



## **MANAGED ACCOUNT PROGRAMS**

**PruStrategist Portfolios®**

**PruChoice®**

**PruUMA®**

## **FINANCIAL PLANNING SERVICES**

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

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

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

September 2021

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## ITEM 2 – MATERIAL CHANGES

This Brochure is dated September 2021. The following information provides a summary of material changes that have been made to this Brochure since the annual update in March 2021. Capitalized terms used but not defined in this section are defined in the body of the Brochure. The following is only a summary of the material changes to this Brochure and is qualified by reference to the full discussion in the Brochure. We urge you to read the full Brochure and invite you to call us with questions at 1-800-235-7637.

### Updates regarding Revenue Share

We are making important changes to mitigate the conflicts of interest associated with revenue share. The term “revenue share” refers to a third party firm sharing with PFPS (or with its affiliates) a portion of that firm’s profits from providing services to a common client. Revenue share presents a conflict of interest because the higher the fees you pay to a firm, the lower your investment returns and the greater the revenue that is available to share with us. We use the capitalized term “Revenue Share” when the revenue being shared with us (or our affiliates) is attributable to recommendations we make as an investment adviser (e.g., for a Program Account or in a financial plan).

Effective July 2021, our affiliate PIMS no longer receives Revenue Share from NFS on Assets in your Program Account. The important change eliminates our financial incentive to favor certain Funds, share classes or families of Funds over others that generated less or no Revenue Share to PIMS. It also eliminates our incentive to favor Model Providers and IARs that use those Funds, share classes or families of Funds.

Effective immediately, Pruco Securities no longer receives Revenue Share from NFS on Assets in the bank deposit sweep option held by advisory clients. Previously, Pruco Securities collected Revenue Share held on Assets in the bank deposit sweep program in non-qualified Accounts. Stopping the Revenue Share eliminates our financial incentive to recommend or cause advisory clients to use the bank sweep in any Program Account, but does not eliminate all conflicts. We still have an incentive, in our role as introducing broker, to maximize the revenue share we earn on brokerage accounts by directing NFS to pay a lower interest rate on the bank deposit sweep option. Because the same interest rate applies to advisory accounts, our decision to pay lower interest rates on brokerage accounts results in you earning less interest on the bank sweep in your Program Account. Even though we have directed NFS not to pay the Revenue Share to us, NFS does not rebate that amount to advisory clients.

### Changes regarding our Investment Process

**PSP:** PFPS’ Registered Investment Advisory Committee (“Committee”) is enhancing its investment process for adding Strategies available for IARs to recommend in PSP. Historically, the Committee approved each Model Provider when added to PSP and the Committee reviewed, but did not approve, the individual Strategies. Going forward, the Committee will approve each Strategy constructed by a Model Provider prior to making the Strategy available for IARs to recommend in PSP. The Committee will continue its practice of not approving the individual Funds that Model Providers select when constructing each Strategy.

**PruUMA:** Similar enhancements are being implemented for the investment process in PruUMA. Historically, the Committee reviewed, but did not approve, the individual Separately Managed Account(s), Funds and equities that would be made available in PruUMA. Going forward, the Committee will approve each addition of a Separately Managed Account, Strategy or Fund prior to it being included in the menu of Funds that IARs can select when personalizing your asset allocation model. The Committee will continue its practice of not approving the individual Funds held within the Strategies, each individual equity position in the sub-portfolio managed by your IAR, and the individual Funds and securities held within the Separately Managed Accounts.

Importantly, please note that certain Separately Managed Accounts will hold a combination of Funds and individual securities. You pay an additional, second level of fees on any portion of your Account that invests in Funds, including any portion of a Separately Managed Account that invests in Funds. This second level of fees is paid indirectly as a shareholder in the Fund and reduces your investment returns. To determine whether your Separately Managed Account holds one or more Funds, please consult your IAR.

When a Separately Managed Account holds one or more mutual funds, the Model Provider (not the Committee) selects the share class of each mutual fund to be used in the Separately Managed Account. However, the Committee will take into consideration, when selecting and retaining a Separately Managed Account, whether the Model Provider uses the lowest cost share class. The cost of any particular share class used by a Model Provider is not determinative. The Committee expects to approve a Separately Managed Account that does not use the lowest cost share class if justified by the potential upside opportunity (such as access to a Separately Managed Account that is not offered using the lowest cost share class). Going forward, we will review the share class selection practices of a Model Provider that uses mutual funds in a Separately Managed Account initially (when added to PruUMA) and semi-annually thereafter.

**PruChoice:** Important changes are also underway in PruChoice. Effective September 1, 2021, the Committee's procedures require Committee approval of all Funds before they can be added to the menu of Funds available for IAR recommendation to clients in PruChoice. PFPS also engaged PMC, a division of Envestnet, as the primary due diligence provider to review Funds in PruChoice. Historically, PFPS engaged its affiliate, SIRG, as the primary due diligence provider for PruChoice. Replacing SIRG with PMC mitigates certain conflicts, including SIRG's incentive to evaluate Proprietary Funds more favorably than unaffiliated Funds. The Committee will continue to receive due diligence from SIRG until mid-2022 for certain Funds in PruChoice that have not been covered historically by PMC.

The retention of PMC as the due diligence provider for PruChoice resulted in an increase in the number of mutual funds and ETFs available for IARs to recommend in PruChoice, because PMC evaluates many Funds that were not previously considered for PruChoice. PMC continues to evaluate these Funds for PruUMA, and the addition of these Funds to PruChoice will more closely align its menu to the menu of Funds in PruUMA. The level of due diligence that PFPS engages PMC to perform depends on whether the Fund is on the list that PMC approves for third-party wrap program sponsors (referred to as PMC's approved list). For Funds on PMC's approved list, PMC performs active monitoring on an ongoing basis, via quantitative or quantitative and qualitative processes, as described in Envestnet's Form ADV disclosure brochure. For Funds not on PMC's approved list, PFPS engages PMC to perform a more limited quarterly review, with a less comprehensive written analysis in its annual assessment.

The Committee sets the investment standards for selection and retention of Funds. In PruChoice, the Committee uses a standard, for selection, that is the same as the standard that PMC applies in constructing its approved list of Funds platforms. However, for retention, the Committee uses an investment standard that is lower than the standard for inclusion on PMC's approved list. As a result, Funds currently approved by the Committee for PruChoice will continue to be available for investment in PruChoice even though they do not satisfy PMC's investment criteria for other third party platforms.

Setting a lower standard than PMC's approved list for retention allows the Committee to retain Funds that were included in PruChoice Accounts prior to PFPS engaging PMC as the primary due diligence provider for PruChoice. If the Committee were to adopt PMC's standards for retention (not just for selection), PruChoice clients would be required to liquidate, with potential tax consequences (for taxable Accounts), their positions in any Fund not on PMC's approved list. In deciding which non-approved Funds to retain in PruChoice, the Committee gave preference to Proprietary Funds, Funds that complement the investment line-up and Funds that are the most popular in PruChoice (e.g., based on the number of clients or Assets invested in a Fund). In particular, the Committee's investment standard permits the retention of Proprietary Funds that do not satisfy PMC's investment criteria for other third party platforms.

The Committee has an incentive to set its investment standards at a level sufficient to retain Proprietary Funds, even if that permits Funds that do not meet the standards for inclusion on PMC's approved list. Prudential earns additional fees and enjoys reputational benefits on Assets invested in Proprietary Funds. (PFPS offsets the additional fees on Assets in Proprietary Funds by reducing each client's Program Fee by a credit equal to 75 basis points on all billable PruChoice Assets. The credit applies without regard to whether the Account invests in Proprietary Funds. Because PFPS gives the credit on all billable PruChoice Assets, the credit exceeds these additional fees historically for each client. However, the credit does not mitigate the Committee's incentive to retain Assets in Proprietary Funds, because the fees that PFPS' affiliates receive on Proprietary Funds allow us to recoup, as a company, more of the 75 basis point credit.)

When the Committee's criteria are consistently applied to all Funds in PruChoice, there will be a higher concentration of Proprietary Funds among the available Funds that are not "approved" by PMC for recommendation to third-party sponsors. In setting a standard for PruChoice that is different from the standard PMC employs for other third-party sponsors, the Committee considers PFPS' familiarity with PGIM Investments' investment process, as well as its risk and compliance

philosophy, as well as its preference for Proprietary Funds. For this reason, Proprietary Funds remain in PruChoice in larger percentages than unaffiliated Funds with similar qualitative and quantitative performance measures. The Committee also considers the difference between setting a lower standard for retention, than for selection, of a Fund. A lower standard for retention can provide flexibility for PruChoice clients that could be adversely affected by liquidating a particular Fund holding due to transaction costs or tax consequences (for taxable Accounts) or other considerations that a client and his or her IAR would take into account. The flexibility also provides PruChoice clients the option of remaining invested in their current Fund while taking additional time to consider the many alternative Funds added to PruChoice in June 2021.

Until the Committee decides to remove a Fund, PFPS does not require its IARs to recommend an alternative Fund to their clients. The Committee will promptly remove any Fund, including a Proprietary Fund, that receives a negative analyst review from PMC or that Envestnet identifies as no longer available (both of which are separate from PMC's decision to not include the Fund on the approved list). For a description of the removal process, please refer to "Termination of a Model Provider or Fund; Requests to Change Your Account" in the Brochure. You can remain invested in a Fund, including a Proprietary Fund, that does not meet the standards for inclusion on PMC's approved list, but is listed as "available" for investment, until your IAR reviews your Account and reaches the conclusion that moving to an alternative Fund is in your best interests. IARs typically review Accounts annually, as described in "Review of Accounts." When refreshing their investment recommendations, IARs have a fiduciary duty to recommend an alternative Fund (be it a Proprietary Fund or an unaffiliated Fund) if retaining the existing Fund is no longer in your best interest. Please refer to the Brochure for information about the differences in PFPS' standards for selection and retention of IARs (relative to other Model Providers who recommend Funds) and about the conflicts of interest that could, consciously or unconsciously, influence your IAR's recommendations.

## **Other Important Updates**

***Compensation of your Financial Professional:*** As an employee of Prudential, your financial professional has an incentive to sell you an affiliated product over an unaffiliated product in order to maximize Compensation to PFPS and our affiliates. Your financial professional also has an incentive to favor affiliated products in some cases. Your financial professional's commission generally is greater when selling the approved Prudential product, over the approved unaffiliated product, in the same product category for certain product categories (such as life insurance) but not others (such as variable annuities). These indirect and direct financial incentives present a conflict of interest but do not affect your financial professional's obligation to only recommend products that are in your best interest under applicable law, including the regulations promulgated by the Department of Labor (with respect to Accounts for which PFPS is an ERISA fiduciary).

***Non-Purpose Loans:*** If you use your Program Account to secure a non-purpose loan, PFPS receives Compensation from the third-party lender at an annualized rate equal to 0.50% (50 basis points) of the balance of the outstanding loans, less any reduction in the interest rate that Pruco asks the third-party lender to charge clients. Currently, Pruco Securities retains the full 0.50% of the outstanding balance. This presents a conflict because, if Pruco Securities were to agree to a lower fee rate, clients would receive a corresponding reduction in interest rates. Pruco Securities does not offer clients the option of using a Program Account to secure a financing arrangement with a different lender of the client's choosing. This presents a conflict, as we benefit from our clients using the third-party lender that we make available through the Programs over other lenders which may charge lower interest rates (but pay Pruco Securities less or no fees on outstanding balances). For important information about other conflicts associated with non-purpose loans, please refer to our Brochure.

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## ITEM 4 – SERVICES, FEES AND COMPENSATION

### I. INTRODUCTION

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

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

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

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

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

PFPS offers fee-based financial planning services through its IARs. We refer to an IAR as a “Planner” throughout this Brochure when the IAR is providing financial planning services, although certain IARs do not use the “Planner” title. Planners also offer educational seminars and workshops on financial-planning-related topics.

At the end of our fiscal year, December 31, 2020, PFPS had approximately \$9,862,484,412 of nondiscretionary assets under management and approximately \$1,373,450,575 of discretionary assets under management.

#### A. Selection of a Financial Professional

Different IARs can assist you in different ways. Not all IARs will offer financial planning services or all Programs discussed in this Brochure, and, when considering advisory products for you, your IAR will only consider the Programs and planning services offered by PFPS. If your IAR is also licensed as a registered representative of Pruco Securities (i.e., a registered representative of a broker-dealer) or a licensed agent of a Prudential insurance company or of an unaffiliated insurance company that has executed a selling agreement with Pruco Securities, then, acting in that capacity, he or she may also offer you brokerage or insurance products, which are not described in this Brochure. If your IAR determines that a Program he or she does not offer is in your best interest, he or she will either refer you to another IAR that does offer that Program or recommend another Program to you.

*Virtual and Traditional IARs.* When selecting an IAR, you should consider the complexity of your financial needs and your personal preferences for communication. Most clients prefer to work with an IAR that is accessible for in-person meetings at some point. Some clients are comfortable communicating with their IAR exclusively via electronic channels (i.e., telephone, email, chat, website or other electronic medium). For these clients, a “virtual” IAR may be appropriate and could allow you to invest in PSP at lower cost, as described in “PSP Client Fee.” Clients also may prefer to use a virtual IAR because they are compensated by a salary, while other IARs are compensated by the traditional system of commissions and fees applicable to insurance agents, broker-dealer representatives and IARs. Please see “COMPENSATION OF YOUR IAR AND PLANNER” for information about the conflicts of interest associated with how we compensate your IAR, virtual IAR or Planner for their services.

The principal drawback of using a virtual IAR is the more limited product offering. Virtual IARs can only offer PSP (and, in their capacity as an insurance or brokerage representative, a limited number of insurance products and variable annuities). If your virtual IAR recommends, or if you request, a different advisory service (i.e., PruChoice, PruUMA or financial planning) or a brokerage or insurance product the virtual IAR does not offer, you will not be permitted to continue using a virtual IAR for any services. For example, virtual IARs are directed to refer you to a full-service IAR if, at any point in your relationship, the virtual IAR determines that PruChoice or PruUMA is in your best interest. PFPS will replace your virtual IAR with a traditional IAR that can meet all your advisory, brokerage and insurance needs holistically in a single relationship. Transitioning to a new IAR can be disruptive once you have established a relationship with your virtual IAR.

Because of the more limited product offering, virtual IARs are not appropriate for clients with more complex financial needs. Also, use of a virtual IAR is less personal. For some clients, this can result in lower quality of service and advice than if you also had met your IAR in person.

To learn more about our virtual IARs, please call 844-939-0490.

## **B. Selection of an Advisory Service**

At the beginning of your relationship with us, you will discuss with an IAR, among other things, your personal and financial situation, goals and objectives; risk tolerance; anticipated personal and financial needs; and the attributes/features/benefits (i.e., guaranteed income, tax deferred growth, death benefit guarantees, etc.) that are important to you in meeting your needs. As part of this process, you will also answer questions in a Risk Tolerance Questionnaire (“RTQ”) about your investment objectives for the Assets, time horizon and risk tolerance. The IAR will create a profile for you reflecting your responses.

Your IAR will then discuss the costs and expenses of the options that are available to you and work with you to assess which product types are in your best interest, including whether a Program or a financial plan would be appropriate and could assist you in meeting your investment needs for your Assets. If your IAR determines that a Program, service or product he or she does not offer is in your best interest, he or she will refer you to another IAR that does offer that Program, service or product. Alternatively, your IAR will choose to recommend another Program, service or product to you. Please see “COMPENSATION OF YOUR IAR AND PLANNER” for information about the conflicts of interest that affect your IAR’s recommendation or referral.

If your IAR determines a Program is in your best interest, your IAR uses your RTQ to recommend options within the Program that best align with your investment objectives, time horizon and risk tolerance for your Assets based on your financial needs and circumstances as well as the information you provide in the completed RTQ. You will decide whether you should participate in a Program and whether the recommendation to participate is suitable for your investment objectives, risk tolerance and time horizon for your Assets. In PruChoice, you also are responsible for deciding whether to accept your IAR’s individual investment recommendations. After you make your choices, a Statement of Investment Selection (“SIS”) is generated. The SIS outlines, among other things, your risk tolerance for the Assets, your planned initial investment amount, any reasonable investment restrictions you request for the Assets, the wrap fee you will pay (“Client Fee”), and the Program options selected.

It is your responsibility to furnish your IAR with complete and current information about your personal and financial circumstances, goals and preferences. The information you provide to your IAR should be accurate because it will be the basis for the recommendations and advice you receive, including any financial planning analysis. Neither



PFPS nor your IAR independently verifies the information you provide. We do not automatically take into consideration other information you provide or make available to us, or our affiliates, in connection with other Prudential products and services. You are responsible for furnishing all information to your IAR that you would like PFPS to consider in formulating its investment recommendations.

### **C. Program Considerations**

The Programs are designed for clients who prefer to pay an annual fee based on total assets under management. They generally are more appropriate for investors with an intermediate to long-term investment time horizon. You should consider whether a Program is appropriate in light of, among other things: the costs and potential benefits; your need and desire for professional money management service; whether you are comfortable giving investment discretion to a professional money manager (as in PruUMA and/or PSP) or to your IAR (as in PruUMA) or would prefer to make your own decisions (as in PruChoice); your investment objectives, risk tolerance and time horizon for the Assets; your financial circumstances; and whether investing in securities is appropriate for you. Because the Account is intended for use only with your Assets, the risk profile and investment objective designated for your Account must substantially align with the risk tolerance and investment objective in your SIS for that Program.

When your SIS and the Account do not align, initially or at a later time, the Account's designations will be updated to match as closely as possible to the SIS.

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

## **II. PROGRAM SERVICES**

### **A. PruStrategist Portfolios**

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

Each Model Provider recommends Funds, available through Envestnet and National Financial Services, LLC ("NFS"), to Envestnet for a Strategy. Envestnet implements these recommendations and periodically updates and rebalances the Strategy according to the Model Provider's recommendations. PFPS may, from time to time, replace existing Model Providers or add other Model Providers available through Envestnet and NFS and cannot guarantee that a Strategy will always be available. PFPS's Registered Investment Advisory Committee (the "Committee") makes the final decision on which Strategies and Model Providers will be available in PSP, but limits its consideration to Strategies and Model Providers that Envestnet pre-screens and approves for the Committee's consideration subject to certain exceptions as described in "Envestnet and PMC." The Committee approves the Strategists and Strategies available in PSP, but not the specific Funds available in the Strategies. Please refer to Envestnet's Brochure for additional information regarding the arrangements Envestnet has with Model Providers available through its platform and made available to wrap fee program sponsors, such as PFPS. Envestnet refers to a Strategy as a "Model" in its Brochure.

In constructing Strategies, certain third-party Model Providers give preference to Funds that are advised, sponsored or distributed by that Model Provider's affiliates ("Model Provider Funds"), even when a similar Fund is available

with lower costs or better performance. Please see “Third-Party Model Providers” for information about this conflict of interest. It is our expectation that, other than PGIM Models (defined below), Model Providers are unlikely to use Proprietary Funds in PSP.

The Committee makes Strategies provided by Portfolio Management Consultants (“PMC”), a division of Envestnet, available in PSP and PruUMA. Please see “Envestnet and PMC” for information about our incentive to select and retain these Strategies over other Strategies. PFPS and Envestnet also make available in PSP Strategies created by PGIM Investments LLC (“PGIM Investments”), an affiliate of PFPS (“PGIM Models”). PGIM Investments primarily uses Proprietary Funds in the PGIM Models unless there is no Proprietary Fund consistent with the desired asset allocation or investment strategy for the PGIM Model or, in PGIM Investments’ discretion, a different mutual fund or exchange-traded fund is preferred. As a result, PGIM Models typically include Proprietary Funds even when a similar Fund is available with lower costs or better performance. PGIM Models are expected to consist of at least a majority of Proprietary Funds but can consist of up to 100% Proprietary Funds. In creating the PGIM Models, PGIM Investments’ and PFPS’ affiliate, QMA, LLC, provides certain services, such as asset allocation, to PGIM Investments. For additional information on the construction of the PGIM Models, please see PGIM Investments’ Brochure.

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

The PGIM Models are subject to different considerations than are other Strategies and Model Providers that are included in PSP. Given the affiliated relationship between PFPS and PGIM Investments, the PGIM Models are not subject to the same reviews as Strategies provided by unaffiliated Model Providers included in PSP. Instead, PGIM Investments was identified, on the basis of its affiliation with PFPS, to provide the PGIM Models to be made available in the PSP program. Moreover, unlike other Strategies made available in PSP, the PGIM Models are not included on PMC’s approved list of Model Providers to third-party wrap fee program sponsors (although they have recently become available on the Envestnet platform for distribution by other sponsors). However, PGIM Investments will include a Proprietary Fund in a PGIM Model only if it has at least a one-year performance history. Please see “PGIM Investments as Model Provider” for more information about this conflict of interest and how we seek to mitigate it.

Prudential receives a reputational benefit from having assets managed according to the PGIM Models, and in certain circumstances will receive additional revenue as a result of your investment in the Proprietary Funds through the PGIM Models. Accordingly, you should be aware that, because of PGIM Investments’ affiliation with PFPS, the Committee is more inclined to include, and your IAR is more likely to recommend that you select and keep, the PGIM Models over other Strategies. Please see “PGIM Investments as Model Provider” for more information about this conflict of interest and how we seek to mitigate it.

When the allocation mix of your Account does not match the allocation mix of your Strategy within certain thresholds, Envestnet will rebalance the Funds in your Account back toward the allocation mix of your Strategy. This will happen when the amount of cash in the Sweep Vehicle is above or below your Cash Target, as defined below, the value of your Funds has changed, or the Model Provider changes its Strategy. Rebalancing means that Envestnet will buy more shares of certain Funds and sell shares of other Funds and will adjust the cash in your Sweep Vehicle, as defined below, towards your Cash Target. Any trades in your Account, including those that result when a Strategy’s asset allocation is changed, may result in taxable events to which capital gains (or other) taxes apply. PFPS, IARs, Model Providers, and Envestnet do not provide tax or legal advice, and you should consult with your own tax or legal advisor.

## **B. PruUMA Program**

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

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

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

The IAR’s investment style can affect the performance of your Portfolio Model. For example, frequently changing asset allocations or changing investments in the Portfolio Model will likely result in more frequent trading in your Account. That can have tax consequences for your Account and result in transaction fees imposed by a Fund that are described in “Mutual Funds and ETFs.” If your Portfolio Model includes an allocation to a Model Provider that “trades away,” additional fees and expenses typically attach that are described in “Trading Through Other Broker-Dealers.” Please see “IARs as Portfolio Managers” for information about how your IAR manages your Portfolio Model.

The Portfolio Model can be made up of some or all of these investment options: (i) Strategies; (ii) investment styles designed by third-party Model Providers that invest in individual securities and Funds (“Separately Managed Accounts”); (iii) Funds; and (iv) a sub-portfolio of individual equities managed by your IAR. The Strategies and Separately Managed Accounts in PruUMA are provided by Model Providers that are not affiliated with Prudential. Depending on the particular Separately Managed Account selected by your IAR, a Model Provider will either have discretion over the Assets allocated to them, or will provide instructions to Envestnet, which will have discretion to make trades in your Account. For example, Model Providers for fixed-income Separately Managed Accounts and a limited number of equity Separately Managed Accounts implement their strategies and place orders for trades directly. For all other Strategies and Separately Managed Accounts, Envestnet places trades and implements your IAR’s investment instructions and the Model Providers’ recommendations. Envestnet also rebalances your Account upon instructions from your IAR or based on the PruUMA Program’s rebalancing rules.

The Model Providers, their Separately Managed Account(s), their Strategies, and the Funds are selected by your IAR from Envestnet’s approved lists. The Committee makes the final decision on which Model Providers and Strategies will be available in PruUMA, but limits its consideration to options that Envestnet pre-screens and approves for the Committee’s consideration subject to certain exceptions as described in “Envestnet and PMC.” In PruUMA, the Committee reviews and approves the Separately Managed Account(s), Strategies, and the menu of Funds available for selection by IARs. The Committee does not approve the individual Funds held within the Strategies, or the Funds or individual securities held within SMAs, or the equities in the sub-portfolio managed by your IAR. However, the Committee does approve, and periodically reviews, the standards and factors used by due diligence providers to determine what should be made available in PruUMA. If your IAR manages a sub-portfolio of individual equities in your Portfolio Model, the IAR will choose individual equities for you consistent with

certain parameters established by PFPS, as described in “Selection and Review of Program Providers, Funds and Equities.” The investment options that comprise your Portfolio Model are added and removed based upon the process described in Item 6.

A Model Provider may use Model Provider Funds, and certain Model Providers give preference to Model Provider Funds (over Funds that are not advised, sponsored or distributed by the Model Provider’s affiliates), even when a similar Fund is available with lower costs or better performance. Please see “Third-Party Model Providers” for information about this conflict of interest

The Committee makes Strategies provided by PMC available in PruUMA. Please see “Envestnet and PMC” for additional information about this conflict of interest and how we seek to mitigate it.

### **C. PruChoice Program**

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

The Committee makes the final decision on which Funds will be available in PruChoice. However, the Committee limits its consideration to options that Envestnet makes available on its platform. The Committee also relies on an unaffiliated due diligence provider or our Affiliate, the Strategic Investment Research Group (“SIRG”) of PGIM Investments, to perform due diligence on the Funds as described in “Selection and Review of Program Providers, Funds and Equities.” Your IAR will make recommendations of particular Funds to represent each asset class in your asset allocation model. The IAR may only recommend Funds for your Account from among those approved by the Committee. However, IARs are permitted to recommend Funds for addition to the existing list. Please see “COMPENSATION OF YOUR IAR AND PLANNER” for information about the conflicts of interest that affect your IAR’s recommendations of particular Funds and families of Funds.

You should consider the conflicts of interest and the additional costs that you will bear when deciding on Fund recommendations from your IAR. Subject to the rules of the applicable Fund, you may buy or sell mutual fund shares within and across fund families, without being subject to transaction fees imposed by a Fund as described in “Mutual Funds and ETFs.”

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

At times PFPS and/or your IAR may recommend a different asset allocation for reasons such as: (i) you tell your IAR that your investment objectives have changed; (ii) PFPS decides that significant long-term changes in market or financial conditions justify a different allocation based on capital markets assumptions from PMC, a division of Envestnet; or (iii) a Fund is added or removed from the Program. PFPS will follow your instructions about changes to your existing allocation. For information on PFPS’ review of the Funds available in PruChoice, see “Selection and Review of Program Providers, Funds and Equities.”

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

#### **D. Termination of a Model Provider or Fund; Requests to Change your Account**

PFPS may remove any Model Provider (and any associated Separately Managed Accounts and/or Strategies), any Fund, or Envestnet from a Program, and any of these may end its participation in the Programs, at any time and in any manner.

In all Programs except PruUMA, PFPS will notify you of removals and terminations and, if a new option is available, ask you to select an option. If you do not (i) select a new option within the time required by the notice or (ii) provide other instructions, or if PFPS cannot timely notify you about a removal or termination, the affected Assets will be sold, and the proceeds will be invested in the Sweep Vehicle until you provide investment instructions. You will be notified of these transactions through trade confirmations, unless suppressed.

For PruUMA, you will generally not be notified of removals and terminations, and it is your IAR's responsibility to take the appropriate action on the Account. Your IAR will be given approximately 30 days to find a replacement or move the position to a non-managed account. If no action is taken in that time, Client Fee billing will be stopped. If your IAR continues to not take action, your Advisory Agreement will be terminated in accordance with its Termination provisions, your participation in PruUMA will end, and your remaining Assets will be transferred in-kind to a retail brokerage account. You will no longer receive advisory services from PFPS and will receive a pro-rated refund of your Client Fee. Please refer to the Advisory Agreement for additional information. You may terminate a Strategy in PSP upon written notice to PFPS.

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

Any sale of Assets may cause a taxable event. Please speak with your own tax advisor for tax-related questions.

#### **E. Tax Harvesting**

The Programs offer a tax loss and gain harvesting service at no additional cost. To utilize this service, you must initiate a request through your IAR. You must request a dollar amount over \$500 for tax harvesting. If Envestnet sells securities at a loss, it will then buy them back after a 30-day "wash" period. Envestnet will not consider assets held outside of your Account or Unsupervised Positions. If you or your spouse have other taxable or non-taxable accounts and hold in those accounts any of the securities held in your Account, you should discuss any wash sale implications for those "outside" assets with your tax advisor. None of PFPS, its IARs, or Envestnet make any guarantee that tax "harvesting" will be successful or provide any tax advice, and you should consult with your tax advisor about all tax issues.

This tax harvesting service is unrelated to the services described in "Tax Overlay Management and Impact Services" which are available in PruUMA. Certain Strategies and Models available in PSP and PruUMA may also be managed as tax-efficient or tax-aware strategies by the applicable Model Providers. If you select a tax-efficient or tax-aware Strategy or Model for your account, you should discuss with your IAR whether the tax loss and gain harvesting service is appropriate in that circumstance.

### **III. FINANCIAL PLANNING SERVICES**

#### **Overview of Services**

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

process will help you identify and prioritize your needs and will include appropriate recommendations to help you achieve your desired planning goals.

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

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

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

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

### **Financial Planning Topics**

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

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

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

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

*Investment Planning:* Investment planning helps you identify your risk tolerance towards investing. You will receive one or more suggested asset class mixes considering your tolerance for risk and the time frame to achieve

the associated goal, and an investment allocation analysis that shows your current investments in specific asset classes. Based on your risk tolerance, investment objectives and time available to achieve a goal, your Planner will give you an analysis to help you develop a suggested asset allocation strategy that may vary from your current allocation.

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

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

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

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

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

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

## **Planning Techniques**

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

In many cases, PFPS uses projections to model financial results using a third party's financial planning software. Projections assume a fixed rate of return for certain asset classes across time periods, and therefore do not account for market uncertainty. Any projections your Planner provides you are hypothetical in nature, are for illustrative purposes only, do not reflect actual investment results, and are not guarantees of future investment outcomes. When your Planner creates a plan, Monte Carlo analysis may be used to show how market uncertainty could affect the

outcome of your plan. Monte Carlo simulations are mathematical methods used to estimate the likelihood of a particular outcome based on many simulations of market performance using past market behavior and estimates of expected future behavior. The analysis may include both projections that assume static market rates, and the Monte Carlo approach that assumes markets will change. Monte Carlo analysis is performed at the asset class level and assumes broad diversification within each asset class. The methodologies and algorithms used in this process may also be adjusted from time to time and affect the results obtained.

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

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

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

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

When a Planner recommends a strategy or a type of product to you in the plan, the Planner must have a reasonable basis for believing that the recommendation is in your best interest as required by the Investment Advisers Act of 1940, as amended (the “Advisers Act”). This means that PFPS and its Planners must act pursuant to a duty of loyalty and care when formulating and delivering the recommendations in your financial plan. Importantly, the Advisers Act does not require us to eliminate all conflicts of interest, but rather requires us to obtain your informed consent to each conflict which, consciously or unconsciously, prevents us or your Planner from giving you disinterested advice.

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

Once the Planner delivers the plan to you, our financial planning services end. Your Planner ceases to act pursuant to a duty of loyalty and care under the Advisers Act (unless you invest in a Program). PFPS does not select or recommend broker-dealers for client transactions as part of its financial planning services business. Plan recommendations are not product-specific, and you may implement your plan through any financial services provider. However, if you wish to implement the plan or advice through your Planner (in his or her capacity as a broker-dealer representative or insurance agent), you are limited to conducting securities transactions through Pruco Securities, NFS and certain product sponsors that have executed selling agreements with Pruco Securities. Your Planner cannot conduct securities transactions away from Pruco Securities without its written authorization, which we do not provide generally.



If you choose to implement the brokerage or insurance recommendations through your Planner, he or she will act as a registered representative of Pruco Securities and/or as a licensed insurance agent of Prudential Insurance or its insurance company affiliates. There are important differences in the standards that apply, and the way we and our affiliates make money, when acting as a broker-dealer or insurance company. Our Form CRS Relationship Summary, which is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), summarizes some of the key differences between our advisory services and our brokerage services, including with respect to fees, costs, conflicts, and standards of conduct. Please read carefully our Form CRS and the disclosures applicable to each product or service you purchase.

#### **IV. FEES AND EXPENSES**

##### **A. Program Fees**

You pay an annual Client Fee, generally according to the schedules shown below, for each Program. Fees are subject to change upon notice to you in accordance with your Advisory Agreement. Client Fees for similar services vary among PFPS's offices or IARs, but will never exceed the maximum amounts shown below. Some IARs charge a higher Client Fee than others for similar services. Please see "COMPENSATION" and "COMPENSATION OF YOUR IAR AND PLANNER" for information about the conflicts of interest that affect the Client Fee you pay.

##### **1. PSP Client Fee**

You pay an annual Client Fee, consisting of amounts that compensate PFPS (the "Firm Fee"), Envestnet and, where applicable, the Model Provider (the "Manager Fee"), and your IAR (the "Advisor Fee") for their services. The Client Fee generally can range between 2.20% and 1.12% depending on the amount of Assets in the Account, associated Manager Fee and the Advisor Fee. The Advisor Fee is the only portion of the Client Fee that is negotiable. The Manager Fee is between 0.60% and 0.02%. The Manager Fee varies by Strategy, and the Manager Fee for all Strategies can be found in the SIS. The Manager Fee is paid to Envestnet and, in certain cases, to the Model Provider. The Manager Fee is set by Envestnet and is based on Envestnet's negotiations with the Model Providers for the right to use the Strategy(ies) the Model Providers create and maintain and to compensate Envestnet for providing related services. The Firm Fee is between 0.40% and 0.25%, depending on the level of Assets in the PSP Program.

The negotiable Advisor Fee generally is between 1.20% and 0.70%. For clients investing in PSP through a virtual IAR, the Advisor Fee is no higher than 0.70%. The lower Advisor Fee reflects anticipated cost savings to Prudential and the IAR when communicating with you exclusively through electronic channels and when offering a more limited menu of investment options. The lower Advisor Fee for virtual IARs also reflects a less personal experience, which can result in lower quality of service and advice than if you had the ability to meet with your IAR in person at some point.

The sum of the Firm Fee and the Manager Fee is the "Sponsor Fee" as shown in the SIS. PFPS uses some of the Firm Fee to pay Envestnet and NFS for their services. PFPS also shares its portion of the Firm Fee with its affiliates for certain administrative services. In certain cases, Envestnet retains a portion of the Manager Fee as a compensation component for certain of its services, including providing administrative support to the Model Provider. See "COMPENSATION" for more details. The Client Fee also is applied to Assets in your Sweep Vehicle.

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

are Calculated and Paid”) or (ii) other expenses you pay as a shareholder of a Proprietary Fund, including fees paid to PGIM Investments or its affiliates by the Proprietary Funds included in the PGIM Model (such as transfer agency or sub accounting fees).

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

## 2. *PruUMA Client Fee*

You pay an annual Client Fee, consisting of (i) the Firm Fee that compensates PFPS and (ii) the Advisor Fee that compensates your IAR, and (iii) if your Account uses Separately Managed Account(s) and/or Strategies, the “Model Provider Fee” that compensates Envestnet for the necessary licenses to use Separately Managed Account(s) and Strategies. You will pay the Model Provider Fee only on your Assets invested in Separately Managed Account(s) and/or Strategies. The Client Fee generally can range between 2.30% and 1.22% depending on amount of Assets in your Account, associated Model Provider Fee, if any, whether or not you elect Tax Overlay Management and Impact Services, and the Advisor Fee, the only negotiable portion of the Client Fee. The Advisor Fee generally is between 1.20% and 0.70%. The Model Provider fee is between 0.60% and 0.02% and depends on the Separately Managed Accounts and/or Strategies chosen. The Model Provider Fee for all Separately Managed Accounts and Strategies can be found in the SIS. The Model Provider Fee is paid to Envestnet and, in certain cases, to the Model Provider. The Model Provider Fee is set by Envestnet and is based on Envestnet’s negotiations with the Model Providers for the right to use the Strategy(ies) and Separately Managed Account(s) the Model Providers create and maintain and to compensate Envestnet for providing related services. The Firm Fee is between 0.40% and 0.25%, depending on the level of Assets in the PruUMA Program. The Client Fee also is applied to Assets in your Sweep Vehicle.

The Firm Fee and the Model Provider Fee are combined into the “Sponsor Fee.” PFPS uses some of the Firm Fee to pay NFS and Envestnet for their services. PFPS also shares its part of the Firm Fee with its affiliates for their administrative services. Envestnet keeps some of the Model Provider Fee as compensation for supporting the Model Providers. See “COMPENSATION” for more details.

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

Tax Overlay Management and Impact Services are only available in PruUMA. The same fee is applied when selecting either or both services. For PruUMA the actual fee you pay is a blended fee based on the amount of Assets in each tier as set out below. The additional fee is added to the Client Fee and is charged on all Assets in your Account. Envestnet sets and is paid the fee for these services. Please see “Adjustments” for information about adding or removing Tax Overlay Management and Impact Services to or from your PruUMA Account mid-quarter.

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

## 3. *PruChoice Client Fee*

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

The Client Fee is made up of the Advisor Fee and the Firm Fee. The Advisor Fee is negotiable between you and your Advisor. The Advisor Fee generally is between 0.60% and 1.60% depending on the Assets in the PruChoice Program. The Firm Fee is between 0.40% and 0.25%, depending on the level of Assets in the PruChoice Program.

PFPS uses some of the Firm Fee to pay NFS and Envestnet for their services. PFPS also shares its part of the Firm Fee with its affiliates for their administrative services. See "COMPENSATION" for more details.

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

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

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

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

*Adjustments:* Your Client Fee will not be adjusted within a calendar quarter for: (i) appreciation or depreciation in the value of your Assets during that quarter; (ii) merely adding or removing Tax Overlay Management and Impact Services from your PruUMA Account without an accompanying change described in the next paragraph.

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

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

*Changes to your Client Fee:* Client Fees or any component of a Client Fee may change, but will not exceed the maximum rates reflected in this Brochure from time to time. You will receive notice of any change to the Firm Fee or Advisor Fee components of your Client Fee. You will generally not receive notice of a change to the Model Provider Fee component of the PruUMA Client Fee. PFPS or Envestnet may remove and replace a Model Provider or Fund in a Program, and the replacement may have higher or lower fees. If you change your risk profile, your asset allocation or investment options, your Client Fee may change, but it will not exceed the maximum rates shown above.

## **5. *Negotiating Fees***

PFPS may reduce or waive Client Fees for clients at any time. PFPS may reduce or waive the Client Fee for its employees, associated persons, agents, independent contractors or any of their qualified immediate family members, or those of its affiliates to the extent permitted by applicable law. In addition, you and your IAR may negotiate and amend the Advisor Fee in the PruChoice, PruUMA and PSP Programs. This may occur at any time through mutual written consent for an increase in the Advisor Fee, as long as the fee does not exceed the maximum range set by PFPS in effect at the time of the negotiation, as reflected in this Brochure. Your IAR can negotiate an Advisor Fee that is lower than the minimum rate stated above and will consider a number of factors, including, but not limited to, the amount of your Assets and the number and the size of related accounts you maintain at PFPS or Pruco Securities. PFPS, in its sole discretion, may lower a client's Advisor Fee for any reason. The Firm Fee and Manager Fee/Model Provider Fee components of the Client Fee in PSP and PruUMA, and the Firm Fee in PruChoice, are not negotiable.

## **6. *Unsupervised Positions***

Any Assets transferred into your Account will generally be sold, unless such Assets are used to fulfill an allocation within your Account. You may request, however, to maintain certain Assets in your Account outside of your selected Program ("Unsupervised Positions"). Only assets that are otherwise eligible to be held in your Account can be held as Unsupervised Positions, and PFPS reserves the right to, in its sole discretion, reject any request to hold any Assets as Unsupervised Positions. You cannot hold cash as an Unsupervised Position, and you cannot hold an Asset that you also have managed in your Program as an Unsupervised Position (e.g., you cannot have the same share class of the same Fund both managed in the Program and held as an Unsupervised Position). Although you may request that certain securities be maintained as Unsupervised Positions, securities should generally only be held as Unsupervised Positions if your intention is ultimately to have them liquidated and the proceeds invested under your Program (although you also may transfer the securities out of the Account).

Unsupervised Positions will not be included in the Assets used to calculate your Client Fee, will not be included in determining whether you have met the required minimum investment for your Program, and advisory services will not be provided with respect to Unsupervised Positions. Any information your IAR or PFPS furnishes you is for educational purposes only and not intended as a recommendation. Neither your IAR nor PFPS will monitor your Unsupervised Positions, and Unsupervised Positions will not be taken into consideration by your IAR, PFPS, Envestnet, or any Service Provider when deciding how to invest the Assets in your Account that are subject to the Program or whether your Account is consistent with your risk tolerance. Neither PFPS nor your IAR will have the discretion to sell Unsupervised Positions without your instruction. If you elect to hold Unsupervised Positions in your Account, you will be solely responsible for monitoring such Unsupervised Positions and determining if and when it is appropriate to liquidate such Unsupervised Positions, or whether continuing to hold such Unsupervised Positions is in your best interest. Because PFPS and IARs are not compensated on Unsupervised Positions, PFPS and its IAR have an incentive to encourage you to liquidate an Unsupervised Position and reinvest the proceeds as quickly as possible in your Account.

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

The Account is not a replacement for a retail brokerage account, and you will not be permitted to engage in trades with respect to Unsupervised Positions. The only options with respect to Unsupervised Positions are to (1) liquidate the position(s) and have the proceeds invested according to the allocation used in your Program; or (2) transfer the

Unsupervised Positions into a separate retail brokerage account. PFPS generally will only allow you to maintain Unsupervised Positions in your Account for 120 days, but PFPS can alter the time limit in its sole discretion.

## **B. Financial Planning Fees**

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

Corporate and group discount rates are available on financial planning fees. We may on occasion offer full or partial discounts on financial planning services. PFPS may also offer full or partial discounts to our, or affiliates', employees, officers, directors, independent contractors, or agents, or their qualified family members. In general, PFPS prefers, but does not require, planning fees to be paid in full upon signing of the Financial Planning Agreement. Our policy is that Planners deliver your completed plan to you within three months, but no longer than six months, from the date you sign the Financial Planning Agreement. Please see "COMPENSATION" and "COMPENSATION OF YOUR IAR AND PLANNER" for information about the conflicts of interest that affect the fees you pay and the amount your Planner earns.

## **V. COST COMPARISON**

The Client Fee may be more or less than the fees and charges you would pay if you paid separately for investment advice, brokerage or other services. A Client Fee and its components may be higher or lower than comparable programs of other advisory program sponsors or other advisory programs that PFPS or its affiliates offer. Your Client Fee may be higher or lower than other clients' Client Fees in the same Program. The individual securities and Funds held through the Program are also available to you outside the Program through a brokerage account without participating in a Program or paying the Client Fee. However, in a standard Pruco Securities brokerage account, you will not benefit from the features of a Program including, but not limited to, portfolio management services, ongoing investment advice, account monitoring, and account rebalancing (if selected for PruChoice). You will also pay custodial fees and any transaction-based sales charges and fees imposed by the broker-dealer and, if applicable, the Fund.

Factors that bear upon the cost of the Program compared to buying the same services separately include, among other things, the types of securities that you transfer into and hold in your Account, the historical and/or expected size and number of trades expected to occur in your Account, the number and range of other services that you expect to receive that are not covered by the Client Fee, and the total market value of your Assets. A copy of the fee schedule for a standard Pruco Securities brokerage account is available upon request.

## **VI. ADDITIONAL COSTS**

In addition to the Client Fee, you will pay other fees and costs when investing in a Program. Some of these fees and costs directly affect our Compensation, and others do not. Compensation includes not just payments (as described in "FEES AND EXPENSES" and "Compensation through Client Fee"), but also the ability to avoid costs and to receive free (or discounted) services or goods (collectively, "Compensation").

This section describes fees and costs you pay that do *not* directly affect the Compensation that we receive when you participate in the Programs, or when you purchase the financial planning services. For a discussion of the circumstances in which you will pay fees and costs that directly affect our Compensation, please see "COMPENSATION" and "COMPENSATION OF YOUR IAR AND PLANNER."

## **A. Other Costs**

Your Client Fee does not include costs associated with incidental services you request or incur such as express postage and handling charges, mailgrams, transfer taxes, legal transfer fees for stock certificates registered in street name, and any expense associated with converting non U.S. securities into ADRs or GDRs, if applicable.

The Client Fee also does not include other fees and charges that NFS reserves the right to pass through to us, such as exchange or other clearing corporation fees, and execution or other handling fees imposed by an execution provider. In addition, you will pay fees to NFS (such as a liquidation fee) and fees assessed by third parties such as foreign exchange fees; Securities and Exchange Commission fees; charges assessed by other broker-dealers; markups, markdowns or spreads; or other fees mandated by law. Please refer to the Command Account and Investor Account Fee Schedule. Please see “Ancillary Services Fees” for information about other costs and fees you pay, in addition to the Client Fee, that do increase our Compensation.

## **B. Fund Fees**

When your Account invests in Funds, including money market funds, you will pay two levels of fees—the Client Fee plus your share of the Fund’s internal fees and expenses (except that, if your Account is invested in Proprietary Funds, certain special fee provisions may apply, as discussed under “How Client Fees are Calculated and Paid”). These Fund fees and expenses include management fees, 12b-1 and shareholder service fees, and other expenses such as custody, legal, and accounting fees. These fees and expenses are paid out of Fund assets and are reflected in a Fund’s share price. These fees and expenses are an additional cost to you and are not included in the Client Fee and any other applicable fees and expenses shown in your Account statements. Fund fees and expenses are shown in a Fund’s prospectus or offering documents, which you should review. Fees and expenses reduce a Fund’s net asset value and its performance. When fees and expenses are added to the Client Fee, they increase your total costs. Investing in Funds through a Program costs you more money (which lowers your investment returns) than if you bought the Funds directly without participating in the Program. Please see “Mutual Funds and ETFs” and “Sweep Vehicle” for more information about these fees and expenses, as well as other fees that Funds charge upon certain transaction activity in accordance with their prospectuses.

In constructing Strategies, certain third-party Model Providers give preference to their Model Provider Funds over Funds that are not advised, sponsored or distributed by affiliates of the Model Provider. These Model Providers have an incentive to use their own Model Provider Funds, as this allows the Model Provider to receive a reputational benefit from increased distribution of their Funds and, in certain circumstances, to also receive, through the fees and expenses you pay at the Model Provider Fund level, higher total Compensation than they would from the use of Funds which are not Model Provider Funds. Clients should expect that third-party Model Providers will use their own Model Provider Funds, even when a similar Fund is available with lower costs or better performance. You should consider the opportunity cost, and the potentially higher fees and expenses, as part of the Compensation you pay for Program services when evaluating the reasonableness of the Client Fee and financial planning fees.

## **C. Markups, Markdowns and Spreads**

You will pay a spread, in addition to the Client Fee, when your Account transacts in securities primarily traded in dealer markets. These include fixed-income securities (e.g., bonds or structured products) and over-the-counter stocks. In a dealer market, securities are directly purchased from, or sold to, a financial services firm that acts as a dealer or principal. The spread is the difference between the best “bid” (i.e., price at which the dealer or principal will buy) and the best “ask” (i.e., the price at which it will sell) that is available to the broker when executing the trade.

A markup or markdown is a separate fee you may pay in addition to the spread. It covers a dealer’s additional costs associated with executing an order, including technology costs. The amount is referred to as a “markup” on securities the dealer sells, and a “markdown” on securities it buys. The amount varies based on nuances of the issuer or order such as bond type, maturity date, quantity, etc. The trade confirmation will not show the spread, and may or may not show the markup or markdown, that you pay.

NFS has agreed not to add a markup or markdown to the execution price for orders in fixed income securities placed through the Programs. However, you will still pay the spread, as well as any markup or markdown added by the dealer trading opposite NFS, even when executing trades through NFS as part of the Programs.

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

The Client Fee covers investment advice, portfolio management services and trade execution services placed through NFS only. Envestnet and Model Providers with discretionary authority over your Account can execute trades through a broker-dealer other than NFS when they reasonably believe that another broker-dealer may effect trades at a price, including any commissions or dealer markup or markdown, that is more favorable to your Account than would be the case if Pruco Securities traded them through NFS. Even if the price is not more favorable, Envestnet or Model Provider(s) may “trade away” from NFS based on other relevant factors in selecting a broker-dealer, including execution capabilities, speed, efficiency, confidentiality, familiarity with potential buyers or sellers, and available inventory.

If Envestnet or the Model Provider(s) effects trades through another broker-dealer, you typically will pay additional fees to compensate that broker-dealer for its services, including a commission, commission equivalent, markup/markdown, order handling fees, or fees imposed by an execution provider, Exchange or clearing corporation, or other fees mandated by law. Those fees are in addition to your Client Fee (and to the spread on securities traded in dealer markets) and will increase your overall cost to participate in a Program. For this reason, among others, Envestnet or Model Provider(s) may find that placing trades through Pruco Securities for execution by NFS is often the more favorable trading option.

It is expected that many of the equity (stock) trades will be placed through Pruco Securities and executed by NFS. However, there are certain Model Providers in PruUMA that have historically directed most, if not all, of their trades to outside broker-dealers. These Model Providers include, but are not limited to, those that offer municipal, corporate and convertible fixed income Separately Managed Accounts. If you transfer securities to fund your Account, Envestnet may use an outside broker-dealer to sell those securities that are fixed income, hard to value, illiquid, or thinly traded, or to sell other securities that NFS cannot sell.

Envestnet or the Model Provider(s), as applicable, selects broker-dealers and is responsible for meeting its best execution obligations to the client. You should carefully review a Model Provider’s or Envestnet’s Brochure to learn whether and when it uses broker-dealers other than NFS to effect any trades. You also should carefully review all trading for your Account to understand the frequency of trading through other broker-dealers and any additional trading costs that may be incurred. You should discuss these trades and any associated trading costs with your IAR. Clients are encouraged to review the important information on the ‘Trading Away’ document provided to you when you opened your Account and that is also available by visiting: [www.prudential.com/links/about/pruco-securities-updates](http://www.prudential.com/links/about/pruco-securities-updates). You should visit this page periodically while participating in a Program to get updated information. You should also visit this page any time a new Separately Managed Account and/or Strategy is added to or changed in your Account.

#### **E. Tax Overlay Management and Impact Services**

Clients in PruUMA whose Portfolio Model contains at least one equity Separately Managed Account may select Impact Services and/or Tax Overlay Management services for an additional fee. Envestnet provides both services in its role as overlay manager. You may choose and terminate these services at any time. An IAR is not permitted to elect these services on your behalf. You must provide a separate approval to use Tax Overlay Management and Impact services.

When purchasing Tax Overlay Management and/or Impact Services, you should consider carefully whether the additional fee, which is charged on your full Account balance, is justified by the benefit of the services. Tax Overlay Management and Impact Services are only available with respect to certain types of strategies within your PruUMA Account, and if you select Tax Overlay Management or Impact Services, they will only be applied to eligible portions of your Account. If your IAR removes the equity Separately Managed Accounts from your Portfolio Model, your Account will no longer benefit from the services and you and your IAR should direct

Envestnet to terminate the services for your Account. Please see “Adjustments” and “Optional Tax Overlay Management and Impact Services Fees” for more information on how the additional fee is calculated.

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

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

## **F. Funding Your Account**

If you are depositing securities into the Account, they will be sold unless (1) they are Program eligible investments that will remain in your allocation or (2) they are maintained as Unsupervised Positions over which PFPS has no discretion and charges no Client Fee. This generally includes shares of mutual funds that are included in the Program but are not the same share class as the shares you deposit. See the section “Mutual Funds and ETFs” for more information. In certain circumstances, special handling may be required to process the liquidation of non-program assets. Such special handling may delay or prevent the full investment of your Assets into the selected allocation until the position(s) is liquidated. The sale of the investments may cause a taxable event. Please speak with your own tax advisor for tax-related questions. If you plan to fund your Account with proceeds from the sale of funds, the surrender of an insurance product, early withdrawal from a certificate of deposit, or the sale of any other financial product, you should consider the cost of any sales charges or commissions you previously paid or will pay upon sale, or any penalties you may pay upon surrender. It may be costly or inappropriate to invest through a Program in this manner. You should not fund your Account with proceeds from loans (including any cash advance or line of credit from a credit card), a margin account or a reverse mortgage.

If you buy shares of mutual funds outside of a Program, you might pay a sales load, and if you transfer such shares into your Account, and the shares were accepted into your Program and managed, then you will pay the Client Fee on those shares as well as the sales load you already paid. If you buy shares of mutual funds outside of a Program that are subject to a contingent deferred sales charge (“CDSC”) and transfer such shares into your Account, if the shares are subsequently liquidated, you will pay whatever CDSC, redemption fee or short-term trading fee that is owed at that time. Please see “Mutual Funds and ETFs” for more information. If you terminate your Account, some or all of the Program mutual funds or fund share classes may not be held outside of the Program or you may not be able to buy more shares through a standard brokerage account. If you cannot hold shares outside of the Program, these shares will be sold, and the proceeds transferred as you direct.

## **VII. COMPENSATION**

Our primary source of revenue and success comes from our ability to attract and retain our clients. We do this by offering quality investment advice that is reasonably designed to help clients achieve their financial goals through our Programs and other products offered by us and our affiliates. When we maximize returns to Prudential by placing your interests first, our interests are aligned with yours. Our overarching incentive to achieve your satisfaction is unchanged by the conflicts of interest described in this Brochure, all of which should be considered material (either individually or in the aggregate).

We want to meet or exceed your expectations for transparency. As described in this section, we supplement the Compensation we earn from your Client Fee and financial planning fees by engaging in what we believe to be longstanding industry practices, not unique to Prudential, that provide complementary sources of Compensation. If



these practices were all eliminated, we would need to consider raising Client Fees and financial planning fees in order for Prudential to provide its full range of services and achieve its own financial goals. Instead, we have retained these sources of Compensation and fully disclose them, so clients can understand their own expenses and how we are compensated.

#### **A. Our Compensation**

PFPS receives Compensation when you participate in the Programs, or when you purchase the financial planning services, that we recommend to you. The amount of the Compensation that PFPS and its affiliates receive depends on a number of factors. It is generally greater when a client invests in a Program than when a client purchases financial planning services and/or brokerage products and services separately. In the Programs, where you pay a single wrap fee for a bundle of services, we maximize our Compensation when we obtain at free or at discounted prices the services we are responsible for providing you and when we avoid penalties, fees or extra charges we are responsible for bearing. In financial planning, we maximize our Compensation when we recommend and you purchase certain types of investment products and services over others that generate less revenue for us or our affiliates. In both cases, we earn Compensation by entering into arrangements pursuant to which a third party who is not a client provides an economic benefit to us for providing our advice or other advisory services. Please read this section carefully for important information about these arrangements and other business relationships we have, and Compensation that we receive, directly or indirectly, from the investment advisers and other service providers we recommend, select or approve for clients.

PFPS maintains policies and procedures for reviewing Compensation that seek to ensure our incentive arrangements do not interfere with our fiduciary duty under the Advisers Act to all clients and our fiduciary obligations, where applicable, under ERISA and parallel provisions of the Code. When our Compensation varies based on what we recommend, select or approve for clients, this presents a material conflict of interest. We have an incentive to make the decision that maximizes our Compensation rather than to give disinterested advice. Our IARs and Planners have an incentive to make the decision that maximizes their Compensation, either directly (in the form of salary or commissions, bonus, prizes, rebates, etc.) or indirectly (as an employee of Prudential), as further discussed in “COMPENSATION OF YOUR IAR AND PLANNER.” In some cases, the decision that benefits us, or our IARs and Planners, will result in additional expenses or opportunity costs to clients, which reduce your returns. Generally, the higher our Compensation resulting from a service or product recommended by an IAR or Planner, the higher the cost of that product or service is to you.

In each of the cases described in “COMPENSATION,” to the extent consistent with applicable law, we take into consideration our financial interest in maximizing Compensation when advising you, even when that results in additional expenses or opportunity costs to you. Clients should consider the Compensation we receive, as well as the costs that clients bear, when evaluating whether to accept a recommendation and the reasonableness of our financial planning fees and the Client Fee.

#### **B. Relationships with Other Advisers**

Our incentives to recommend a Program, or particular product types or services in a financial plan, depend on the Compensation we receive (directly or indirectly) from, and our business relationships with, the investment advisers we recommend, select or approve for clients. PFPS is deemed to recommend or select the Model Providers and Envestnet to the extent that the Committee of PFPS approves them and can remove any Model Provider (and any associated Separately Managed Accounts and/or Strategies), Fund, or Envestnet from a Program. With respect to the financial planning services, PFPS may be deemed to recommend investment advisers to the extent the Planner’s recommendation of a particular product type or service is reasonably likely to result in the client’s use of certain advisers rather than others. This section describes the Compensation we receive (directly or indirectly) from, and our business relationships with, the investment advisers we recommend, select or approve for clients. It also describes how those business relationships result in additional expenses or opportunity costs to clients, which reduce your returns.

In the circumstances described below, to the extent consistent with applicable law, we approve, and our IARs recommend, the selection and retention of the investment advisers (and their Strategies, Separately Managed Accounts, Overlay Models, etc.) that will generate the greatest Compensation to us or our affiliates. Moreover, in

making this recommendation, your IAR or Planner takes into consideration his or her financial interest in maximizing Compensation, either directly (in the form of salary or commissions, bonus, prizes, rebates, etc.) or indirectly (as an employee of Prudential) when making recommendations. Each of these practices presents a material conflict of interest. Please see “Our Compensation” and “COMPENSATION OF YOUR IAR AND PLANNER” for more information about these conflicts.

### ***1. Envestnet and PMC***

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

*Services for the Programs.* Envestnet provides services, including the technology platform, to PFPS and clients in all of the Programs. In PSP, Envestnet acts on recommendations from Model Providers, adjusts asset allocations for your Account, rebalances your Account, and places trades. In PruUMA, Envestnet rebalances your Account (based on instructions from your IAR or Model Provider) and implements investment recommendations and places trades for your IAR and, with limited exceptions described in “PruUMA Program,” also for your Model Provider. In PruChoice, Envestnet is the Program’s co-advisor and places trades for your Account and rebalances your Account. Envestnet also provides Tax Overlay Management services and Impact Services in PruUMA.

Envestnet develops the recommended Overlay Models available within each risk profile in PruUMA and PruChoice. Envestnet creates and maintains the RTQ used in the Programs and creates the logic to map the results of the RTQ to a risk profile. Envestnet conducts due diligence services for PFPS on the Funds, Strategies and Separately Managed Accounts available in each Program (other than Strategies managed by PMC and certain third-party Funds available in PruChoice). The Committee limits its consideration of investment options to the Model Providers, Funds, Strategies, and Separately Managed Accounts (as applicable) that Envestnet pre-screens and approves for the Committee’s consideration, subject to limited exceptions. These exceptions are the PGIM Models (in PSP), certain Strategies (in PruUMA) and certain third-party and Proprietary Funds (in PruChoice). With respect to each exception, the Committee (rather than PMC) identified the investment option to be made available in the Program and requests that PMC performs due diligence. However, PMC generally does not include these investment options on PMC’s approved list of Strategies (in PSP and PruUMA) and Funds (in PruChoice) that PMC recommends to other third-party wrap fee program sponsors (although the investment options may be available on the Envestnet platform for distribution by other sponsors). Please refer to Envestnet’s Brochure for additional information on how Envestnet works with firms for any due diligence services. For information about Envestnet’s conflicts, and how it manages them, please refer to Envestnet’s Brochure.

PMC, a division of Envestnet, provides PFPS with yearly capital markets assumptions (expected return, standard deviation and correlations). PFPS uses these capital market assumptions and asset allocation models provided by PMC in computer software programs used by Planners to develop plans. The capital market assumptions are also used by Envestnet in developing the recommended Overlay Models for PruUMA and PruChoice. The Committee makes available in PSP and PruUMA certain Strategies for which PMC is a Model Provider (subject to due diligence performed by an affiliate as summarized below). Separately, the Committee engages PMC to perform due diligence on the PGIM Models offered by our affiliate, PGIM Investments.

*Conflicts of Interest.* PFPS pays Envestnet a portion of the Client Fee in exchange for providing the foregoing services, including the services furnished by PMC and the capital market assumptions and asset allocation models that we use in developing financial plans. The fee payable to Envestnet depends on the overall assets under management by PFPS in the Programs, and is also reduced for individual accounts over a particular size. This creates an incentive for PFPS to recommend that you increase the Assets you maintain in your Account, as increased Assets in your Account will allow PFPS to retain more of the financial planning fee and Client Fee for itself (in addition to the general increased dollar amount of the Client Fee resulting from your maintaining more Assets in your Account).

Envestnet discounts or waives certain of the fees it would otherwise charge, and arranges or pays vendors, for us to receive the other services described above at nominal or no cost. These arrangements are based on the overall size of our relationship with Envestnet, among other factors. In addition, as described in “Joint Marketing, Conferences and other Business Support,” Envestnet provides us with Compensation in the form of reimbursement of our conference expenses as well as training support payments that are based on increasing the number of IARs providing services to at least one Program account. Our receipt of this Compensation incentivizes us to meet production-based thresholds for maintaining and increasing the number of IARs servicing Program accounts.

Our affiliates (including, for example, Jennison, as defined below) also have business relationships with, and receive Compensation (directly or indirectly) from, Envestnet. Jennison makes models available on the Envestnet platform for use by investment advisers in providing investment advisory services (such models, the “Jennison Models”). Jennison receives Compensation from Envestnet in connection with each Jennison Model on the Envestnet platform, in an amount equal to a percentage of the assets invested in the Jennison Model, less the flat fees retained by Envestnet for initial model setup and ongoing model maintenance. Most recently, Prudential has engaged Envestnet, and a company in which Envestnet, Inc. has a financial interest, to provide the essential operational and investment infrastructure that would enable PFPS to offer variable annuities issued by Prudential Insurance as investment options in an advisory program.

The relationships between our affiliates and Envestnet, including those that are unrelated to the Programs and our financial planning services, create an incentive to select and retain Envestnet and PMC over other firms. The relationships also deter us from considering other investment advisers and service providers.

*Mitigation of Conflicts.* To mitigate our incentive to favor Envestnet, Pruco Securities reviews Envestnet to assess whether Envestnet continues to meet its contractual obligations under the service agreement with PFPS for the Programs. To mitigate our incentive to favor PMC and its Strategies over others, PFPS engages its affiliate, the Strategic Investment Research Group (“SIRG”) of PGIM Investments, to perform research services on all Strategies provided by PMC, and PFPS’s Committee will subject PMC to the same standards as it applies to all other Model Providers.

Engaging SIRG to perform due diligence on PMC’s Strategies presents a conflict of interest because we also engage PMC to due diligence PGIM Models. This conflict is mitigated by SIRG’s research process, which is significantly quantitative, meaning it is driven by SIRG’s review of the PMC’s Strategies’ and Separately Managed Accounts’ investment performance and selection of underlying investments. With respect to the PGIM Models, PGIM Investments seeks to mitigate this conflict by SIRG’s selection and weightings process for the underlying investments in the PGIM Models, which does not take into account any information, consideration or recommendation from PMC or Envestnet. You should review PMC’s Brochure to learn how PMC addresses and mitigates conflicts related to model portfolios.

## **2. Third-Party Model Providers**

The Separately Managed Accounts in PruUMA and the Strategies in PruUMA and PSP are all developed by Model Providers. Model Providers create and update the Separately Managed Accounts that allow you to invest in individual equity and/or fixed income securities based on a particular investment style. Similarly, Model Providers create and update the Strategies that allow you to invest in Funds based on a particular investment style.

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

*Conflicts of Interest.* In the circumstances described below, we approve, and our IARs recommend, the selection and retention of Model Providers (and their Strategies and Separately Managed Accounts) that generate more Compensation for us, over other options that generate less Compensation, at least some of the time. Each of these practices is a material conflict of interest. Please see “Our Compensation” and “COMPENSATION OF YOUR IAR AND PLANNER” for more information about these conflicts and how we seek to address them.

*Joint Marketing, Conferences and other Business Support.* We enter into joint marketing activities with, or ask for conference or marketing support fees or training arrangements from, our affiliates and Model Providers, Funds, insurance companies, Separately Managed Account and Fund managers, sponsors or distributors, Envestnet, NFS, and/or their affiliates or subsidiaries (all “Sponsors”). Sponsors also invite IARs and PFPS personnel to attend trainings that they provide or pay for some or all of their training costs and/or cover some or all of the IARs’ travel, lodging and/or meal expenses. Sponsors’ representatives generally meet with and train PFPS personnel and IARs at these events. Sponsors at times will also pay for some or all of PFPS’s costs to host sales conferences, training conferences or client meetings. Sponsors also help pay for the marketing, training or licensing expenses of the PFPS sales force. Some Sponsors tie the amount of payment and/or their willingness to pay costs to the amount of Pruco Securities’ or PFPS’s product sales. Sponsors pay some or all of the cost of these activities and reimburse PFPS or its affiliates for expenses.

As a result, we have an incentive to favor Model Providers, Strategies, Separately Managed Accounts, and Funds that are associated with the Sponsors that provide the most Compensation to us, our affiliates or our IARs. In addition, when the Compensation is based on maintaining or increasing asset thresholds or product sales, we have an incentive to make recommendations to clients that will help us meet those thresholds and production levels.

*Revenue Share from Model Providers.* We and our affiliates can receive Revenue Share (directly or indirectly) from firms associated with Model Providers, Strategies, Separately Managed Accounts, and Funds available through the Programs, creating an incentive to favor these options over others. We define Revenue Share as Compensation paid by a firm out of its revenue that is (1) expressly labeled “revenue share” and derived from providing Program services or our financial planning services, or (2) not necessarily labeled “revenue share,” but either (a) based on Assets invested in the Programs or (b) expected to result from a financial planning recommendation of a particular product type or service (“Revenue Share”). We consider Compensation to be Revenue Share, not a joint marketing payment or conference and other business support, if the Compensation satisfies this definition. Revenue Share does not include fees payable out of the assets of a Fund or Separately Managed Account (rather than from the revenue of service providers) directly to us, our IARs or our affiliates. Any Revenue Share that we, our IARs or our affiliates receive is in addition to the financial planning fees and Client Fee.

Revenue Share is paid by a firm out of its revenue from providing services to you. The higher the fees you pay to a firm, the greater the revenue that is available to share with us, our affiliates and our IARs. Revenue Share typically is not paid on the lowest-cost, lowest-fee options (including certain insurance policies, families of mutual funds, specific funds or share classes of a fund). This presents a material conflict, as Revenue Share creates an incentive to favor the investment options that have higher fees and costs (which will reduce your investment returns). In addition, when the rate or amount of the Revenue Share payment is based on maintaining or increasing Asset thresholds or product sales, there is an incentive to make recommendations to you that will help meet those thresholds and production levels. Pruco Securities no longer receives Revenue Share from NFS on Funds held in the Program Accounts.

Our affiliates have revenue sharing arrangements with many firms in the industry, including firms associated with Model Providers, Strategies, Separately Managed Accounts, and Funds that are used in the Programs and in products or services used to implement our financial plans. In some cases, these revenue sharing arrangements qualify as Revenue Share because the Compensation is based on Assets invested in the Programs or expressly labeled “revenue share” and derived from providing Program services or our financial planning services.

When our affiliates *make* revenue sharing payments to these firms, Model Providers have a financial incentive to use Proprietary Funds and our affiliated service providers in your Program account. When our affiliates *receive* revenue sharing payments from these firms, we have an incentive to favor the associated Model Providers, Strategies, Separately Managed Accounts, and Funds when approving and/or recommending Model Providers and Funds for use in the Programs. As a result, the revenue sharing arrangements of our affiliates create incentives for us, your Model Providers or both that prevent us from providing disinterested advice in the Programs.

*Use of Funds Serviced by Affiliates.* We also have an incentive to favor Model Providers or Strategies that utilize our Proprietary Funds, or that use unaffiliated Funds that engage (or whose affiliates engage) our affiliates as service providers. Some Model Providers use non-Proprietary Funds that engage PFPS’s affiliates as a distributor, transfer agent, shareholder servicing agent, custodian, and/or investment adviser. PFPS’s affiliates are paid for their

services, and payments vary depending on the amount of Assets invested in a Fund, creating an additional incentive to increase investment in these non-Proprietary Funds. These fund-level fees are in addition to the Client Fee you pay and reduce your returns on Assets invested in the Fund. We do not offset or reduce the Client Fee by the amount you pay at the Fund level when you invest in non-Proprietary Funds. Please review the Fund's prospectus or other offering documents for more on fees and expenses.

*Use of Model Provider Funds.* We benefit by allowing third-party Model Providers to favor their own Model Provider Funds over other Funds, when allowing this incentivizes these Model Providers to provide us with the types of Compensation described in "Joint Marketing, Conferences and other Business Support." Please also see "Fund Fees" for more information about this material conflict of interest. PFPS does not manage the Model Providers' conflicts of interest and does not consider whether the Model Providers fully offset the fees and expenses you pay at the Fund level by the value of reputational benefits and, in some cases, additional Compensation the Model Provider receives from these Funds or their affiliates. You should review the Model Provider Brochure to learn how the Model Provider addresses and mitigates conflicts related to Model Provider Funds.

*Mitigation of Conflicts.* We mitigate our incentive to favor the third-party Model Providers, Strategies, Separately Managed Accounts, and Funds that maximize our Compensation by applying the criteria and process described in "PORTFOLIO MANAGER SELECTION AND EVALUATION." We also seek to mitigate these conflicts of interest by disclosing them to you. Please contact us at the address or telephone number shown on Page 1 of this Brochure for information about Revenue Share arrangements and a current list of Sponsors and Funds that have arrangements with us. In PruUMA and PSP, we credit or discount a portion of the Client Fee to partially offset the benefit to us when Proprietary Funds are used in your Account, as described in "Program Fees."

You can find additional information about each Separately Managed Account and Strategy in the Program Fact Sheets available through your IAR; information about each Model Provider is found in their Form ADV Brochure, which is available via [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or from your IAR. Envestnet refers to a Separately Managed Account and Strategy as a "Model" in the Envestnet Brochure. Model Providers are called "Managers" in the SIS and "SMA" in the Investment Proposal.

### **3. Morningstar, Inc.**

Morningstar, Inc. ("Morningstar") is a global financial services firm. As described in "Selection of Equities" Morningstar creates the list of equity securities available for use in PruUMA (the "List"). Separately, a subsidiary company of Morningstar, Morningstar Investment Services LLC, serves as a Model Provider.

PFPS uses some of the Client Fee to pay Morningstar for providing due diligence and research on the equities available in PruUMA. Morningstar receives additional Compensation when Assets are invested in Strategies for which Morningstar Investment Services LLC is the Model Provider. In that case, Morningstar retains a portion of the Model Provider Fee (in PruUMA) and Manager Fee (in PSP), as described in "Program Fees." The additional compensation to Morningstar does not directly affect the portion of the Client Fee we retain. However, the additional compensation to Morningstar could consciously or unconsciously affect its willingness to pay us marketing support and reimburse our conference expenses. As described in "Joint Marketing, Conferences and other Business Support," our receipt of this Compensation incentivizes us to favor Morningstar as a Model Provider over other Model Providers. Morningstar provides us with Compensation in the form of reimbursement of our conference expenses.

We and our affiliates have other business relationships with, and receive Compensation (directly or indirectly from), Morningstar and its affiliates. For example, Pruco Securities uses Morningstar's Field Research Tool and SSO Protegent Data Feed and seeks to negotiate discounts, which are a form of Compensation. These relationships are not directly related to the Programs or our financial planning services. However, they create an incentive to favor services and products offered by Morningstar and its affiliates, over other firms, to the extent that encourages Morningstar to reciprocate with us and our affiliates. The relationships also deter us from considering other investment advisers and service providers. Separately, Prudential Retirement Insurance and Annuity Company has engaged Morningstar for consulting services, licensing of financial services and investment-related products, and to provide certain advisory and other products and services. Prudential Insurance engages Morningstar to provide operations, proprietary statistics, performance, portfolio, MPT statistics, and risk data on the investment companies

which serve as investment options in the variable annuity and life insurance policies that Prudential Insurance issues to its policyholders.

### **C. Other Arrangements**

Our incentives to recommend a Program, or particular product types or services in a financial plan, also depend on other arrangements pursuant to which someone who is not a client provides an economic benefit to us for providing our advice or other advisory services. This section describes those arrangements and how the Compensation we receive from non-clients varies based on the service providers and investments we (and our IARs or Planners) approve, select or recommend for you in a Program or financial plan. It also describes how those arrangements result in additional expenses or opportunity costs to clients, which reduce your returns. When evaluating the reasonableness of our financial planning and Program fees, clients should consider these drawbacks, as well as the additional fees and expenses borne by clients and Compensation to us, as part of our Compensation.

In the circumstances described below, to the extent consistent with applicable law, we approve, and our IARs recommend, the selection and retention of investments and service providers that generate the greatest Compensation to us or our affiliates, over other options that generate less Compensation. Moreover, in making this recommendation, your IAR or Planner takes into consideration his or her financial interest in maximizing Compensation, either directly (in the form of salary or commissions, bonus, prizes, rebates, etc.) or indirectly (as an employee of Prudential) when making recommendations. Each of these practices is a material conflict of interest. Please see “Our Compensation” and “COMPENSATION OF YOUR IAR AND PLANNER” for more information about these conflicts and how we seek to address them.

#### ***1. Pruco Securities***

If you participate in a Program, you must appoint Pruco Securities as the introducing broker-dealer and use NFS as the clearing firm and custodian for your Account. Not all advisers require their clients to use a particular broker-dealer or custodian to participate in a managed account program. Pruco Securities was selected as introducing broker for the Programs on the basis of its affiliation with PFPS. NFS was selected as the clearing broker and custodian for the Programs based in part on our existing relationship with NFS, NFS’ financial strength, reputation, breadth of investment products, and the cost and quality of custody and brokerage services provided to you and our other clients, as well as the Compensation we receive.

Requiring clients to use Pruco Securities and NFS allows us to receive considerable benefits, and avoid significant costs, which creates an incentive to use these firms over other firms that do not or would not provide us with this Compensation. Use of Pruco Securities and NFS will in some cases prevent the Programs from achieving the most favorable execution for client transactions, which results in higher costs and/or lower returns for you.

*Exclusivity.* We have agreed not to engage another broker-dealer to provide the retail clearing services covered by Pruco Securities’ agreement with NFS, without NFS’ prior consent. As a result, we will be unable to recommend that clients custody their assets and place trades for Program Accounts at other broker-dealers without NFS’ approval. This contractual relationship is a conflict of interest in that we will select and retain NFS as the clearing broker and custodian for Accounts, even if other clearing brokers or custodians may be more beneficial for clients.

*Free or Discounted Services.* When selecting NFS as the brokerage platform and custodian for client Accounts, we considered standard benefits that are available without cost to all investment adviser firms using the platform, including PFPS. These benefits include, but are not necessarily limited to, the following products and services which defray our costs of doing business: (i) the ability for Pruco Securities to serve as introducing broker on Accounts, receiving duplicate client statements and confirmations; (ii) research related products and tools; (iii) access to a trading desk serving; (iv) the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts; (v) the ability to have advisory fees deducted directly from client accounts; (vi) access to an electronic communications network for client order entry and account information; and (vii) access to mutual funds with no transaction fees.

*Revenue Share and Other Benefits.* PFPS's business relationship with NFS also provides Pruco Securities and its affiliates with considerable other benefits, including favorable pricing with NFS, receipt of credits from NFS for business development and for net positive asset flows onto the NFS platform, receipt of a portion of interest payments on margin loans and non-purpose loans, receipt of a portion of fees paid for ancillary services incurred by client actions (as described in "Ancillary Services Fees"), and the ability to net profits on trade errors. In addition, NFS provides us Compensation as one of our Sponsors as described in "Joint Marketing, Conferences and other Business Support." The receipt of such Compensation from NFS, including credits and discounts that reduce amounts we or our affiliates otherwise owe to NFS or others, creates a conflict of interest for PFPS. PFPS has an economic incentive to use NFS as its clearing firm for trade execution and custody over other firms that do not or would not provide such Compensation to PFPS or its affiliates, even if such other firms might be more beneficial to clients.

*Production-Based Pricing.* Pruco Securities is able to negotiate preferred pricing with NFS based on a number of factors such as expected level of assets (e.g., in eligible Sweep Vehicles, including Fidelity money market funds) and number of accounts and IRAs custodied with NFS, an expected level of transactions, and the types of securities purchased (e.g., fixed income trades). If our demand for NFS' services declines by greater than 10% (from September 2020 levels) with respect to one or more of these metrics, NFS can increase our fees to offset its loss of revenue. The fees we collect from you will not be impacted as a result. However, when fees charged to us depend on maintaining or increasing our demand for NFS' services, we have an incentive to meet those production levels or asset thresholds.

*Business Development and Net Flows Credit.* Our eight-year clearing/custodial agreement entitles us to receive an annual "business development credit" for utilizing NFS' services and complying with the terms of the contract. In addition, NFS has agreed to pay us an incentive credit for each year (ending November 2027) in which contributions to, exceed withdrawals from, the assets custodied on NFS' platform by Pruco Securities' customers (the "net flows credit"). Your contributions to, and withdrawals from, a Program Account count towards this calculation of net "flows." This presents a conflict of interest, as we have an incentive to encourage contributions to, and discourage withdrawals from, your Program Account rather than give you disinterested advice in order to maximize our net flows credit amount. The net flows credit is equal to the lesser of \$3 million dollars and one-tenth of one percent of the net positive flows onto the NFS platform over the preceding twelve-month period.

*Deterrent to Replacing NFS.* Importantly, we are subject to payback terms on the credits we receive if our agreement with NFS is terminated prior to the end of the contract's eight-year term, or if we fail to comply with the terms of that contract during its term. In addition, if the contract terminates prior to July 2028, we must pay NFS an early termination fee (which decreases over time from \$10 million in year 1, to \$3 million in year 8). Even if the contract does not terminate early, we cannot replace NFS without paying all out-of-pocket deconversion costs and expenses to process any conversion, including costs and fees assessed by third-party vendors like transfer agents. The negative financial consequences of terminating (or not renewing) our contract with NFS present a material conflict of interest. We have an incentive to retain NFS for the duration of the agreement, and to renew the agreement, even if we believe another broker-dealer could provide more favorable execution and other services to Program clients.

## **2. National Financial Services, LLC**

NFS will perform certain brokerage functions for your Account and act as a custodian for Assets held in your Account. NFS will handle the delivery and receipt of all securities, including Funds, bought or sold in your Account, value securities, receive and distribute all dividend and other distributions, and process exchange offers, rights offerings, warrants, tender offers, or redemptions. NFS will also send you trade confirmations (unless suppressed by you), periodic Account statements of all activities, and all shareholder communications it receives, unless shareholder communications are directed to Envestnet as described below. NFS will maintain custody of your Assets and perform other customary custodian services. NFS charges and collects fees, including the Client Fee, and processes deposits to and withdrawals from your Account.

*Asset-Based Fee.* NFS charges us an asset-based fee in exchange for enumerated services that we are responsible for providing to Program clients. The asset-based fee currently covers clearing and execution of transactions through NFS; printing, handling and delivery or e-Delivery of statements and trade confirmations; account

verification; and a number of technology and product solution services. The asset-based fee is calculated as a percentage of the overall assets that Pruco Securities custodies with NFS on behalf of its customers, including Program Accounts. The fee rate we pay to NFS decreases as the total assets custodied with NFS increase. As a result, we have an incentive to recommend that you increase your investment in your Account, as that allows us to pay NFS a lower fee rate and retain more of the Client Fee.

*Assets Excluded from the Asset-Based Fee.* The asset-based fee we pay NFS does not apply to Sweep Vehicles, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and assets that NFS identifies as “non-standard.” Non-standard assets include but are not limited to foreign securities, alternative investments and non-marketable securities. To the extent we do not pay an asset-based fee on these assets, we have an incentive to favor Model Providers, Strategies and Separately Managed Accounts that allocate more of your Assets to securities that are excluded from the asset-based fee.

### **3. *Ancillary Services Fees***

Your Client Fee does not cover the fees paid for ancillary services incurred by client actions (such as overdraft fees, wire transfer fees, bounced check fees, stop payment fees, transfer-of-assets fees (ACAT), and fees for safekeeping of physical stock certificates). In its role as introducing broker, Pruco Securities is responsible for setting the fee rate (or amount) paid by its customers for these ancillary services. Pruco Securities chooses to set the fee higher than NFS requires, and keeps the difference between the fee you pay and the fee NFS retains. This presents a conflict, as setting a higher fee increases revenue for us, even though it will result in you paying higher fees if you engage in the relevant transactions. These markups are addition to the Client Fee you pay in a Program, and you should consider the additional revenue that we receive when you pay ancillary services fees as part of PFPS’s Compensation when evaluating the appropriateness of your Client Fee and financial planning fees. Please see the “Command Account and Investor Account Fee Schedule” for your Program Account for the current list of ancillary services fees that you pay in addition to the Client Fee. For information about the portion of the markup we retain from the ancillary services fees, please call the number on the front of this Brochure.

### **4. *Transaction Charges***

Although we have negotiated an asset-based fee, there are limited circumstances in which NFS would charge a transaction fee for making trades in your Account. For example, foreign securities are subject to additional fees related to the settlement, custody and execution of transactions in foreign marketplaces. The amount of these charges varies based on the type of security being purchased or sold.

PFPS is responsible for paying these transaction charges. As a result, we have an incentive to favor Strategies and Separately Managed Accounts (and, in PruUMA, individual equity securities) that do not trigger transaction charges, allowing us to retain more of the Client Fee. In addition, because these fees are paid on a per-transaction basis, we have an incentive to favor Model Providers (and, in PruUMA, IARs) that trade less frequently when investing in assets subject to transaction fees. We currently offer only Strategies and Separately Managed Accounts that do not use foreign securities or other assets that trigger transaction charges, a decision which allows us to retain more of the Client Fee.

We mitigate this conflict by disclosing it to you and by limiting the incentives of our Model Providers and IARs to avoid transaction charges. IARs and Model Providers are not charged for trades in your Account, their Compensation does not vary based on the number of trades or types of securities in your Account, and PFPS generally does not provide IARs or Model Providers with information on the trading costs PFPS pays relating to individual securities, Model Providers, Strategies, or Separately Managed Accounts.

### **5. *Mutual Funds and ETFs***

We pay the same asset-based fee, at identical rates, on all fund families, funds and share classes that NFS makes available in its Transaction-Fee Program (“TF Program”) and its Non-Transaction Fee Programs (“NTF Program”). The asset-based fee replaces the transaction-based clearing or execution charges (including surcharges) that NFS otherwise would charge us for purchases, sales, exchanges, or conversions effected in assets subject to the asset-



based fee, including shares of the classes, funds and fund families in the TF Program. Paying an asset-based fee on Funds in both the TF and NTF Programs mitigates our incentive to avoid transacting in TF Program Funds in order to reduce transaction charges and retain more of our Client Fee.

We still have an incentive to favor for your Account shares of the subset of fund families, funds and share classes that NFS designates “NTF Managed Accounts” within the NTF Program. For this subset of NTF Program Funds, NFS passes through to us any 12b-1 fees it receives, whereas NFS retains any 12b-1 fees you pay on other NTF (or TF) Program Funds. Our incentive to select NTF Managed Account Funds presents a conflict because funds and share classes in the NTF Program tend to have higher expense ratios. NFS charges fund families an asset-based fee to participate in the NTF Program, and fund families have an incentive to offer in the NTF Program their funds and share classes on which you pay 12b-1 fees in order to reduce the remainder which is borne by the Fund’s adviser or affiliates. Fund families generally pay all available 12b-1 fee revenue from the assets of the applicable share class to NFS.

We also have an incentive to favor for your Account shares of the subset of fund families, funds and share classes that pay NFS service fees, recordkeeping fees, sub-transfer agency fees, and other fees payable from Fund assets (“fund-level fees”). NFS passes through to us all fund-level fees that NFS receives. All fund-level fees and 12b-1 fees are disclosed by a Fund in its offering document and borne by you, indirectly, as a shareholder of the Fund.

Not all families of mutual funds, mutual funds or share classes of mutual funds that participate in the NTF Program, or are available to us on NFS’ platform, will charge 12b-1 fees and/or fund-level fees. Your returns would be higher if invested in the options that did not charge these fees. Some share classes of mutual funds that participate in NFS’ NTF Program can be purchased without a transaction fee in brokerage accounts (without participating in a managed account program like the Program). We approve for the Programs, and our IARs recommend, the selection and retention of Model Providers and Strategies that we expect to use Funds and share classes that pay us 12b-1 fees and other fund-level fees, when others are available that do not pay such fees. This is a conflict of interest, as selecting Funds and share classes that pay 12b-1 and fund-level fees increases the payments we are entitled to receive from NFS but reduces the Fund’s returns to you.

We mitigate these incentives by directing NFS to credit to your Account any fees that NFS would otherwise pass through to us on your Assets. However, we do not credit amounts that NFS does not pass through, so your returns will still be negatively impacted any time that we receive less than the full amount you pay in 12b-1 fees and fund-level fees on your Assets. This occurs when NFS retains the 12b-1 fees (i.e., on all Funds that NFS has not designated as NTF Managed Accounts) or if NFS receives less than the full amount of 12b-1 fees and fund-level fees that were paid from your Fund’s assets. Any credit of 12b-1 fees or fund-level fees will appear in your Account statement. Please compare those credits against the offering document for the applicable Fund to determine whether your returns are impacted.

*Share Classes.* In the Programs, you may only invest in certain share classes of mutual funds. Different fees are associated with purchases and redemptions of each share class. A share class may have some, all or none of the fees described in this section, each of which reduces your returns. The circumstances in which the fees will be charged, and may be waived, are disclosed by the Fund in its offering document. We have directed NFS to request for your Account any waiver on purchases and redemptions that a Fund or share class makes available to fee-based managed accounts.

You will not pay any transaction-based fee *on purchases* of shares through the Program. The fees a Fund can charge upon purchase are “commissions” or “loads.” Generally, your Account may buy only institutional class shares and share classes of mutual funds designed for wrap fee advisory programs that are available through the Program. Institutional and wrap fee class mutual fund shares are “load-waived” or “no-load,” which means that you should not pay a sales load when purchasing shares of such mutual funds through a wrap fee account like the Program. If an institutional or wrap-fee share class is not available for a particular mutual fund in the Program, your Account will be invested in other share classes, which may include a sales loads or “contingent deferred sales charges” (“CDSC”).

You will pay a transaction-based fee *upon redemptions* of shares through the Program, if the Fund charges such a fee and NFS does not receive a waiver from the Fund. The principal fees a Fund may charge upon redemptions are

CDSC, “short-term trading fees” and “redemption fees.” A *CDSC* is a commission you pay to the distributor that sold you the shares if redeemed within a certain number of years. A *short-term trading fee* is imposed by a Fund to deter excessive trading, usually defined as multiple purchases and redemptions by the same investor within a short period of time. A *redemption fee* is charged to offset the cost to the Fund of liquidating securities to meet the redemption request. CDSC, redemption fees and short-term trading fees are returned to the Fund or its distributor and are not paid to Pruco Securities or any affiliate.

*Share Class Conversions.* Lower cost share classes are added by mutual funds on an ongoing basis. PFPS reviews share classes twice per year for Funds available in PruChoice and the menu of mutual funds available for IARs to select amongst in PruUMA. If a more favorable share class is available to the Programs, PFPS presents a conversion to the Committee for review and then processes the conversion to a lower cost share class. Therefore, you may hold a higher cost share class of a mutual fund in these circumstances for more than six months before PFPS converts your higher cost share class to a lower cost share class. You will not immediately be invested in the lowest cost share class available in these circumstances in PruUMA or PruChoice. Conversion to a lower cost share class does not occur unless PFPS reviews the share classes to determine that a more favorable share class has become available and then Pruco Securities implements the conversion, after presentation to the Committee. Until the conversion is implemented, we will continue to buy, as well as retain, shares of the less favorable class for your Account. Any conversion to a lower cost share class typically reduces the 12b-1 and fund-level fees that Pruco Securities is entitled to receive from NFS for investing client assets in higher cost share classes of the same Fund. For this reason, PFPS has an incentive to conduct its review of share classes infrequently. As discussed above, we mitigate the incentive by directing NFS to credit to your Account any 12b-1 and other fund-level fees that NFS would otherwise pass through to us on your Assets. If PFPS processes a share class conversion, you will be notified. The availability of individual Funds and share classes of those Funds for use in the Programs is dependent upon the agreements that NFS, as clearing broker, has with the individual Funds or Fund families. As a result, the lowest-cost share classes of Funds will not always be available in the Programs. NFS has an incentive to favor on its platform the mutual fund families, mutual funds and share classes that result in the greatest Compensation to NFS, rather than the lowest cost to you.

Unlike in PruChoice and the mutual fund menu in PruUMA, Model Providers that offer Strategies in PSP or PruUMA (or that offer SMAs with mutual funds in PruUMA) are responsible for recommending the share class of each mutual fund to be used to fulfill the allocations. The Committee cannot require a Model Provider to use the lowest cost share class available to the Programs. However, the Committee takes into consideration, when selecting and retaining Model Providers whether the Model Provider consistently uses the lowest cost share class. The cost of any particular share class used by a Model Provider is not determinative. The Committee expects to approve a Model Provider that does not use the lowest cost share class if justified by the potential upside opportunity (such as access to a Strategy that is not offered using the lowest cost share class). We review the share class selection practices of Model Providers with mutual funds initially when adding the Model Provider and semi-annually thereafter. The Model Providers have an incentive to use a higher-cost share class if the Fund (or its affiliates) pay the Model Provider based on Assets invested in the higher-cost (but not the lower-cost) share class. PFPS has an incentive to allow Model Providers to use a higher-cost share class, as higher-cost share classes generally entitle us to receive larger payments from NFS. As discussed above, we mitigate our incentive to allow Model Providers to use a higher-cost share class by directing NFS to credit to your Account any 12b-1 and other fund-level fees that NFS would otherwise pass through to us. If you select a PGIM Model for use in your PSP Account, PGIM Investments is the Model Provider responsible for recommending the class of Fund shares to be used in the PGIM Models. PGIM Investments will typically recommend the lowest cost class of shares that is available to wrap accounts (there may, however, be lower cost shares available to other account types), and the share classes of Proprietary Funds that will be used in the PGIM Models do not pay 12b-1 fees to PFPS. Envestnet is responsible for all trading decisions for the Strategies used in PSP. Because different Fund families, Funds and share classes entitle us to different amounts of 12b-1 and other fund-level fees, your selected Model Provider’s recommendations and Envestnet’s trading will directly affect the amount of payments that Pruco Securities receives and can credit to your Account.

Any mutual fund that you transfer into your Account that is available as a Fund through a Program but is not in a share class available through a Program is an ineligible security and will generally be sold, which may cause you to incur tax consequences. The sale proceeds will be used to buy the lowest cost share class of the same Fund that is available in the Program. At your request, if you transfer mutual fund shares of an ineligible class in your Account

and do not want them sold, you may request that your IAR facilitate a share class conversion or you may hold such shares as Unsupervised Positions, as described in “Unsupervised Positions.” A request for a share class conversion must be approved by NFS, the relevant Fund company, PFPS, and if applicable, the relevant Model Provider.

## **6. Cash Target**

All Programs have a “Cash Target,” meaning some of your Assets are required to be in cash. For PSP, PruChoice and PruUMA, the Cash Target ranges from 0.5% to 2.00% of your Assets. Envestnet will allocate some of your Assets to the Sweep Vehicle in accordance with the Cash Target. At times the amount of your Assets in the Sweep Vehicle will temporarily differ from the Cash Target. This may occur because a Fund has been sold in your Account, your contributions or withdrawals are being processed, your Account is buying its initial investments, or there are changes in market value of your Assets. Envestnet will rebalance the account to within the range of the Cash Target based on Program rules.

Cash allocations are set at either the Program or Model Provider level, but the Committee makes the final decision on whether to approve the Cash Target and rebalancing frequency. In addition, within PruChoice and PruUMA, your IAR does have flexibility to adjust the Cash Target within limits set by PFPS’s Committee and to direct more frequent rebalancing.

Rebalancing frequency is dependent upon your Program, and rebalancing transactions are processed by Envestnet. Each Account will also be periodically rebalanced pursuant to the rebalancing rules of the applicable Program, irrespective of the cost to PFPS of such rebalancing. However, if you have a PruUMA Account that includes an equities sub-portfolio, IARs will make decisions as to the appropriate timing of rebalancing.

## **7. Sweep Vehicle**

In all Programs, as part of the Account opening process, you will choose the bank deposit sweep program or a money market fund (“Sweep Vehicle”). Deposits and dividends awaiting investment, and/or cash allocations will be held in the Sweep Vehicle. For Accounts not electing a Sweep Vehicle, NFS pays us the credit interest generated on your cash balance, less any amount we direct NFS to share with you (which is currently none). A Program may also charge the Client Fee on assets in the Sweep Vehicle. Please refer to “Program Fees” for additional information.

We are responsible for choosing the menu of Sweep Vehicles available in the Programs, and, with respect to the bank deposit sweep program, determining the amount of Revenue Share payments that Pruco Securities is eligible to receive. We direct NFS to not pay us any Revenue Share from Program accounts. In the event we change our agreement with NFS, we would update this Brochure and you would want to consider the Compensation we receive in connection with your Sweep Vehicle when evaluating the reasonableness of your Client Fee. Pruco Securities may remove or replace the bank deposit sweep program or a money market fund as a Sweep Vehicle option upon advance notice. Please refer to the Brokerage Agreement for additional information regarding these limitations. While we choose the menu of Sweep Vehicles available in the Programs, neither Envestnet nor PFPS recommend or select a particular Sweep Vehicle for you, and your IAR is instructed to provide only education, not recommendations, as to the choice of Sweep Vehicle.

*Money Market Mutual Funds.* PFPS has selected a single money market mutual fund sponsored by an affiliate of NFS as the money market Sweep Vehicle option. PFPS no longer offers as Sweep Vehicles proprietary money market funds managed and distributed by PFPS’ affiliates. If, however, your account was invested in proprietary money market funds previously offered as Sweep Vehicles in the Programs, you will be allowed to retain your position in these proprietary money market funds at your discretion, or until you terminate the account. Similarly, you may be allowed to retain your position in certain other money market mutual funds that were previously offered as Sweep Vehicles at your discretion, or until you terminate the account.

If you are maintaining assets in a proprietary money market fund, those assets will be excluded from computation of the Client Fee. However, all investment in a money market mutual fund (including a proprietary money market fund) will be subject to the management and other fees and expenses you pay as a shareholder of such fund. In the

case of a proprietary money market fund, these fees and expenses are paid to PFPS' affiliates. Please refer to the money market fund's prospectus for details.

Only money market mutual funds that help us maintain our preferred pricing with NFS, as described in "Production-Based Pricing," are offered by PFPS as Sweep Vehicles in Program Accounts. PFPS does not consider other money market mutual funds, which may have similar investment objectives but lower expenses ratios (and, therefore, higher returns).

*Bank Sweep Deposit option.* In selecting the bank sweep deposit program, PFPS has selected a bank sweep deposit option in which the amount of Revenue Sharing payments Pruco Securities receives for its brokerage accounts, but not for Program Accounts, is tied to the Targeted Fed Funds Rate. As the Targeted Fed Funds Rate increases, the rate at which Revenue Sharing is paid to Pruco Securities increases (up to 50% of the Targeted Fed Funds Rate). In its role as introducing broker, Pruco Securities is responsible for setting the interest rate that brokerage and advisory clients receive. Even though Pruco has directed NFS not to pay the Revenue Share to Pruco (to eliminate Pruco's incentive to steer advisory clients to use the bank sweep), NFS does not rebate that amount. Therefore, the amount of the would-be Revenue Sharing payment in the bank sweep deposit program directly reduces the amount of interest payable to clients.

Our ability to set the interest rate you receive presents a conflict of interest. We maximize our revenue from brokerage accounts by paying a lower interest rate on the bank sweep. However, because the same interest rate applies to advisory accounts, our decision to pay lower interest rates on brokerage accounts results in you earning less in interest on cash in the bank sweep in your Account. In low interest rate environments, the application of the Client Fee to the Assets in your Sweep Vehicle (in PSP and PruUMA) will exceed the return on your selected Sweep Vehicle, resulting in negative net yield.

The interest rate payable on the bank deposit sweep program is lower than what is available directly from a bank. Please refer to the bank deposit sweep program disclosure from NFS for more information.

## **8. *Margin and Overdraft Protection***

Pruco Securities, through NFS, allows customers to purchase securities on margin in certain non-managed brokerage accounts. If you have an unmanaged brokerage account, and elect to purchase securities on margin, you may be able to use one or more of your Program Accounts as collateral for margin loans entered into in your brokerage account. Accounts that are subject to ERISA, an IRA and any other Account that is subject to Section 4975 of the Code are not eligible for margin purchases or to be used as collateralization for a margin loan. You cannot hold margin debit balances in your Account, nor use the proceeds of a margin loan to invest in an Account.

The PruChoice Program also offers a check writing service, and you may, at your discretion, opt to include overdraft protection on your PruChoice Account. Overdraft protection is a form of margin, as it allows you to secure a loan to cover a check with the securities in your PruChoice Account as collateral. If you elect to use your Account to collateralize a margin loan (whether for purchases in your unmanaged brokerage account or for overdraft protection), and there are insufficient funds in your Sweep Vehicle to meet a margin call or pay an outstanding check, NFS may sell any Assets in your Account, without prior notice to you, to satisfy such margin call or pay such check. NFS may sell Assets in your Account without regard to tax consequences to you, and without regard to how it may affect the overall asset allocation or investment performance of your Account. You will also pay interest on any margin loan you incur.

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

Both PFPS and your IAR have a significant incentive to encourage you to use your Account to collateralize a margin loan rather than withdraw Assets from your Account because their Compensation is based on your Account value. If you maintain Assets in your Account, PFPS and your IAR will continue to collect the Client Fee on such Assets, whereas if you withdrew the Assets, then PFPS and your IAR would no longer collect such fees. Clients should

understand that PFPS and its IAR take this incentive into consideration when advising you on whether to use your Account to collateralize a margin loan, which is a material conflict of interest.

In addition, PFPS has a financial incentive for you to use your Account as collateral for margin loans provided by NFS, because Pruco Securities will receive a portion of the interest for the duration of the loan. NFS credits Pruco Securities with 100% of interest you pay on margin loans in excess of the National Financial Base Lending Rate (“NFBLR”) plus 50 basis points. (The NFBLR is a lending rate set by NFS based on its assessment of commercial lending rates, industry conditions regarding the extension of margin credit and general credit conditions.) In its role as introducing broker, Pruco Securities is responsible for setting the interest rate paid by its customers. Pruco Securities sets an interest rate that is higher than NFS requires, and keeps the difference between the rate you pay and the rate NFS retains. This presents a conflict, as setting a higher interest rate increases revenue for us but results in higher costs for you when maintaining cash debit balances or margin loans. The rate schedule for margin interest charged by Pruco Securities is available upon request. You should consider the ability to continue earning advisory fees, and the additional revenue that we receive from interest on margin and cash debit balances, as part of our Compensation when evaluating the appropriateness of your Client Fee. PFPS does not share this interest payment with your IAR. Any interest and fees you pay on any debit balances held outside your Account will not be considered in computing the Account value or the performance of your Account as reflected in Account statements, performance reports or otherwise.

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

## **9. *Non-Purpose Loans***

PFPS does not use leverage as an investment strategy for managed accounts. However, where appropriate, Pruco Securities may make available non-purpose loans offered through third parties. Non-purpose loans establish a revolving line of credit allowing an investor to borrow money using securities held in their investment portfolio as collateral without having to liquidate securities. Non-purpose loans typically allow the borrower to use loan proceeds for multiple purposes except to purchase or trade securities. These loans require the borrower to pay monthly interest payments and the loans remain outstanding until repaid.

The maximum amount of the loan depends on the lending value of your investment portfolio assets, as set out in your agreement with the third-party lender. Non-purpose loans create additional risks for you. While the loan remains outstanding, if the lendable value of the securities pledged as collateral decreases, the third-party lender may provide notice requiring you to deposit additional funds, pay down a portion of the loan or sell securities in order to address the collateral shortfall. If you fail to respond to the notice, the third-party lender has the right to direct the sale of securities in your account and will not take into account your investment strategy when selling securities. As such, additional trades may need to be placed in order to re-align your account to the strategy stated in your SIS. Selling securities in your Account may result in tax consequences. Additionally, a decline in your Account’s value could cause your Account to fall below the minimum required to participate in a Program.

The third-party lender will earn fees and interest on loans secured by the securities in your Accounts. Any fees and interest earned by the third-party lender are separate and in addition to Program fees you pay. PFPS will receive Compensation from the third-party lender at an annualized rate equal to 0.50% (50 basis points) of the balance of the outstanding loans, less any reduction in the interest rate that Pruco asks the third-party lender to charge clients. Currently, Pruco retains the full 0.50% of the outstanding balance. This presents a conflict because, if Pruco were to accept a lower fee rate, clients would receive a corresponding reduction in interest rates. The payment also presents a conflict, as we benefit from our clients using the third-party lender that we make available through the Programs over other lenders. Pruco does not offer clients the option of using a Program Account to secure a financing arrangement with a different lender of the client’s choosing which may charge lower interest rates.

The Compensation from the third-party lender is not shared with IARs. However, PFPS and its IARs have an incentive to encourage you to use your Account to collateralize a non-purpose loan rather than withdraw Assets from your Account because their Compensation is based on your Account value. Clients should understand that PFPS and its IARs take this incentive into consideration when advising you on whether to use your Account to

collateralize a non-purpose loan, which is a material conflict of interest. You should consider the ability to continue receiving investment advisory fees, as well as the additional revenue that we earn from interest on non-purpose loans, as part of our Compensation when evaluating the appropriateness of your Client Fee. Prior to establishing a non-purpose loan, you should carefully review the disclosure form provided by the lender.

## **VIII. COMPENSATION OF YOUR IAR AND PLANNER**

Our ability to meet or exceed your expectations depends on the quality of our financial professionals. A failure to recruit and retain talented, qualified and motivated IARs might have an adverse effect on your client experience and result in the loss of your business for Prudential. Because our long-term success depends on attracting and retaining clients, we have an incentive to structure your IAR's Compensation to encourage that. Our interests are aligned with yours when we seek to improve client satisfaction by offering competitive Compensation to your traditional IAR, virtual IAR or Planner, and our financial professionals similarly have an overarching incentive to ensure your satisfaction. These overarching incentives are not altered by the conflicts of interest described in this section.

As described in "Our Compensation," your IAR or Planner receives Compensation (which includes bonuses and discounted or free goods and services) as a result of your participation in a Program or purchase of financial planning services. The amount of the Compensation varies based on the products and services your IAR or Planner recommends or selects for you. When Compensation differs based on what your IAR or Planner recommend or selects, there is a conflict of interest that prevents your IAR or Planner from giving you disinterested advice. Virtual IARs have a Compensation structure that differs from that of traditional (i.e., non-virtual) IARs, resulting in different conflicts and incentives, as discussed in "Payments to Your Virtual IAR and Resulting Incentives."

In each of the circumstances described below, to the extent consistent with applicable law, your IAR or Planner takes into consideration his or her financial interest in maximizing Compensation, either directly (in the form of salary or commissions, bonus, prizes, rebates, etc.) or indirectly (as an employee of Prudential), when advising you, even when that results in additional expenses or opportunity costs to you. For additional circumstances in which this occurs, please see "COMPENSATION," "Referrals" and "Solicitation Arrangements." Please consider the Compensation that your IAR or Planner receives, as well as the costs that you bear, when evaluating whether to accept a recommendation and the reasonableness of our financial planning and Program fees.

PFPS maintains policies and procedures for reviewing Compensation that seek to ensure your IAR's or Planner's incentive arrangements do not interfere with our or their respective fiduciary duties under the Advisers Act to all clients and, where PFPS acts as an ERISA fiduciary to the Accounts, our fiduciary obligations under ERISA and parallel provisions of the Code. To mitigate the risk of inappropriate conduct or securities law violations, we review your IAR's or Planner's recommendations for appropriateness based on your risk tolerance, investment objectives and time horizon. We also educate IARs and Planners on the fiduciary duties of loyalty and care that we owe to clients when providing Program and financial planning services.

### **A. Payments to your Traditional IAR or Planner**

For traditional IARs (including Planners), the primary source of Compensation is the customary system of commissions and fees applicable to insurance agents, broker-dealer representatives and investment advisory representatives. We pay your IAR a percentage of every dollar of revenue they generate for Prudential ("generated revenue"). The percentage we pay increases (to nearly double the baseline percentage of each dollar of generated revenue) as the IAR increases his or her total generated revenue (to exceed pre-set breakpoints). This ability to take home a larger fraction of every dollar, not just a larger number of dollars, of generated revenue as Compensation heightens an IAR's incentive to maximize their total generated revenue by selling more advisory services (and more insurance and brokerage products). The generated revenue associated with each type of product and service available through a financial professional who is a PFPS IAR (whether in that person's IAR or non- IAR capacity) differs, thus creating an incentive for that person to recommend (or, where applicable, purchase on behalf of a client) types of products and services that maximize generated revenue. This presents a conflict because the greater the amount of generated revenue for an IAR that is associated with a product or service, the higher the cost of that product or service typically is to you. Fees and costs will reduce any amount of money you make on your investments over time.

*Incentive to Favor Programs over Brokerage.* The Compensation available to your IAR is typically more, in the long term, if you participate in the Programs than if you purchased financial planning services alone or in conjunction with other Pruco Securities products or services. As a result, your IAR has a financial incentive to recommend a Program over other PFPS or Pruco Securities products or services. For example, if you participate in any of the Programs, your IAR will earn generated revenue from the Advisor Fee for the duration of the time that your Assets are invested in the Account. In contrast, if you open a regular brokerage account, your IAR will earn generated revenue from the transaction-based Compensation in his or her capacity as a registered representative of Pruco Securities. The Compensation usually takes the form of a commission (including a “trail” commission) you pay directly or indirectly to place transactions. The difference in Compensation presents a conflict, because participating in the Program, rather than investing in a brokerage account, generally maximizes Compensation to your IAR but can result in higher costs for you (depending on the volume and type of transactions generating commissions). Please see “Incentive to Favor Approved Products” for information about your IAR’s other financial incentives to gather and retain investment in the Programs.

*Incentive to Favor PruChoice.* Your IAR also has an incentive to recommend PruChoice over other Programs to the extent that PruChoice offer the highest fee rate an IAR can negotiate with clients. Specifically, the negotiable range of the Advisor Fee is higher in PruChoice than in the other Programs. Although the potential Advisor Fee range for PruChoice is higher than the other Programs, the overall Client Fee you pay to participate in PruChoice can be higher or lower than the Client Fee you pay in other Programs, depending on a number of factors, including the applicable Manager Fee for any Strategies or Separately Managed Accounts used in your Account, and the fee for tax overlay management and impact services (if elected in PruUMA). Moreover, although the potential Advisor Fee range is higher in PruChoice, the Advisor fee is negotiable, and must be agreed to by you prior to your enrollment in the Program.

*Disincentive to Refer Clients to PruUMA.* Only certain specifically trained and qualified IARs may offer the PruUMA Program to their clients. IARs who are not authorized to manage PruUMA Accounts are encouraged to refer potential clients to another IAR who is qualified, if PruUMA is most appropriate for the client. However, IARs have an incentive *not* to refer a client to a qualified IAR because the referring IAR forgoes any Compensation that could be earned by enrolling the client in another Program. As a result, you may not be given the opportunity to enroll in PruUMA even if that Program is most appropriate for you. See “Payments Shared with a Team” for a further discussion of this conflict of interest.

*Incentive to Favor Sponsors.* As described in “Joint Marketing, Conferences and other Business Support,” we receive Compensation from Sponsors to support marketing, training or licensing expenses of our employees and help sponsor conferences. Some Sponsors tie the amount of payment or their willingness to pay to the amount of Pruco Securities’ or PFPS’s product sales. PFPS at times will provide some or all of these marketing support fees or other financial support to IARs, as Compensation or reimbursement for expenses they incurred in holding client meetings and seminars. In addition, certain Sponsors provide Compensation directly to IARs. The Sponsors are associated with Model Providers, Strategies, Separately Managed Accounts, and Funds that IARs recommend for your Account. IARs have an incentive to favor Model Providers, Strategies, Separately Managed Accounts, and Funds that are associated with the Sponsors that provide the most Compensation to them. In addition, when the Compensation is based on maintaining or increasing asset under management or product sales, IARs have an incentive to meet those thresholds and production levels. IARs have an incentive to recommend PFPS advisory programs supported by Sponsors or products of Sponsors because of the education and the exposure that IARs receive at the conferences and trainings, the Compensation and reimbursements for hosting client meetings and conferences IARs host on behalf of PFPS, the payment of their conference expenses, and/or the payment of marketing support, training or licensing expenses. This presents a conflict of interest that we seek to mitigate through disclosure. Please contact us at the address or telephone number shown on Page 1 of this Brochure for a current list of Sponsors and Funds that have arrangements with us.

*Incentive to Avoid Repayment.* In some instances, your IAR received a bonus or loan from Prudential when joining Pruco Securities and will be credited with repayment of some or all of the amount if he/she satisfies overall total sales goals (including products and services offered by PFPS and Pruco Securities) and/or remains associated with Pruco Securities over time. When a bonus or credit toward repayment of a loan is conditioned on continued association with us, your IAR has an incentive to remain in good standing with us, which includes meeting minimum production standards, until any bonus payment is made or until any repayment obligation terminates. In

addition, when loan repayment is credited on the basis of an IAR's generated revenue (as described above), your IAR has an incentive to meet those thresholds and production levels.

*Incentive to Recommend and Implement Financial Planning and Transactions.* IARs acting as Planners receive a portion of the planning fees, as described in "Financial Planning Fees" and "Compensation of Your IAR and Planner," which affects the overall Compensation and other benefits they receive from PFPS and/or its affiliates. As a result, a Planner has an incentive to recommend that you purchase financial planning services in addition to opening a brokerage account.

If your Planner is also licensed as a registered representative of Pruco Securities (i.e., a registered representative of a broker-dealer), then, acting in that capacity, he or she may also implement your plan. In that case, your Planner will also receive Compensation in the form of salary, bonuses, retirement benefits or commissions, renewal commissions, "trail" commissions on insurance and securities products, and other benefits. The amount of Compensation varies based on the type of product or services purchased as well as the amount invested.

You can implement your plan on your own, through your Planner or through another insurance or financial services professional. Pruco Securities and the Planner's primary Compensation comes from the sale of insurance and investment products. In developing your financial plan, your Planner has a financial incentive to recommend products and services that generate the most Compensation for the Planner and to encourage you to implement the plan through your Planner rather than another professional. Your Planner also has an incentive to recommend that you buy or sell, rather than maintain, your current holdings in order to generate more transaction-based Compensation, which increases your costs and reduce returns.

*Incentive to Favor Approved Products.* Planners and IARs earn credit ("Credit") towards additional "incentive" Compensation based on their success: (1) gathering and retaining investment in the Programs; and (2) selling (not retaining) other products that our Committee approves. No Credit is given for sales of unapproved products, and there is substantial overlap between "approved" and "proprietary" products, as described in "Incentive to Favor Proprietary Products."

When Compensation is based on maintaining Assets in the Program and increasing sales of approved products (including financial planning services), your Planner or IAR has an incentive to meet those thresholds and production levels. For example, Pruco Securities covers the cost of attending sales conferences for Planners and IARs with the greatest Credit and offsets or reimburses other business expenses, such as licensing fees and stationary, for Planners and IARs that exceed certain sales thresholds. In addition, Prudential Insurance provides Planners that have the most Credit with bonuses, direct expense coverage and expense allowances to offset expenses incurred while writing and servicing approved products. Incentivizing your Planner to increase sales and maintain investment in the Programs presents a conflict because transacting more frequently, and paying fees to participate in a Program, reduces your investment returns.

*Incentive to Favor Proprietary Products.* The list of approved products includes both affiliated and unaffiliated products. However, PFPS and its affiliates have a greater financial interest in the sale of Prudential proprietary products than in non-proprietary products and services. As a result, the Committee favors affiliated products and expects to select and retain all available affiliated products on the approved list. With respect to Accounts subject to ERISA or ancillary provision of the Code, where PFPS acts as an ERISA fiduciary to the Accounts, such affiliated products will only be recommended to the extent such products are in your best interest under regulations as promulgated by the Department of Labor. The Committee includes a more limited number of unaffiliated products in each of the broad categories. In some categories, such as variable life insurance policies, the approved list contains few (if any) unaffiliated products. A Planner is more likely to sell to you an affiliated product when the percentage of affiliated products is higher in a given category. As an employee of Prudential, your Planner has an indirect incentive to sell you an affiliated product over an unaffiliated product in order to maximize Compensation to us and our affiliates. Your Planner's commission (i.e., generated revenue) does differ, and is greater, when recommending or selling the approved Prudential product, over the approved unaffiliated product, in the same product category for certain product categories (such as life insurance) but not others (such as variable annuities).

## **B. Payments to your Virtual IAR**



A virtual IAR's Compensation is structured as a base salary with the opportunity to earn bonus and/or salary adjustments based on an annual performance review. This performance review considers the virtual IAR's achievements in meeting business goals and objectives (including in terms of quality of client interactions, adherence to schedule, and volume of products and services sold (measured as number of accounts opened)) relative to the rest of the virtual IAR team, as well as leadership capabilities and outcomes. Because relative sales performance is a component of a virtual IAR's Compensation, a virtual IAR has an incentive to maximize the number of accounts he or she sells, including, for example, by:

- recommending that you open a PSP Account through him or her, and/or recommending that you invest in one of the limited number of insurance products or variable annuities that he or she is able to offer, even when a different service or product (or no service or product at all) would better serve your needs; and/or
- allocating his or her time in a manner that prioritizes new sales over servicing existing PSP Accounts.

Furthermore, as an employee of Prudential, a virtual IAR has an incentive to make recommendations which maximize Prudential's revenue and profits – for example, by recommending a PGIM Model for your PSP Account, or otherwise favoring proprietary products to the extent such products are more profitable to Prudential.

We are offering virtual IAR services as a pilot program. Virtual IARs have a financial interest in ensuring sufficient demand for their services. As a result, your virtual IAR has an incentive *not* to recommend PruChoice or PruUMA (or another advisory, brokerage or insurance service or product not offered by the virtual IAR). As a result, you may not be given the opportunity to enroll in the Program, or purchase the product or service, that is most appropriate for you.

### **C. Payments Shared with a Team**

Traditional IARs (including Planners) are encouraged to “team” with other IARs who have particular expertise in products and services (such as financial planning services) that may be appropriate for a client. If one traditional IAR (the “referring IAR”) refers you to another IAR for financial planning services or managed account services, the IAR who provides services to you will agree to split a portion of the Client Fee or the financial planning fee with the referring IAR. For financial planning, if you subsequently implement your financial plan through your Planner in his/her capacity as a Pruco Securities registered representative, IAR and/or insurance agent of Prudential, the referring IAR will also receive a split of the fees or commissions which the referring IAR is licensed to receive.

*Disincentive to Share with a Team.* An IAR has an incentive *not* to make referrals and *not* to team with others, if the referring IAR could provide the services alone and avoid splitting the Client Fee, financial planning services fee or other fees or commissions. This presents a conflict, if your interest would be best served by the IARs working as a team or if the other IAR offers a program or service that is more appropriate for you.

*Disincentive to Negotiate Fees.* Because the IAR providing services retains less of the Client Fee or financial planning fee for themselves, the IAR has an incentive *not* to negotiate a lower Client Fee or financial planning fee. IARs consider their reduced retention of fees and commissions (due to payments owed to team members) when negotiating your fees and are less likely to offer a discount. As a result, you typically will pay a fee that is higher than would be the case if your IAR were operating independently of a team.

Unless operating as part of a “team” as described above, Pruco Securities registered representatives are not authorized to receive any portion of your advisory fees for referring you to an IAR, and IARs are not authorized to split fees or commissions generated from referring you to a Pruco Securities registered representative.

### **D. Payments to Managers and Internal Consultants**

Managers of the IARs, virtual IARs and Planners described above are compensated based on qualitative metrics, such as their leadership abilities (which include training, monitoring and oversight), as well as quantitative metrics, such as the performance (financial or otherwise) and productivity of the financial professionals they supervise. This

Compensation arrangement creates a conflict of interest by incentivizing managers to encourage those they manage to act on their financial interest in maximizing Compensation, either directly (in the form of salary or commissions, bonus, prizes, rebates, etc.) or indirectly (as an employee of Prudential). We address this conflict by disclosing it to you and by supervising the managers.

Although your IAR has a fiduciary duty to act in your best interest, we pay internal consultants to educate and encourage your IAR to recommend Proprietary Funds and PGIM Investments (over other Funds and, in PSP, other Model Providers) and PSP or PruUMA (over PruChoice or brokerage or insurance products). The consultant can increase his or her bonus to up to three times the baseline amount, which is a sizable portion of his or her total Compensation, by increasing sales of financial planning services and net inflows into PSP and PruUMA. Your contributions to, and withdrawals from, PruUMA or PSP count towards this calculation of net “inflows.” This presents a conflict, because our interest in encouraging your IAR to recommend PSP and PruUMA, which are more profitable to us and our affiliates than other investment products and services conflicts with your interest in receiving disinterested advice. In addition, to the extent PruUMA and PSP or the products recommended in your financial plan are more expensive than the other product or service you might have chosen, your returns will be reduced by those higher fees and expenses. The consultants can earn more credit towards their bonus when the net inflows are recommended by IARs who are new to the PFPS or by IARs whose clients have not historically invested in the Programs, which creates an incentive for consultants to emphasize PruUMA and PSP to these IARs in particular. Because the consultants earn credit towards their bonus by increasing sales of financial planning services, they have an incentive to encourage IARs to increase the number of financial plans delivered to clients.

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

### **A. Types of Clients**

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

### **B. Opening an Account**

To participate in a Program, you will sign an Advisory Agreement with PFPS, a brokerage new account form to open your Account with Pruco Securities, the SIS, and any other required paperwork for your Account, in which your Assets will be transacted and held. Your Advisory Agreement supplements your SIS, which outlines, among other things, your risk tolerance for the Assets, your planned initial investment amount, any reasonable investment restrictions that you requested, your agreed-upon Client Fee, and other information. Your brokerage account agreement may contain authorizations for us to transfer funds or securities that are broader than the authorizations in your Advisory Agreement. If this happens, our authority is limited to the authority in the Advisory Agreement regardless of any broader authorization in your brokerage account agreement. Your brokerage account agreement also describes the custodian’s monitoring, if any, of your Account. PFPS operates exclusively in the United States. PFPS only opens and maintains accounts for, and only provides advice and services to, individuals or entities having a legal U.S. address. You may have to complete other paperwork in order to open an Account or instruct PFPS, NFS and Envestnet (as applicable) to effect certain transactions. All agreements are subject to acceptance by PFPS and, if applicable, Envestnet.

### **C. Electronic Signature**

For certain PFPS client offerings, you *must accept* the Advisory Agreement, SIS, brokerage account agreement, and all other program documents by electronic means (such as clicks or other online means). These documents are legally binding, and you are considered to have “signed” them with the same effect as a manual signature. When establishing a joint account with electronic signature, each client must accept the Advisory Agreement by electronic means. Electronic records of the Advisory Agreement that are made online will also be considered to be “in writing.” During the application process, you must agree to electronically receive and provide all relevant information and signatures. For example, your participation in PSP through a virtual IAR is conditioned on your consent to electronic delivery. You may revoke this electronic consent at any time by contacting PFPS at 844-939-

0490. However, if you revoke this consent to electronic delivery, PFPS reserves the right to terminate your participation in PSP or to reassign your PSP Account from a virtual IAR to a full-service IAR.

For other PFPS client offerings, you *may elect* to receive communications electronically, including agreements, forms, statements, confirmations records, client communications, privacy notices, Form ADV disclosures, and other documents related your Account.

#### **D. Minimum Investment Requirements**

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

<b>Program</b>	<b>Initial and Ongoing Account Minimum*</b>
PSP	\$2,000
PruChoice	\$25,000
PruUMA	\$50,000

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

You will not be accepted into a Program until: (i) Envestnet, NFS and PFPS, as applicable, have received your required paperwork in good order and approved it, and (ii) you have met all Program, Model Provider, and Fund minimum investment requirements or the minimums have been waived. Therefore, your cash and/or securities transferred into your Account will remain outside of the Program, uninvested and unmanaged, until PFPS accepts them and you have met the two Program requirements above. Once you have met all Program requirements, any securities in your Account that cannot be accepted into your Account will be sold. Once your Account meets the minimum initial investment, it typically takes 2-5 business days for Envestnet to execute the initial transactions, unless you make other arrangements by agreement with your IAR. You may request that PFPS delay making your initial investment and/or that PFPS maintain certain securities in your Account as Unsupervised Positions, in which case no trading will take place until we receive instructions from you, or the position is moved to a retail brokerage account.

You may fund your Account with check deposits or electronic cash transfers. You may transfer certain securities, including mutual funds and ETF shares, into your Account. If PFPS cannot accept certain securities for transfer, you will be notified. Please see "Funding Your Account" and "Unsupervised Positions" for information about transferring securities into your Account. Letters of intent are not permitted. All checks must be made payable to National Financial Services, LLC. Checks with a payee other than National Financial Services, LLC will be returned to you uninvested. You are solely responsible for complying with these Account funding requirements, and neither PFPS, IARs nor Envestnet will be responsible for any delays or the failure to invest any Assets if you have not met these requirements.

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

investment objectives. You may have tax consequences as a result of selling or withdrawing Assets from your Account. Please consult your tax advisor for more information.

## **E. Terminations**

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

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

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

### **A. Overall Evaluation Process**

PFPS has a Registered Investment Advisory Committee ("the Committee") that oversees the standards of the Programs and provides broad Program oversight. The Committee typically meets at least quarterly to discuss the Programs and investment options available therein, including potential conflicts of interest. The Committee also decides whether to add (and can remove) Model Providers and/or a particular Strategy or Separately Managed Account (together "Program Providers"), and Funds (as applicable). However, in PSP, PruUMA, and, starting in mid-2021, in PruChoice, the Committee limits its consideration, as described in "PROGRAM SERVICES," to options that Envestnet pre-screens and maintains for the Committee's consideration, subject to the exceptions noted in "Envestnet and PMC." The Committee does not independently investigate other investment advisers and investment options, which may have similar investment objectives but lower fees and expenses (and, therefore, higher returns). Pruco Securities periodically reviews Envestnet to assess whether Envestnet and PMC continue to meet its contractual obligations with respect to due diligence under the service agreement with PFPS for the Programs.

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

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

##### **Selection of Program Providers**

Pruco considers a range of factors which varies among Program Providers, including some or all of the following in their evaluation of Program Providers: (i) whether a particular Program Provider is available through the Envestnet platform; (ii) compliance and regulatory history; (iii) personnel changes; (iv) performance; (v) whether another comparable Program Provider is already available under a Program; and (vi) demand for a Program Provider. PFPS uses different tools to guide its review process, including the use of research reports from SIRG about Strategies that PMC created and maintains for use in PSP and PruUMA. In providing services to the Committee, SIRG uses quantitative, and to a lesser extent, qualitative screening techniques, questionnaires and analytical assessments, interviews, and on-site visits, as it deems appropriate. These assessments may consider organizational infrastructure, talent, asset forecasting, portfolio construction, and risk statistics. As described in this brochure, the Committee and not SIRG determines whether a Program Provider is included or removed from a Program. SIRG is not an investment adviser and does not provide investment advice to you.

PFPS also uses research reports from Envestnet and SIRG for PruUMA and PSP. Envestnet evaluates all Model Providers other than PMC. The level of due diligence that PFPS engages PMC to perform depends on whether the Model Provider is on PMC's approved list for third-party wrap program sponsors. For Model Providers on PMC's approved list, Envestnet evaluates a Model Provider's regulatory/compliance history, investment methodology, performance, corporate governance, risk controls, changes in key personnel, and other information to help PFPS

decide whether to allow a Model Provider to be added to or remain in a Program. Envestnet also regularly evaluates Model Providers' performance, risk, risk-adjusted performance, consistency, and/or attribution and shares certain key considerations with the Committee. For additional details on PMC's due diligence process for Model Providers on PMC's approved list, review Envestnet's Model Provider Form ADV disclosure brochure.

For Model Providers not on PMC's approved list, PFPS engages PMC to perform a more limited quarterly review, with a less comprehensive written analysis in its annual assessment. The only Model Provider in PSP not on PMC's approved list of Model Providers is PGIM Investments. Please see "PGIM Investments as Model Provider" and "IARs as Portfolio Managers" for information about the differences in how the Committee selects and reviews the portfolio management services of its affiliates, PGIM Investments in PSP and the IARs in PruChoice and PruUMA, relative to unaffiliated portfolio managers.

### Selection of Funds

Effective September 1, 2021, the Committee's procedures require Committee approval of all Funds before they can be added to the menu of Funds available for IAR recommendation to clients in PruUMA and PruChoice. The Committee contracts with PMC to provide due diligence on these Funds in PruUMA and, as of June 2021, in PruChoice. The level of due diligence that PFPS engages PMC to perform depends on whether the Fund is on the list that PMC approves for third-party wrap program sponsors (referred to as PMC's approved list). For Funds on PMC's approved list, PMC performs active monitoring on an ongoing basis, via quantitative or qualitative and qualitative processes, as described in Envestnet's Form ADV disclosure brochure. For Funds not on PMC's approved list, PFPS engages PMC to perform a more limited quarterly review, with a less comprehensive written analysis in its annual assessment.

PMC replaces PFPS' affiliate, SIRG, as due diligence provider on the Funds. Replacing SIRG with PMC mitigates certain conflicts, including SIRG's incentive to evaluate Proprietary Funds more favorably than unaffiliated Funds for PruChoice. The Committee will continue to receive due diligence from SIRG until mid-2022 for certain Funds in PruChoice that have not been covered historically by PMC.

The retention of PMC as the due diligence provider for PruChoice resulted in an increase in the number of mutual funds and ETFs available for IARs to recommend in PruChoice, because PMC evaluates many Funds that were not previously considered for PruChoice. PMC continues to evaluate these Funds for PruUMA, and the addition of these Funds to PruChoice will more closely align its menu to the menu of Funds in PruUMA.

The Committee sets the investment standards for selection and retention of Funds that IARs may recommend in PruChoice and PruUMA. In PruUMA, the Committee uses the standard for selection and retention of Funds that PMC applies in constructing its approved list of Funds. In PruChoice, the Committee uses a standard, for selection, that is the same as the standard for inclusion on PMC's approved list of Funds. However, for retention, the Committee uses an investment standard that is lower than that used by PMC for its approved list. As a result, Funds currently approved by the Committee for PruChoice will continue to be available for investment in PruChoice even though they do not satisfy PMC's investment criteria for other third party platforms.

Setting a lower standard than PMC's approved list for retention allows the Committee to retain Funds that were included in PruChoice Accounts prior to PFPS engaging PMC as the primary due diligence provider for PruChoice. If the Committee were to adopt PMC's standards for retention (not just for selection), PruChoice clients would be required to liquidate, with potential tax consequences (for taxable Accounts), their positions in any Fund not on PMC's approved list. In deciding which non-approved Funds to retain in PruChoice, the Committee gave preference to Proprietary Funds, Funds that complement the investment line-up and Funds that are the most popular in PruChoice (e.g., based on the number of clients or Assets invested in a Fund). In particular, the Committee's investment standard permits the retention of Proprietary Funds that do not satisfy PMC's investment criteria for other third party platforms.

The Committee has an incentive to set its investment standards at a level sufficient to retain Proprietary Funds, even if that permits Funds that do not meet the standards for inclusion on PMC's approved list of Funds for other third-party platforms. Prudential earns additional fees and enjoys reputational benefits on Assets invested in Proprietary Funds. (PFPS offsets the additional fees on Assets in Proprietary Funds by reducing each client's Program Fee by a

credit equal to 75 basis points on all billable PruChoice Assets. The credit applies without regard to whether the Account invests in Proprietary Funds or non-proprietary Funds. Because PFPS gives the credit on all billable PruChoice Assets, the credit exceeds these additional fees historically for each client. However, the credit does not mitigate the Committee's incentive to retain Assets in Proprietary Funds, because the fees that PFPS' affiliates receive on Proprietary Funds allow us to recoup, as a company, more of the 75 basis point credit.)

When the Committee's criteria are consistently applied to all Funds in PruChoice, there will be a higher concentration of Proprietary Funds among the available Funds that are not "approved" by PMC for recommendation to third-party sponsors.

In setting a standard for PruChoice that is different from the standard PMC employs for other third-party sponsors, the Committee considers PFPS' familiarity with PGIM Investments' investment process, as well as its risk and compliance philosophy, as well as its preference for Proprietary Funds. For this reason, Proprietary Funds remain in PruChoice in larger percentages than unaffiliated Funds with similar qualitative and quantitative performance measures. The Committee also considers the difference between setting a lower standard for retention, than for selection, of a Fund. A lower standard for retention can provide flexibility for PruChoice clients that could be adversely affected by liquidating a particular Fund holding due to transaction costs or tax consequences (for taxable Accounts) or other considerations that a client and his or her IAR would take into account. The flexibility also provides PruChoice clients the option of remaining invested in their current Fund while taking additional time to consider the many alternative Funds added to PruChoice in June 2021.

Until the Committee decides to remove a Fund, PFPS does not require its IARs to recommend an alternative Fund to their clients. The Committee will promptly remove any Fund, including a Proprietary Fund, that receives a negative analyst review from PMC or that Envestnet identifies as no longer available (both of which are separate from PMC's decision to not include the Fund on the approved list). For a description of the removal process, please refer to "Termination of a Model Provider or Fund; Requests to Change Your Account."

You can remain invested in a Fund, including a Proprietary Fund, that does not meet the standards for inclusion on PMC's approved list, but is listed as "available" for investment, until your IAR reviews your Account and reaches the conclusion that moving to an alternative Fund is in your best interests. IARs typically review Accounts annually, as described in "Review of Accounts." When refreshing their investment recommendations, IARs have a fiduciary duty to recommend an alternative Fund (be it a Proprietary Fund or an unaffiliated Fund) if retaining the existing Fund is no longer in your best interest. Please refer to "IARs as Portfolio Managers" for information about differences in PFPS' standards for selection and retention for IARs (relative to other Model Providers who recommend Funds).

In the Strategies and Separately Managed Accounts which hold mutual funds, PFPS serves as a fiduciary but the Model Providers exercise discretion in client Accounts. The Committee approves the Strategies and Separately Managed Accounts before they are added to the Programs, as described under "Selection of Program Providers." However, the Committee does not approve or review the specific Funds within those Strategies and Separately Managed Accounts. Also, please see "PGIM Investments as Model Provider" for information about differences in the standards applied to Proprietary Funds for use in PGIM Models in PSP.

### *Selection of Equities*

As described in the "Morningstar" section, Morningstar provides, maintains and performs due diligence and research on, the List of equity securities available for use in PruUMA. Morningstar uses qualitative methods to provide research and due diligence on the equities available for inclusion in an individual equity sub-portfolio in PruUMA. Only equities included on the List provided by Morningstar are available in the individual equities sub-portfolio for PruUMA.

The Committee has reviewed and approved Morningstar's methodology for researching equities on the List that IARs can use to construct the sub-portfolio of equities in PruUMA. The Committee, NFS and Envestnet will not provide any independent research or related conviction for any individual equities on the List. An equity security's inclusion on the List does not mean that the security will have positive performance, and securities that are not on the List may outperform securities that are on the List.

Morningstar does not act as a fiduciary to clients in PruUMA. Morningstar has not created the List of available equity securities to address any specific individual's investment objectives, financial situation or the particular needs of any specific person. Use of the equity securities List does not establish an advisory relationship between Morningstar and the client; and Morningstar is not responsible for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses, or opinions or their use by PFPS or the IAR. To minimize conflicts of interest, Pruco's ultimate parent company, Prudential Financial, Inc., will not be included on the List. Other affiliated parties may be removed from the List in the future.

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

## ***2. PGIM Investments as Model Provider***

In PSP, our affiliate PGIM Investments acts as the Model Provider to manage the PGIM Models, which are expected to invest up to 100% in Proprietary Funds. Please see "PruStrategist Portfolios" for information about the additional Compensation you pay, and we receive (directly or indirectly), when your Account invests in Proprietary Funds. Please see "FEES AND EXPENSES" for information about the circumstances in which we offset certain of these fees with a Credit Amount that reduces your Client Fee.

### **Conflicts of Interest.**

When PGIM Investments acts as a Model Provider, this presents a conflict of interest. Prudential receives a reputational benefit from having assets managed according to the PGIM Models, and in certain circumstances will receive additional revenue as a result of your investment in the Proprietary Funds through the PGIM Models. Accordingly, you should be aware that, because of PGIM Investments' affiliation with PFPS, the Committee is more inclined to include the PGIM Models, and some IARs will be more likely to recommend that you select and keep a PGIM Model over other Strategies.

To mitigate your IAR's incentive to favor PGIM Investments, an IAR's Compensation under the Program does not vary based on whether the IAR recommends, or you select, a PGIM Model. Moreover, because IARs are compensated in PSP through the Advisor Fee, which is tied to the value of Program Accounts, IARs are to that extent incentivized to identify Model Providers and Strategies they believe will increase the value of an Account, regardless of whether or not the Model Provider is affiliated with PFPS.

To mitigate our incentive to favor PGIM Investments and PGIM Models over other Model Providers, the Committee engages PMC to provide due diligence on the PGIM Models available in PSP. Engaging PMC to due diligence PGIM Models presents a conflict of interest because the Committee also engages SIRG, a division of PGIM, to due diligence PMC Strategies. This conflict is mitigated by SIRG's research process, which is significantly quantitative, meaning it is driven by SIRG's review of the PMC Strategies' and Separately Managed Accounts' investment performance and selection of underlying investments. With respect to the PGIM Models, PGIM Investments seeks to mitigate this conflict by SIRG's selection and weightings process for the underlying investments in the PGIM Models, which does not take into account any information, consideration or recommendation from PMC or Envestnet. You should review PMC's Brochure to learn how PMC addresses and mitigates conflicts related to model portfolios.

### **Selection and Review of PGIM Investments.**

The PGIM Models are subject to different considerations than are other Strategies and Model Providers that are included in PSP. Given the affiliated relationship between PFPS and PGIM Investments, the PGIM Models are not subject to the same reviews as Strategies provided by unaffiliated Model Providers included in PSP. Instead, PGIM Investments was identified, on the basis of its affiliation with PFPS, to provide the PGIM Models to be made available in the PSP program. Envestnet has included the PGIM Models on its platform since 2018. The PGIM Models are relatively new, and do not have the same length of performance history or amount of assets under

management as the Committee typically requires for a Strategy to be available in PSP. Generally, the Committee considers such information for other Model Providers because a performance history gives the Committee confidence in the Model Provider's ability to manage their strategy in a variety of market conditions. Moreover, unlike other Strategies made available in PSP, the PGIM Models are not included on PMC's approved list of Model Providers to third-party sponsors (although they have recently become available on the Envestnet platform for distribution by other sponsors).

PFPS, however, is familiar with PGIM Investments' investment process as well as its risk and compliance philosophy. In addition, for each Fund included in the PGIM Models, PGIM Investments conducts research, analysis and reviews, among other things, the investment performance, return expectations, investment style and structure, fees, sector exposure, and risk exposure of such fund. PGIM Investments will include a Proprietary Fund in a PGIM Model only if it has at least a one-year performance history. Although the Committee has not used the same selection process or applied the same standards to the PGIM Models as for other Strategies, the Committee has asked PMC to perform due diligence on the PGIM Models, and on the basis of that due diligence, the Committee has determined to include the PGIM Models in PSP.

### ***3. IARs as Portfolio Managers***

In PruChoice and PruUMA, your IAR acts as your portfolio manager. In PruChoice, your IAR acts as a non-discretionary portfolio manager, meaning that you must approve all transactions in your Account (except that Envestnet will exercise delegated discretion from you to rebalance your account back to your chosen allocation in accordance with Program rules). You make the final decision on whether to accept your IAR's recommendation of particular Funds to represent each asset class in your asset allocation model. In PruUMA, your IAR acts as a discretionary portfolio manager, meaning that your IAR can engage in transactions in your Account without first seeking your approval in accordance with your Advisory Agreement. In PruUMA, this may include directly managing a sub-portfolio of individual equities in your Account.

#### **Conflicts of Interest.**

When your IAR acts as a portfolio manager, this presents a conflict of interest. As an employee of Prudential, your IAR has an indirect incentive to make investment decisions and recommendations that maximize Compensation to us and our affiliates. Your IAR takes into consideration his or her financial interest in maximizing Compensation to us or our affiliates (as an employee of Prudential) or to himself or herself (in the form of salary or commissions, bonus, prizes, rebates, etc.) when formulating advice. Please see "COMPENSATION" and "COMPENSATION OF YOUR IAR AND PLANNER" for information about these conflicts of interest and how we seek to address them.

#### **Selection and Review of IARs as Portfolio Managers.**

Your IAR is subjected to different standards for selection and retention than other Model Providers that are included in PruChoice and PruUMA. Similarly, if your IAR includes a sub-portfolio of individual equities in your PruUMA Account, the sub-portfolio is not subjected to the same standards as are other Separately Managed Accounts that are included in PruUMA. The Committee does not identify IARs through its normal process for reviewing the universe of Model Providers and Separately Managed Accounts potentially available in the Programs. The Committee does not engage SIRC or PMC to perform due diligence on IARs or the sub-portfolio of individual equities in your PruUMA Account. Instead, IARs are identified through a recruitment and hiring process.

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



PFPS also places restriction on your IAR's investment recommendations and discretion. For example, if your IAR includes an equity sub-portfolio in your PruUMA Account, your IAR may only select equities for your account from the List of qualitatively researched equities that is independently maintained by Morningstar. Your IAR will be required to comply with certain parameters set by PFPS in designing an individual equity allocation for your PruUMA account. In PruChoice, your IAR may only recommend Funds for your Account from a list that is subject to due diligence by SIRG or PMC and approval by the Committee. PFPS also reviews your IAR's recommendations for appropriateness under the applicable standard, as described in "The Best Interest Process and Selection of a Program and Program Investments and Options"

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

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

When an IAR recommends a transaction or investment strategy, the IAR must have a reasonable basis for believing that the recommendation is in your best interest. This best interest requirement applies to all recommendations that an IAR makes to all Accounts. PFPS and the IAR will recommend Programs and their service providers to you in your best interest as required by the Advisers Act, upon full and fair disclosure of how and when our advice is motivated by conflicting interests. This means that PFPS and its IARs and Planners must act in your best interest pursuant to a duty of loyalty and care. Importantly, the Advisers Act does not require us to eliminate all conflicts of interest.

To meet the best interest standard under the Advisers Act, PFPS must obtain your informed consent to each conflict of interest which, consciously or unconsciously, prevents us or your IAR from giving you disinterested advice. PFPS also must seek to match its recommendations to your needs based on your investment profile including but not limited to your investment objectives, risk tolerance and financial circumstances, as described in "Selection of Advisory Services." In certain circumstances, if your IAR believes the recommendation is in your best interest, your IAR may recommend a transaction or investment strategy even if it is more expensive than other options that are available to you.

#### ***5. PMC and Capital Market Assumptions***

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

#### ***6. Overlay Models***

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

#### ***7. Calculation or Verification of Performance***

Individual Model Providers may calculate their performance or performance of particular Models, Strategies or Separately Managed Accounts, and PFPS or an IAR may provide such third-party calculations to you. Neither

PFPS, its IARs nor any third party on PFPS's behalf, however, calculates, reviews or verifies (or retains a third party to calculate, review or verify) the performance of Envestnet or Model Providers for accuracy or compliance with presentation standards. Performance may not be calculated on a uniform and consistent basis. These entities' Form ADV Brochures may discuss whether and how their performance is calculated.

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

## **B. Management of Program Accounts**

### ***1. Reasonable Investment Restrictions***

In all of the Programs, at no additional expense, you may impose reasonable restrictions on the purchase of particular securities for your Account. You may request that certain specified securities, or certain categories of securities, not be purchased for your Account, but you may not require that particular securities be purchased, and you may not make changes to the securities in a Fund because mutual funds and ETFs operate in accordance with the investment objectives and strategies described in their prospectuses. If you impose reasonable restrictions, the portion of your Assets that would have been invested in any restricted security or category of securities will be invested either in cash or cash alternatives or in an appropriate alternative security. Imposing restrictions may cause Envestnet, a Model Provider trading away from Envestnet, or your IAR to change the investment decisions/recommendations that it would otherwise make. The IAR, Model Provider, and/or Envestnet determines whether a restriction is reasonable and manages Assets based on any accepted restrictions. Imposing restrictions may cause your Account performance to be lower than the performance of unrestricted Accounts.

In determining the reasonableness of a restriction, your IAR, Model Provider, and/or Envestnet, as applicable, will determine in its discretion which specific securities fall within the restricted category and may rely on outside research and sources. All Programs use Envestnet's technology platform, and therefore Envestnet will apply any reasonable restrictions you impose in one Program across all of your Accounts, including those in other Programs. Although we will accept reasonable restrictions as described above, we will not have any obligation to manage your Account in accordance with any investment guidelines, policy statements or other documents unless we specifically agree to do so, in writing.

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

### ***2. Compensation through Client Fee***

PFPS and its employees and management do not act as portfolio managers to clients investing outside of the Programs.

As described in "Program Fees" and "COMPENSATION," we are compensated for our services to each Program by the portion of the Firm Fee, which is a part of the Client Fee, that remains after paying NFS and Envestnet for certain services. Separately, unless you invest in PSP through a virtual IAR, your IAR receives a portion of the Client Fee, called the Advisor Fee, for its services to your Account, including its portfolio management services in PruUMA and PruChoice. Your IAR does not receive any additional Compensation in PruUMA for utilizing or designing an individual equity sub-portfolio for your Account. Please see Item 4 for information about Compensation, other than the Client Fee, that our affiliates receive when your Account invests in Proprietary Funds, as well as any offsets that reduce the amounts we or our affiliates retain.

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

PFPS does not charge performance-based fees to clients in any Program or to financial planning clients. None of the employees or management at PFPS or Pruco Securities accept fees that are based on a share of the capital appreciation of a client's investments, or manage accounts that are charged such fees (at PFPS or elsewhere).

#### **4. Proxy Voting and Corporate Actions**

PFPS and its IARs do not take any action or give any advice about proxies, consents, waivers, or other documents for any securities in your Account or for any financial planning clients. You will receive any proxies or other solicitations directly from NFS as your custodian or the transfer agent for the issuer or Fund.

In the PSP and PruUMA Programs, you may opt out of having Envestnet vote proxies and respond to corporate actions. In PruChoice, you are responsible for voting proxies and responding to corporate actions and neither PFPS nor its IARs can or will advise you on how to vote or respond. Envestnet's Form ADV Brochures describe how Envestnet votes proxies and responds to corporate actions. In all Programs, you are solely responsible for responding to any class action lawsuits involving the Assets in your Account.

#### **C. Investing in Securities**

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

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

##### **Risk of Loss**

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

- **Asset Allocation Risk:** The risk that a client's asset allocation to asset classes or underlying Funds or equities will not anticipate market trends successfully.
- **Market Risk:** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- **Investment Style Risk:** The risk that the account's strategy may underperform other segments of the markets or the markets as a whole.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the U.S. dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it—a lengthy process—before they can generate a profit. They carry a higher risk of profitability than an electric

company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Sector Risk:** Some sectors may be more volatile than others. Small to medium capitalization stocks can be more volatile than larger, more established companies. Sectors that focus on narrower sections of the overall market (e.g., technology, natural resources, etc.) can be more volatile than broad-based sectors.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk to the business of profitability because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a lower market value.
- **Concentration Risk:** Risk of amplified losses that may occur from having a large portion of your holdings in a particular investment, asset class or market segment relative to the investor's overall portfolio.
- **Risk Associated with Advisory Assets that invest in Alternative Investments:** Alternative investment strategies go beyond the traditional long only equity and fixed income strategies and therefore involve a higher degree of risk including short sale and derivative risks. Alternative investments, including mutual funds that use alternative investment strategies, are not for everyone and may be considered speculative.
- **Fixed Income Risks:** There are a number of risks associated with investments in fixed income securities (also known as debt securities or bonds):
  - *Credit Risk* – Credit risk is the risk that an issuer of a debt security will be unable to make interest and principal payments when due and the related risk that the value of a security may decline because of concerns about the issuer's ability to make such payments. Credit risk may be heightened for lower quality bonds, including "high yield" securities (so called "junk bonds").
  - *Income Risk* – The income earned from a debt security may decline because of falling market interest rates.
  - *Interest Rate Risk* – Interest rate risk is the risk that the value of a bond will decline because of rising interest rates. In general, debt securities increase in value when interest rates fall and decrease in value when interest rates rise. Longer-term debt securities are generally more sensitive to interest rate changes, and thus have greater interest rate risk.
  - *Prepayment Risk* – During periods of declining interest rates, some bond issuers may prepay principal earlier than scheduled, forcing a Model Provider or Fund to reinvest in lower yielding securities. This is known as call or prepayment risk.
  - *Extension Risk* – During periods of rising interest rates, the average life of some bonds may be extended because of lower than expected principal payments, preventing a Model Provider or Fund from reinvesting bond sale proceeds at advantageous times. This may lock in a below market interest rate, increase the security's duration and reduce the value of the security. This is known as extension risk.

- *Valuation Risk* – Debt securities are not traded on an exchange. A pricing service typically values the debt securities in which a Model Provider or Fund may invest using readily available market quotations obtained from broker-dealers, cash flows, and transactions for comparable instruments. A Model Provider or Fund may be unable to sell a security at the price set by the pricing service, which could result in a loss. Different pricing services use different valuation methodologies, potentially resulting in different values for the same securities.

### ***Mutual Fund and ETF Risks***

While not an all-inclusive list of all risks, clients whose Accounts invest in Funds (including ETFs) face the following risks in addition to the risks above:

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

the money market fund seeks to maintain a constant price per share of \$1.00, you may lose money by investing in the money market fund. The money market fund may experience periods of heavy redemptions that could cause the money market fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. This could have a significant adverse effect on the money market fund's ability to maintain a stable \$1.00 share price, and, in extreme circumstances, could cause the money market fund to suspend redemptions and liquidate completely.

- *Index Tracking Risk:* An index fund has operating expenses; a market index does not. The index portfolio, while expected to track its target index as closely as possible, will not be able to match performance of the index exactly.

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

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

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

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

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

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

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

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

*Reliance on the Investment Strategies of your IAR:* The success of your PruUMA Account depends upon, among other things, your IAR's ability to develop and successfully implement a Portfolio Model for your PruUMA

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

*Performance Risk:* The investment performance of any account or Model Provider is not guaranteed, and past performance does not guarantee or predict future performance. The investment objectives and goals for a Model Portfolio or Strategy may not be achieved. Any benchmarks used to measure the performance of a Model Provider or a Strategy or Separately Managed Account are targets only, and investment results may fail to achieve or outperform any benchmarks.

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

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

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

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

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

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

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

### ***Financial Plan Implementation Specific to IRAs and Retirement Plan Assets***

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

### ***Risks Related to Technology and Cyber Security***

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

## **ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

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

## **ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS**

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

## **ITEM 9 – ADDITIONAL INFORMATION**

### **A. Disciplinary Information**

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



Resolution Date	Regulator	Description of Allegation and Resolution
December 23, 2020	SEC	<p>On December 23, 2020, we entered into a settlement with the SEC resulting in the SEC issuing an administrative order (the “Order”). Pruco consented to the entry of the Order, which found that PFPS violated Sections 206(2) and 206(4), and Rule 206(4)- 7 thereunder, of the Advisers Act in connection with the Programs, in which clients pay an all-inclusive fee for asset management and trade execution. The Order found that, beginning in January 2014, PFPS at various times breached its fiduciary duty to its clients by: (a) failing to conduct stated monitoring of client accounts to determine whether the wrap fee programs continued to be suitable for clients; (b) charging certain fees on some clients contrary to its disclosures; (c) recommending that clients purchase and hold certain mutual funds and mutual fund share classes that paid Pruco fees pursuant to Rule 12b-1 of under the Investment Company Act of 1940; (d) failing to disclose that Pruco received revenue sharing payments on client investments pursuant to an agreement with NFS, which also allowed Pruco to avoid paying certain transaction fees for its clients’ purchases of mutual funds; (e) recommending bank sweep vehicles for which NFS paid Pruco revenue sharing; and (f) violating its duty to seek best execution for certain transactions by selecting or recommending mutual fund and money market fund share classes when share classes of the same funds were available to the clients that presented a more favorable value or better performance.</p> <p>Solely for the purpose of settling this proceeding, we consented to the Order, without admitting or denying the findings set forth in the Order. The Order censured PFPS and directed PFPS to cease-and-desist from committing or causing any violations and any future violations of Sections 206(2) and 206(4) of the Advisers Act, and Rule 206(4)-7 thereunder.</p> <p>Additionally, the Order required us to pay disgorgement of \$12,690,585 and prejudgment interest of \$3,061,786, which were paid on November 16, 2020, and a civil penalty in the amount of \$2,500,000, which was paid on January 4, 2021. We also agreed to review and update as necessary all relevant disclosure documents concerning the practices at issue in the Order, to evaluate whether existing clients should be moved, and to move existing clients as necessary, to lower-cost or lower-revenue sharing-paying share classes, and to comply with certain other related undertakings as well.</p>
April 20, 2017	Illinois Securities Department	<p>On April 20, 2017, Pruco entered into a Stipulation and Consent Order with the Illinois Securities Department. The Department alleged that Pruco failed to reasonably supervise and enforce its supervisory systems in connection with certain sales of variable annuities in Illinois from 2013-2016 and failed to supervise in connection with responding to the Department’s regulatory requests. Pruco agreed to a fine of \$750,000, plus costs (\$150,000) and restitution (approximately \$345,000) to impacted customers.</p>

Resolution Date	Regulator	Description of Allegation and Resolution
May 2, 2013	New Jersey Bureau of Securities	Involved an operational error related to its COMMAND brokerage desk's delayed processing and pricing of certain mutual fund transactions received via mail or facsimile from late 2003 through June 2011. Upon discovery of the error, Pruco Securities promptly took corrective action and subsequently consented to a disciplinary action involving a \$40,000 civil penalty, \$20,000 in costs and \$40,000 payment to the state's Investor Education Program. Pruco Securities also must pay restitution in an amount up to \$125,000 to impacted NJ residents.
December 26, 2012	FINRA	Involved an operational error related to its COMMAND brokerage desk's delayed processing and pricing of certain mutual fund transactions received via mail or facsimile from late 2003 through June 2011. Upon discovery of the error, Pruco Securities promptly took corrective action and subsequently consented to a FINRA disciplinary action involving a \$550,000 fine and restitution in an amount of at least \$10.7 million, plus interest, to impacted customers.
September 30, 2011	Kentucky Department of Financial Institutions	Involved the failure to register two IARs. Pruco Securities paid a \$3,000 fine.

## B. Other Financial Industry Activities and Affiliations

Pruco Securities is a registered broker-dealer and many of its management persons as well as all PFPS IARs are securities registered representatives. We are not a registered Futures Commission Merchant ("FCM"), Commodity Pool Operator ("CPO") or Commodity Trading Advisor ("CTA"), and none of our management persons are registered as (or an associated person of) a FCM, CPO CTA.

### 1. *Material Relationships with Affiliates*

PFPS is part of a large, interconnected financial services organization in which relationships among affiliates continuously evolve. PFPS has identified relationships material to its advisory businesses with certain Prudential Financial companies, described below. The incentives, conflicts of interest, and potential conflicts of interest resulting from these relationships and from certain other activities of these affiliates (e.g., on behalf of their clients or customers) are described throughout this Brochure.

- The Prudential Insurance Company of America** ("Prudential Insurance") – as the parent company of Pruco Securities, Prudential Insurance provides Pruco Securities (and therefore PFPS) with services of officers, the use of telecommunications, office space, systems and equipment, programmer and analyst services and mail operation services, among others. PFPS IARs and personnel are employees of Prudential Insurance, which provides them with salaries, expense support and other benefits. Prudential Insurance also reimburses certain IARs that make cash payments to third-party solicitors for advisory client referrals intended to support sales of VA/VUL products (as defined below). Please see "Solicitation Arrangements" for information about the material conflicts of interest associated with paying for advisory client referrals.
- PGIM Investments LLC** ("PGIM Investments") – an SEC-registered investment adviser that serves as the investment manager of certain Proprietary Funds available through the Programs and provides

the PGIM Models. SIRG, a team of investment professionals at PGIM Investments, provides quantitative and qualitative research to PFPS.

- **Jennison Associates LLC** (“Jennison”) – an SEC-registered investment adviser that serves as sub-adviser to certain Proprietary Funds available through the Programs.
- **PGIM, Inc.** (“PGIM”) – an SEC-registered investment adviser with several distinct advisory business units, two of which serve as sub-advisers to certain Proprietary Funds available through the Programs:
  - PGIM Fixed Income, which also includes (and shares its Compensation with) PGIM Limited, an SEC-registered investment adviser; and
  - PGIM Real Estate, which, in providing its subadvisory services, utilizes the services of (and provides Compensation to) PGIM Real Estate (UK) Limited, an SEC-registered investment adviser.
- **QMA LLC** (“QMA”) – an SEC-registered investment adviser that serves as a sub-adviser to certain Proprietary Funds, and provides asset allocation services to certain Proprietary Funds. QMA also provides asset allocation services to PGIM Investments with respect to certain models used in PSP.
- **Prudential Investment Management Services** (“PIMS”) – an SEC-registered broker-dealer that acts as the principal underwriter and distributor for some Proprietary Funds. As the distributor of the Proprietary Funds managed by PGIM Investments, PIMS receives 12b-1 fees from such Proprietary Funds, and, in turn, pays trailing 12b-1 fees and commissions to Pruco Securities, as a selling dealer (in this context, on the same terms as to other affiliated and unaffiliated selling dealer), on an omnibus basis through their clearing broker NFS. PIMS also remits 12b-1 fees to Pruco Securities for any direct sales of such Proprietary Funds sold through their transfer agent, Prudential Mutual Fund Services (“PMFS”). In its capacity as clearing broker for retirement platform mutual fund sales, PIMS also receives trailing 12b-1 fees from certain third-party mutual funds with holdings in defined contribution plans, IRAs, and self-directed brokerage accounts introduced to NFS. PIMS also receives Compensation from, and pays Compensation to, NFS pursuant to a clearing agreement.
- **Prudential Insurers** – each of Pruco Life Insurance Company (“PLAZ”), Pruco Life Insurance Company of NJ (“PLNJ”), and Prudential Annuities Life Assurance Corporation (“PALAC,” and, collectively with PLAZ and PLNJ, the “Prudential Insurers”) is a life insurance company that offers variable annuities (“VA”) and/or variable life insurance (“VUL”) products, including products which can be used in implementing PFPS financial planning recommendations. Pruco Securities acts as the principal underwriter and distributor of VUL products offered by Prudential Insurers. Pruco Securities receives financial support from Prudential Insurers for certain training and education events intended to support sales of the Prudential Insurers’ VA/VUL products.

Pruco Securities also receives Compensation, in its broker-dealer capacity, for selling Prudential Insurers’ VA/VUL products. Pruco Securities’ Compensation for each VA/VUL sale consists of commissions and, for select variable annuities, revenue share. The amount of such revenue share is linked to the revenue that the Prudential Insurer receives from insurance-dedicated funds underlying its annuities and their sponsors (including firms associated with the Proprietary Funds and non-Proprietary Funds available through the Programs).

- **Prudential Annuities Distributors** (“PAD”) – an SEC-registered broker-dealer that acts as the principal underwriter and distributor of VA products offered by Prudential Insurers, including VA products which can be used in implementing PFPS financial planning recommendations.
- **AST Investment Services, Inc.** (“ASTIS”) – an SEC-registered investment adviser that serves as co-manager, with PGIM Investments, of Proprietary Funds that are available as underlying investment

options in certain Prudential Insurers' annuities. Such proprietary annuities can be used in implementing PFPS financial planning recommendations.

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

Some of our supervised persons, including members of senior management, perform other duties for Prudential affiliates. Conflicts of interests arise from time to time in connection with these duties with respect to allocating management time, services, or functions among us and other Prudential affiliates. In their non-PFPS roles, such persons may give investment advice and/or take actions that differs from, or are inconsistent with, the advice given in the performance of their PFPS-related duties.

As part of a diversified, global financial services organization, we are affiliated with many types of financial service providers, including broker-dealers, insurance companies and other investment advisers. Our and our affiliates' activities and dealings with other clients and third parties affect our client in ways that will, from time to time, disadvantage you while benefitting the Prudential enterprise and/or other Prudential clients (including other PFPS clients) or customers. The following are examples of the actual and potential conflicts of interest associated with the financial or other interests that Prudential has in advising or dealing with other clients (including other PFPS clients) or customers or third parties (or in acting on its own behalf).

- Our affiliates have an incentive to seek to influence decisions relating to our selection and retention of Model Providers, Strategies, Separately Managed Accounts, Funds, and service providers to the Programs in order to, among other things, facilitate our affiliates' investment hedging interests, improve their profit margins, strengthen their position in negotiating discounts based on overall relationship, or derive tax benefits.
- Our affiliates' activities have the ability to affect market prices in a manner that could have an adverse effect on PFPS client holdings, particularly when such affiliates manage substantial amounts of assets, such as the general accounts of Prudential insurance companies, creating the potential for large trades.

Other examples include our incentive to:

- Favor for use in the Programs and, as applicable, for implementing a client's financial plan, an investment product or service which results in additional Compensation to the Prudential enterprise, even when other options may be less costly to a client and/or yield a superior investment result;
- Recommend or not recommend a Model Provider, strategy, or asset class due to a lack of capacity or capability of our affiliated managers within the particular asset class or strategy;
- Recommend that a client hire or retain a Model Provider or Fund, based on distribution relationships that we or our affiliates have with that Model Provider or Fund family in connection with other clients or products;
- Recommend VA/VUL products as part of a financial plan, and recommend a larger allocation to VA/VUL within that plan, based on the potential for additional Compensation to Prudential resulting from the implementation of such recommendations; and

- Recommend service providers and vendors for which we or our affiliates can benefit by leveraging fees or other terms and conditions based on the enterprise-wide business relationships and other factors.

We seek to mitigate the risk from these conflicts through policies, procedures, disclosure, communication protocols, and periodic conflicts training of applicable personnel.

## ***2. Recommending Advisers***

We and our affiliates have business relationships with, and receive Compensation (directly or indirectly) from, the third-party investment advisers we recommend, select or approve for clients. Please see “Relationships with Other Advisers” for information about these relationships and Compensation that results in material conflicts of interest.

## ***3. Code of Ethics***

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

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

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

The accounts of various Prudential entities (including proprietary accounts and the general accounts of Prudential Insurance and other Prudential insurance companies (collectively, “affiliated accounts”)) will, at times, have various levels of financial or other interests in companies whose securities can be held, purchased or sold in our clients’ accounts. This would occur where affiliated accounts hold public and private debt and equity securities of a large number of issuers and invest in some of the same companies as our clients’ accounts. Additionally, investments of affiliated accounts and our clients’ accounts may be at different levels in the capital structure of a company. At any time, these interests could be inconsistent or in potential or actual conflict with positions held in or actions taken on behalf of our clients’ accounts. For example, an Account could invest in the equity of a company (whether directly, or indirectly through a Fund) whose debt could be held by a Prudential affiliate. We address the potential for such conflicts through disclosure and, in some cases, through information barriers. PFPS, its IARs, and its affiliates may give advice to other clients, and may buy, sell or trade in any securities for their own or other clients’ accounts. This advice may be different from the advice they give or the timing or nature of action they take for your Assets. PFPS does not engage in any principal or agency cross securities transactions for client accounts. PFPS will also not cross trades between client accounts. In a principal trade, an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys a security from or sells a security to an advisory client. In an agency cross trade, an investment adviser (or a person controlling, controlled by or under common control with the adviser) acts as broker for both the advisory client and for another person on the other side of the transaction.

## ***5. Trade Errors***

If Pruco Securities makes a trade error, it will reverse the error and restore the client to his/her position immediately before the error occurred. If applicable, Pruco Securities through Envestnet and/or NFS will complete the original transaction. If the error correction results in a loss to the client, the loss will not be charged to the client and the

client will not bear any costs of correcting the error. If an error correction results in a gain, Pruco Securities keeps the gain when permitted by law. If it does not use gains to cover an expense within a fiscal year, it treats these gains as its profit. If a third party commits an error, it generally reimburses clients for their losses. Pruco Securities may help pay for the cost of the third party's error.

## **C. Other Conflicts of Interest**

### ***1. Economic Benefits from Non-Clients***

We and our affiliates have arrangements pursuant to which someone who is not a client provides an economic benefit to us for providing our advice or other advisory services. Please see "Other Arrangements" and "COMPENSATION" for information about the arrangements and the resulting material conflicts of interest.

### ***2. Referrals***

At your request, your IAR or Planner may suggest lawyers, tax experts, accountants, and retirement plan administrators as a courtesy to you. These outside professionals typically are not affiliated with us, and you must establish separate relationships with them. Any pre-screening or monitoring of services or qualifications is your responsibility alone. Your IAR or Planner is not directly paid for recommending outside professionals, but the professionals will often later refer clients to your IAR or Planner. Informal referral arrangements give rise to conflicts of interest because the referring party has an incentive to make the referral based on his or her interest in receiving cross-referrals rather than to give you disinterested advice.

### ***3. Solicitation Arrangements***

PFPS and/or its IARs (including IARs that provide planning services) make cash payments to third-party solicitors for client referrals. PFPS and/or IARs pay(s) solicitors a flat fee, or a percentage of the client's advisory fee, that continues while you are our client. Solicitors are required to provide each prospective client with a disclosure document setting forth the terms of the solicitation and compensation arrangements along with a copy of Pruco's Firm Brochure. Solicitation arrangements give rise to conflicts of interest because the referring party has a financial incentive to introduce new investment advisory clients to Pruco and its IARs. The fees we or your IAR pays to a solicitor are not charged to you. However, when negotiating any discount in your investment advisory fees, your IAR considers his or her payment of referral fees. Therefore, as a result of the referral arrangement, your investment advisory fees may be higher than they would have been in the absence of the referral arrangement.

## **D. Other Important Information**

### ***1. Review of Accounts***

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

During the period between your annual account reviews, you are responsible for contacting your IAR whenever there is a material change in your financial or personal situation or investment objective, as these changes may affect the continued appropriateness of participation in your selected Program. You are also responsible for informing

your IAR when market events, such as increased volatility or market disruptions, have caused changes in your financial or personal circumstance or in your investment objective and investment risk appetite. If you do not inform your IAR of changes in your financial circumstance, investment objective or investment risk appetite, an interim account review will not be performed.

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

## **2. *Program Reporting***

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

## **3. *Financial Information***

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

## **4. *Making an Informed Decision***

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

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