**Prosperity planning and advisory LLC  CRD #336302**

**Privacy Policy and Client Data Protection**

Protecting the privacy of our clients' personal information is of paramount importance to Prosperity Planning & Advisory. In the course of providing investment advisory services, we collect non-public personal information from clients. This section describes our privacy policies, which are designed to comply with the federal Gramm-Leach-Bliley Act (GLBA, Regulation S-P) and applicable California privacy laws. We also incorporate the privacy expectations outlined in California's regulations for investment advisers.

**Information We Collect:** We collect personal information about clients that is necessary to open accounts, provide financial advice, and perform our services. This may include data provided on questionnaires or account applications – e.g., full name, contact information (address, phone, email), date of birth, Social Security Number or tax ID, employment and income information, investment objectives, financial goals, and account balances and transaction history. We may also obtain information from third parties with the client's consent, such as credit reports or information from other financial institutions the client works with (for instance, if a client transfers an account to our recommended custodian, we receive data on their holdings).

**How We Use Information:** The personal information we collect is used only for legitimate business purposes, such as: creating and maintaining client investment accounts, providing financial planning advice, executing transactions on behalf of clients, monitoring portfolios, and communicating with clients about their accounts. We may also use information to improve our services, comply with legal and regulatory requirements, and protect against fraud. We do not sell client information to anyone. We do not use client information for any purpose that is not disclosed to the client.

**How We Share Information:** We do not disclose any non-public personal information about current or former clients to any non-affiliated third party, except as permitted or required by law, or with the client's consent. In practical terms, this means:

- We may share information with service providers as needed to service client accounts – for example, we will share necessary details with the client's account custodian or broker (e.g., Betterment or another third-party custodian) to facilitate trading and account maintenance. These service providers are contractually or legally obligated to keep the information confidential and use it only for providing the agreed services.
- We may share information with the client's authorized representatives or agents if the client has given us written permission (for instance, if a client wants us to

coordinate with their attorney, accountant, or trustee, we will do so with proper authorization).

- We will disclose information if required by regulatory authorities or law enforcement, such as to comply with a subpoena, a court order, a regulatory inquiry/examination, or as otherwise mandated by law. In such cases, we only disclose the information specifically required.
- We do not share any client's non-public personal information with Marcus's separate insurance business or with any insurance companies he represents, except with the client's explicit consent. In other words, the information a client provides us for advisory purposes will not be used in Marcus's outside insurance activities unless the client specifically authorizes it (for example, by requesting that we assist with an insurance application and agreeing to share pertinent data).

Aside from these exceptions, clients' personal information remains confidential. *California law:* In addition to GLBA, California's financial privacy law imposes certain conditions on sharing personal financial information with third parties. Our policy already does not share information with non-affiliates except as allowed by law (which is in line with the strictest provisions of California law requiring opt-in consent for sharing with non-affiliates in many cases). If the Firm ever were to have affiliated companies, we would also comply with any applicable requirements before sharing info with affiliates for marketing purposes. Furthermore, the Firm is aware of the California Consumer Privacy Act (CCPA), which gives California residents rights regarding their personal data. While, as a small business, we may be exempt from certain CCPA provisions (e.g., if we do not meet certain revenue or data thresholds), we respect clients' rights to know about their data. We will honor any client requests regarding their data consistent with CCPA to the extent applicable (such as providing a notice about what categories of information we collect and their right to request deletion, etc., if those rules apply).

**Confidentiality and Security Measures:** We maintain physical, electronic, and procedural safeguards to protect client information. All electronic client records are stored in secure systems (we utilize reputable cloud-based systems with encryption and strong access controls). We restrict access to personal information to those employees or agents who need to know it to perform their duties. For example, only the advisor and essential operational personnel can access client account information, and even within the Firm, sensitive data (like Social Security numbers) is kept in encrypted files. We use up-to-date firewall and antivirus protection on our computer systems. Paper documents containing personal information are kept in locked files, and when they are no longer needed, they are shredded or securely destroyed. The Firm also has policies to address data breach

response – if we ever suspect that client information has been compromised, we will investigate and notify affected clients and authorities as required by California law (California has data breach notification laws to which we adhere). We also remind clients to contact us immediately if they suspect any unauthorized activity on their accounts or if they receive suspicious communications purportedly from our Firm.

**Privacy Notices:** The Firm provides a Privacy Notice to clients initially when they establish a relationship and annually thereafter, as required by regulation. This notice outlines our information practices (essentially summarizing what is stated above in simpler terms) and informs clients of their rights. Clients do not need to take any action to "opt out" because we do not share their data except as described. If in the future our information sharing practices change, we will provide clients with revised notices and adequate time and means to opt out of any new sharing arrangements, in accordance with GLBA and California law.

In summary, safeguarding client information is a critical part of our compliance program and ethical duty. All supervised persons are trained on the importance of confidentiality. Our strict privacy policy also aligns with California's rule that an adviser must not disclose the identity or investments of any client to third parties unless required by law or with client consent. We take client privacy seriously and will continue to review our practices to adapt to any new privacy regulations or risks.

**Portfolio Management and Trading Policies**

The Firm follows disciplined trading and portfolio management practices aligned with Modern Portfolio Theory (MPT) principles and aimed at tax-efficiency for our clients. This section outlines how we manage client portfolios, execute trades, and ensure compliance with trading-related regulations and ethical standards.

**Investment Strategy and Philosophy:** Our investment approach is grounded in long-term, strategic asset allocation tailored to each client's objectives and risk tolerance. We typically document each client's goals, risk profile, and constraints in an Investment Policy Statement (IPS) or similar client profile. Using those guidelines, we construct portfolios that are diversified across asset classes (e.g., equities, fixed income, etc.) in proportions suited to the client. We primarily use low-cost, diversified Exchange-Traded Funds (ETFs) to implement these allocations, consistent with MPT's emphasis on broad diversification and efficient markets. For example, a client seeking income might have a portfolio weighted toward bond ETFs and dividend-paying equity ETFs, whereas a growth-oriented client might hold a higher proportion of equity ETFs across domestic and international markets. We may also use other instruments on occasion – such as index mutual funds or individual

securities (stocks or bonds) – if they better meet a specific client need, but only after appropriate due diligence. The overarching goal is to design portfolios that maximize expected returns for a given level of risk, according to MPT, rather than attempting to time markets or pick individual stocks frequently.

**Trading Practices – Long-Term Focus and Rebalancing:** We avoid unnecessary trading. Portfolios are managed with a long-term perspective, meaning we do not engage in high-frequency trading or short-term speculation on transient market movements. Frequent trading can increase transaction costs and taxes, which is usually detrimental to client returns. Instead, we implement periodic rebalancing to keep each portfolio aligned with its target asset allocation. Typically, we review portfolios semi-annually (or more frequently if a client's circumstances change) and rebalance if allocations have drifted beyond predetermined thresholds (for example, if one asset class is more than 5–10% off its target weight). Whenever possible, we strive to rebalance in a tax-efficient manner – for instance, by using new contributions or withdrawals to add or remove funds from overweight/underweight assets, or by reallocating in tax-deferred accounts first – to minimize taxable gains. We are mindful of realizing capital gains: we will realize gains in taxable accounts only when necessary (such as when reducing an overweight position or exiting an investment for risk reasons), and even then we consider the tax consequences. We utilize tax-loss harvesting strategies when appropriate: if a portfolio has investments at a loss, we may sell them to realize the loss for tax benefits, provided it doesn't materially change the portfolio's risk profile. (After harvesting a loss, we can replace the sold security with a different security that provides similar market exposure, avoiding IRS wash sale violations.) All tax-loss harvesting activities follow IRS rules and are done with client consent as part of our management approach. Overall, minimizing unnecessary turnover helps clients keep more of their investment growth.

**Tactical Adjustments:** While strategic asset allocation is our main approach, we reserve the ability to make tactical tilts in the portfolio in response to significant market conditions or specific opportunities. Any tactical shifts are intended to be small and temporary deviations from the long-term plan (for example, at most a ±5% change in allocation to a particular asset class). We approach tactical moves cautiously: they must be backed by a sound rationale (such as valuations in one sector being unusually attractive or risks rising in another) and documented in the client's file. We will write down the reason for the tactical change, its intended duration, and how it impacts the portfolio's risk/return characteristics. Marcus, as both portfolio manager and CCO, will review any such tactical decision for consistency with the client's best interests. If the Firm grows, any significant tactical shift would require CCO approval from a compliance perspective to ensure it is not tantamount to market timing or speculation beyond the client mandate. Tactical positions

are monitored regularly (at least quarterly) to determine if they remain justified or if the portfolio should revert to the strategic targets. Importantly, excessive or short-term trading as a strategy is expressly prohibited – we do not engage in frequent in-and-out trading or attempts to time the market on a day-to-day basis, as that would conflict with our long-term, MPT-based philosophy and could generate undue costs and taxes.

**Best Execution Policy:** When executing trades for clients, the Firm follows a "best execution" obligation – seeking to obtain the most favorable terms reasonably available for client transactions. Factors we consider include the execution price, commissions or transaction costs, speed and likelihood of execution, and the overall quality and reliability of the broker/dealer or custodian executing the trades. In practice, because our clients' accounts are held at a third-party custodian (e.g., Betterment or another broker), most trades will be routed through that custodian's brokerage platform. We review the custodian's trade executions periodically to ensure that prices obtained on behalf of clients are competitive with market prices (for liquid securities like large ETFs, we expect very tight spreads). We do not receive any compensation for directing trades to any broker – our sole criterion is the client's benefit. If a client were to direct brokerage (i.e., insist that we use a particular broker or their existing account), we would inform the client of any potential disadvantages of that arrangement (such as inability to aggregate orders or potentially higher costs), as required by our duty of best execution. We document such disclosures in the client file and in the Form ADV, if applicable.

**Trade Placement and Review:** As part of our internal controls, prior to placing any trade, the adviser will review the transaction for suitability and consistency with the client's plan. This pre-trade check ensures the trade is appropriate given the client's current holdings, risk tolerance, and any investment restrictions (for example, if a client has restrictions like "no tobacco stocks," we verify none are being bought). Given the one-advisor structure, Marcus performs this check on his own decision-making, effectively "pausing" to confirm that the trade is indeed in line with the IPS. For any non-routine trades, he documents the reason for the trade in the client's notes (especially if it's not a standard rebalance or if it's a tactical adjustment). In the future, if we have more personnel, we will institute a procedure where another person (perhaps a compliance officer or another advisor) reviews trades before execution for an added layer of oversight. Currently, the adviser's careful documentation and after-the-fact review by the CCO (himself) serve to meet this requirement in a practical manner for a sole-adviser firm.

**Trade Aggregation and Allocation:** At present, with a small client base, trades are often placed on an account-by-account basis. However, if the Firm finds it advantageous to aggregate orders (block trading) for multiple client accounts (for example, if several clients

need to buy the same ETF on the same day), we will only aggregate trades when it is fair and beneficial to all clients involved. Aggregation can help achieve better pricing or efficiency. In such cases, clients included in the block trade will all receive the average price obtained for the total order and will share transaction costs pro-rata based on their allocation of the trade. Allocation of securities in a block will be done on a pro-rata basis (each account getting an amount proportional to its order size relative to the total block) or by another equitable method disclosed and agreed to in advance. No client or account (including any in which the advisor has a personal interest) will be favored over another in allocation – cherry-picking profitable trades for one account (like the advisor's own account) to the detriment of others is strictly forbidden. If an aggregated order is only partially filled, we will allocate the filled portion pro-rata across participating accounts, or if a pro-rata allocation would result in impractical small holdings, we will rotate allocations fairly so that over time no client is systematically disadvantaged. All decisions on allocation in such scenarios will be documented by the adviser/CCO at the time of the trade.

**Prohibited Trading Practices:** Our Firm explicitly prohibits certain trading activities that could harm clients or violate regulations, including:

- **Excessive Trading / Churning:** We will not engage in excessive trading of client accounts. Each transaction must have a reasonable purpose tied to the client's strategy; we do not trade merely to generate commissions or fees. In fact, as a fee-only adviser, we do not earn commissions on trades, and our advisory fee does not increase with trading volume. (Note: Marcus's separate insurance commissions are unrelated to trading of securities.) California regulations deem it unethical to induce trading in a client's account that is excessive in size or frequency relative to the client's situation. Our long-term approach inherently avoids churning.
- **Insider Trading:** As stated, any trading on material non-public information is prohibited. This applies to both client trades and personal trades by Firm personnel. If the adviser somehow comes into possession of MNPI, he will refrain from making any investment decisions based on it until that information becomes public. All employees must immediately report any potential insider information to the CCO.
- **Market Manipulation:** We will not participate in any practices that manipulate market prices or volumes (e.g., spoofing, spreading false rumors, pump-and-dump schemes).
- **"Guaranteed" Strategies or Improper Statements:** We do not employ any strategy that purports to eliminate risk or guarantee returns – telling a client that an investment is "guaranteed" (absent an actual guarantee by a backing institution, like

a U.S. Treasury bond held to maturity which guarantees principal repayment) is both unethical and illegal. We always communicate truthfully about the risks involved in investments.

- **Borrowing or Lending:** We will not borrow money or securities from a client (and we will not loan money to a client), except in the extremely unlikely case where the client is a qualified lending institution and the transaction is on market terms. This prohibition is both Firm policy and a regulatory mandate, to prevent conflicts of interest and potential abuse of clients.

- **Custody of Client Assets:** The Firm's policy is not to take custody of client assets. All client funds and securities are held with an independent qualified custodian (such as Betterment's custodial platform). The Firm and its personnel will not take possession of client funds, stock certificates, or have the ability to withdraw funds other than the limited authority to deduct advisory fees or to execute trades in the client's account per the advisory agreement. Even in the case of fee deduction, we follow procedures so that such deduction is authorized by the client in writing and the client receives regular statements from the custodian reflecting all transactions and fees. By avoiding custody, we eliminate the risk of misappropriation of assets and reduce regulatory requirements (such as surprise audits that apply to custodial advisers). We have also instituted a policy that any inadvertent receipt of client funds (e.g., a client mistakenly mails a check to our office) will be handled consistent with custody rules – typically, we would forward it to the proper custodian or return it to the sender within 24 hours and keep a log of such incidents.

- **Trade Error Policy:** In the event of a trading error (for example, the wrong security or wrong quantity is traded by mistake), our policy is to correct the error promptly and ensure the client is not disadvantaged. If the error results in a loss to the client's account, the Firm will make the client whole (cover the loss), usually by reimbursing the account or by having the executing broker cover the loss if the broker was at fault. If the error results in a gain, our policy (consistent with many custodians' policies) is that the client keeps the benefit – we do not strip away gains from client accounts as that would not benefit the client. However, certain custodians may have policies for handling error gains (some may require moving the gain out of the account); in all cases, we will follow a course that does not harm the client. All trade errors and their resolution will be documented by the CCO, including the date, the nature of the error, how it was corrected, and any communications with the client about it. The Firm's goal is to minimize trade errors through careful procedures, but if they occur, we handle them transparently and fairly.

- **Trade Confirmation and Recordkeeping:** The Firm retains records of all trades executed in client accounts. This includes trade confirmations and monthly/quarterly account statements received from the custodian, which show all buys, sells, receipts of dividends, fee deductions, etc. We also maintain an internal trading blotter that notes each trade's details (date, security, quantity, price, account) and the reason or strategy for the trade (especially for non-standard trades). We keep these records in accordance with regulatory retention requirements (typically five years, with the first two in an easily accessible place). Maintaining complete trading records allows us to review our execution quality, adhere to books and records rules, and provide information to regulators during examinations to demonstrate compliance (for example, to show we executed trades consistent with our best execution policy and without favoritism).

**Advertising, Marketing, and Client Communications**

The Firm's communications with clients and the public – including advertising, marketing materials, social media posts, and all correspondence – must be truthful, accurate, and not misleading. We adhere to both the California rules and the spirit of the SEC Advertising Rule (Rule 206(4)-1) to ensure our marketing and communications meet high standards of integrity. Below are our policies on advertising and client communications:

**General Advertising Standards:** Any advertisement or marketing material (brochures, website content, social media content, etc.) will be reviewed and approved by the CCO prior to dissemination. We prohibit content that is false or misleading. California law prohibits investment advisers from making untrue statements of material fact or omitting material facts in any solicitation of clients, and our policies reflect that standard. Therefore, we will ensure that all promotional statements can be substantiated. We avoid any hype or exaggerated claims about our services or performance. If performance results are ever advertised, we will follow all applicable guidelines for presenting performance (net of fees, with appropriate disclosures about market conditions, benchmark comparisons, and a statement that past performance is not indicative of future results). Currently we do not plan to publish performance data in advertisements.

**Use of Testimonials and Endorsements:** Historically, investment advisers were forbidden from using testimonials in advertising. The SEC's modernized marketing rule (effective 2021) now permits testimonials and endorsements under certain conditions (with clear disclosures, oversight, and potential disqualification of certain promoters). As a state-registered firm, we look to California's stance; California generally aligns with the SEC rule but may impose additional caution. At this time, our Firm has chosen not to use client testimonials or endorsements in any marketing materials or on social media. We believe

that avoiding testimonials is the most conservative approach to remain compliant with both state and federal regulations (particularly given the additional compliance burden if we were to use them, such as ensuring disclosure of whether the person giving the testimonial is a client, whether compensation was provided, etc.). If in the future we decide to include testimonials (for instance, a public review or a quote from a satisfied client on our website), we will only do so in full compliance with the Advertising Rule requirements – including disclosing if it is a paid testimonial, clarifying that the experience may not be representative of all clients, and noting any conflicts of interest – and we will ensure no testimonial is misleading or cherry-picked. Until then, we politely discourage clients from posting public reviews and do not solicit them, to stay on the safe side of compliance.

**Performance Advertising:** If the Firm ever advertises performance of client portfolios or model portfolios (for example, by showing a track record), we will adhere to strict standards. Any performance figures will be net of all fees the client would have paid, include appropriate disclosures (such as identification of market indices for comparison, and a statement that past performance is not indicative of future results), and will not be presented in a misleading way. We are aware that California can take regulatory action if performance advertising is presented in a false or misrepresentative manner, even if unintentional. For now, our marketing approach focuses on our philosophy and services rather than specific performance claims.

**Social Media and Online Presence:** The Firm may maintain an online presence (such as a website or profiles on platforms like LinkedIn or Facebook). Any content posted on these platforms is considered advertising if it relates to our investment advisory services. The CCO monitors social media content for compliance. Our policy for social media includes: do not discuss specific investment advice in public comments; do not "recommend" specific securities in an uncontrolled or public forum; do not engage in interactive financial advice via social channels (to avoid forming unintended advisory relationships or giving individualized advice inappropriately). We also disallow posting client testimonials or any client confidential information on social media. If someone leaves a comment or endorsement on our page, we handle it in line with regulatory guidance (possibly removing it if it could be deemed a prohibited testimonial). In summary, our social media usage will be professional and in line with the same advertising rules as other media.

**Use of Professional Designations and Titles:** Any professional designation used by the adviser (e.g., CFP®, CFA®, etc., if applicable in the future) must be legitimate and current. We will not use inflated titles or nonexistent credentials to impress clients. For example, Marcus will not call himself a "Certified Financial Guru" or any other misleading title. We also refrain from using the term "RIA" after an individual's name in a manner that might

confuse clients (since the firm itself is the registered investment adviser). We accurately describe Sheika's role (managing member with no client advisory duties) and Marcus's role (investment adviser representative and CCO). Transparency in who we are and our qualifications is mandatory – misrepresenting the qualifications of the adviser or the nature of our services is explicitly prohibited by regulation.

**Client Communications:** All communications with clients – whether via email, letters, the client portal, or in meetings – should be professional and accurate. If we make specific promises to clients (e.g., "we will review your plan every quarter" or "we will respond to emails within 24 hours"), we must fulfill them. Communications should also be documented where appropriate. The Firm retains copies of significant written communications with clients as part of its books and records (especially anything relating to advice or client instructions). We encourage open communication; if a client has a question about their investments, our fees, or any of our practices, we answer candidly and thoroughly. Any complaints from a client (any expression of dissatisfaction) are handled seriously (see below). We strive to provide clear, understandable explanations of investment recommendations – avoiding jargon or technical terms unless we also provide an explanation – to ensure the client truly understands the advice.

**Advertising Recordkeeping:** The Firm maintains a file of all advertising and marketing materials used (including website printouts when updated, social media posts if applicable, newsletter content, etc.) and keeps them for at least the regulatory minimum (typically 5 years). We also keep documentation of the CCO's approval of advertisements and the dates they were used. This archive ensures we can demonstrate compliance if any question arises about what was communicated to the public. Furthermore, if we use any performance information or specific investment recommendations in advertising, we will keep supporting documents (for example, records that show the calculation of performance or the inclusion/exclusion of certain recommendations over the prior period, per SEC guidance).

**Prohibited Advertising Practices:** In line with anti-fraud provisions, our Firm will not: use testimonials in a manner that violates the rules; claim that any report or service is "free" unless it truly is free without condition; refer to past specific recommendations that were profitable without also offering to provide a list of all recommendations (which is generally impractical, so we simply avoid that tactic altogether); or distribute any advertisement that contains untrue statements or omits material facts. For example, we will not advertise a "25% return last year" from a strategy without clarifying the context, the associated risks, and noting that such performance is not guaranteed to repeat. We also include the disclosure required by Cal. Code Regs. §260.238(j) – that comparable services may be

available from other firms at lower fees – in our brochure or contract as required. This is both a compliance requirement and a fair disclosure so that clients understand our fee in the context of the market.

**Client Referrals and Testimonials in Advertising:** As noted under the Code of Ethics, we currently do not pay for referrals. If we ever did, we would ensure any referral that results in a public review or comment is handled in accordance with the marketing rule. Likewise, we won't allow a third-party "solicitor" to advertise on our behalf in any way that we ourselves could not – they must meet the same standards and include the same disclosures we would be required to include.

**Client Complaint Handling:** While we strive to provide excellent service, the Firm has a procedure to address any client complaints that do arise. A "complaint" is defined as any written or electronic statement of a client (or a client's representative) expressing dissatisfaction with our services or conduct. All written complaints (including emails) must be forwarded to the CCO immediately. The CCO will log the complaint, acknowledge receipt to the client promptly, and investigate the matter. We aim to resolve complaints fairly and promptly – which may involve discussing the issue with the client to clarify any misunderstanding or, if we are at fault, taking corrective action (such as a fee adjustment or a change in policy) as appropriate. Even if a client's complaint is communicated orally (not in writing), we will take it seriously: the CCO will document the issue and our response, even though regulatory focus is on written complaints. We maintain a complaint file with details of each complaint and the resolution. Additionally, the CCO will evaluate if the complaint triggers any regulatory reporting (for example, certain complaints alleging serious violations or resulting in monetary harm might need to be reported on the adviser's Form U4). The Firm's policy is to learn from any complaint to improve our practices and reduce future issues.

In handling complaints, it is also recognized that Marcus's dual roles (adviser and insurance agent) may involve different channels of resolution. If a complaint received involves or touches upon Marcus's separate insurance business (for example, a client complaint about an insurance policy or annuity sold by Marcus outside the RIA), the CCO will still log and track it. The complaint will be addressed through the appropriate channel: insurance-related complaints will typically be handled according to insurance regulatory requirements (which may involve contacting the insurance company or state insurance regulator), while advisory-related aspects (if any) will be addressed under our advisory complaint procedure. We ensure that even if a matter is outside the RIA's direct scope, it is not ignored. The CCO coordinates with Marcus to resolve insurance complaints fairly and documents the outcome. Conversely, if an insurance-only client (not an advisory client)

files a complaint about Marcus's insurance services, Marcus will handle it per insurance rules, but he will inform the CCO if there are any implications for the advisory practice (for instance, if it indicates a need for improved disclosure or highlights a conflict of interest). All complaints, whether related to advisory services or the separate insurance business, are retained in the Firm's compliance records to give us a complete picture of any issues arising from Marcus's activities. This comprehensive approach to complaint logging ensures that issues are appropriately routed and that any lessons learned (in either realm) inform our overall compliance program.

In all advertising and client communications, the guiding principle is clarity and honesty. We want clients to be well-informed and have trust in our communications. All supervised persons are trained to uphold these standards and to consult the CCO when uncertain about any communication or marketing matter.

**Dual Business Activities Disclosures in Marketing:** It is vital that all our marketing and communications clearly distinguish between our RIA services and Marcus's separate insurance activities. All public-facing materials (including the Firm's website, social media profiles, marketing brochures, and even business cards or email signatures) include disclaimers clarifying the separate capacities. For example, our website states that Prosperity Planning & Advisory, LLC provides investment advisory and financial planning services, and it notes that any insurance products (life insurance, annuities) are offered by Marcus Mann individually as a licensed insurance agent, not through the RIA. We ensure the website and other materials explicitly disclose that the insurance business is independent of the advisory firm and that the Firm does not share in insurance commissions. These disclaimers make it clear to clients and the public that engaging in an insurance transaction with Marcus is outside the advisory relationship and entirely optional.

Furthermore, because Marcus does receive commissions from insurance sales in his separate role, the Firm and Marcus do not describe themselves as "fee-only" in any marketing content. Even though our investment advisory compensation is fee-based, using the term "fee-only" would be inaccurate and misleading given the existence of outside commission income. Instead, our marketing will emphasize our fiduciary, client-first approach and our fee-based advisory services without incorrectly suggesting we have no other compensation. If compensation must be referenced, we may use terms like "fee-based" or simply explain our advisory fee structure, and we will disclose that insurance commissions are separate and outside the advisory fees. The CCO reviews all marketing and communication materials to ensure compliance with these requirements. Any

materials that might confuse clients about Marcus's dual roles or the Firm's compensation practices are corrected to include the necessary disclaimers or are not approved for use.

**Additional Policies and Disclosures**

**Custody and Safeguarding Client Assets:** *(As noted in Trading Practices)* The Firm does not have custody of client assets. Client accounts are held at a third-party qualified custodian (currently an independent custodian such as Betterment or a similar brokerage/custody platform). Clients receive account statements directly from the custodian (typically monthly or quarterly) detailing all holdings and transactions. We urge clients to review those statements and notify us of any discrepancies. Because we do not have custody, we are not subject to the annual surprise examination requirement under the custody rule. However, if in the future the Firm were deemed to have custody (for instance, if Marcus were to become trustee or executor for a client's account outside of the current structure, or if we were to obtain standing letters of authorization to transfer funds, etc.), we will immediately implement required safeguards or adjust our procedures to either avoid custody or comply with applicable custody audit and net worth rules.

**Advisory Contract Requirements:** All client relationships are formalized with a written Investment Advisory Agreement (contract) that is signed by the client and the Firm. This contract clearly outlines the services we will provide, the fees to be charged and how they are calculated, the term of the contract (and how it can be terminated by either party), and whether we have discretionary trading authority or not. In compliance with California Corporations Code §25234 and Cal. Code Regs. §260.238(n), our contracts also specify how any prepaid fees will be refunded to the client in the event of early termination (we refund pro-rata for the unused period). We do not assign (transfer) a client's contract to another advisor without the client's consent, as required by law. We also include in our advisory agreement (and ADV Part 2A disclosure brochure) language informing clients that comparable advisory services may be available from other providers at lower fees (this disclosure is required by CCR §260.238(j) regarding fee practices). Additionally, our contracts and/or ADV brochures disclose any potential conflicts, such as our policy on not charging performance fees (or conditions if we did), and any outside activities (like the potential for insurance commissions) in plain language. By maintaining thorough and compliant contracts, we ensure our clients have all material information up front and we meet California's legal requirements for advisory contracts.

**Fees and Compensation Policies:** The Firm's fee structure is transparent and disclosed in writing. We typically charge either a percentage of assets under management (asset-based fees), fixed planning fees, or hourly fees, as detailed in each client's agreement and our Form ADV Part 2A. All fees are billed as agreed (monthly or quarterly in arrears, or quarterly

in advance with a pro-rata refund if terminated mid-period). We ensure that our fees are reasonable in light of the services provided, the adviser's experience, and the client's needs, to comply with the expectation in California that fees not be unreasonable or excessive. The Firm does not charge any performance-based fees (fees based on a share of capital gains or investment performance) at this time. Such performance fees are generally prohibited for California-registered advisers except in certain cases (e.g., when dealing with "qualified clients"). If we ever consider a performance fee arrangement in the future, we will only do so in full compliance with Corporations Code §25234 and the corresponding rule (CCR §260.234) which allow performance fees only for qualified clients under specific conditions. In practice, this means we would only charge performance fees to clients who meet the qualified client definition (net worth or assets thresholds) and we would adhere to SEC Rule 205-3 requirements. Any such arrangement would be disclosed in detail and carefully monitored for fairness (and the client's best interest would remain paramount, as performance fees can incentivize risk-taking).

The Firm's advisory compensation comes solely from client-paid fees (we do not receive commissions on trades or investment products in our advisory practice). However, as noted, Marcus may separately earn commissions from insurance product sales in his capacity as an independent insurance agent. Any such commissions will be fully disclosed to clients and are entirely separate from the advisory fees paid to the Firm. The Firm does not "double dip" on compensation; for example, if a client purchases an insurance product through Marcus's outside insurance business, we will not charge an additional advisory fee related to that product's value unless explicitly agreed to by the client (with full disclosure that the commission serves as Marcus's compensation for that transaction). Our aim is to manage any commission-generating activities so as to mitigate conflicts of interest through transparency, client consent, and potentially adjusting or offsetting advisory fees if appropriate to avoid any unfairness.

We also do not accept soft dollars (research or other benefits from brokers in exchange for directing client transactions) at this time. If we ever do, we will follow Section 28(e) of the Securities Exchange Act guidelines and disclose the arrangement to clients. Currently, we simply use the custodians that provide good service and low costs to clients, and any research or tools they offer us are generally provided to all their advisors as part of their platform, not in exchange for trading volume.

In summary, our fee and compensation practices are designed to be fair and fully disclosed. We also provide clients with our Form ADV Part 2A (the "brochure") prior to or at the time of entering into an agreement, which further details our services, fees, any conflicts of interest, and background information, as required by law. Clients also receive a

Part 2B Supplement with information about Marcus Mann's qualifications and background. This ensures transparency from the outset of the advisory relationship.

**Outside Business Activities (OBA) and Insurance Activities:** All outside business activities of any supervised person must be formally disclosed to and pre-approved by the CCO prior to commencement. "Outside business activity" (OBA) includes any employment or business venture outside of Prosperity Planning & Advisory, LLC, whether paid or unpaid, that a supervised person engages in. The CCO will evaluate each proposed OBA for potential conflicts of interest and determine whether it can be approved (and if so, under what conditions) or must be restricted. Approval (or denial) of an OBA will be documented in writing (e.g., an OBA approval memo), and the supervised person will be informed of any ongoing requirements tied to that activity.

- **Pre-Clearance and Approval:** Before engaging in any OBA, a supervised person must submit a written request to the CCO detailing the nature of the activity, time commitment, compensation (if any), and any overlap with the Firm's clients or services. The activity may not begin until the CCO grants written approval. The CCO's approval will include any conditions necessary to mitigate conflicts (for example, requiring disclosure to clients or limitations on soliciting Firm clients for the outside activity). If the OBA is investment-related (such as Marcus's insurance sales), approval will generally be conditioned on robust conflict of interest disclosures and periodic review.
- **Regulatory Reporting (Form U4 and ADV):** Any approved OBA must be reflected in the individual's regulatory filings. Marcus (and any future IARs) will update their Form U4 within the required timeframe (generally within 30 days) to disclose the outside business. Additionally, if the OBA is investment-related or could be deemed material to clients, the Firm will update its Form ADV Part 2A (Firm Brochure) and the individual's Part 2B (Brochure Supplement) to disclose the activity and any potential conflicts to clients. Client advisory agreements or disclosure documents will also be amended if necessary to ensure full transparency (for instance, adding a disclosure about the outside insurance business in the client's advisory agreement or accompanying disclosure forms).
- **Ongoing Compliance and Supervision:** The CCO will supervise the OBA to the extent necessary to ensure it does not impair the supervised person's duties to advisory clients. This includes periodic check-ins (at least annually, and more frequently if needed) to confirm that the supervised person's time spent on the OBA is not detracting from their advisory responsibilities and that any conditions of approval are being followed. If the OBA is an insurance business or other financial

activity, the CCO will also periodically review whether all required client disclosures have been made and whether any advisory clients using those services received proper documentation (see Recordkeeping requirements above). The CCO will treat any client interactions related to the OBA (especially if the client is also an advisory client) as a potential conflict area to be monitored.

- **Specific Procedures for Marcus's Insurance Activity:** Marcus Mann's role as a licensed insurance agent selling life insurance and fixed annuities is an approved OBA subject to strict guidelines. Marcus must clearly separate this insurance business from his investment advisory activities. When dealing with an advisory client in an insurance transaction, Marcus will provide the client with a standalone disclosure document (the "Separate Capacity & Insurance Compensation Disclosure") explaining that the insurance services are outside the RIA, that commissions will be earned, and that the client is not obliged to purchase insurance through him. He will obtain the client's signed acknowledgment of this disclosure prior to proceeding with any insurance sale. Furthermore, Marcus will not "tie" any advisory service to the purchase of insurance – in other words, clients will receive the same quality of advisory service regardless of whether they purchase insurance through him or not. Marcus will also refrain from any form of "double-dipping" in compensation: if a product sold carries a commission, he will not also charge an advisory fee on that product's value unless explicitly agreed and disclosed to the client. All recommendations of insurance products to advisory clients must be in the clients' best interest, and Marcus will document the rationale (needs analysis, product comparison, etc.) in the client file to show that any insurance recommendation was made to address the client's goals and not for personal gain.
- **Periodic Testing and Review:** As part of the Firm's compliance program, the CCO will include Marcus's insurance OBA in the annual compliance review and periodic audits. This means reviewing a sample of insurance transactions or client files to ensure that disclosures were provided, consents obtained, and no improper practices (such as undisclosed conflicts or pressure to purchase) occurred. Any issues identified will be documented and remedied promptly. The CCO will also verify annually that Marcus's insurance license remains in good standing (including completion of any required continuing education) and that the Firm's Form U4, ADV, and other disclosures accurately reflect his outside business. If any aspect of the OBA changes (e.g., new types of products, new affiliations, or significant increase in activity), Marcus must inform the CCO immediately and seek re-approval if

necessary, and the CCO will update regulatory filings and client disclosures accordingly.

- **Termination or Changes to OBA:** If a previously approved OBA is discontinued or materially changed, the supervised person must notify the CCO. The Firm will update Form U4 and ADV as needed to reflect the termination or change. Regular compliance training will remind all supervised persons of their obligation to report any new outside activities or changes to existing ones.

In summary, Prosperity Planning & Advisory, LLC recognizes that outside business activities, particularly an advisor's separate insurance practice, can create conflicts of interest. By requiring pre-approval, full disclosure, client consent, and ongoing monitoring of these activities, the Firm seeks to ensure that its fiduciary duty to clients is not compromised. The procedures above, along with the recordkeeping and disclosure measures described elsewhere in this Manual, help maintain a clear distinction between our fee-based advisory services and any outside commission-based business, thereby protecting clients' interests.

**Business Continuity Plan (BCP) – Summary**

The Firm has a Business Continuity Plan in place to ensure that we can continue to serve clients or resume operations quickly in the event of a significant business disruption (such as natural disasters, power outages, technology failures, or health emergencies). Given our small size and single office location, our BCP is straightforward but covers key contingencies to protect our clients' interests. Major elements of our BCP include:

**Data Backup and Protection:** All critical business and client data is backed up digitally in secure cloud-based storage. We use reputable cloud service providers for email, document storage, and portfolio management systems. Because data is stored in the cloud (with providers that have redundant servers in multiple locations), a local disruption (like a computer crash or local disaster) will not destroy our records – they can be accessed from anywhere with an internet connection using proper credentials. In addition, we periodically back up key client documents (e.g., signed agreements, financial plans) to an encrypted external drive as an extra layer of backup, which is stored off-site. These measures ensure that even if our primary hardware is damaged, client information remains safe and recoverable. We also ensure that any records pertaining to Marcus's outside insurance business are securely backed up and accessible in a disruption. Those insurance-related files are maintained separately from the Firm's advisory records to preserve confidentiality, but they are subject to similar backup procedures (e.g., encrypted cloud storage) so that Marcus can continue to service insurance clients during a business disruption. In other

words, our continuity planning covers not only our core advisory data but also the data for Marcus's separate insurance activities, with appropriate safeguards to keep the two sets of records distinct and secure.

**Alternate Work Locations:** Our primary office is a home office in California. If that office becomes unusable (due to events like fire, earthquake, or an extended power outage), the Firm has identified alternative locations from which we can operate. In the short term, Marcus can work from another location with internet access – this could be a co-working space, a family member's home in another area, or any secure location where a laptop and phone can be used. Because our systems are cloud-based, any location with internet can serve as a temporary office. We also maintain a battery backup and a mobile wireless hotspot to handle minor outages of power or internet at the main office. In a larger regional disaster (e.g., a major earthquake impacting our city), Marcus is prepared to relocate out of the area temporarily and continue operations remotely. All necessary tools (laptop, phone, access credentials) are portable to facilitate this.

**Communication with Clients:** In the event of a business disruption, timely communication with clients is critical. We maintain an up-to-date contact list for all clients (phone numbers and emails) accessible via the cloud and via a physical printout. If an event occurs that could materially impact our operations, we will reach out to clients as soon as possible via email, phone, or our website. For example, if a natural disaster forces us to evacuate, we will send a mass email (and call those who prefer calls) explaining the situation, how we are addressing it, and providing alternative contact information if our main phone line is down. We will also update our voicemail greeting to give emergency instructions or new contact information if needed. The aim is that clients should always be able to reach us (or get updates) even during a crisis, and they will know the status of our operations.

**Mission-Critical Functions:** Our BCP identifies the core functions we must restore quickly to avoid client harm: the ability to place trades/manage portfolios, the ability to communicate with clients, and the ability to monitor and move funds as necessary. Because client accounts are at a third-party custodian, even if our systems are down, clients' assets remain secure at the custodian. We can place trades or check accounts via the custodian's phone trading desk if internet trading is unavailable. We can also delay non-urgent transactions until systems are restored, as client assets are not dependent on our physical location. Importantly, if Marcus is unreachable, clients can always contact the custodian directly for limited needs (like account inquiries or even withdrawals from their account, since they are the account owners). Our plan prioritizes reconnecting to the

custodian's platform from a backup location or device as soon as possible to continue managing portfolios.

**Key Business Partners and Contacts:** We maintain a list of contact information for key vendors and partners that we may need in a disruption – this includes the custodian's advisor support line, our IT support contacts, utility companies, and professional advisors (lawyer, accountant). In a crisis, we may need to quickly get in touch with, say, the custodian to inform them of our situation or to coordinate handling of client needs. Having these contacts readily available (in hard copy and electronic form) facilitates quick action.

**Advisor Incapacity/Disability Planning:** As a firm with a single investment adviser (Marcus Mann), Prosperity Planning & Advisory, LLC has implemented a contingency plan to protect clients and facilitate an orderly wind-down of operations in the event that Marcus becomes incapacitated or dies unexpectedly. In such a scenario, Sheika Holland, the Manager of the LLC and a 10% non-advisory member, is authorized to carry out all administrative and operational steps necessary to close the Firm, even though she does not provide financial advice. Acting solely in an administrative capacity, Sheika will not engage in any investment advisory activity, place trades, or make portfolio decisions. Instead, her role will be limited to:

- Notifying clients that advisory services have ended;
- Providing instructions for clients to access their accounts directly through the qualified custodian (e.g., Betterment);
- Terminating advisory agreements in accordance with their terms;
- Filing Form ADV-W to formally withdraw the Firm's registration as an investment adviser with the California Department of Financial Protection and Innovation (DFPI);
- Retaining and safeguarding required books and records for the statutory period (typically five years);
- Communicating with regulators, custodians, and vendors to ensure compliance and an orderly administrative closure.

Because the Firm does not have custody of client assets and all client accounts are held at an independent qualified custodian, clients will continue to have uninterrupted access to their funds and portfolios.

This plan ensures regulatory compliance while providing continuity and transparency for clients during a transitional period. The Firm's Business Continuity Plan and our Form ADV

disclosure documents inform clients of this process in advance, so they understand that investment advisory services will end, but their assets will remain protected and accessible.

**Regulatory Compliance During Disruption:** Our BCP addresses how we will continue to meet any regulatory obligations if a disruption occurs during a critical period. For example, if a regulatory filing like an annual ADV update is due, we will find a way to file electronically from an alternate location if the primary office is closed. Because our records are electronic, we can respond to regulatory inquiries remotely as well. Essentially, we aim to remain in compliance even if a disaster strikes by leveraging our remote capabilities.

**Annual Review and Testing:** We review our BCP at least annually (and after any significant business change) to ensure it remains effective. We may conduct tests such as performing a work-from-home drill where we simulate the office being unavailable and ensure we can access all needed client data and execute trades from the backup environment. We also verify that emergency contact information for clients and providers is current. The results of any test or real-life activation of the BCP are documented, and any lessons learned are incorporated into plan updates. Given our simple setup, even a brief test (e.g., ensuring cloud files are accessible from a different computer/network) is valuable to confirm readiness.

We provide clients a summary of our Business Continuity Plan in our Firm Brochure (ADV Part 2A) and offer to provide more information upon request. The core message to clients is that because their assets are held at major financial institutions and because we have flexible technology, even a severe disruption should not result in loss of or inability to access their funds. At worst, a disaster might cause a short delay in our communications or trade execution, which we work to minimize through prior planning and backup measures.

**Compliance with California Law and Ongoing Updates**

This Compliance Manual is designed to meet the requirements of California laws and regulations governing investment advisers. In particular, it addresses the obligations and prohibitions set forth in the California Corporate Securities Law of 1968 and the rules under Title 10, Chapter 3 of the California Code of Regulations. For example, we have policies preventing the unethical practices listed in CCR §260.238, such as unsuitable recommendations, undisclosed conflicts, unreasonable fees, misleading advertising, and failure to disclose material information. We have incorporated the contract requirements of Corporations Code §25234, ensuring our advisory agreements are in writing and contain all mandated elements (services, term, fees, refund policy, discretionary authority, etc.). We

also adhere to the financial responsibility rules (CCR §260.237.2) by maintaining the required net worth since we have discretionary authority.

The CCO stays informed of any changes in California regulations or policy statements from the Department of Financial Protection and Innovation (DFPI). If the state adopts new rules or the SEC amends federal rules that impact us (for example, new marketing rules, cybersecurity requirements, or changes to Form ADV disclosures), we will promptly update our policies and client disclosures to remain compliant. All supervised persons will be notified of significant changes, and training will be provided if needed to implement new policies. We maintain a version history of this Manual – noting the dates of updates and summaries of changes – to demonstrate our compliance efforts over time. At minimum, this Manual is reviewed annually (during the annual compliance review) to ensure all information is current and accurate.

By following this Compliance Manual, Prosperity Planning & Advisory, LLC commits to operating with integrity and in full compliance with the regulations that protect investors. Compliance is an ongoing process, and every member of the Firm has a role in upholding these standards. Through diligent application of these policies, the Firm aims not only to meet its legal requirements but also to foster trust and confidence among our clients.