



**PROSPERA**  
FINANCIAL SERVICES

## **Welcome to Prospera Financial Services**

Thank you for selecting a Prospera Financial Professional, and for opening your account(s) with us. We appreciate your business and want to take this opportunity to share this important information with you.

As an investor, you should understand the roles of your Financial Professional, Prospera Financial Services, and other firms we do business with. This information is provided to inform you about the policies and procedures employed by Prospera Financial Services as well as other important facts about your account(s). Please take the time to read and understand this information.

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## Your Financial Professional, Prospera Financial Services, and You

This is your *Investment Team*. Each member of your team, including you as our client, have an important role to play in building a successful relationship that will ultimately work toward the achievement of your financial goals.

### *Our Responsibility*

- We will always put your interests first. It is only by helping you to succeed, that we succeed.
- We will work to help you understand your investments. Your Financial Professional is available to answer any questions you have about your account or the investments in your account.
- We will support your Financial Professional with the full resources of our firm. We support them, so that they can help you achieve your financial goals.
- We will provide you with accurate and timely information about your account. Your financial transactions, as well as the status of your account, are always available to you through your scheduled statements, online at [www.prosperafinancial.com](http://www.prosperafinancial.com) under “My Accounts”, or through your Financial Professional at your request.
- We will provide you with information regarding our policies on how we treat the personal information you share with us. We do not sell your personal information to anyone. Please see our Privacy Policy below for more information.
- We will strive to meet and exceed your expectations as our client, and to uphold the trust you have put in us. We respect your privacy, and we take your financial concerns very seriously.
- We will provide you with courteous service. Your Financial Professional is your first point of contact when you have questions or need assistance with financial transactions.
- We will use care to select knowledgeable and experienced Financial Professionals. Prospera Financial Professionals are appropriately licensed and registered to make investment recommendations and perform transactions on your behalf.
- We (your Financial Professional) will provide you with investment recommendations based on your personal goals, your financial information, and your preferences. Individual investment performance cannot be guaranteed due to market, industry, or other conditions and circumstances beyond the control of your Financial Professional and Prospera Financial Services.
- We will inform you of all costs relating to your account(s) and your investment transactions. If you have any questions about your fees, please contact your Financial Professional.
- We will work conscientiously to resolve any errors or complaints regarding your account(s). Prospera and your Financial Professional take pride in our commitment to the highest standards of customer service.

### *Your Responsibility*

- Provide your Financial Professional with all the information that is relevant to your financial status, your investment preferences, and your financial goals. This includes but is not limited to: your current and previous financial data, your investment time horizon, and your level of risk tolerance. Be sure to update this information as changes occur. **This information is critical** because as material changes, it serves as the basis upon which your Financial Professional makes your investment recommendations.
- Carefully review all your transaction confirmations and account statements immediately. If you have a question or discover an error, promptly notify your Financial Professional.

- Protect the security of your account by keeping your online user name and password secure. Do not give this information to anyone you do not wish to have access to your account. No one with Prospera Financial Services will ever ask you for this information.
- Make certain that you understand your investments and how they may perform under various market conditions. Your Financial Professional is available to review these facts with you at any time.
- Meet regularly, at least annually, with your Financial Professional to review your financial information and your investments.

Investing is serious business. Communicating regularly is the key to helping your Financial Professional make appropriate investment recommendations and assist you in reaching your financial goals.

## Where Your Brokerage Account is Held

All Prospera brokerage accounts are held at our clearing firm, First Clearing, LLC, a subsidiary of Wells Fargo Advisors- one of the largest financial institutions in America.

### *Our Clearing Firm - First Clearing, LLC (FCC)*

While your Prospera Financial Professional will be responsible for servicing you and your account, First Clearing, LLC also plays an integral role in the services we provide. FCC's responsibilities include:

- Handling the delivery and receipt of securities purchased or sold in your account,
- Processing and executing your transactions,
- Performing centralized cashiering, bookkeeping, and execution functions for your cash or margin account,
- Maintaining custody of all your securities and funds once they are in your account,
- Receiving and distributing dividends and other distributions to you,
- Extending credit for margin accounts, and
- Preparing your account statements.

### *Privacy Policy*

Prospera Financial Services has always taken the possession of your personal information very seriously. The personal information that you share with us is used only to fulfill our obligation to provide you the finest financial services.

We collect nonpublic personal information about you from the following sources:

- Information we receive from you on applications or other forms,
- Information about your transactions with us, our affiliates, or others, and
- Information we receive from a consumer-reporting agency.

Prospera offers a wide variety of investment products and we have entered into agreements with carefully selected business partners. Information we receive from you on applications is shared with our clearing firm as well as the investment and insurance companies with which we have agreements. This information is shared with these business partners in order to conduct business on your behalf and is shared only with those firms providing you with products and/or services.

We do not disclose any nonpublic personal information about our customers or former customers to anyone except as required by law. We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products and services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

### *Best Execution Disclosure*

SEC Rule 11Ac1-6 under the Securities Exchange Act of 1934 requires Prospera to make public, on a quarterly basis, a report on its routing of non-directed orders in covered securities for that quarter. Quarterly reports that disclose the executing venues for routed orders can be viewed at: [www.prosperafinancial.com](http://www.prosperafinancial.com) by selecting “Legal Information” on our Home Page. Specific information regarding a particular transaction can be provided upon written request.

### *Margin Disclosure*

Before trading stocks in a margin account, you should carefully review the margin agreement you sign and confer with your Financial Professional regarding any questions or concerns you may have with opening a margin account.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from First Clearing, LLC. If you choose to borrow funds from FCC, you will open a margin account. When you buy securities on margin, those securities are FCC’s collateral for the margin loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan. As a result, FCC may need to take action to maintain the required equity in the account. FCC may issue a margin call and/or sell securities or other assets in any of your accounts held with them. If you choose to have a margin account, you will be charged interest that is assessed to your account monthly. The interest rate will be determined by FCC based on factors such as the prime rate, discount rate, broker call rate, federal funds rate, LIBOR, and other regularly published lending rates. It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

**You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities or assets in your account(s).

**FCC can force the sale of securities or other assets in your account(s).** If the equity in your account falls below the maintenance margin requirements or FCC’s higher “house” requirements, they can sell the securities or other assets in any of your accounts held at the firm to cover the margin deficiency. You also will be responsible for any short fall in the account after such a sale.

**FCC can sell your securities or other assets without contacting you.** Some investors mistakenly believe that a firm must contact them for a margin call to be valid, and that the firm cannot liquidate securities or other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. Prospera Financial Services will attempt to notify our customers of margin calls, even though we are not required to do so. However, even if we have contacted a customer and provided a specific date by which the customer can meet a margin call, FCC can still take necessary steps to protect its financial interest, including immediately selling the securities without additional notice to the customer.

**You are not entitled to decide which securities or other assets in your account(s) are liquidated or sold to meet a margin call.** Because the securities are collateral for the margin loan, FCC has the right to decide which security to sell in order to protect its interests.

**FCC can increase its “house” maintenance margin requirements at any time and is not required to provide the client with advance written notice.** These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call.

**You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to expect the extension.

### ***Payment for Order Flow***

In accordance with SEC Rule 11Ac1-3 and in a manner consistent with Prospera Financial Services' obligation to provide best execution of all customer orders, we may direct orders to an exchange or market maker that matches or improves then-current national best bid or offer for the particular stock. Prospera Financial Services may receive remuneration in the form of payments for directing orders to certain broker/dealers for execution. Such remuneration is considered to be compensation to Prospera. The source and amount of any compensation received in connection with specific transactions and any additional information concerning order flow payment will be disclosed upon written request.

### ***Making Deposits to Your Account***

SEC Rules require all check instruments be made payable to the clearing firm. All checks, cashier checks or any other deposits must be made payable to our clearing firm, First Clearing, LLC. Checks may not be made payable to Prospera or to your Financial Professional. Deposits made payable to the incorrect entity will be returned to the maker.

### ***How Your Accounts are Protected***

***SIPC Protection***-First Clearing is a member of the Securities Investor Protection Corporation (SIPC), a non-profit, congressionally chartered membership corporation created in 1970. SIPC protects clients against the custodial risk of a member investment firm becoming insolvent by replacing missing securities and cash up to \$500,000, including up to \$100,000 in cash, per client, in accordance with SIPC rules. (Note that SIPC coverage is not the same as, nor is a substitute for, FDIC deposit insurance; securities purchased through First Clearing are not FDIC-insured.) For more information about SIPC, please visit [sipc.org](http://sipc.org)

***Additional Insurance Coverage We're Providing to Our Clients***-Above and beyond SIPC coverage, First Clearing maintains additional insurance coverage provided through London Underwrites (led by Lloyd's of London Syndicate) ("Lloyd's"). For clients who have received the full SIPC payout limit, First Clearing's policy with Lloyds provides additional coverage above the SIPC limits for any missing securities and cash in client investment accounts, up to a clearing-firm aggregate limit of \$1 billion (including up to \$1.9 million for cash per client). In other words, the aggregate amount of all client losses covered under this policy are subject to a limit of \$1 billion, with each client covered up to \$1.9 million for cash.

***About Lloyd's of London***-Since its beginnings in the 17<sup>th</sup> century, Lloyd's of London has been a world leader in insurance markets, providing its services to businesses in a broad range of sectors. Currently, Standard & Poor's and Fitch Ratings have rated Lloyd's credit as "A+ (Strong) Stable Outlook," and A.M. Best has given Lloyd's a credit rating of "A (Excellent) Stable Outlook." For more information about Lloyd's of London, please visit [Lloyds.com](http://Lloyds.com)

***The Limits of SIPC and Lloyd's Insurance Coverage***-Please note that the coverage provided by SIPC and Lloyd's does not protect against loss of market value of securities. All coverage is subject to the specific policy terms and conditions.

### ***Free Credit Balance***

For purposes of this agreement, the free credit balance available in your securities account (for the purchase of money market fund shares) will be the credit balance less:

- The proceeds of the sale of any security that has not been received by us in negotiable form.
- The amount of any free credit balance in your account required by margin rules and regulations to maintain a bona fide short sale position, uncovered short option position or pending marking to market transaction, if applicable.

- Some accounts, depending on the type of account you open, may require a minimum free credit balance before fund shares will be purchased.

Deposits to your account's free credit balance which were not transferred to us by "wire transfer" of federal funds, or for which there is an insufficient balance, may not be immediately available as a source of payment for checks presented for payment, credit card transactions, or authorized periodic debits.

### *Transfer Fees*

Please note that when an account transfers to another financial institution, our clearing firm assesses an exit fee. This fee is in line with what other firms in the financial industry charge and reflects the increased costs of the transfer process.

### *Customer Identity Verification*

Under the USA PATRIOT ACT, Prospera is obligated to verify the identity of each customer opening a new account. **Please understand that if we are unable to verify the identity of all the owners of this account within a reasonable time, we may, at any time, at our sole discretion, without providing advance notice, close the account.**

## What Relationship and Pricing Structure is Right for You?

No single approach suits every investor. We offer a variety of ways that you can work with your Financial Professional. Your Financial Professional can help you determine which style and accounts are most appropriate for your needs.

The client relationships we have available can be divided into two broad styles with different pricing methods: transaction-based and asset-based. You may prefer one or the other or a combination of both.

### *Transaction-Based Account Relationships and Pricing*

In this type of account relationship, clients pay for the services they request, such as buying and selling stocks, bonds and mutual funds, and trading and exercising options. Payment may be in the form of commissions or other fees for each transaction, or as a deferred sales charges or built-in expenses in products such as mutual funds, variable annuities, and other related products. Clients can conduct transaction-based business with their Financial Professional through investment, education savings, retirement, trust and other accounts we offer.

### *Asset-Based Account Relationships and Pricing*

In asset-based relationships, clients pay either a monthly or quarterly fee, which may cover a variety of services, rather than individual commissions on transactions. The fee is based primarily on the amount of assets in the account (and sometimes on the total amount of business a client's household conducts with their Financial Professional).

Our asset-based accounts can be divided into three distinct categories:

1. Client-directed brokerage accounts,
2. Discretionary portfolio management, in which qualified Financial Professionals make investment decisions, and
3. Investment management consulting, where assets are invested in a mutual funds asset-allocation program, or where assets are managed by third-party investment managers. Financial Professionals guide clients through investor profiling, asset allocation and ongoing consultation and evaluation.

### ***Pricing Decisions: Brokerage vs. Advisory, Transaction vs. Asset-Based***

Our responsibilities will differ depending on whether the business you conduct with your Financial Professional is brokerage or advisory. **It is important to understand that investment advisory and brokerage services are separate and distinct and that each is governed by different laws and separate contracts with you. When we act in a brokerage capacity, we do not enter into a fiduciary relationship with you, regardless of the fee structure you select. Absent special circumstances, we are not held to the same legal standards that apply when we have a fiduciary relationship with you, as applicable when we are providing investment advisory services.**

Depending on the specific type of account you have, transactions may be conducted on either a discretionary or nondiscretionary basis. In a discretionary account, a Financial Professional or an outside investment manager makes the investment decisions. In a nondiscretionary account, you make the investment decisions.

Our firm is registered and can act as both a broker-dealer and an investment advisor:

- When we act as brokers for clients - executing transactions for you according to the investment decisions you make - the primary services you pay for are trading and execution, and the advice your Financial Professional provides is incidental.
  
- When we act in an advisory capacity in managed accounts, the primary service provided you is your Financial Professional's advice or the advice of a third-party money manager.

Clients may purchase many of our products and services in either transaction-based or asset-based accounts, or a combination of both.

Since the cost of doing business with us depends on each client's preferences and needs, it may be difficult to compare asset-based and transaction-based relationships solely on the basis of price. You may pay more or less in an asset-based program than you might otherwise pay if you purchase the services separately. Several factors affect the relative cost of an asset-based program, including:

- Size of the portfolio
- Mix of product types
- Additional administrative or management fees, if any
- Your level of trading activity
- The actual cost of the services if purchased separately

You should consider the specific features of each product and the effect on your total cost when asset-based fees are applied to certain products, such as mutual funds and unit investment trusts, that also carry built-in management and administrative fees.

## **A Message to Prospera Mutual Fund Investors**

This information will help you to better understand mutual funds, the costs associated with the various share classes, and how your Financial Professional and Prospera Financial Services are compensated when you invest in mutual funds.

To be an informed investor, you should know that every mutual fund provides an informational document known as a “prospectus.” You should read this prospectus carefully. In addition to explaining the objectives and risks associated with the mutual fund, it will also explain the rights you have when you purchase a mutual fund and the compensation paid to distributors.

After carefully reading your prospectus, be sure to discuss any issues you do not fully understand with your Prospera Financial Professional. They are here to assist you in making your investment decisions. Please note: Mutual funds involve risks, including the potential for principal loss.

### ***The Costs Associated with Investing in Mutual Funds***

All mutual funds have fees and expenses. These costs, like all investing costs, are important because they affect the return on your investment. All funds have ongoing expenses that you will pay as long as you have an investment in the fund. Many funds also require that you pay a sales commission when you buy or sell the fund. The costs of buying or selling shares of a fund, plus the annual costs you pay that are associated with operating the fund affect the return on your investment.

Mutual fund fees generally fall into two categories: “Loads” (sometimes called sales charges) and Annual Fund Operating Expenses. These fees are disclosed in the fee table in the front of a fund’s prospectus and are incurred when you buy a fund, while you own a fund, and when you sell a fund.

### ***Share Classes***

Mutual funds offer different pricing arrangements to meet the needs of different investors. Many mutual funds make this possible by offering investors various “classes” of shares. Share classes represent ownership in the same mutual fund but offer investors a choice in how to pay for the fund. Share class names vary depending on the fund. For example, a fund may offer *Class A*, *Class B*, *Class C*, and “no-load” shares:

**Class A shares** generally have a front-end sales charge (or front-end “load”) and lower annual expenses. This load is one way your investment consultant is compensated for helping you select a fund to aid your investment goals. If, for example, you have \$10,000 to invest in a fund and the front-end load is 5%, you would be charged \$500, and the remaining \$9,500 would be invested in the chosen fund.

Loads decrease for larger investments. Each fund family has a “breakpoint” schedule that determines the load based on the investment amount. For example, a fund might charge a load of 5.75% for purchases under \$50,000, reduce the load to 4.5 % for purchases at or above that amount but less than \$100,000, and still further reduce or eliminate the load at other higher levels.

You may be able to qualify for a breakpoint on the basis of a single purchase, or by aggregating the amounts of more than one purchase by using a “**Letter of Intent**” or a “**Right of Accumulation**”. A **Letter of Intent** is a letter you sign stating your intent to buy a certain amount of shares over a specified period of time. A **Right of Accumulation** allows you to qualify for a breakpoint with respect to a current purchase, based upon the total amount of your previous purchases, with no time limit. In either case, purchases may qualify for a breakpoint if they are made in your account or in accounts that are related or linked to your account. You may also qualify based upon purchases that are made in the same fund or in different funds that are within the same fund family. Your Financial Professional or the fund prospectus can provide additional information on ways to reduce or eliminate the load.

**Class B shares** do not have a front-end load and therefore do not have breakpoints. Class B shares *do* have a back-end load (a charge you pay when you sell fund shares) that declines over time until it disappears. These shares also tend to have higher annual expenses than A shares. After a specified number of years, B shares convert to A shares, and from then on you benefit from lower annual expenses.

**Class C shares**, like B shares, have no front-end load and have higher annual expenses than A shares. There generally is no backend load unless the shares are sold within the first twelve months. Unlike B shares however, C shares never convert to A shares.

*While there can be benefits to owning Class B or C shares, Class A shares tend to be more appropriate for larger or longer-term investments due to their lower annual expenses and breakpoint discounts.*

**No-Load Shares** do not have sales charges.

You should review a fund's share classes, as detailed in the fund prospectus, to determine and evaluate your options. Your Financial Professional can recommend the share class most suitable for you.

### ***Annual Operating Expenses***

Fund Operating Expenses include the fund's management fees, 12b-1 (distribution) fees, the cost of shareholder mailings, and other expenses. The expense ratio, shown in the fund's prospectus, helps you compare annual expenses of different funds. You do not pay operating expenses directly, rather, they are deducted from the fund's total assets.

### ***How Prospera Financial Services and Your Financial Professional are Compensated***

Prospera Financial Services and our Financial Professionals are paid in different ways for helping clients choose mutual funds, depending on the type of fund (equity or fixed income), the amount invested, the share class purchased, the fund family, and the type of account you have. First, and most commonly, Prospera Financial Services is paid by the fund family based on the fees you pay (described above). Then, a portion of that payment goes to your Financial Professional. The formula used to determine the amount of payment for your Financial Professional is the same regardless of which mutual fund you purchase. Secondly, if you purchase mutual funds in a "fee-based" account where you do not pay upfront sales charges, your Financial Professional's compensation is based on a percentage of the total assets held in the account.

In addition, Prospera Financial Services may receive other payments from a select group of fund families under the agreements discussed below. Clients are always welcome to ask their Financial Professional how he/she will be compensated for any mutual fund transaction.

### ***Prospera Financial Services' Marketing Educators Program***

Prospera Financial Services offers many mutual funds. We believe it is important that our Financial Professionals evaluate these funds and assist you in selecting the funds that meet your needs. Because of the large number of mutual funds available for sale in the United States, we focus on a select group of some of the largest and most well known mutual fund families that offer a broad spectrum of investment products. This group of fund families has greater access to our Financial Professionals to provide training and other educational programs so that they can serve you better. We call this our Marketing Educators Program.

Marketing Educators pay an annual fee to Prospera to participate in the Program. They may also compensate us with up to 1/10 of 1% of Prospera's aggregate fund purchases. These arrangements with our Marketing Educators are within industry rules and regulations and are not a part of your sales charge.

For an updated list of the participants in our Marketing Educators Program and additional information on them, as well as the maximum amount of payment that Prospera Financial Services receives from these Partners for their participation in the program, please visit our website at [www.prosperafinancial.com](http://www.prosperafinancial.com) and select "Legal Information" from the Home Page, or contact our Compliance Department at (972) 581-3000 or toll-free at (800) 444-4428.

## **A Message to Prospera Variable Annuity Investors**

This message will help you to better understand variable annuities and how your Financial Professional and Prospera Financial Services are compensated when you invest in variable annuities.

As an informed investor, you should know that every variable annuity provides an informational document known as a “prospectus”. You should read this prospectus carefully. In addition to explaining the benefits and risks associated with the variable annuity, it will also explain the rights you have when you purchase a variable annuity, the expenses involved, and the compensation paid to distributors. Please note: Variable annuities involve risks, including the potential for principal loss.

A variable annuity is an insurance contract between you and an insurance company, under which the insurance company agrees to make periodic payments to you, beginning either immediately or at some future date. You purchase a variable annuity contract with either a single payment or with multiple payments. Variable annuities are designed to be long-term investments to meet retirement and other long-range goals.

A variable annuity offers a variety of investment options. The value of your annuity will vary depending on the performance of the investment options you choose. The investment options for a variable annuity are typically sub-accounts (similar to mutual funds) that invest in stocks, bonds, money market instruments, or some combination of the three.

Although variable annuities are typically invested in mutual funds, variable annuities differ from mutual funds in several important ways:

- Variable annuities allow you to receive periodic payments for the rest of your life (or the life of your beneficiary). This feature offers protection against the possibility that, after you retire, you will outlive your assets.
- Some variable annuities have a death benefit feature that is not available with mutual funds. If you die before the insurance company starts making payments to you, your beneficiary is guaranteed to receive a specified amount, usually the amount of your purchase payments, less any prior withdrawals, at a minimum. Such guarantees are based on the claims-paying ability of the underlying insurance company.
- Variable annuities are tax-deferred. This means that you pay no taxes on the income and investment gains from your annuity until you withdraw your money. You may also transfer your money from one investment option to another within a variable annuity without paying tax at the time of the transfer. You should check your variable annuity prospectus, however, for any transfer restrictions. Withdrawals taken before age 59 ½ might be subject to an additional tax penalty.

### ***The Costs Associated with Investing in Variable Annuities***

All variable annuities have fees and expenses. These costs, like all investing costs, are important because they affect the return on your investment. All annuities have ongoing expenses that you will pay as long as you have an investment in the annuity. Variable annuities have higher expenses than traditional mutual funds. You will pay for each benefit provided by the variable annuity. These fees and expenses are disclosed in the fee table in the front of the annuity’s prospectus, and are incurred when you buy an annuity, while you own an annuity, and when you withdraw money from an annuity.

- Annuities typically have a surrender charge (a charge you pay when you sell annuity shares) that declines over time until it disappears.
- Annual operating expenses include mortality and expense risk charge, fund management fees, 12b-1 (distribution) fees, the cost of shareholder mailings, and other expenses.

The expense ratio, shown in the fund’s prospectus, helps you compare annual expenses of different variable annuities and the additional benefits. You do not pay operating expenses directly, rather, they are deducted from the annuity’s total assets.

### ***How Prospera Financial Services and Your Financial Professional are Compensated***

Prospera Financial Services and our Financial Professionals are paid in different ways for helping clients choose variable annuities, depending on the type of variable annuity, the amount invested, and the age of

the client. Similar to mutual funds, Prospera Financial Services is paid by the variable annuity company based on the fees you pay (described above). Then, a portion of that payment goes to your Financial Professional. The formula used to determine the amount of compensation to your Financial Professional is the same regardless of which variable annuity you purchase.

In addition, ongoing payments (known as residuals or trails) on variable annuities that are held in your account for more than one year, are set by the variable annuity company and generally paid to Prospera Financial Services. Prospera then pays your Financial Professional based on their compensation formula.

### ***Prospera Financial Services' Marketing Educators Program***

Prospera Financial Services offers many variable annuities. We believe it is important that our Financial Professionals evaluate these annuities and assist you in selecting the annuities that meet your needs. Because of the large number of insurance companies offering these products for sale in the United States, we focus on a select group of the largest and most well known variable annuity companies that offer a broad spectrum of products and options. These companies have greater access to our Financial Professionals to provide training and other educational programs so that they can serve you better. We call this our Marketing Educators Program.

Marketing Educators pay an annual fee to Prospera to participate in the Program. They may also compensate us up to 1/10 of 1% of Prospera's aggregate annuity purchases. These arrangements with our Marketing Educators are within industry rules and regulations and are not part of your sales charge.

For an updated list of the participants in our Marketing Educators Program and additional information on them, as well as the maximum amount of payment that Prospera Financial Services receives from these Partners for their participation in the program, please visit our website at [www.prosperafinancial.com](http://www.prosperafinancial.com) and select "Legal Information" from the Home Page, or contact our Compliance Department at (972) 581-3000 or toll-free at (800) 444-4428.

## **Arbitration**

### ***Arbitration Disclosures:***

This Agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement, the parties agree as follows:

- All of the parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which the claim is filed.
- Arbitration awards are generally final and binding; a party's ability to reverse or modify an arbitration award is very limited.
- The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
- The arbitrators do not have to explain the reason(s) for their award.
- The panel of arbitrators typically will include a minority of arbitrators who were or are affiliated with the securities industry.
- The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.
- The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement.

No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the putative class action until:

(1) the class certification is denied;

(2) the class is decertified; or

(3) the client is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

### ***Arbitration Provision:***

It is agreed that all controversies or disputes which may arise between you and Prospera Financial Services, First Clearing, LLC, and any sub-advisor (and/or any other agent), (collectively, us) concerning any transaction or the construction, performance or breach of this Agreement or any other agreement between us, whether entered into prior to, on, or subsequent to the date of this Agreement, including any controversy concerning whether an issue is arbitrable, shall be determined by arbitration conducted before, and only before, an arbitration panel set up by either the National Association of Securities Dealers, Inc. (“NASD”) or the New York Stock Exchange, Inc. (“NYSE”) in accordance with their respective arbitration procedures. Any of us may initiate arbitration by filing a written claim with the NASD or the NYSE. Any arbitration under this agreement will be conducted pursuant to the Federal Arbitration Act and the Laws of the Commonwealth of Virginia.

## **Prospera Financial Services Business Continuity Plan Disclosure**

At Prospera, we recognize how heavily our clients rely upon our systems and services. We also recognize that business disruptions of varying degrees can, and do occur. Disruptions could be due to anything from a minor loss of electricity to major events such as September 11, 2001. Prospera wants you to know that we have plans in place to safeguard your assets and protect vital account information in the event of such an occurrence.

### ***Our Business Continuity Plan***

Prospera’s objective is to quickly recover and resume business operations after a significant business disruption and to respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm’s books and records, and allowing our customers to transact business.

Our business continuity plan addresses and is reviewed as necessary with regards to: data back up and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical suppliers, contractors, bank and counter-part impact; regulatory reporting; and ensuring that our customers have access to their funds and securities.

Both First Clearing, LLC and Prospera back up our important data to separate geographic locations. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, Prospera, along with our clearing firm, have objectives to restore operations and be able to restore business within a few hours. We also have pre-established, tested processes for re-routing of critical hotline numbers. In the event of a site outage, customers should experience minimal downtime in their ability to contact Prospera Financial Services.

### ***Contacting Us***

If, after a significant business disruption, you are unable to contact your Financial Professional as you usually do, you may call Prospera’s corporate location at 972-581-3000 or go to our website at [www.prosperafinancial.com](http://www.prosperafinancial.com) for instructions. If you are unable to reach us through any of these means, you should contact our clearing firm, First Clearing, LLC at 877-549-1390. FCC will give you instructions on how to reach us, execute any necessary transactions, and answer any questions you have regarding your account(s).



**PROSPERA**  
FINANCIAL SERVICES

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