



Mutual Fund Revenue-Sharing and Other Payments from Mutual Fund Families

In addition to the sales charges disclosed in the prospectuses, Sterne Agee receives a mutual fund support fee from many mutual fund companies. These are generally referred to as revenue sharing. The payments we receive are in addition to the sales charges, annual distribution, and service fees (commonly called 12b-1 fees), redemption fees and deferred sales charges, if applicable, and other fees disclosed in the mutual fund's prospectus. Revenue-sharing payments are paid out of the investment advisor's revenues and profits, and not from the funds assets.

We solicit revenue-sharing payments of \$.001 per year (\$10 per \$10,000) on the amounts that our clients have invested in each fund, or a \$25,000 flat payment. We receive revenue sharing payments from some fund families and we do not receive revenue sharing payments from other fund families.

Representatives of mutual fund families have access to our branch offices and Financial Advisors for educational, marketing, or promotional efforts. Access to our branch offices is not contingent upon the fund family making revenue payments to us.

Sterne Agee has a mutual fund recommended list. Inclusion on the list is not contingent on receipt of revenue-sharing payments or the amount of revenue sharing received from any fund family. Sterne Agee Financial Advisors do not receive any part of the revenue sharing fees.

Sterne Agee underwrites, and participates in the initial offerings of, unit investment trusts. The amount of the underwriting fee and sales credit are disclosed in the prospectus. Sterne Agee may also receive revenue sharing payments from the originators of unit investment trusts.

Reimbursement of Expenses

Sterne Agee may be reimbursed by funds or their affiliates or other service providers for the expenses we incur for various sales meetings, seminars, and conferences held in the normal course of business. Although fund companies independently decide what they will spend on these activities, we are aware that some fund companies allocate their promotional budgets based upon prior sales and asset levels and that they work with our branch offices or Financial Advisors to plan promotional and educational activities on the basis of such budgets. We do not control fund companies' determinations of how to allocate their promotional budgets or their spending decisions in this regard.

Sterne Agee may also be reimbursed by the originators of unit investment trusts.

Networking Fees

Sterne Agee recommends that a client buy mutual fund shares such that Sterne, Agee & Leach, Inc. holds the shares for the clients. This allows the client to see their mutual fund positions on their monthly or quarterly statements, maintains cost basis information, facilitates exchanges between funds within the same fund family, and makes sales of fund shares easier. It also allows the Financial Advisor to know exactly what funds a client owns, so that he or she can make recommendations on additional purchases that can minimize the costs to the client.

We receive payment from the fund families for recordkeeping and processing of mutual fund share positions on our books. This is generally equal to \$0.0025 (\$25 per \$10,000) on the value of the funds for which we handle the recordkeeping. Sterne Agee Financial Advisors do not receive any portion of these networking fees.

TAP Program

Sterne Agee Investment Advisors, Inc., an affiliate, offers a managed program on mutual fund investments. Initially, you and your Financial Advisor will go through a detailed analysis of your financial needs, goals, and risk tolerance. You will then purchase the appropriate mutual fund portfolios that best meet your needs. Periodically, the program manager will rebalance your mutual fund holdings so that they still reflect your profile.

The mutual funds purchased in the TAP Program do not have a sales charge, either initial or deferred. Instead, you may pay an annual management fee. The amount of this fee ranges from 1.25% to 3% per annum on the value your investment. The amount of the management fee is on a sliding scale based upon the total amount the client has invested in the program, with larger investments paying smaller percentage fees. Sterne Agee also receives revenue sharing payments from mutual fund families in the TAP Program. These revenue sharing payments are not taken into consideration when the program manager decides which funds to invest in and for what amounts.

Additional Information

For additional information on a particular fund's payment and compensation practices, please refer to the fund's prospectus and statement of additional information. Please also refer to "**How to Reduce the Cost of Investing in Mutual Funds**" located on our Disclosures page.

Mutual Funds are Not FDIC Insured—Not Bank Guaranteed—Subject to Investment Risk, Including Loss of Principal.