brokerage to this custodian, PFS may be unable to achieve most favorable execution of client transactions, and this practice may cost you more money.

Recommendation of Pershing LLC

Accounts managed by PFS investment advisor representatives can be established at PFS and cleared through Pershing LLC, a registered broker/dealer, member FINRA/SIPC.

We established a dual-clearing agreement with Pershing in 2013 to act as our clearing broker/dealer and qualified custodian for certain advisors of our firm. The decision to include Pershing in our clearing arrangements is based on past experience, minimizing commissions and other costs as well as offerings or services Pershing provides us that we and our clients may require or find valuable, such as online access. You may pay commissions to us and/or Pershing that are higher than those obtainable from other broker/dealers in return for products and services offered through us and Pershing. Commission and fee structures of various broker/dealers are periodically reviewed to ensure clients are receiving best execution. Accordingly, while we will consider our rates competitive, they will not necessarily be the lowest possible commission rates for your account transactions.

Through the relationship with Pershing, we receive economic and non-economic benefits, which create material conflicts of interest. These benefits include, but are not necessarily limited to:

- a Relationship Manager and phone line dedicated to PFS accounts on the Pershing platform
- receipt of duplicate client confirmations and bundled duplicate statements, access to Online Access (through which clients may access their account information over the internet)
- availability of third-party research and technology
- access to a trading desk for entitled employees

- access to block trading which provides the ability to aggregate securities transactions
- allocate the appropriate share amount to client accounts
- the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements)
- electronic download of trades, balances and position information
- access to NetX360
- access to an electronic communications network for client order entry and account information.

The decision to use Pershing is also directly related to our future participation in advisory programs sponsored by Pershing. Not all Registered Investment Advisors require their clients to direct brokerage to a custodian, and the benefits detailed above create a conflict of interest for PFS to recommend this custodian instead of another. By directing brokerage to this custodian, PFS may be unable to achieve most favorable execution of client transactions, and this practice may cost you more money.

PFS is not an affiliated company of Pershing. Not all Registered Investment Advisors require their clients to direct brokerage to a custodian, and the benefits detailed above create a conflict of interest for PFS to recommend this custodian instead of another. By directing brokerage to this custodian, PFS may be unable to achieve most favorable execution of client transactions, and this practice may cost you more money.

PFS receives certain benefits which create a conflict for it to recommend Pershing. These conflicts include margin debit balance and cash credit balance profit sharing, sponsorships of PFS conferences, reduced internal account administration fees, and the IBD conflict detailed above.

Aggregation of Client Orders

Transactions implemented by PFS for client accounts are generally affected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and we use it when we believe such action may prove advantageous to our clients. When we aggregate client orders, we allocate securities among client accounts on a fair and equitable basis. Typically, the process of aggregating client orders is done to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed by the PFS investment advisor representative for each client account on any given day. If an aggregated order is unable to be filled completely, the filled portion of the transaction will be re-allocated on a random basis. When PFS aggregates client orders for the purchase or sale of securities, including securities in which an associated person will invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* We do not receive any additional compensation or remuneration as a result of aggregation.

ITEM 13 – REVIEW OF ACCOUNTS

PFS investment advisor representatives are charged with providing all investment advice and conducting on-going reviews of all accounts for your accounts. PFS investment advisor representatives are also in charge of selecting and/or recommending money managers to you.

Your investment advisor representative regularly reviews your accounts, preferably quarterly but no less often than annually. More frequent reviews may be triggered in the event of changes in market conditions, money manager personnel, management style, or fund closures. Your investment advisor representative is available to discuss the management and performance of your account and changes in your situation which may have an impact on how your account is managed. Account portfolios with individual equity securities and fixed income securities are reviewed on a more frequent, on-going basis.

Your assets that are managed by money managers are reviewed and monitored by the selected money manager. The frequency of reviews conducted by money managers will vary from manager to manager, but typically reviews are conducted at least quarterly. Triggering factors for changes to underlying portfolios within a money manager portfolio include the relative valuation changes between asset classes, deviation from management style by manager, or fund closures.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Client Referrals

PFS and its investment advisor representatives may enter into arrangements as and/or with individuals ("Solicitors") who will refer clients that may be candidates for investment advisory services. In return, we agree to compensate or be compensated as the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with PFS. Compensation to the Solicitor may be an agreed upon percentage of the PFS investment advisory fee or a flat fee, depending on the type of advisory services PFS provides to the referred client and the agreed upon compensation arrangement between us and the Solicitor. Our referral program will be in compliance with federal and state regulations (as applicable). The solicitation/referral fee is paid pursuant to a written agreement retained by both PFS and the Solicitor. The Solicitor will be required to provide the client

with a copy of our Part 2 and a Solicitor Disclosure Document at the time of solicitation. The Solicitor is not permitted to offer any investment advice on behalf of Advisor.

Additional Compensation

PFS investment advisor representatives that are also licensed as insurance agents receive commissions and other incentive awards for recommending and/or selling of annuities and other insurance products. These commissions and additional compensation create a conflict of interest and could affect the judgment of these individuals when making recommendations.

Non-Purpose Loan Program

PFS offers a non-purpose loan ("NPL") program that enables clients to collateralize certain accounts to obtain secured loans through WFCS or banking institutions that participate in the program. PFS receives third-party compensation from program participants based on the amount of the outstanding loan. This compensation is a conflict of interest since PFS has a financial incentive to recommend clients utilize NPLs. Clients are not required to use the NPL program and can work directly with other banks to negotiate loan terms or obtain other financing arrangements.

ITEM 15 – CUSTODY

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding your funds and securities but also if we have the ability to access or control those funds or securities. Accordingly, we are deemed to have custody and to have and implement proper procedures.

The custody situations we encounter are limited to the following conditions: (1) We may deduct fees from advisory accounts, (2) funds may be issued directly from your custodian account, and (3) some PFS investment advisor representatives may have power of attorney or trustee duties for clients. For those accounts in which PFS has custody, the firm has established the following procedures to ensure compliance with the SEC's Custody Rule.

- Your funds and securities are held with a qualified custodian, such as First Clearing, Fidelity/National Financial Services, or Pershing, in a separate account in your name.
- You must direct that we establish an account for you including written awareness of the qualified custodian's name, address and the manner in which your funds or securities are maintained.
- Finally, we have contracted with an independent, third-party accounting firm to perform an annual, surprise examination verifying the location of client funds and securities. The accounting firm's report is available through the SEC's Investment Adviser Public Disclosure page at www.adviserinfo.sec.gov. You can view our information on this website by searching for "Prospera Financial Services" or searching by our firm's CRD number (10740) or our SEC number (801-65845).

You will receive statements at least quarterly from First Clearing, Fidelity/National Financial Services, or Pershing, or from the selected qualified custodian at which your accounts are maintained. In addition, you may receive annual or more frequent performance reports from our custodians or a third-party money manager. You should carefully review these statements and are urged to compare the statement against reports received from us or from your investment advisor representative. If you have questions about your account statements, please contact us or the qualified custodian shown as preparing the statement.

ITEM 16 – INVESTMENT DISCRETION

Discretionary

When PFS manages a discretionary account, we require written authority to determine which securities and the amounts of securities that are bought or sold. This authority is limited by your stated investment objectives, guidelines and restrictions, and by our fiduciary obligation to act in your best interests. We monitor advisory accounts periodically for consistency with these limitations. Depending on the Wells Fargo or other sub-advisor program for which you contracted, PFS investment advisor representatives also have discretionary authority to select and remove third-party investment advisors and/or money managers. Any limitations on this discretionary authority shall be included in this written authority statement. You may change/amend these limitations in writing. Although commissions are normally waived in advisory accounts, PFS investment advisor representatives that are also securities agents have the ability to charge commissions when implementing transactions. In addition, we have the ability to set commission rates on a discretionary basis. In determining the amount of commissions that will be charged, the PFS securities agent will take into account FINRA's 5% guideline policy, the type of security involved, the availability of the security in the market, the price of the security and the amount of money involved in the transaction. PFS investment advisor representatives that are also securities agents have the discretion to determine the amount of commission that will be on products

other than mutual funds, insurance products, or alternative products. In addition, the PFS investment advisor representative may be charged ticket charges when implementing transactions, the cost of which may be passed on to you at their discretion for certain account types other than ERISA. Overage charges in PIM are billed at PFS's cost to eliminate any conflict from Discretionary PIM recommendations.

Non-Discretionary

If you decide to grant trading authorization on a non-discretionary basis, we are required to contact you before implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis and you are unable to be reached or are slow to respond to our request, such delay can have an adverse impact on the timing of trade implementations and we may not achieve the same execution price.

ITEM 17 – VOTING CLIENT SECURITIES

PFS does not vote proxies or consider any other corporate actions on your behalf. We shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held by you. You retain the authority and responsibility for, and we shall be expressly precluded from rendering any advice or taking any action with respect to, the voting of any such proxies. Certain accounts may permit you to direct proxy ballots to a designated third-party (such as your attorney) or other outside vendor.

Accounts managed by an outside sub-advisor not affiliated with PFS may grant that sub-advisor the right to vote proxies. Other than these style accounts, you will receive proxies directly from the account custodian or investment transfer agent. Although we do not vote your proxies, feel free to contact your investment advisor representative if you have a question about a particular proxy. Likewise, PFS does not advise or act for you in any legal proceedings, including class actions or bankruptcies, or notify you of such events, involving securities purchased for or held in your account. You (or your legal agent) then have the sole responsibility for taking or not taking any action regarding these legal matters.

ITEM 18 – FINANCIAL INFORMATION

This item is not applicable to this Brochure. PFS does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.