

**FORM ADV**

**Uniform Application for Investment Adviser Registration**

**Part II - Page 1**

OMB APPROVAL	
OMB Number:	3235-0049
Expires:	February 28, 2011
Estimated average burden	
Hours per response . . .	4.07

Name of Investment Adviser: <b>Prospera Financial Services, Inc.</b>				
Address: (Number and Street)	(City)	(State)	(Zip Code)	Area Code: Telephone Number:
<b>5429 LBJ Freeway, Suite 400</b>	<b>Dallas</b>	<b>TX</b>	<b>75240</b>	<b>972 581-3000</b>

**This part of Form ADV gives information about the investment adviser and its business for the use of clients. The information has not been approved or verified by any governmental authority.**

**Table of Contents**

<u>Item Number</u>	<u>Item</u>	<u>Page</u>
1	Advisory Services and Fees . . . . .	2
2	Types of Clients . . . . .	2
3	Types of Investments . . . . .	3
4	Methods of Analysis, Sources of Information and Investment Strategies . . . . .	3
5	Education and Business Standards . . . . .	4
6	Education and Business Background . . . . .	4
7	Other Business Activities . . . . .	4
8	Other Financial Industry Activities or Affiliations . . . . .	4
9	Participation or Interest in Client Transactions . . . . .	5
10	Conditions for Managing Accounts . . . . .	5
11	Review of Accounts . . . . .	5
12	Investment or Brokerage Discretion . . . . .	6
13	Additional Compensation . . . . .	6
14	Balance Sheet . . . . .	6
	Continuation Sheet . . . . .	Schedule F
	Balance Sheet, if required. . . . .	Schedule G

**(Schedules A, B, C, D, and E are included with Part I of this Form, for the use of regulatory bodies, and are not distributed to clients.)**

**Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801-65845</b>	Date: <b>September 30, 2009</b>
--	--------------------------------------	------------------------------------

1. **A. Advisory Services and Fees.** (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

**Applicant:**

<input checked="" type="checkbox"/> (1) Provides investment supervisory services . . . . .	<u>20%</u>
<input checked="" type="checkbox"/> (2) Manages investment advisory accounts not involving investment supervisory services . . . . .	<u>30%</u>
<input checked="" type="checkbox"/> (3) Furnishes investment advice through consultations not included in either service described above . . . . .	<u>5%</u>
<input type="checkbox"/> (4) Issues periodicals about securities by subscription . . . . .	<u>  %</u>
<input type="checkbox"/> (5) Issues special reports about securities not included in any service described above . . . . .	<u>  %</u>
<input type="checkbox"/> (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities . . . . .	<u>  %</u>
<input checked="" type="checkbox"/> (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities . . . . .	<u>5%</u>
<input type="checkbox"/> (8) Provides a timing service . . . . .	<u>  %</u>
<input checked="" type="checkbox"/> (9) Furnishes advice about securities in any manner not described above . . . . .	<u>30%</u>

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? . . . . . Yes  No

C. Applicant offers investment advisory services for: (check all that apply)

<input checked="" type="checkbox"/> (1) A percentage of assets under management	<input type="checkbox"/> (4) Subscription fees
<input checked="" type="checkbox"/> (2) Hourly charges	<input checked="" type="checkbox"/> (5) Commissions
<input checked="" type="checkbox"/> (3) Fixed fees (not including subscription fees)	<input checked="" type="checkbox"/> (6) Other

D. For each checked box in A above, describe on Schedule F:

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
- applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
- when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date

2. **Types of clients** - Applicant generally provides investment advice to: (check those that apply)

<input checked="" type="checkbox"/> A. Individuals	<input checked="" type="checkbox"/> E. Trusts, estates, or charitable organizations
<input type="checkbox"/> B. Banks or thrift institutions	<input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above
<input type="checkbox"/> C. Investment companies	<input type="checkbox"/> G. Other (describe on Schedule F)
<input type="checkbox"/> D. Pension and profit sharing plans	

**Answer all items. Complete amended pages in full, circle amended items and file with execution page (page 1).**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

**3. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |  |
|--|--|
| <p><input checked="" type="checkbox"/> A. Equity securities</p> <p><input checked="" type="checkbox"/> (1) exchange-listed securities</p> <p><input checked="" type="checkbox"/> (2) securities traded over-the-counter</p> <p><input checked="" type="checkbox"/> (3) foreign issues</p> <p><input checked="" type="checkbox"/> B. Warrants</p> <p><input checked="" type="checkbox"/> C. Corporate debt securities (other than commercial paper)</p> <p><input checked="" type="checkbox"/> D. Commercial paper</p> <p><input checked="" type="checkbox"/> E. Certificates of deposit</p> <p><input checked="" type="checkbox"/> F. Municipal securities</p> <p>G. Investment company securities:</p> <p><input checked="" type="checkbox"/> (1) variable life insurance</p> <p><input checked="" type="checkbox"/> (2) variable annuities</p> <p><input checked="" type="checkbox"/> (3) mutual fund shares</p> | <p><input checked="" type="checkbox"/> H. United States government securities</p> <p>I. Options contracts on:</p> <p><input checked="" type="checkbox"/> (1) securities</p> <p><input type="checkbox"/> (2) commodities</p> <p>J. Futures contracts on:</p> <p><input checked="" type="checkbox"/> (1) tangibles</p> <p><input checked="" type="checkbox"/> (2) intangibles</p> <p>K. Interests in partnerships investing in:</p> <p><input checked="" type="checkbox"/> (1) real estate</p> <p><input checked="" type="checkbox"/> (2) oil and gas interests</p> <p><input type="checkbox"/> (3) other (explain on Schedule F)</p> <p><input type="checkbox"/> L. Other (explain on Schedule F)</p> |
|--|--|

**4. Methods of Analysis, Sources of Information, and Investment Strategies.**

A. Applicant's security analysis methods include: (check those that apply)

- |   |  |
|---|--|
| (1) <input type="checkbox"/> Charting               | (4) <input type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |  |

B. The main sources of information applicant uses include: (check those that apply)

- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input type="checkbox"/> Inspections of corporate activities              | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input checked="" type="checkbox"/> Company press releases  |
| (4) <input checked="" type="checkbox"/> Corporate rating services             | (8) <input type="checkbox"/> Other (explain on Schedule F)  |

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Long term purchases (securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases (securities sold within a year)  | (6) <input checked="" type="checkbox"/> Option writing, including covered options, uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)              | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input checked="" type="checkbox"/> Short sales   |  |

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801-65845</b>	Date: <b>September 30, 2009</b>
--	--------------------------------------	------------------------------------

**5. Education and Business Standards.**

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? .....  Yes  No  
 (If yes, describe these standards on Schedule F.)

**6. Education and Business Background.**

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- |                 |  |
|-----------------|--|
| • name          | • formal education after high school               |
| • year of birth | • business background for the preceding five years |

**7. Other Business Activities.** (check those that apply)

- A. Applicant is actively engaged in a business other than giving investment advice.
- B. Applicant sells products or services other than investment advice to clients.
- C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.

(For each checked box describe the other activities, including the time spent on them, on Schedule F.)

**8. Other Financial Industry Activities or Affiliations.** (check those that apply)

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
 

<input checked="" type="checkbox"/> (1) broker-dealer	<input type="checkbox"/> (7) accounting firm
<input type="checkbox"/> (2) investment company	<input type="checkbox"/> (8) law firm
<input type="checkbox"/> (3) other investment adviser	<input checked="" type="checkbox"/> (9) insurance company or agency
<input type="checkbox"/> (4) financial planning firm	<input type="checkbox"/> (10) pension consultant
<input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant	<input type="checkbox"/> (11) real estate broker or dealer
<input type="checkbox"/> (6) banking or thrift institution	<input type="checkbox"/> (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest?.....  Yes  No

(If yes, describe on Schedule F the partnerships and what they invest in.)

Applicant: **Prospera Financial Services, Inc.**

SEC File Number: **801- 65845**

Date: **September 30, 2009**

**9. Participation or Interest in Client Transactions.**

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

**10. Conditions for Managing Accounts.** Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? . . . . .

Yes  No

(If yes, describe on Schedule F.)

**11. Review of Accounts.** If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

**Please refer to Schedule F.**

B. Describe below the nature and frequency of regular reports to clients on their accounts.

**Please refer to Schedule F.**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801-65845</b>	Date: <b>September 30, 2009</b>
--	--------------------------------------	------------------------------------

**12. Investment or Brokerage Discretion.**

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:
- |  |   |  |
|--|---|--|
| (1) securities to be bought or sold? .....               | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |
| (2) amount of the securities to be bought or sold? ..... | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |
| (3) broker or dealer to be used? .....                   | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |
| (4) commission rates paid? .....                         | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |

- B. Does applicant or a related person suggest brokers to clients? ..... Yes  No

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
- whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
- whether research is used to service all of applicant's accounts or just those accounts paying for it; and
- any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for products and research services received.

**13. Additional Compensation.**

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- A. is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? ..... Yes  No
- B. directly or indirectly compensates any person for client referrals? ..... Yes  No

(For each yes, describe the arrangements on Schedule F.)

**14. Balance Sheet.** Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities unless applicant is registered or registering only with the Securities and Exchange Commission; or
  - requires prepayment of more than \$500 in fees per client and 6 or more months in advance
- Has applicant provided a Schedule G balance sheet? ..... Yes  No

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D.	<p style="text-align: center;"><b>Background Information for Prospera Financial Services, Inc.</b></p> <p>Prospera Financial Services, Inc. (referred to as PFS throughout this document) is a corporation formed under the laws of the State of Texas and is dually registered as an investment advisor and broker/dealer. PFS is registered with the Securities and Exchange Commission (SEC) as an investment advisor firm. PFS is also registered as a broker/dealer with the SEC. In its broker/dealer capacity, PFS is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC).</p> <p>This Schedule F narrative is intended to provide clients with information regarding PFS's investment advisory services, fee arrangements, qualifications, and business practices that should be considered before becoming an advisory client of PFS.</p> <p>Additional information about PFS' investment advisory services and disclosures is available through the SEC's website at <a href="http://www.adviserinfo.sec.gov">www.adviserinfo.sec.gov</a>. Clients can search this site by using the PFS name or by an identification number known as a CRD number. The CRD number for PFS is 10740.</p> <p><b>Advisory Services and Fees.</b> Advisor provides its clients with investment management and/or consulting services in connection with programs PFS has developed and through programs sponsored by Wachovia Securities Consulting Services Group (Wachovia) and/or First Clearing, LLC (First Clearing).</p> <p>On January 1, 2009, Wells Fargo &amp; Company and Wachovia Corporation announced the completion of the merger of the two businesses to create the new Wells Fargo &amp; Company, a diversified financial services firm. According to Wells Fargo &amp; Company, through the end of 2009, clients will still see materials with the Wachovia Securities name and logo. It is expected that by the beginning of 2010, the Wachovia name will be phased out and replaced with the new Wells Fargo Advisors name and logo on items such as brochures, Web sites, monthly account statements, and other client documents. Until Wells Fargo &amp; Company has completely phased out the Wachovia name, PFS will refer to Wells Fargo &amp; Company as Wachovia throughout this document and other materials generated by PFS including the PFS Website.</p> <p>First Clearing, LLC is a registered broker-dealer and a separate entity from the Wachovia entities. However, it is an affiliate and subsidiary of Wells Fargo &amp; Company. First Clearing Correspondent Services, a division of First Clearing, LLC, member FINRA/SIPC. It is expected that Wells Fargo &amp; Company will retain the First Clearing name.</p> <p>Programs offered by PFS not sponsored by Wachovia or First Clearing include the PFS Summit Advisory program and PFS Financial Planning program. The PFS Summit Advisory and PFS Financial Planning programs are the only programs without a separate disclosure brochure. Therefore, this document serves as the main disclosure document for Summit Advisory and the Financial Planning programs while clients opening an account through a program sponsored by Wachovia shall be provided the applicable program disclosure brochure prepared and distributed by Wachovia.</p> <p>PFS generally requires the use of First Clearing as the qualified custodian and clearing broker/dealer for all client accounts. The use of First Clearing is based on several factors more thoroughly discussed in Item 12.B. of this Schedule F. First Clearing is an affiliated broker/dealer of Wachovia and therefore the decision to use Wachovia sponsored programs is a main factor in</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: 801- 65845	Date: <b>September 30, 2009</b>
--	--------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D. (continued)	<p>also recommending the use of First Clearing and vice-versa. While PFS does not maintain constructive custody of client assets, PFS is deemed to have custody according to the definition of custody under the Investment Advisers Act of 1940 because PFS may have access or control over client assets. This custody is limited to the following conditions: PFS may deduct fees from advisory accounts, funds may be issued directly from the client's custodian account, and some PFS investment advisor representatives may have power of attorney or trustee duties for clients.</p> <p>While a PFS client may be solicited to establish an account through any of the programs described in this document, not all programs offered through PFS are suitable for all clients. Therefore, PFS investment advisor representatives must analyze the client's financial situation to recommend a program or service that is suitable for an individual client. Further, it should be noted while all PFS clients receive individualized treatment from their PFS investment advisor representatives, clients with accounts managed by PFS (i.e. the PFS investment advisor representative is responsible for selecting underlying portfolio holdings within client accounts) will receive more personalized treatment by PFS than clients that have accounts managed by selected third-party money manager(s) (i.e. the selected money manager(s) are responsible for selecting underlying portfolio holdings within client accounts).</p> <p><u>A. PFS Investment Advisor Representative Managed Programs</u></p> <p style="padding-left: 40px;"><u>I. Summit Advisory Program</u></p> <p>PFS sponsors the Summit Advisory Program, an investment advisory asset allocation program (Summit). Summit is not a wrap-fee program. Only investment advisor representatives of PFS may serve as portfolio managers in Summit. Therefore, participants in Summit must be advisory clients of PFS.</p> <p>Through Summit, PFS provides investment supervisory and management services defined as providing continuous investment advice based on each client's individual needs. Services are provided on a discretionary or non-discretionary basis. Discretionary services are also referred to as Advisor Directed and non-discretionary services are also referred to as Client Directed. However, under both situations, PFS investment advisor representatives are responsible for providing on-going, individualized services to clients. Upon execution of a <i>Summit Advisory Agreement</i>, the PFS investment advisor representative assists clients with the establishment of an individual account (Account) for the client at PFS (as the introducing broker/dealer) and cleared through First Clearing. In the event First Clearing cannot accommodate a client's incoming securities holdings, accounts may be cleared and held at a broker/dealer selected by the client. The clearing broker/dealer will serve as the qualified custodian for Accounts through Summit.</p> <p>Clients in Summit pay an annualized fee for services provided by PFS, based upon a percentage of the market value of Account assets. The maximum annual fee charged for Summit program accounts shall generally not exceed 2.50% annually on the first \$500,000 and shall never exceed 3.0% annually. The annual fee on the next \$500,000 shall generally not exceed 2.0% and 1.5% on assets on the next \$1,000,000. Fees charged on assets above \$2,000,000 are negotiable. PFS investment advisor representatives may charge higher fees than those stated here by receiving approval from the PFS Compliance Department. PFS investment advisor representatives must ensure clients agree to fees higher than the basic fee schedule described. Clients may be able to receive similar services from other financial firms for lower fees.</p> <p>The annual fee will be divided and billed monthly in advance based on the market value of the</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D. (continued)	<p>assets at the end of the previous month. Fees for the initial month and last month are not pro-rated. Therefore, clients opening or closing an account will be assessed a fee for the entire first month (upon the opening of an account) and for the entire last month (upon the closing of an account) if there is a balance remaining in the account at the end of the month.</p> <p>In addition to the annual management fee, PFS and its investment advisor representatives may also retain 12(b)-1 fees paid by mutual funds selected in client accounts</p> <p>Fees are typically deducted directly from the client's Account. Clients must provide written authorization to have fees deducted from the Account and paid to PFS. The qualified custodian will send client statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee deducted directly from the Account. Upon approval from PFS, a client may pay advisory fees upon receipt of a billing invoice from PFS in lieu of having fees debited directly from the account.</p> <p>The actual fee charged to individual clients is based on factors such as, but not necessarily limited to, the amount of assets under management, totality of services provided to the client, and the client's overall financial complexity. The specific services to be provided and fee charged to a client will be agreed upon and described in the <i>Summit Advisory Agreement</i> prior to commencing services.</p> <p>Clients shall also incur certain charges imposed by third parties other than PFS in connection with investments made through the account, including but not limited to, mutual fund sales loads, surrender charges, and IRA and qualified retirement plan fees. Management fees charged by PFS are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus. Management fees are also separate and distinct from the fees and expenses charged by the client's qualified custodian serving as the clearing broker/dealer (e.g. First Clearing). In addition to the receipt of 12(b)-1 fees, PFS may retain or share a portion of any fees charged by a third-party if any portion of those fees are shared with PFS by the third-party.</p> <p>In addition to the annual asset management fee, PFS offers its services on a performance-based fee arrangement to qualifying clients. Not all qualifying clients will be charged a performance-based fee as the determination to charge a performance-based fee will be made between the client and the PFS investment advisor representative on a case-by-case basis.</p> <p>PFS' performance based fee arrangement shall comply with Section 205-3 of the Investment Advisers Act of 1940. According to Section 205-3, only clients meeting the SEC's definition of "qualified clients" may enter into agreements providing for performance based compensation to PFS. The following conditions must be met to be considered a qualified client.</p> <ul style="list-style-type: none"> <li>• Have at least \$750,000 under management with PFS at the time the client enters into an agreement with PFS; or</li> <li>• Provide documentation to PFS so that PFS shall reasonably believe the client has either a net worth of \$1,500,000 or is a qualified purchaser under Section 2(a)(51)(A) of the Investment Company Act.</li> </ul> <p>The quarterly performance fee shall be based on the net equity increase in market value of the client's total assets under management by PFS. The quarterly net equity increase shall be understood to be the percentage difference between the net equity market value of a client's total</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer						
Part II, Page 2, Item 1.D. (continued)	<p>assets (plus/minus additions or withdrawals) under PFS’s management on the last business day of a calendar quarter compared to the net equity market value of a client’s total assets under PFS’ management on the first business day of that same calendar quarter.</p> <p>The following is a performance-based fee schedule that should be used as a guideline only; all fees are subject to negotiating at the sole discretion of PFS.</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Quarterly Percentage Change in Net Equity</u></th> <th style="text-align: center;"><u>Quarterly Performance Percentage Assessment</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0.00% or less</td> <td style="text-align: center;">0.00%</td> </tr> <tr> <td style="text-align: center;">Greater than 0.00%</td> <td style="text-align: center;">20.00%</td> </tr> </tbody> </table> <p>PFS may charge a lesser or no management fee based upon criteria (i.e. existing financial planning client relationship, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).</p> <p>PFS shall not collect a quarterly performance-based fee from a client until any previous losses to the client’s accounts have been recovered. Annual management fees shall continue to be assessed regardless of quarterly performance. No increase in PFS’ fees shall be effective without prior written notification to the client.</p> <p>PFS or the client may terminate the agreement for services by providing notice to the other party. In the event a client terminates services, termination will be effective upon PFS’ receipt of notification. Advisor may terminate services by providing client with 30 days written notice. If services are terminated within five (5) business days of executing the agreement, services will be terminated without penalty. If services are terminated after five (5) business days, clients with qualified and/or ERISA accounts are charged a termination fee to close the account.</p> <p style="text-align: center;"><u>II. PFS Investment Advisor Representative Managed Programs Sponsored by Wachovia</u></p> <p>PFS participates in the Portfolio Investment Management (PIM) and Asset Advisor programs developed and sponsored by Wachovia. PIM is a wrap-fee program and Asset Advisor is an asset allocation program. The difference between a wrap-fee program and an asset allocation program is that transaction costs are not billed separately from the overall management fee charged for a wrap-fee program whereas transaction costs for an asset allocation program are billed to the client’s account separately from the overall management fee. The overall management fee for PIM and Asset Advisor accounts includes up to 120 transactions per calendar year. To the extent a PIM or Asset Advisor account requires more than 120 transactions per calendar year; the cost for additional transactions will be billed directly to the client’s account.</p> <p>Both programs allow the PFS investment advisor representative to provide on-going supervision and management services. PIM is an Advisor Directed program whereas Asset Advisor is a Client Directed program. All client accounts through the PIM and Asset Advisor program must be established through First Clearing.</p> <p>Annual fees charged under these programs are billed quarterly in advance and are deducted directly from client accounts.</p> <p>The maximum annual fee charged in PIM equity and fixed income accounts shall not exceed 3.00%</p>	<u>Quarterly Percentage Change in Net Equity</u>	<u>Quarterly Performance Percentage Assessment</u>	0.00% or less	0.00%	Greater than 0.00%	20.00%
<u>Quarterly Percentage Change in Net Equity</u>	<u>Quarterly Performance Percentage Assessment</u>						
0.00% or less	0.00%						
Greater than 0.00%	20.00%						

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

Schedule F of  
Form ADV

Continuation Sheet for Form ADV Part II

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D. (continued)	<p>annually with a minimum fee of 0.75%. The maximum fee charged on mutual fund portfolios shall not exceed 2.00% with a minimum fee of 0.75%</p> <p>The maximum annual fee charged in Asset Advisor accounts shall not exceed 2.0% for portfolios containing equities with a minimum fee of 0.75%. The maximum annual fee for mutual fund portfolios shall not exceed 1.5% with a minimum fee of 0.75%. The maximum annual fee for fixed income positions shall not exceed 1.5% with a minimum fee of 0.30%. Annual fees on cash positions may be waived, but may not exceed 1.5%. Fees charged on accounts are negotiable.</p> <p>When fees are negotiable, the negotiating factors include the complexity of the client's financial situation, securities positions held in the account, and the client's amount of assets under management.</p> <p>The description provided in this section regarding the Wachovia sponsored PFS managed programs is intended to provide clients with a summary of each program. A full description of each program will be provided to each client through the Wachovia disclosure document which is provided to all clients at the time an account is established through either the PIM or Asset Advisor programs.</p> <p><u><i>B. Third-Party Money Manager Programs - Separate Account Manager Programs</i></u></p> <p>PFS participates in separate account manager programs sponsored by Wachovia and First Clearing. Through these programs, PFS investment advisor representatives assist clients with allocating client assets among one or more third-party money managers.</p> <p>Currently, PFS participates in the following Wachovia sponsored wrap-fee programs; Masters, Diversified Managed Accounts (DMA), Wachovia Compass Advisory (Compass), and Evergreen Portfolio Solutions (Evergreen). PFS also participates in the Network Investment Consulting Service (Network) platform, a program sponsored by First Clearing. Under the Masters, DMA, and Network programs, PFS investment advisor representatives assist the client in determining and selecting third-party money managers to manage client assets. Under this arrangement, the selected third-party money manager will be provided discretionary authority to select investment options for the client. Under the Compass program, the Wachovia Securities Advisory Services Group will be provided discretionary authority as it serves as the third-party money manager.</p> <p>Through the Masters and DMA programs, PFS investment advisor representatives may be provided discretionary authority to select and remove underlying third-party money managers. Under this type of arrangement, the PFS investment advisor representative does not have to receive the client's authorization to add or remove a money manager. When clients do not grant discretionary authorization to select and remove third-party money managers, the client must provide PFS and the custodian, i.e. First Clearing, with written instructions to add or change a money manager.</p> <p>In the case of Evergreen, PFS will assist each client in reviewing the client's investment objectives, including any restrictions designated by the client with respect to investment securities to be invested in the client's account. In addition, PFS assists the client in transitioning the client's concentrated account to a tailored portfolio made available through Evergreen by Evergreen Investment Management Company, LLC, which serves as the third-party money manager for the account. Evergreen Investment Management Company and Wachovia are related companies.</p> <p>The annual fee charged under the Masters program typically ranges from 3.00% - 0.60% with fees being negotiable on accounts above \$2,000,000. This fee includes a portion directed to the money managers which typically ranges between 30 and 50 basis points.</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D. (continued)	<p>The annual fee charged under the DMA program typically ranges from 2.0% to 1.0% with fees being negotiable on accounts above \$2,000,000. This fee includes a portion directed to the money managers selected in the client’s account. The annual money manager fee does not exceed one-half of the overall fee charged to the client.</p> <p>The annual fee charged under the Network program typically ranges from 2.00% - 0.60% with fees being negotiable on accounts above \$2,000,000. Fees charged by money managers selected under the Network program are billed and collected separately from the annual fee retained by PFS.</p> <p>The annual fee charged under the Compass program typically ranges from 2.5% - 1.00% with fees being negotiable on accounts above \$2,000,000 with a portion of the management fee retained by Wachovia.</p> <p>The annual fee charged under the Evergreen program typically ranges from 2.50% - 1.00% with fees being negotiable on accounts above \$2,000,000. This fee includes a portion directed to the money managers which typically ranges between 50 and 100 basis points.</p> <p>When fees are negotiable, the main factor is the client’s assets under management, but other factors may include the client’s level of service in other PFS programs and the complexity of the client’s overall situation. Annual fees charged under these programs are billed quarterly in advance and are deducted directly from client accounts.</p> <p>The description provided in this section regarding the Wachovia/First Clearing sponsored programs is intended to provide clients with a summary of each program. A full description of each program will be provided to each client through the Wachovia disclosure document which is provided to all clients at the time an account is established through either one of the programs. In addition, clients will receive a copy of all third-party money managers by whom the client’s assets are managed. Only third-party money managers that are registered as investment advisors or are exempt from investment advisor registration are recommended to clients.</p> <p><u>C. Mutual Fund Wrap-Fee Programs</u></p> <p>PFS participates in three mutual fund wrap-fee programs sponsored and administered by Wachovia; FundSource, CustomChoice, and Pathways.</p> <p>FundSouce is a discretionary mutual fund wrap program based on Wachovia research-drive optimal blends or customized blends. Clients contracting for the FundSource program must execute the FundSource Program Agreement. All assets are managed by Wachovia which is provided with discretionary authority to implement changes within the client’s account based on the client’s individualized situation as provided by the client to the PFS investment advisor representative. Client portfolios are comprised of mutual funds selected by Wachovia.</p> <p>FundSource program fees are charged based on the following fee schedule:</p> <p>First \$500,000 of assets – 1.5% to 0.75%            Next \$500,000 of assets – 1.25% - 0.75%            Next \$1,000,000 of assets – 1.00% - 0.75%            Over \$2,000,000 of assets – Negotiable</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D. (continued)	<p>In the case of Pathways, Russell Investment Management Company (“Russell”) will provide a selection of optimal blends of model investment portfolios or accept instructions from the client with respect to a custom blend in various funds that are operated and administered by Russell, based on its evaluation of a client’s financial goals, circumstances and risk tolerances. Selections of mutual funds are limited to the various mutual funds of the Frank Russell Investment Company. Russell is responsible for evaluating and retaining one or more investment management organizations to manage each Pathways Fund. The portfolios are designed for a specific investor. Clients contracting for the Pathways program must execute the Pathways Program Agreement.</p> <p>PFS and Russell are not related entities. Wachovia and Russell are not related entities.</p> <p>Pathways program fees are charged based on the following fee schedule, which is negotiable:</p> <p>Account Asset Value Annualized Fee            First \$250,000 – 1.75 %            Next \$750,000 – 1.50 %            Next \$1,000,000 – 1.15 %</p> <p>A portion of the fee charged for Pathways is paid to Russell for its investment advisory services.</p> <p>For the FundSource and Pathways programs, PFS provides clients with consulting services in connection with the selection of optimal blend mutual fund portfolios constructed by Wachovia and Russell, respectively. Clients may also create their own customized mutual fund portfolio blend.</p> <p>CustomChoice is a non-discretionary client directed mutual fund wrap program. Clients contracting for this service must execute the CustomChoice Client Agreement. Accounts through this program are managed by PFS on non-discretionary, or Client Directed, basis. PFS and its clients have available approximately 1,350 no-load, load waived, and institutional share class mutual funds. All implementation decisions made through this program must be approved by the client.</p> <p>CustomChoice program fees are charged based on the following fee schedule:</p> <p>First \$500,000 of assets – 1.5% to 0.75%            Next \$500,000 of assets – 1.25% - 0.75%            Next \$1,000,000 of assets – 1.00% - 0.75%            Over \$2,000,000 of assets – Negotiable</p> <p>When fees are negotiable, the main factor is the client’s assets under management, but other factors may include the client’s level of service in other PFS programs and the complexity of the client’s overall situation. The minimum annual fee charged under the FundSource and CustomChoice programs is \$500. The minimum annual fee charged under Pathways is \$300.</p> <p>Annual fees charged under these programs are billed quarterly in advance and are deducted directly from client accounts. The description provided in this section regarding the Wachovia sponsored Mutual Fund Wrap-Fee Programs is intended to provide clients with a summary of each program. A full description of each program will be provided to each client through the Wachovia disclosure document which is provided to all clients at the time an account is established through either FundSource, CustomChoice or Pathways. Clients contracting for the Pathways program will also receive all necessary disclosure documents relating to Russell.</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D. (continued)	<p><u><i>D. PFS Financial Planning Program</i></u></p> <p>Upon execution of a financial planning client agreement, PFS investment advisor representatives provide investment advice through the PFS Financial Planning Program. Financial planning services may be provided in the form of written financial plans delivered to clients or in the form of financial planning consultations. Services may be provided on a one-time basis or on an on-going basis as selected by the client and memorialized in the client agreement.</p> <p>Financial planning services generally cover the following six topics of concern, (1) financial situation; (2) income taxes; (3) insurance; (4) investments; (5) retirement planning; and (6) estate planning. In order to determine a suitable course of action for an individual client, PFS shall perform a review of the variables that are presented. Such review may include, but would not necessarily be limited to, investment objectives, consideration of the client’s overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to the client’s particular circumstances.</p> <p>When written financial planning services are provided, PFS shall review the client’s present financial situation and issue a written analysis and report of recommendations in accordance with the client’s goals and objectives. This service may include an initial consultation and subsequent follow-up visits. For clients contracting for consultations only, clients will not be provided with a written report or plan.</p> <p>PFS, unless engaged separately to do so, will not be responsible for the implementation of the plan. The client shall be responsible for the implementation of the plan, but is not required to implement the recommendations provided by PFS.</p> <p>Fees for financial planning services may be based on a fixed or hourly fee with the actual amount charged to a client affected by factors such as the complexity of the services provided and the PFS investment advisor representative providing services. While fees charged will vary from client to client, the maximum hourly fee a PFS investment advisor representative may charge is \$250. The maximum fixed or flat fee that may be charged is \$5,000. Services that are anticipated to be more complex will generally warrant a higher fee amount. Less complex services may generally result in a lower fee amount.</p> <p>Prior to providing services, the PFS investment advisor representative will provide the client with an estimate of the number of hours needed to complete services or an estimated fixed fee. All fees are negotiable and are agreed upon prior to entering into a contract. In the event the PFS investment advisor representative requires additional time to complete services, the PFS investment advisor representative will attain the client’s approval prior to commencing additional services. All fees are due upon completion of financial planning services in accordance with the parameters set for the in the written financial planning agreement. A PFS investment advisor representative may waive the agreed upon fee if a client purchases products or enters into agreements for other services with the PFS investment advisor representative.</p> <p><u><i>E. Advisory Services to Retirement Plans and Plan Participants</i></u></p> <p>PFS offers various levels of advisory and consulting services to employee benefit plans and/or to the participants of such plans (“Participants”). The services are designed to assist plan sponsors</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D. (continued)	<p>(“Plan Sponsors”) in meeting their management and fiduciary obligations to the Participants under the Employee Retirement Income Securities Act (“ERISA”) and the Pension Protection Act of 2006 (“PPA”). Generally, investment advice provided to Plan Sponsors and Participants is regulated under ERISA and the PPA.</p> <p>PFS will provide a set of services to Plan Sponsors and their Participants which may include all or some of the offerings described below. Plan Sponsors must make the ultimate decision to retain PFS for pension consulting and other advisory services including services at the participant level. The Plan Sponsor is free to seek independent advice about the appropriateness of any recommended services for the plan. The following services are provided for general informational purposes. Not all clients contracting for retirement plan services will receive every level of service described below. The exact scope and types of services provided will be agreed upon with each client and listed in the client agreement.</p> <p>The services provided to employee benefit plans (“the Plan”) and their Plan Sponsors may include the following:</p> <p><u>Investment Policy Statement.</u> PFS may assist with the drafting and adoption of an Investment Policy Statement (IPS) for each Plan.</p> <p><u>Reasonableness Opinion.</u> PFS may provide a written opinion as to the appropriateness and reasonableness of including, or continuing to include, the shares of the employer’s own stock as an investment option under the Plan, in respect of the IPS.</p> <p><u>Cash Flow Analysis:</u> PFS may assist the Plan’s oversight committees with the review of the quarterly cash flow analysis as provided by the plan provider.</p> <p><u>Selection of Qualified Default Investment Alternative.</u> PFS may recommend to the client an investment fund product or model portfolio meeting the definition of a “Qualified Default Investment Alternative” (“QDIA”) in ERISA Regulation 2550.404c-5(e)(3). The QDIA shall be reflected in the IPS.</p> <p><u>Investment Performance Monitoring or Analysis.</u> PFS may assist the Plan’s oversight committees with the review of the quarterly investment performance of the Plan’s investment options. Under applicable circumstances, PFS will monitor the appropriateness and continued suitability of each of the investments with a view to complying with the “broad range” requirement under ERISA Section 404(c).</p> <p><u>Asset Allocation Analysis:</u> PFS may assist the Plan’s oversight committees with the review of the quarterly asset allocation analysis as provided by the Plan provider.</p> <p><u>Performance Reports.</u> PFS may prepare reports evaluating the performance of the Plan’s investment manager(s) or investments, as the case may be, as well as comparing the performance thereof to benchmarks set forth in the IPS. The information used to generate the reports will be derived from statements provided by the client.</p> <p><u>Education Services to Plan Committee.</u> PFS may provide training for the members of the Plan Committee with regard to their service on the committee, including guidance with respect to fiduciary duties.</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 2, Item 1.D. (continued)	<p><u>Participant Education Services.</u> PFS may conduct in-person, group sessions and provide printed educational materials (which may include posters, payroll stuffers, and emails) to Participants, providing information to them about the investment options under the Plan. Services provided under an “Eligible Investment Advice Arrangement,” as defined under the PPA, shall be governed by a separate agreement.</p> <p><u>Expense Analysis:</u> PFS may assist the Plan’s oversight committees with the review of the investment expense characteristics for each of the investment options.</p> <p><u>Investment Structural Analysis:</u> PFS may assist the Plan’s oversight committees with the review of the Investment Structural Analysis for each of the investment options.</p> <p><u>Third Party Product or Service.</u> Advisory services provided to retirement plans may be solely provided by advisory representatives, or in combination with third parties and their retirement plan services. PFS may use the product or service offered by a third party in providing services to a client and the Plan.</p> <p><u>Plan Search Support.</u> PFS may manage the preparation, distribution, and evaluation of Request For Proposals, finalist interviews, and conversion support.</p> <p><u>Additional Services.</u> Services as agreed upon by PFS and client.</p> <p><u>Services for Plan Participants.</u> Plan Sponsors may retain PFS and its advisory representatives to provide services to Participants pursuant to an “eligible investment advice arrangement,” as defined under the PPA. The scope of the services and fees are established and approved in advance by the Plan Sponsor and shall be clearly set forth in the executed agreement for services.</p> <p>Advisory Representatives will meet with individual Participants to collect pertinent information regarding their financial circumstances and investment objectives. Advisory Representatives will then deliver advice either: (1) by providing direct investment advisory services to the Participant (in which case the PFS fee will not vary based on the advice given to the Participant), or (2) by generating portfolio recommendations for a Participant based on an unbiased computer model that has been certified and audited by an independent third party. In either case, the services will be audited annually by an independent third party. The scope of the services and fees shall be set forth in an executed agreement between the Participant and PFS and shall be consistent with the agreement between the Plan Sponsor and PFS.</p> <p>Fees for <i>Advisory Services to Retirement Plans and Plan Participants</i> may be charged on either a 1) flat fee basis, 2) percentage of a plan’s assets, or 3) on a combination of these methods, as agreed to between PFS and the Plan Sponsor. The exact fee charged to a client will depend on the variables such as the number of participants, the amount of assets in the Plan, the complexity of the situation, the location of the client, and the advisory representative providing services. The maximum flat fee generally charged for this service shall not exceed \$60,000 per year. In the event fee is charged based on the percentage of the Plan assets, the maximum fee charged will generally not exceed 1.00% annually. The fee charged for reviewing individual Participant accounts ranges between \$300 and \$1,500 and is due upon completion of a review. The exact fee charged to each individual participant is contingent upon the amount of assets held within the accounts being reviewed and the number of accounts being reviewed. Participant fees may be paid by the Participant or the Plan Sponsor depending on the agreement between the Plan Sponsor and PFS.</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

Schedule F of  
Form ADV

Continuation Sheet for Form ADV Part II

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: 801- 65845	Date: <b>September 30, 2009</b>
--	--------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 4, Item 5	<p>Services may be provided on a one-time or on-going basis. Upon execution of a client agreement, the client will have five (5) business days to terminate services with no penalty (i.e. no fees due or refund of any fees paid in advance).</p> <p>Fees may be charged in advance or in arrears. The annual fee may be divided and collected monthly, quarterly, or semi-annually. In the event the entire annual fee is collected in advance, the fee will be considered earned when paid. In these cases, PFS does not provide a refund if the service is terminated after the initial five (5) day period.</p> <p>The exact fee charged to each client and the billing arrangements will be agreed upon with the client prior to commencing services. The fee and fee arrangements will be detailed in the client agreement.</p> <p>Clients shall also incur certain charges imposed by third parties other than PFS in connection with investments made through a Plan. PFS and its advisory representatives do not receive additional compensation beyond the PFS advisory fee charged. If advisory representatives, in their separate capacity as registered representatives of PFS, are compensated in the form of commissions or 12b-1 fees from the sale of investments to the Plan, PFS shall offset the advisory fee to reflect the additional compensation earned, to the extent permitted by law.</p>
Part II, Page 4, Item 6	<p><b>Education and Business Standards.</b> Associated persons of PFS approved to provide investment advice to clients are required to meet his/her home state's specific investment advisor representative registration requirements and license as an investment advisor representative (when required by the home state) prior to providing investment advice under PFS.</p> <p><b>Education and Business Background of PFS Officers and Supervisors.</b></p> <p><u>Tim Edwards.</u> Born 1962</p> <p><i>Education Background</i> Texas Tech University, B.S. Geology, 1981 – 1995</p> <p><i>Business Background</i> Prospera Financial Services, Inc., Vice President &amp; Director of Sales, 1989 – Present Prospera Life &amp; Annuity Services, Inc., Vice President &amp; Director, 1997 - Present Prospera Holdings, Inc., Vice President &amp; Director, 1997 – Present TAG Securities, Inc., Director, 2004 – Present PFS Asset Management, Inc., Vice President &amp; Director, 2004 – 2005</p> <p><u>Richard Pascuzzi.</u> Born 1955</p> <p><i>Education Background</i> Texas Christian University, B.B.A., Marketing, 1974 - 1978</p> <p><i>Business Background</i> Prospera Financial Services, Inc., Vice President/Secretary, 1992 – Present Prospera Life &amp; Annuity Services, Inc., President, Secretary &amp; Director, 1997 – Present Prospera Holdings, Inc., Vice President/Secretary &amp; Director, 1997 – Present TAG Securities, Inc., Director, 2004 – Present PFS Asset Management, Inc., Secretary &amp; Director, 2004 – 2005</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 4, Item 6 (continued)	<p><u>David Stringer</u>. Born 1961</p> <p><i>Education Background</i> Texas Tech University, B.B.A., Finance, 1980 – 1985</p> <p><i>Business Background</i> Prospera Financial Services, Inc., President/Treasurer, 1989 – Present Prospera Life &amp; Annuity Services, Inc., Treasurer &amp; Director, 1997 – Present Prospera Holdings, Inc., President/Treasurer &amp; Director, 1997 – Present TAG Securities, Inc., Director, 2004 – Present PFS Asset Management, Inc., President &amp; Director, 2004 – 2005</p> <p><u>Abel Garcia</u>. Born 1958</p> <p><i>Education Background</i> University of Texas, Austin, B.A., Accounting, 1980 – 1983</p> <p><i>Business Background</i> Prospera Financial Services, Chief Financial Officer &amp; Chief Compliance Officer, 1994 – Present TAG Securities, Inc., CFO, CCO, Treasurer, Secretary &amp; Director, 2004 – Present PFS Asset Management, Chief Financial Officer, 2004 – 2005</p> <p><u>Barbara Hale</u>. Born 1957</p> <p><i>Education Background</i> University of South Carolina, Associates degree, 1977-1979</p> <p><i>Business Background</i> Prospera Financial Services, Inc., Director of Operations, 1992 – Present TAG Securities, Inc., President &amp; Director, 2004 – Present</p> <p><u>Barb Huber</u>. Born 1950</p> <p><i>Education Background</i> Wright State University, Attended 1969 – 1970 The Ohio State University, Attended 1968 – 1969</p> <p><i>Business Background</i> Prospera Financial Services, Inc. Branch Manager, 2005 – Present, Compliance Officer, 2001 – 2005</p> <p><u>Casey Waits</u>. Born 1968</p> <p><i>Education Background</i> Richland College, Business Administration, 1987 – 1988 University of North Texas, Business Administration, 1989</p> <p><i>Business Background</i> Prospera Financial Services, Inc., Independent Consultant/Sales Manager, 1997 – Present</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: 801- 65845	Date: <b>September 30, 2009</b>
--	--------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>		IRS Empl. Ident.No.: <b>75-1832551</b>
Item of Form (identify)	Answer	
Part II, Page 4, Item 6 (continued)	<p>PFS Asset Management, Inc., Financial Advisor, 2004 – 2005</p> <p><u>Jay Wilson.</u> Born 1955</p> <p><i>Education Background</i> University of Texas – Dallas, Bachelor of Arts – General Studies, 1987-1991</p> <p><i>Business Background</i> Prospera Financial Services, Inc., Relationship Manager, 2009 – Present Provident Asset Management, Compliance Officer, 2008 – 2009 Banc of America Investment Services, Market Administrator, 2007 – 2008 Cure Financial, Compliance Manager, 2002 – 2007 Fidelity Investments, Manager Electronic Response, 1993 – 2002</p> <p><u>Ray Huie.</u> Born 1969</p> <p><i>Education Background</i> Texas A&amp;M University – Commerce, B.B.A., Finance, 1988 – 1997</p> <p><i>Business Background</i> Prospera Financial Services, Inc. Sr. Compliance Officer/Sr. Relationship Manager 2005 – Present SWS Financial Services / Southwest Securities, Division Manager 2000-2001; VP-Equity Trading 2001-2003; VP-Operations 2003-2005; Asst VP/Sr Compliance Examiner 2003-2004; VP-National Sales Supervisor 2004-2005</p> <p><b>Other Business Activities.</b> Prospera and its principal executive officers are engaged in professions other than giving investment advice. PFS is a broker/dealer, member FINRA/SIPC. The executive officers of PFS and investment advisor representatives may also be securities agents (also referred to as registered representatives) of PFS as a broker/dealer. In these capacities, PFS and its investment advisor representatives sell securities products to clients for commissions. The receipt of commissions is separate and distinct from fees charged for PFS advisory programs. As a broker/dealer PFS recommends, sells and services investments such as, but not limited to, stocks, bonds, options, CDs, mutual funds, and variable annuities. All securities transactions are done through PFS in its capacity as a broker/dealer.</p>	
Part II, Page 4, Item 7. A. B. & C. and Item 8.A.		
Part II, Page 4, Item 8.C.(1)	<p><b>Other Financial Industry Activities or Affiliations.</b></p> <p>PFS is affiliated with TAG Securities, Inc. (TAG), a registered broker/dealer member FINRA/SIPC. TAG is a \$5,000 net capital broker/dealer with approximately 800 clients. Advisory programs of PFS are not implemented or established through TAG. However, PFS clients may also be TAG clients. TAG is primarily owned by Prospera Holdings, Inc. and two executive officers of PFS. Some investment advisor representatives of PFS are dually licensed as securities agents of both TAG and PFS.</p>	
Part II, Page 4, Item 8.C.(9)	<p>PFS is affiliated with Prospera Life &amp; Annuity Services, Inc. (PLA), an insurance agency under common ownership with PFS. Prospera Holdings, Inc. is the direct owner of PFS and the three owners of Prospera Holdings, Inc. directly own PLA. Some investment advisor representatives of PFS are insurance agents of PLA and some investment advisor representatives are independently licensed as insurance agents. In these capacities, PFS and its investment advisor representatives</p>	

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

Schedule F of  
Form ADV

Continuation Sheet for Form ADV Part II

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: 801- 65845	Date: <b>September 30, 2009</b>
--	--------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 5, Item 9.A	<p>may recommend insurance products in connection with investment advisory services. Clients are not obligated to purchase any insurance products through PLA or an investment advisor representative in its individual capacity as an insurance agent. However, when clients do purchase such products, commissions for the sale of insurance products to clients through various, unaffiliated, insurance companies are received. The implementation and purchase of any insurance product is solely at the client's discretion.</p> <p><b>Participation or Interest in Client Transactions.</b></p>
Part II, Page 5, Item 9.B.	<p>PFS may, at its discretion and in its capacity as a broker/dealer, execute client orders for certain types of securities on a principal basis. PFS is not a clearing broker/dealer and does not maintain an inventory in any securities; however, when certain client orders are received, PFS may execute the order for its proprietary account. When executing from its proprietary account, PFS may include a mark-up or mark-down, and subsequently bill the trade to the account of the client for which the order was executed. Any additional compensation earned by PFS from a mark-up is in addition to advisory fees charged to clients.</p>
Part II, Page 5, Item 9.E.	<p>As a broker/dealer, PFS and its investment advisor representatives also licensed as securities agents sell securities products to clients for commissions. Some PFS investment advisor representatives are also securities agents of TAG. This could present a potential conflict of interest since they could receive fees and commissions if the client chooses to implement the advisory recommendations in their capacities as securities agents. In most situations, PFS investment advisor representatives will waive their brokerage commissions from recommended securities transactions affected through a PFS advisory program. However, when purchasing fixed-income securities still in syndication for clients, PFS and its representatives will receive a commission in addition to any advisory fees paid by a client. PFS and its investment advisor representatives licensed as securities agents may, however, receive mutual fund sales loads, 12(b)-1 distribution fees, variable annuity and variable life sales commissions and trail commissions from investments placed in a PFS advisory account. As a result, there is a potential conflict of interest.</p>
Code of Ethics	<p>PFS and its investment advisor representatives licensed as securities agents, are able to effect securities transactions for separate and typical compensation for any client requesting these services. However, financial planning clients are not under any obligation to engage these individuals when considering implementation of financial planning recommendations. The implementation of any or all recommendations is solely at the discretion of the financial planning client.</p> <p><u>Code of Ethics.</u> PFS and its supervised persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. Section 204A-1 of the <i>Investment Advisers Act of 1940</i> requires all investment advisers to establish, maintain and enforce a Code of Ethics. PFS has established a Code of Ethics that will apply to all of its supervised persons. An investment adviser is considered a fiduciary according to the <i>Investment Advisers Act of 1940</i>. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. PFS has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for the PFS Code of Ethics which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. PFS requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur to the Code of Ethics, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).

Schedule F of  
Form ADV

Continuation Sheet for Form ADV Part II

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: 801- 65845	Date: <b>September 30, 2009</b>
--	--------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 5, Item 10	<p>PFS Code of Ethics. PFS has the responsibility to make sure that the interests of all clients are placed ahead of PFS or its supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. PFS and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of the PFS Code of Ethics. However, if a client or a potential client wishes to review the PFS Code of Ethics in its entirety, a copy will be provided promptly upon request.</p>
Part II, Page 5, Item 11.A.	<p><b>Conditions for Managing Accounts.</b> Wrap accounts sponsored by Wachovia require a minimum account size of \$25,000. The minimum account size for Wachovia separate account manager programs is \$50,000. Client directed and advisor directed accounts also require a minimum account size of \$50,000. Depending on the specific program selected by a client, a higher minimum may be required. Account minimums may be waived at the discretion of PFS and/or Wachovia. For clients that contract for a Wachovia sponsored program, clients are required to enter into a Wachovia client agreement and will receive a copy of the Wachovia sponsored program disclosure brochure.</p> <p><b>Review of Accounts.</b></p> <p><u>PFS Investment Advisor Representative Reviews.</u> PFS investment advisor representatives are in charge of providing all investment advice and conducting on-going reviews of all accounts for their respective client accounts. PFS investment advisor representatives are also in charge of selecting and/or recommending money managers to their respective clients.</p> <p>PFS investment advisor representatives review client accounts no less often than quarterly. More frequent reviews may be triggered in the event of changes in market conditions, money manager personnel, management style, or fund closures. The client's PFS investment advisor representative is available to discuss the management and performance of the client's account and changes in the client's situation which may have an impact on the management of the client's account. Account portfolios that contain individual equity securities and fixed income securities are reviewed on a more frequent, on-going basis.</p> <p>Client assets managed by money managers are reviewed and monitored by the selected money manager. The frequency of reviews conducted by money managers will vary from manager to manager, but typically reviews are conducted at least quarterly. Triggering factors for changes to underlying portfolios within a money manager portfolio include the relative valuation changes between asset classes, deviation from management style by manager, or fund closures.</p> <p><u>PFS Supervision Review.</u> Under the direction of Abel Garcia, Chief Compliance Officer, the PFS Compliance and Supervision Department reviews transaction suitability for accounts managed by a PFS investment advisor representative. The PFS Compliance and Supervision Department also conducts due diligence reviews of Wachovia, First Clearing and money managers approved for solicitation by PFS investment advisor representatives. The designated compliance member reviews the performance and cost basis for the client's transactions, comparing executed transaction to the client's financial information. The client's objectives are used to review for suitability. Transactions are reviewed through exception-based reporting referencing client's objectives for any transaction that may not fit the client's stated objectives, of PFS' understanding of client objectives will be flagged and reviewed with the PFS investment advisor representative placing the trade.</p> <p>Events that may trigger further compliance department reviews include, but are not limited to, a</p>

Complete amended pages in full, circle amended items and file with execution page (page 1).

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 5, Item 11.B.	<p>notable increase in the volume of requests by the client to effect transactions in his/her account(s), where such transactions may appear to be inconsistent with the client's previously stated investment objectives, or requests by the client to liquidate certain securities positions/contracts where such transactions may appear to be inconsistent with the client's previously stated investment objectives. Additional triggering factors could be the performance on an individual account being an outlier to the performance of accounts with similar investment objectives, and a very important trigger would be customer complaints. This trigger would be a prime example of a trigger for an intermittent review of a client account.</p> <p><u>Client Reports.</u> Clients will receive statements at least quarterly from First Clearing, or from their selected qualified custodian at which their accounts are maintained. In addition, clients may receive annual or more frequent performance reports from Wachovia, PFS or a third-party money manager.</p> <p><b>Investment or Brokerage Discretion.</b></p>
Part II, Page 6, Item 12.A.(1), (2) & (4)	<p><u>Discretionary Authority.</u> When PFS manages accounts on a discretionary basis, PFS requires that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Depending on the Wachovia sub-advisor program for which a client contracts, PFS investment advisor representatives will also have discretionary authority to select and remove third-party investment advisors and/or money managers. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing. Although commissions are normally waived in advisory accounts, PFS investment advisor representatives that are also securities agents have the ability to charge commissions when implementing transactions. In addition, PFS has the ability to set commission rates on a discretionary basis. In determining the amount of commissions that will be charged the PFS securities agent will take into account FINRA's 5% guideline policy, the type of security involved, the availability of the security in the market, the price of the security and the amount of money involved in the transaction. PFS investment advisor representatives that are also securities agents have the discretion to determine the amount of commission that will be charged to clients on products other than mutual funds, insurance products, or alternative products. In addition, the PFS investment advisor representative may be charged ticket charges when implementing transactions. PFS investment advisor representatives may pass these ticket charges onto clients at their discretion.</p>
Proxy Voting Policy	<p><u>Proxy Voting Policy.</u> PFS does not vote proxies or consider any other corporate actions on behalf of clients. PFS shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held by a client. Clients shall retain the authority and responsibility for, and PFS shall be expressly precluded from rendering any advice or taking any action with respect to, the voting of any such proxies.</p>
Part II, Page 6, Item 12.B.	<p><u>Recommendation of First Clearing, LLC.</u> Clients are under no obligation to act on financial planning recommendations of PFS investment advisor representatives. If PFS investment advisor representatives assist in the implementation of any financial planning recommendations or if clients elect to open an advisory account through PFS, PFS is responsible to ensure that the client receives the best execution possible.</p> <p>PFS requires all accounts be established and held through PFS as an introducing broker/dealer and generally cleared through First Clearing. Both accounts managed by PFS investment advisor representatives and accounts established through a Wachovia sponsored-program must be established at PFS and cleared through First Clearing, a registered broker/dealer, member</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 6, Item 13.A.	<p>FINRA/SIPC. However, in limited cases when First Clearing cannot accommodate a client's securities holdings, an account will be established at a broker/dealer selected by the client.</p> <p>When a client directs the use of a particular broker/dealer or other qualified custodian, PFS may not be able to obtain the best prices and execution for the transaction. Clients who direct the use of a particular broker/dealer or custodian may receive less favorable prices than would otherwise be the case if clients had not designated a particular broker/dealer or qualified custodian. Further, clients with directed brokerage arrangements will not be able to participate in aggregate trades (i.e. block trades) and directed trades may be placed by PFS after effecting non-directed trades.</p> <p>The general requirement to use First Clearing is based on the fact that PFS has established a clearing agreement with First Clearing as its preferred clearing broker/dealer and qualified custodian. The decision to use First Clearing is based on past experiences, minimizing commissions and other costs as well as offerings or services First Clearing provides that PFS or client may require or find valuable such as online access. Clients may pay commissions to PFS and/or First Clearing that are higher than those obtainable from other broker/dealers in return for products and services offered through PFS and First Clearing. Commission and fee structures of various broker/dealers are periodically reviewed to ensure clients are receiving best execution. Accordingly, while PFS will consider competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Therefore, the overall services provided by both PFS and First Clearing are evaluated to determine best execution.</p> <p><u>Aggregation of Client Orders.</u> Transactions implemented by PFS for client accounts are generally effected independently, unless PFS decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by PFS when PFS believes such action may prove advantageous to clients. When PFS aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among PFS clients in proportion to the purchase and sale orders placed by an individual PFS investment advisor representative for each client account on any given day. When PFS determines to aggregate client orders for the purchase or sale of securities, including securities in which an associated person of PFS may invest, PFS will do so in accordance with the parameters set forth in the SEC No-Action Letter, <i>SMC Capital, Inc.</i> It should be noted, PFS does not receive any additional compensation or remuneration as a result of aggregation.</p> <p><b>Additional Compensation.</b> Through the relationship with First Clearing, PFS receives economic and non-economic benefits. These benefits include, but are not necessarily limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and allocate the appropriate the shares to client accounts; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information. The decision to utilize First Clearing is also directly related to PFS' participation in advisory programs sponsored by Wachovia. Wachovia and First Clearing are related entities.</p> <p>PFS receives a portion of fees earned by PFS securities agents that use Wachovia and First Clearing</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV  
Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
Part II, Page 6, Item 13.B.	<p>services and programs through the PFS securities agent’s independent investment advisor firm. PFS receives compensation from First Clearing on client debit and credit balances, i.e.: the difference between what First Clearing receives in interest and what it actually pays the client and what the client pays in interest on margin accounts and what First Clearing’s actual cost is. PFS also retains any gains generated from trading errors, such as cancel/rebills.</p> <p>PFS and its investment advisor representatives licensed as securities agents may receive commissions from the execution of securities transactions. In addition, they may receive 12b-1 fees from certain mutual fund companies as outlined in the fund’s prospectus. 12b-1 fees come from fund assets, therefore, indirectly from client assets. The receipt of such fees could represent an incentive for investment advisor representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. While commissions are generally waived in connection with advisory accounts, 12b-1 fees are received in addition to the advisory fees earned by PFS. Further PFS and its investment advisor representatives licensed as securities agents may receive mutual fund sales loads, 12(b)-1 distribution fees, fixed income security commissions, commissions on managed futures, and variable annuity and variable life sales commissions and trail commissions from investments placed in a PFS advisory account. As a result, there is a potential conflict of interest.</p> <p>PFS investment advisor representatives that are also licensed as insurance agents receive commissions and other incentive awards for the recommendation/sale of annuities and other insurance products. The receipt of this compensation may affect the judgment of the investment advisor representative when recommending products to clients. While PFS and its associated persons endeavor at all time to put the interest of the clients first, clients should be aware that the receipt of commission and additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.</p> <p>Certain product sponsors, including Wachovia and First Clearing, may provide PFS and its investment advisor representatives with other economic benefits as a result of sales activities directed to the sponsors, including but not limited to, financial assistance or the sponsorship of conferences and educational sessions, marketing support, incentive awards, payment of travel expenses, tools to assist PFS in providing various services to clients such as reporting programs and portfolio analysis and direction of brokerage transactions to PFS in its capacity as a broker-dealer.</p> <p>PFS and its investment advisor representatives may enter into arrangements with individuals (“Solicitors”) who will refer clients that may be candidates for investment advisory services to PFS. In return, PFS will agree to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with PFS. Compensation to the Solicitor will be determined by applicable law, rules or regulations but may be an agreed upon percentage of the PFS investment advisory fee or a flat fee depending on the type of advisory services PFS provides to the referred client and the agreed upon compensation arrangement between the PFS investment advisor representative and the Solicitor. PFS’ referral program will be in compliance with federal or state regulations (as applicable). The solicitation/referral fee is paid pursuant to a written agreement retained by both PFS and the Solicitor. The Solicitor will be required to provide the client with a copy of PFS’ Form ADV Part II and a Solicitor Disclosure Document at the time of solicitation. The Solicitor is not permitted to offer clients any investment advice on behalf of Advisor. If the advisory fee charged to a referred client is higher than fees charged to other clients as a result of compensation being shared with the Solicitor, disclosure will be provided to that client.</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**

**Schedule F of  
Form ADV**

**Continuation Sheet for Form ADV Part II**

Applicant: <b>Prospera Financial Services, Inc.</b>	SEC File Number: <b>801- 65845</b>	Date: <b>September 30, 2009</b>
--	---------------------------------------	------------------------------------

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: <b>Prospera Financial Services, Inc.</b>	IRS Empl. Ident.No.: <b>75-1832551</b>
---	---

Item of Form (identify)	Answer
	<p><b>Full Account Liquidation.</b> Upon receipt of notice to liquidate holdings in any advisory program by either client or his/her advisory representative, PFS will in an orderly and efficient manner proceed with liquidation, if client so chooses. Clients must keep in mind that the decision to liquidate security issues and/or mutual funds may result in tax consequences that should be discussed with the client's tax advisor. PFS is under no obligation to effect any transaction for a client account that it believes to be improper under applicable law, rule or regulation.</p> <p>Factors that may affect the orderly and efficient manner (i.e., liquidation of securities) would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate client's investment advisory service and/or communicate the instructions to client's investment advisor, and/or conduct an accounting of specific holdings in client accounts, full liquidation requests received are not market orders; it may take several business days under normal market conditions to process full liquidation requests. During this time, client's account is subject to market risk. PFS is not responsible for market fluctuations of the client's account from time of notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.</p> <p>A market order is defined as an order to buy or sell a stated amount of a security at the best possible price at the time the order is received in the marketplace (i.e.: Sell 100 shares of XYZ in account number 1234-5678 at market). For a full liquidation of an account or a full liquidation of specific holdings within one or more accounts to be considered a market order, client or his/her advisory representative must enter a specific market order on each holding that is to be liquidated within each account.</p>

**Complete amended pages in full, circle amended items and file with execution page (page 1).**