

Highland Capital Advisors, LLC
Service & Fee Disclosure Under ERISA §408(b)(2)
January 1, 2016

Highland Capital Advisors, LLC (“HCA”) provides consulting and investment advisory services to Clients that sponsor retirement Plans or Trusts (“Plan”) covered by the Employee Retirement Income Security Act of 1974 (ERISA). Services for each Client are governed by a written service agreement (“SA”) entered into between HCA and Client, which can alternatively take the form of an engagement letter or written proposal document. New regulations effective July 1, 2012 under, ERISA §408(b)(2) made significant changes to the required disclosures between plan sponsors and certain service providers. This document, in conjunction with each client’s SA, is intended to comply with these requirements.

Applicability

In any case where a Client pays our fee directly without any reimbursement from Plan assets, HCA is not a Covered Service Provider (“CSP”) with respect to the Plan and this disclosure document is not required. However, consistent with HCA’s belief in full disclosure in all situations, and in light of the fact that Highland may not always be aware of client reimbursement practices, we are providing this disclosure statement to ERISA Plan clients regardless of CSP status. Doing so is not intended to imply CSP status in cases where none exists.

Statement of Service Scope and Direct Compensation

HCA supports Client Plans by providing investment advisory and consulting services that typically includes: performance monitoring, fund research, fee analyses, investment policy statement assistance, asset allocation analysis, service provider searches, group enrollments and other ad-hoc special plan analyses. A Client’s specific service scope is detailed in the SA.

HCA bills Clients for fixed-scope items that are known in advance and variable-scope items that occur on an ad-hoc basis (e.g. special projects). Clients are provided a fee schedule comprised of one or more of the following fee elements:

- A retainer for a collection of recurring investment advisory work items that is based on a flat dollar amount, a percentage of Plan assets, or both
- A fixed price for specific, limited-scope work items (“menu pricing”)
- Hourly or per diem “time and expense” charges based on published billing rates for employee benefit consulting projects
- Reimbursement of direct expenses incurred on behalf of a Client (e.g. travel expenses)

All fees are transparently invoiced to Clients and these invoices reflect the full payment HCA receives for rendered services. Clients have full discretion to pay legally permissible fees from Plan assets (“Direct Compensation”) or directly from the sponsoring entity, bypassing any impact to the Plan.

Indirect Compensation

HCA does not collect any of the following forms of Indirect Compensation:

- Fees charged against the fund: Soft dollars, 12b-1 fees, finder's fees, trading commissions, etc.
- Fees charged against specific investors: Sales loads, purchase or redemption fees, etc.
- Gifts, cash or in-kind services or goods that relate to a specific Client or Plan subject to ERISA

In some cases, where Clients are able to collect (or "recapture") Indirect Compensation from other providers, at their sole discretion and to the extent legally permissible, a Client may choose to use these amounts as a source of payment of the HCA invoices. The source of funds that a Client chooses to use to pay HCA fees has no impact on HCA fee levels and HCA will accept no payment in excess of their contracted fee levels. Through the fee schedule, Clients know in advance the fees expected to be incurred and through the invoices, Clients can review in full the payments that have been made.

Vendor Sponsored Activity

Client Plans are typically served by other 3rd party "Vendors" such as fund managers, record-keepers, accountants, etc. HCA receives no direct compensation of any kind from these vendors. HCA will occasionally attend educational meetings, seminars or conferences sponsored by one or more of these vendors that may or may not share a business relationship with a HCA Client. The sponsorship of these events can be secondary (e.g. vendor sponsorship of an industry conference such as CIMA or ASPAA) or primary (e.g. a lunch meeting for HCA personnel). The cost and value of these sponsored activities is sometimes borne by the event sponsor and are not generally assignable to any particular HCA Client.

Distribution

This statement is typically provided to the primary liaison between HCA and the Client organization. We encourage the recipient of this information to share the disclosure with any and all interested parties, including all named Fiduciaries of the Plan.

Other Representations

Following are additional required representations relating to HCA's financial relationship with the Plan. Certain of these items may be further clarified or specified in each client's SA or other disclosure documents referenced below:

- HCA does not take custody of Plan assets.
- HCA is a SEC registered investment advisor and to the extent so identified in the SA, a limited scope fiduciary under ERISA section 3(21).
- HCA also provides general employee benefit plan consulting services that do not constitute investment advice in the capacities described above.
- HCA does not currently utilize the services of affiliates to provide the services specified in the SA.
- HCA fees are not prepaid by Clients; all billings are in arrears.

More general information about HCA's fee policies are contained in their annual ADV filing with the SEC. Copies of the HCA's current ADV Par 2 can be found at: www.hcportfolios.com/legal .

For More Information

If you have any questions about this material, please contact HCA's Chief Compliance Officer at compliance@hcportfolios.com .