



## ERISA 408(b)(2) Disclosure Statement

Prospera Financial Services, Inc.  
5429 LBJ Freeway, Suite 750, Dallas, TX 75240

This Fee Disclosure Guide<sup>1</sup> contains a description of services provided to plans and/or its participants as well as sources of compensation received by us or our affiliates which details are set forth in a separate agreement.<sup>2</sup>

The Employee Retirement Income Security Act of 1974, as amended (ERISA) requires employee benefit plan fiduciaries to act solely in the interests of, and for the exclusive benefit of, plan participants and beneficiaries. As part of that obligation, plan fiduciaries should consider cost, among other things, when choosing investment options for the plan and selecting plan service providers. This 401(k) plan fee disclosure form may assist you in making informed cost-benefit decisions with respect to your plan. The purpose of this form<sup>3</sup> is to help you determine the total cost of the plan. It is also intended to provide you with a means to compare investment product fees and plan administration expenses charged by competing service providers, regardless of how a particular service provider structures its fees. Additional investment product information regarding fees may be obtained from the product prospectus, annuity contract or other similar documents. Additional information relating to plan administration services and expenses is contained in documentation provided by the service provider, including the contract for plan services. Other plan expenses may include legal fees for initial plan design and ongoing amendments resulting from changes in pension law or plan design and the cost of a mandatory annual audit. You need to contact your legal advisor or accountant to determine these charges.

Selecting a service provider requires that you evaluate and differentiate services offered by competing companies. Cost is one of the criteria, but not the only criterion, for making this evaluation. Other factors of equal or greater importance to consider include the quality and type of services provided, the anticipated performance of competing providers and their investment products and other factors specific to your plan's needs. *The service provider offering the lowest cost services is not necessarily the best choice for your plan.*

### Participant Information Required under ERISA 404(a)

To the extent that you or another plan fiduciary must provide certain fee information to plan participants as required by ERISA Section 404(a), this disclosure document contains information that you may need to describe any "brokerage windows" or "self-directed brokerage accounts" available as participant investment options in your plan. In addition, the regular account statements and confirmation statements we send in connection with participant accounts will contain information about fees and expenses that are charged at the brokerage account level. However, please note that neither this document nor any other account or confirmation statements provided by us is intended to satisfy your requirements of ERISA Section 404(a). Therefore, you will need to review the information contained in those documents to determine if other supplementary information must also be provided.

**In general, fees are calculated in four ways:**

- Asset-based: expenses are based on the amount of assets in the plan and generally are expressed as percentages or basis points.
- Per-person: expenses are based upon the number of eligible employees or actual participants in the plan.
- Transaction-based: expenses are based on the execution of a particular plan service or transaction.
- Flat rate: fixed charge that does not vary, regardless of plan size.

<sup>1</sup> Should you have any questions concerning this guide or the information provided to you concerning services or compensation or to request a copy of the separate agreement, please contact Sonia Biasatti by phone at 972-581-3000 or by e-mail at [sonia.biasatti@prosperafinancial.com](mailto:sonia.biasatti@prosperafinancial.com).

<sup>2</sup> If you are considering a conversion from an existing plan service provider to a new service provider, you will need to provide the service provider(s) with certain information about the plan, including the number of plan participants, the number of eligible participants and the amount of plan assets in order for the service provider(s) to be able to complete this form. Similarly, if you are considering starting a plan, you will need to provide the service provider(s) with estimates of plan participants and plan assets. When providing potential service providers with information regarding your plan, it is critical that you provide identical information to all of the competing companies in order to ensure equivalent comparisons.

<sup>3</sup> There may be plan expenses incurred by other providers, other than Prospera. For a complete list of expenses charged to your plan, please contact all plan service providers with whom you contract or may contract and request fee information with respect to their services.



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Fees may be calculated using one or any combination of these methods. Plan administration-related expenses can also be charged as one-time fees or ongoing expenses. One-time fees are typically related to start-ups, conversions (moving from one provider to another) and terminations of service. Ongoing fees are recurring expenses relating to continuing plan operation.

This disclosure is required to be provided at the initiation of an engagement and within 30 days of any changes or upon renewal of the engagement.

### SERVICES

#### Brokerage Services

Brokerage services may also be provided to your retirement plan. When we act in the capacity of a broker for your retirement plan, the primary service we provide to you is our trading capabilities for your account. You direct all trading in your brokerage account. Within this type of account, we also may provide incidental services such as research reports and other similar services. If we provide brokerage services to you or the plan, we charge commissions and other related fees to each account. Commissions and other account fees are direct compensation received by us. Our current commission schedule is provided below by product type. Unless otherwise specified, the applicable commission is based on the dollar amount of the trade.

**Important Note:** The information included in this disclosure describes the services that we would expect to provide to you with respect to the plan. The disclosure is not intended as, and does not constitute an agreement for, services from the firm, and it does not create a contractual relationship or provide any type of guarantee with respect to the pricing of any services. Any future services relating to the plan would be provided in consultation with you, and they would be subject to your cooperation, and reporting of timely and accurate information by us.

#### Advisory Services

We may provide some or all of the following services to the plan:

**Investment Policy Statement:** We may assist you in preparing an Investment Policy Statement reflecting your investment objectives, policies and constraints, risk tolerance, and appropriate benchmarks. You will be responsible for review and final approval of the Investment Policy Statement and resolve any questions with your Financial Advisor prior to approving it. No assurance has been or can be given that you will achieve the investment objectives reflected in your Investment Policy Statement.

**Diversification & Investment Performance Review:** We may provide reports on a periodic basis outlining performance history for the investments held within the plan. These reports may include a combination of: Market Commentary; Plan Asset Allocation Summary; Risk and Return Analysis; Investment Cost Analysis; Investment Research; and overall review for comparison to the Investment Policy Statement.

**Plan Services:** We may provide general plan services, such as reviewing the plan features in connection with plan goals and objectives for effectiveness, comparing services and costs between current and proposed plan service providers and assist with any plan conversion or plan transition process. In addition, we may assist in the coordination of services with Third Party Administrators and/or Actuaries.

**Employee Services:** We may provide services to the employees of your company to build awareness of the benefits and features of your retirement plan. These services may include: Conducting Enrollment Meetings; Assistance with Overall Investment Education; as well as promoting Retirement Readiness.

**Pension Committee:** We may provide summary reports and statistical updates for Pension Committee meetings. These may include: participation level and demographic reports; a review of goals and results of the Education Policy Statement; updates on participant meetings; and regulatory updates.



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### COMPENSATION

#### Brokerage Direct Compensation

We may receive direct and indirect compensation in connection with plan accounts. Direct compensation is taken directly from the affected account. Indirect compensation is compensation paid other than directly from the account and may impact the value of the associated investment in your account. The sections below describe the direct and indirect compensation that we receive in connection with various investments that may be available to you in connection with our services. In many cases, the descriptions that follow refer to a prospectus or offering documents.

**Stocks, Fixed Income Rights, and Warrants Option Rates Equity and Index:** Stock, Rights, Warrants and Options compensation is received as direct compensation

**Mutual Funds:** We currently offer mutual funds varying in share class structure and investment style. If the plan invests in mutual funds, we may receive direct and indirect compensation in connection with such mutual fund investments, as described below.

- **12b-1/Shareholder Service Fees** Annual 12b-1 fees, also known as trails, are paid by the fund and paid to us out of fund assets, under a distribution and servicing arrangement, to cover distribution expenses and sometimes shareholder service expenses that we may provide on the fund's behalf. Shareholder servicing fees are paid to respond to investor inquiries and provide investors with information about their investments. These fees are asset based fees charged by the fund family. These fees may be passed on to us and may in turn be passed on to your Financial Advisor as a commission.
- **Front-end Sales Charge Fees/Contingent Deferred Sales Charges (CDSC)** Front-end sales charge fees may be charged and paid to us when you purchase a fund. The front-end sales charge is deducted from the initial investment on certain share classes. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of transaction and rights of accumulation. CDSC is a charge you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges range in percentages and periods can range in years. This charge typically only exists on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the fund's prospectus. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund. Please note that 12b-1s and similar fees or compensation received in connection with our affiliated funds are not received or are rebated on ERISA assets held in Advisory Program accounts.
- **Revenue Sharing** Revenue Sharing fees are paid to us for providing continuing due diligence, training, operations and systems support and marketing to Financial Advisors and participants with respect to mutual fund companies and their funds. We may receive revenue sharing from mutual fund companies in connection with your plan's assets through arrangements we have with them. Please note that revenue sharing is not paid on ERISA assets held in Advisory Program accounts. Revenue sharing fees are usually paid by the fund's investment advisor, or an affiliate, as a percentage of our aggregate value of participant assets invested in the funds. In certain instances, revenue sharing may be paid as a percentage of annual new sales to participants, or as a combination of a percentage of new sales and a percentage of aggregate participant assets. We receive different revenue sharing rates from each mutual fund family, and may receive different revenue sharing rates for certain funds within a particular fund family. There are also some mutual fund families who do not pay revenue sharing to us.

Certain funds may pay us a negotiated, fixed annual amount for revenue sharing, regardless of the amount of assets held in participant accounts or in new sales to participants.

*If you would like to obtain information regarding specific amounts received by us and the payer, as well as information regarding a specific mutual fund company, please contact us at 972-581-3000. For more information regarding compensation that may be received from a particular fund, please reference the underlying fund prospectus.*



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**Unit Investment Trusts (UITs):** Our UITs consist of Equity and Fixed-Income UITs. We are compensated in ways that vary depending on the type and terms of the UIT portfolio selected. The types of fees received by us are described below and are disclosed via the prospectus issued by the UIT provider. We can provide you a copy of the most recent prospectus.

The UIT provider deducts fees as direct compensation from the proceeds available for investments for marketing and distribution expenses, which may include compensating us as described in each UIT prospectus.

Sales charges and our compensation can vary according to the term of the trust. Your purchase may qualify for breakpoint discounts based on the amount of transaction. See the trust prospectus for details. A UIT unit is similar to a share of a mutual fund or stock.

**Annuities:** Our annuities consist of fixed, index and variable annuities. Under arrangements with insurance companies, we receive commissions from the insurance companies for the sale of annuities, as well as trail commissions, and they are considered indirect compensation. Commissions and trails paid to us vary by share class and may vary by insurance carrier. Within variable annuities there are usually multiple commission options a Financial Advisor can select. The annual fees and charges on the contract that will be paid in the aggregate are not affected by the commission option selected by your Financial Advisor. In general, the greater the commission paid, the lower the trail; and the lower the commission; the greater the trail. For specifics regarding the exact option chosen for a particular annuity, contact us at 972-581-3000

**Alternative Investments:** Our Alternative Investments funds consist of Hedge Funds, Hedge Fund of Funds, Managed Futures, Private Equity, Private Real Estate and Commodity Funds. These products are comprised of 3rd party and proprietary offerings which are available in different interests/units. Annual trails and upfront commission paid to will vary based on the particular interest or share class selected. Annual trails and upfront commissions are considered indirect compensation, and are paid by the issuer or manager of the fund under our agreement with them.

These fees shown above represent the maximum range of fees paid to us for each offering category. Not all individual product offerings within these categories have the same range and investors typically incur costs that are within the specified range without going over the maximum amount listed. Placement fees are considered to be direct compensation while annual trails are considered to be indirect compensation. Please refer to the offering documents for each individual offering for specific information regarding these fees and others which may apply for a particular fund.

We may also receive revenue sharing as indirect compensation for providing ongoing day-to-day marketing and sales support to our Financial Advisors and participants with respect to Alternative Investment providers and their funds. Revenue sharing fees are usually paid by the fund as a percentage of our aggregate value of participant assets invested in the funds. In certain instances, revenue sharing may be paid as a percentage of annual new sales to participants, or as a combination of a percentage of new sales and a percentage of aggregate participant assets. Please refer to the offering documents for each individual offering for specific information regarding fees.

### Advisory Compensation

**Investment Advisory Programs:** We offer a wide variety of Advisory Programs. Below is a listing of the Advisory Programs offered by us. For additional information about our investment advisory services and each Program's standard fee schedule, please read our Form ADV, Part 2A Brochure, which is available at <http://www.adviserinfo.sec.gov>. Each participant's specific advisory fee is documented in their Program Agreement with us.

*Diversified Managed Allocations (DMA):* A discretionary Investment Advisory Program that offers access to institutional money managers that offer asset allocation and a choice of investment styles.

*Allocation Advisors:* A separately managed Investment Advisory Program that enables you to invest in select discretionary portfolios, which are developed either by us or an unaffiliated investment adviser.

*Masters:* A discretionary separately managed Investment Advisory Program that offers investors guidance for selecting investment managers and ongoing portfolio management.



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*Private Advisors Network:* A discretionary separately managed Investment Advisory Program designed to give participants direct access to professional money managers and their investment services.

*Wells Fargo Compass Advisory:* A discretionary Investment Advisory Program managed by an Advisory Services Group that offers participants a portfolio of individual securities.

*Customized Portfolios:* The Customized Portfolios Program is a fully discretionary investment management service, providing actively managed fixed income portfolios that specialize in meeting the unique needs of sophisticated individuals and select institutions. In addition to the Annual Fees, Sub-adviser and fund level fees are charged separately and are disclosed in the statement and applicable disclosure document.

*Fund Source:* A discretionary mutual fund Advisory Program that offers managed portfolios of mutual funds tied to specific investment objectives. Portfolios are built from a broad array of mutual funds recommended by our Manager Strategy Group. You can choose a pre-defined portfolio or create a customized portfolio using recommended funds that best fits your investment goals and risk tolerance.

*Custom Choice:* A non-discretionary mutual fund Advisory Program that allows investors to construct a portfolio of mutual funds, including institutional share class, no-load and load-waived mutual funds.

*Asset Advisor:* A non-discretionary, participant directed investment Advisory Program that allows you to work with your Financial Advisor to create an individualized investment portfolio.

The Asset Advisor Program charges fees based on asset type and may vary for US and non-US based participants, as outlined below.

*Fundamental Choice:* A discretionary Investment Advisory Program where specially trained Financial Advisors manage participant portfolios guided by the research recommendations and collective insights of our strategists and external research firms whose services we subscribe. Each portfolio follows an investment plan customized to the participants needs and represents a blend of stocks, cash alternatives, exchange-traded funds, select closed-end funds and allowable mutual funds.

*Quantitative Choice:* A discretionary Investment Advisory Program where specially trained Financial Advisors act as portfolio managers for participant portfolios composed of stocks and cash.

*Private Investment Management (PIM):* A discretionary Investment Advisory Program where a Financial Advisor who has met stringent criteria based on experience and expertise acts as your personal portfolio manager. As your portfolio manager, he or she actively manages your portfolio on an ongoing, discretionary basis using his or her individual investment style.

*Summit, Summit II, Select Account, TDA Summit, TD-APM, SMA, UMA :* These Advisory programs can include non-discretionary or discretionary services and which may or may not include advisory services and custodial/transaction costs in a single asset-based fee. The FA may provide information on a broad range of investment recommendations based on your investment objectives, financial circumstance and risk tolerance. Transactions can be non-discretionary where the client ultimately makes the investment decisions regarding what to buy, sell, and hold within the account or discretionary, where the portfolio manager actively manages your portfolio on an ongoing, discretionary basis using his or her individual investment style.

### Other Indirect Compensation

**Bank Deposit Sweep Program:** The Bank Deposit Sweep consists of interest-bearing accounts at three affiliated banks, each a depository institution regulated by bank regulatory agencies under various federal banking laws and regulations.

We, benefit financially from cash balances held in the Bank Deposit Sweep. As with other depository institutions, the profitability of the banks is determined in large part by the difference or "spread" between the interest they pay on deposit accounts, such as the Bank Deposit Sweep, and the



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interest or other income they earn on loans, investments and other assets. The banks may pay rates of interest on the Bank Deposit Sweep that are lower than prevailing market interest rates. The participation of the affiliated banks in the Bank Deposit Sweep is expected to increase their respective deposits and, accordingly, overall profits.

Deposits in the Bank Deposit Sweep from your account are not segregated from other deposit funds, so attributing an exact earnings or interest factor applicable to your account's sweep deposits is not possible. Earnings on the float (or the corresponding reduction in borrowing, depending on anticipated funding needs) depends on numerous factors such as current interest rates, Federal Funds rates, credit risk, and the duration of the particular debt instrument. We receive fees and compensation from the affiliated banks and/or their other affiliates in connection with the Bank Deposit Sweep.

**Training and Education:** We work closely with many product providers to provide training and education compensation to offset or reimburse us for costs incurred in conducting comprehensive training and educational meetings for our Financial Advisors. These meetings or events are held to educate Financial Advisors on product characteristics, business building ideas, successful sales techniques, suitability as well as various other topics.

We offer multiple ways for mutual fund families to provide training and education to our Financial Advisors. This training and education may be offered in local branch offices or in larger group settings, including at the national level. Certain mutual fund families have agreed to dedicate resources and funding to provide this training and education at our nationally organized events. This commitment could lead our Financial Advisors to focus on the mutual funds offered from these families versus the mutual funds offered by families not providing this level of training and education support. We select the mutual fund families that participate in the training and education events based on a variety of qualitative and quantitative criteria. The subset of these families that offer this support and participate in national organized training and education events may change periodically.

Likewise, from time to time, product providers will reimburse us for expenses incurred by individual branch offices in connection with conducting training and educational meetings, conferences or seminars for Financial Advisors and participants. Also, Financial Advisors may receive promotional items, meals or entertainment or other non-cash compensation from product providers. Financial Advisors may receive a maximum value of \$0 worth of gifts from each product provider per year. In addition, Financial Advisors may receive a maximum value of \$0 of meals and business entertainment from each product provider per year.

Although training and education compensation is not related to individual transactions or assets held in participant accounts, it is important to understand that, due to the total number of product providers whose products are offered by us, it is not possible for all companies to participate in a single meeting or event. Consequently, those product providers that do participate in training or educational meetings, seminars or other events gain an opportunity to build relationships with Financial Advisors; these relationships could lead to sales of that particular company's products.

We receive varying amounts of training and education compensation from companies. The training and education compensation for centrally organized events may vary per company annually. There are also some companies that do not provide any training and education compensation to us.

**Fees Payable Among Unaffiliated Parties:** With respect to any brokerage services provided to the plan's participants through a brokerage account, the firm utilizes an unaffiliated clearing firm to perform trade execution, clearing, and other related services. A portion of the firm's compensation from the plan is paid to the Clearing Firm for its services on a transaction basis in accordance with the Clearing Firm's fee schedule.

Please note that transaction fees do not apply to transactions in new issues or insurance products, delivery-versus-payment (DVP) accounts, automatic investment plans or fee-based accounts (with the exception of trades involving ineligible assets). The transaction fee is charged to all other transactions, including but not limited to equities, bonds, mutual funds, UITs, and options.

Please note no load mutual fund accommodation fees are for purchases only. They do not apply to eligible trades in fee-based accounts. Also, please note that other administrative fees may apply to command asset programs and resource accounts (check reorder fees, check copies, etc.) are disclosed in the fee schedule for those accounts.

**Compensation for Termination of Services:** Other than any contingent deferred sales charge for a fund (as described under the Mutual Funds section above, if applicable), the firm would not receive any additional compensation in connection with the termination of our services.