

***STEPHENS INC.***  
***111 Center Street***  
***Little Rock, Ar. 72203***  
***(501) 374-4361***

**Form ADV - Schedule H**

Informational Brochure regarding the  
**Stephens Capital Management Discretionary  
Program**

This brochure provides clients with information about Stephens Inc. and the Stephens Capital Management Discretionary Program that should be considered before becoming a client of the Stephens Capital Management Discretionary Program. This information has not been approved or verified by any governmental authority.

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**Schedule H**  
**Informational Brochure regarding the**  
**Stephens Capital Management Discretionary Program**

Stephens Inc., (“Stephens”) is a full service broker/dealer and investment bank. It is registered with the Securities and Exchange Commission (SEC) as a broker/dealer and is a member of the Financial Industry Regulatory Authority (“FINRA”), the New York Stock Exchange, Inc. (NYSE), the Chicago Stock Exchange (CHX), the Municipal Securities Rulemaking Board (MSRB), the Chicago Board Options Exchange, Inc. (CBOE) and the Securities Investor Protection Corporation (SIPC). Stephens Inc. is also registered as a Futures Commission Merchant with the Commodities Futures Trading Commission (CFTC) and is a member of the National Futures Association (NFA). Stephens Inc. is also registered as an investment advisor with the Securities and Exchange Commission; however, Stephens Inc. derives greater revenues from its broker/dealer and investment banking activities than it derives from its investment advisor activities.

Stephens Capital Management (SCM) is an investment advisory division of Stephens Inc., registered with the SEC as an investment advisor. SCM and certain of its employees may also provide brokerage and other services to certain clients or engage in other functions and duties associated with the broker/dealer, to which they may devote as much time as necessary.

Certain investment advisory services are provided to clients through the Stephens Capital Management Discretionary Program. SCM will manage and direct the investment of the capital in each Stephens Capital Management Discretionary Program client’s account on the basis of the individual objectives and needs of the client within the criteria established by the SCMD program.

**Stephens Capital Management Discretionary Program**

In the Stephens Capital Management Discretionary Program (“SCMD”), seasoned professional registered personnel (“SCM Managers”) manage client assets on a discretionary basis, utilizing both equity and fixed income strategies. The goal of SCMD is to seek to earn a high total return on investments in equity and/or fixed- income securities for the client consistent with the client’s investment objectives. SCMD seeks to fully invest cash balances at all times.

In balancing the potential return for a client’s portfolio against the risk exposure in the portfolio, SCM Managers first undertake a study of the risk/reward tolerances of the client, by asking the clients to complete an investment objective questionnaire. The assessment, when combined with the client’s stated investment objectives, leads to an asset allocation strategy designed to achieve satisfactory returns without exposing the client’s portfolio to excessive risks.

SCM Managers are responsible for making day-to-day discretionary investment decisions subject to oversight and review by the SCM Supervisory Principals. The SCM Program seeks to keep client assets fully invested at all times, investing assets otherwise un-invested in money

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market mutual funds. In many accounts, investments include mutual funds or other pooled investment products.

Three portfolio objectives will be available:

**Equity:** Clients choosing the Equity investment objective will invest in a diversified portfolio of stocks that may include large, medium and small capitalization stocks generally through investments in pooled equity investment products such as mutual funds or exchange traded funds. This strategy seeks to be invested in equity securities at all times. Cash balances may exist pending initial investment or may arise from the sale of securities and/or dividend or distribution payments pending reinvestments.

**Fixed Income:** Clients choosing the Fixed Income strategy will be invested in a diversified portfolio of fixed-income securities, which may include municipal bonds, government bonds, corporate bonds or pooled investment products that are invested primarily in fixed-income securities. Alternatively, clients choosing the Fixed Income strategy will own a portfolio comprised of investment grade bonds, primarily U.S. Treasury securities.

**Balanced:** Clients choosing the Balanced strategy will have a diversified portfolio, with an agreed allocation of portfolio assets in growth equity securities, value equity securities and fixed income securities. The portfolio may also include some exposure to alternative asset classes, such as energy, real-estate, emerging markets or other alternative investment asset classes.

In many accounts investments in any of the strategies include mutual funds.

### **Types of Clients**

SCMD is available to individuals, banks, foundations, pension and profit sharing plans, trusts, IRA's, endowments, corporations, partnerships and any other entities requiring investment advisory services.

### **Management Fee Schedule For Equity or Balanced Accounts**

SCM calculates its fee based on a percentage of assets under management.

<u>Asset Value of Clients Account</u>	<u>Annual Fee</u>
On the first \$ 150,000 or portion thereof (\$3,000 min. fee)	3%
On the next \$ 100,000 or portion thereof	1 3/4%
On the next \$ 750,000 or portion thereof	1 1/2%
On the next \$4,000,000 or portion thereof	1%
On account over \$5,000,000	Entire amount 1%

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## Management Fee Schedule For Fixed Income Accounts

SCM calculates its fee based on a percentage of assets under management.

<u>Asset Value of Clients Account</u>	<u>Annual Fee</u>
On the first \$ 1,000,000 or portion thereof	.750%
On the next \$ 4,000,000 or portion thereof	.500%
On the next \$10,000,000 or portion thereof	.375%
On the next \$15,000,000 or portion thereof	.250%
All over \$30,000,000	.200%

SCM fees apply to standard accounts and include management, brokerage services, (1) custodial services, associated accounting reports and investment management reports. Only in special circumstances are the fees negotiable or otherwise varied from the above schedules. In the event a client's account is closed between quarter-ends, fees will be prorated as of the date of termination. The fee is deducted from the client's account by SCM quarterly unless otherwise agreed in writing. Clients will receive a Fee Statement shortly after the deduction of the fee.

The fee for the period from the date assets are first credited to the account to the end of the then-current calendar quarter shall be determined by computing the average market value of cash and securities in the portfolio as of the close of business on the last day of each calendar month (that ends on or after the date assets are first credited to the account referred to above) of the calendar quarter, adjusted to reflect the effect of any capital contributions to the account or capital distributions from the account, , during each such month, and multiplying the resultant average market value by one-fourth of the applicable annual fee rate(s) indicated above, pro-rated for the percentage of the current calendar quarter during which the portfolio is under management.

The fee for any subsequent calendar quarter shall be determined by computing the average market value of cash and securities in the portfolio as of the close of business on the last day of each calendar month of the calendar quarter, adjusted to reflect the effect of any capital contributions to the account or capital distributions from the account, during each such month, and multiplying the resultant average market value by one-fourth of the applicable annual fee rate(s) indicated above.

- (1) Investment advisory clients have the option to seek execution of transactions recommended by SCM through broker-dealers other than Stephens Inc. However, on transactions executed through Stephens Inc., Stephens Inc. will not charge a commission to the client except when shares of an underwriting issue in which Stephens Inc. is in the syndicate are purchased for the account, in which case the sales and underwriting fees are built into the offering price.

For accounts invested entirely or partially in an equity strategy, please review sections of this Brochure entitled "Additional Compensation to Stephens Inc."

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### **Investment Management Agreement**

Entering into an advisory relationship with SCM for the SCMD involves the execution of an investment advisory agreement. The terms of the agreement between the client and SCM shall be for a period of one year beginning on the effective date of the contract, provided that it shall automatically be renewed for successive additional one year terms without further action by the parties. At the time of entering into such contract, the client has a right to terminate the contract without penalty within five (5) business days after the entering into the contract. At any time, the contract may be terminated without penalty by either the client or SCM, upon fifteen (15) days notice given in writing to the other party hereto. Upon termination of the contract and payment of all sums which may be owed under the contract, SCM shall make such disposition of the managed securities or other property of the client held by it as may be directed by the client. The client will agree to pay SCM the reasonable fees, costs and expenses incurred for such disposition as for collection, including attorney fees, of any unpaid balances under the contract.

From time to time, only in special circumstances, the fees may be negotiable or otherwise varied. These fee arrangements could include flat fee and/or commission compensation. Fees will be payable on a schedule as negotiated by the parties.

Information about the client is communicated to the portfolio managers on the initial opening of the advisory account. A new account application is completed for or by the advisory client and maintained by Stephens. The new account application contains account name and address, investment objectives and specific financial information. Advisory account information is updated upon notification from the advisory client of any material changes and noted within the customer file.

### **Conditions for Management**

Generally, a minimum of \$100,000 in assets is required for the establishment of investment advisory accounts under the SCMD. However, exceptions may be made to this policy. In addition, there is a \$3,000 minimum management fee for advisory accounts.

### **Other Stephens Wrap Advisory Programs**

SCM a division of Stephens Inc. sponsors the Stephens Capital Management (“SCM”) program. SCM is separate programs, which manages client assets on a discretionary basis and a non-discretionary basis, utilizing both equity and fixed income strategies. This would include Stephens Capital Management Discretionary (“SCMD”), the Stephens Capital Management Fixed Income Strategy (“SCMFIS”), the Stephens Capital Management Asset Allocation & Advisory Services (“AAA”) and the Real Return Strategy (“RRS”) Programs.

Stephens Inc. sponsors the Stephens Small-Mid Cap Growth Program (SMID). The investment portfolio of SMID accounts is managed by Stephens Investment Management Group, LLC (SIMG), an affiliate of Stephens Inc. SIMG will manage and direct the investment of the assets in each Stephens Small-Mid Cap Growth Program client’s account on a discretionary basis in accordance with its small and mid cap equity investment style and on the basis of the individual objectives and needs of the client within the criteria established by the SMID program.

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The Stephens Fixed Income Management (“SFIM”) program is also sponsored by Stephens Inc. SFIM is a separate program limited solely to fixed income investments with no equity component.

The Stephens Asset Maximizer (“SAM”) program is also sponsored by Stephens Inc. SAM is a separate program, which manages client assets on a non-discretionary basis, utilizing outside money managers in equity, fixed income and mutual fund strategies.

The Stephens Advisor (“SA”) is a non- discretionary program sponsored by Stephens Inc. In the SA Program, professional registered personnel (the “Stephens Advisers”) provide advice to clients utilizing equity strategies, fixed income strategies, balanced strategies, or other strategies, or a combination of strategies.

The Stephens Allocation Strategies Program (“SAS”) is an asset allocation program sponsored and administered through Stephens Inc. whereby the client is offered a strategy of purchasing a portfolio of “no load” or “load waived” mutual funds and Exchange Traded Funds (“ETFs”) representing a broad spectrum of equities and fixed income markets through Stephens Inc.

Professional Wealth Management Program (“PWM”) is a discretionary investment advisory program offered by Stephens Inc. Clients receive advice by seasoned professionals who manage client assets with individual attention to the client’s investment needs and objectives.

The StephensChoice Program (“SC”) is a platform designed by Stephens to assist clients qualified retirement plans or other deferred compensation programs to establish an appropriate asset allocation for the investment of plan assets through investment in a portfolio of “no load” or “load waived” mutual funds through Stephens based upon a line-up of mutual funds representing a range of designated asset classes.

**Brochures for the above programs may be obtained from Stephens located at 111 Center Street, Little Rock, Arkansas 72201.**

### **Investment Manager and Management Process**

#### **Education and Business Standards**

As a general rule, Stephens Inc. requires SCM representatives to have a college degree and at least five years business experience with investment bankers, financial institutions, insurance companies, or equivalent institutions. Such standards may be waived in exceptional cases.

#### **Educational and Business Background for Key SCM Personnel**

- (1) Joseph Warren Simpson  
Date of Birth: 05/01/57  
Education: Southern Methodist Univ., Dallas, TX  
Graduated: 1979/BBA  
University of Arkansas, Fayetteville, AR

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Graduated: 1981/MBA  
Five-Year Business Background: Stephens Inc., 07/87 - present

Mr. Simpson is an Executive Vice President of Stephens Inc., Managing Director of SCM, a Supervisory Principal of SCM, and a member of the StephensChoice Investment Committee. Mr. Simpson is also a SCM Portfolio Manager. Mr. Simpson has the following licensing: General Securities Representative ("Series 7"), General Securities Principal ("Series 24"), Uniform Securities Agent State Law Examination ("Series 63") and the Uniform Investment Adviser Law Examination ("Series 65").

(2) Mimi Myer Hurst  
Date of Birth: 6/14/57  
Education: University of Arkansas, Fayetteville, AR.  
Graduated: 1979/BA  
Chartered Financial Analyst 9/1989  
Five-Year Business Background: Stephens Inc., 09/01 – present

Mrs. Hurst is a Vice President of Stephens Inc. Mrs. Hurst is responsible for managing the day-to-day operations of the investment components of Stephens Mutual Solutions and the StephensChoice platforms and of the State of Arkansas Deferred Compensation Plan, known as the Arkansas Diamond Plan. She is also Chairperson of the StephensChoice Investment Committee and the Chairperson of the Stephens Allocation Strategies Investment Committee. Mrs. Hurst has the following licensing: General Securities Representative ("Series 7), NASAA - Uniform Combined State Law Examination ("Series 66") and a Chartered Financial Analyst.

(3) Alex Jordan  
Date of Birth: 1/21/56  
Education: University of Arkansas, Fayetteville, AR  
Graduated 1978/BSBA  
Five Year Business Background: Stephens Inc. 04/95 - present

Mr. Jordan is a Senior Vice President of Stephens Inc. Mr. Jordan is also a SCM Portfolio Manager. Mr. Jordan has the following licensing: General Securities Representative ("Series 7"), Uniform Securities Agent State Law Examination ("Series 63") and the Uniform Investment Adviser Law Examination ("Series 65").

(4) Steven Laurence Middleton  
Date of Birth: 11/15/60  
Education: University of Arkansas, Fayetteville, AR  
Graduated 1984/BS  
Five Year Business Background: Stephens Inc. 05/90 - present

Mr. Middleton is an Executive Vice President and a Managing Director of Stephens Inc. Mr. Middleton is also a SCM Portfolio Manager. Mr. Middleton has the following licensing: General Securities Representative ("Series 7"), Uniform Securities Agent State Law Examination ("Series 63") and the Uniform Investment Adviser Law Examination ("Series 65").

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(5) Alan Bradley Tedford

Date of Birth: 12/10/74

Education: University of Arkansas, Fayetteville, AR,

Graduated: 1997/BSBA

Five-Year Business Background: Stephens Inc., 07/98 - present

Mr. Tedford is a Senior Vice President of Stephens Inc. and a committee member of the Fixed Income Management Committee and the Real Return Strategy Committee. Mr. Tedford is also a Portfolio Manager of SCM. Mr. Tedford has the following licensing: General Securities Representative ("Series 7"), Uniform Securities Agent State Law Examination ("Series 63") and the Uniform Investment Adviser Law Examination ("Series 65").

(6) William Lee Tedford, Jr.

Date of Birth: 02/17/39

Education: University of Arkansas., Fayetteville, AR,

Graduated: 1960/BSBA

Five-Year Business Background: Stephens Inc., 09/66 - present

Mr. Tedford is a Executive Vice President of Stephens Inc. and Chairman of the Fixed Income Management Committee and the Real Return Strategy Committee. Mr. Tedford is also a Portfolio Manager of SCM. Mr. Tedford has the following licensing: General Securities Representative ("Series 7"), General Securities Principal ("Series 24"), General Securities Sales Supervisor ("Series 8"), Uniform Securities Agent State Law Examination ("Series 63") and the Uniform Investment Adviser Law Examination ("Series 65").

(7) Edward P. Frost

Date of Birth: 09/06/54

Education: University of Arkansas, Little Rock, AR.

Graduated: 1977/BS

Five Year Business Background: Stephens Inc. 10/99 - present

Mr. Frost is a Vice President of Stephens Inc. Technical and Compliance Director of Stephens Retirement Services, a Supervisory Principal and a member of the StephensChoice Investment Committee. Prior to joining Stephens Inc., Mr. Frost worked as an independent consultant to retirement plan sponsors and participants since 1976. Mr. Frost has the following licensing: General Securities Representative ("Series 7"), General Securities Sales Supervisor ("Series 8"), Uniform Securities Agent State Law Examination ("Series 63") and the Uniform Investment Adviser Law Examination ("Series 65"). Mr. Frost is also licensed through the Arkansas Insurance Department for the sale of life, health and variable products.

### **Supervision and Review of Accounts**

Primary responsibility for the supervision of these accounts lies with SCM Supervisory Principals. Edward P. Frost is responsible for supervisory approval of new advisory accounts and the daily review of trading activity. Warren Simpson is responsible for oversight of daily operations for SCM.

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The SCM Managers' monthly reviews consist of analysis of activity in SCMD accounts, considering suitability and general performance. Further considerations are levels of activity, timing of transactions in relationship to research recommendations, transactions in restricted securities, unprofitability, concentration in one security and individual objectives and needs of the client based on information provided by the client. In addition to the monthly reviews, regular quarterly reviews of the total value of the account and assets in each security and category are completed by the advisory staff. The reviewers may refer accounts to the Compliance Department for further analysis if necessary.

A computer system is used which, through a cross-reference capability, triggers additional reviews by securities owned. Accounts are reviewed regularly by alphabetical sequence as to asset allocation, percentage in each category, each stock percentage of gains and losses, and income and related factors in reference to the client's objectives. SCM reviewers are not assigned accounts by any formula or numerical standard. All reviewers adhere to the policies and investment criteria implemented by the Capital Management Committee.

### **Performance Calculations**

Performance results for the growth strategy reflect the return of one portfolio, which has been continuously managed by SCM. Results for individual accounts managed according to this SCMD's strategies during this time period could vary from these performance numbers, but we do not believe the variance would be substantial. From January 1, 1998, forward, a composite of all accounts managed according to such strategies is being utilized in calculating equity performance. A client's actual returns will vary based upon the considerations mentioned above, as well as the timing of the client's funding of the account and the client's individually tailored objectives, restrictions and advisory fees.

We utilize a computerized portfolio system licensed from a third party to calculate the performance of client accounts and to prepare portfolio performance reports for clients on a quarterly basis.

To determine the value of securities in your account, we generally rely on third party quotation services. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources including, but not limited to the last recorded transaction.

Your SCM Manager may use a wide variety of investments in managing SCMD accounts, including equity and debt securities of various kinds, exchange traded funds, mutual funds and other securities or other pooled investment products. In certain accounts they also may use margin, short-term trading and conservative option strategies, including but not limited to covered calls and protective puts.

The SCM investment advisory services generally rely on a variety of fundamental, technical, and statistical measures relating to companies, markets and economic conditions in determining the composition of client account portfolios. We may use computer technology to more readily display these factors and to create asset allocation recommendations.

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Some accounts are managed utilizing model portfolios supplied by Hotchkiss and Wiley Capital Management LLC. Performance of such accounts is expected, over time, to be similar to the performance of Hotchkiss & Wiley funds, but the actual performance of each particular account will be different from the performance of the funds.

### **Client Meetings**

SCM seeks to conduct meetings at least annually with advisory clients. Clients are encouraged to contact SCM, at any time if they would like to have additional meetings.

### **Reports**

Clients whose accounts are kept with Stephens Inc. will receive brokerage statements, i.e., confirmations and monthly statements, in the regular course of business. In addition, an account summary and fee statement is mailed quarterly to the advisory client. The account summary is a more detailed statement of the advisory client's account, which closes the last business day of each quarter.

### **Additional Compensation to Stephens Inc.**

There are certain instances when Stephens may receive income as a result of managing SCMD accounts in addition to the SCM advisory fees or WRAP fees discussed above.

### **Cash Reserves**

Stephens Inc. has discretion to select money market mutual funds, or comparable investments, in which to hold cash reserves. The selections are limited to investments authorized by Stephens Inc. in its capacity as custodian. The alternatives authorized by Stephens Inc. include select money market mutual funds and from time to time its in-house "pending reinvestment" account. The money market mutual fund may pay Stephens Inc. a distribution fee. The income to Stephens Inc. is in addition to the fees that are received from these accounts. Cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are invested automatically on a daily basis.

Funds placed in a client's account by personal check usually will be invested within two business days after deposit to the selected money market mutual fund. Due to the foregoing practices, Stephens Inc. may obtain federal funds prior to the date that deposits are credited to client accounts and thus may realize some economic benefit because of the delay in investing these funds.

Where an unaffiliated third party acts, as custodian of account assets, SCM has no discretion to select where cash reserves will be held. The client and/or custodian will make the selection.

### **Mutual Funds**

Stephens Inc. has discretion to invest client funds in investment company securities. Individual mutual funds may pay fees to Stephens Inc. as a result of these investments. These fees received by Stephens would be in addition to the SCM advisory fees received from clients. The existence of such applicable fees is disclosed in the client contract and is more fully described in the fund prospectus mailed to each client on initial investment.

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Stephens may from time to time engage in transactions on behalf of clients with Hotchkis & Wiley Capital Management LLC (“H&W”) or with Stephens Investment Management Group LLC (“SIMG”) or with mutual funds H&W or SIMG advise. H&W is an investment adviser registered with the SEC in which affiliates of Stephens hold a substantial ownership interest. H&W provides investment advisory services to corporate, pension, public, endowment, foundation, mutual fund and other clients, and H&W also advises its own family of mutual funds. SIMG is an investment adviser registered with the SEC in which affiliates of Stephens hold the entire ownership interest. SIMG provides investment advisory services for separate account clients and for mutual funds known as the Stephens Funds®.

H&W advised mutual funds and SIMG advised mutual funds may be offered through Stephens’ broker dealer services and/or investment advisory division, as part of an investment program more fully described herein under the section entitled “Other Activities”.

Clients that invest in H&W advised mutual funds or in SIMG advised mutual funds would bear a proportionate share of the fees and expenses of those funds including the management fees or other fees paid to H&W or SIMG. These fees and expenses include commissions or fees, if any, paid to Stephens in connection with portfolio transactions. Please refer to each mutual fund’s prospectus for a full discussion of the fees and expenses of each mutual fund.

### **Additional Information**

#### **Overall Cost**

SCMD may cost the client more or less than purchasing such services separately depending upon such factors as trading activity, account size and investment adviser minimums for non-wrap accounts.

We encourage you to carefully consider your options in establishing or maintaining an advisory fee-based account. As a general matter, a fee-based advisory account approach may be considered appropriate for customers who rely on investment advice or investment management services or who engage in moderate to high levels of trading activity. A fee-based approach may be more economical for customers who engage in active trading, since the price per trade is reduced as the number of trades increases under a fee-based approach. However, fee-based advisory account arrangements may not be appropriate for customers who rely primarily on their own independent resources and judgments for making their investment selections and decisions and do not wish to purchase advisory services. Customers who engage in a lower level of trading activity might prefer a traditional brokerage account with a commission payable on each transaction, particularly if the customer typically does not utilize advisory services for trading decisions, as transaction cost savings might be realized in the context of a traditional pay-per-trade commission structure.

#### **Compensation for Referrals**

Stephens Inc. from time to time may enter into arrangements with other broker/dealers, investment advisers or individuals whereby such parties may refer customers seeking advisory

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services to SCM pursuant to Rule 206 (4)-3, the “Solicitation Rule”. Details are disclosed in Exhibit “D” of the Investment Management Agreement.

Stephens Inc. also has an internal incentive program for employees to refer clients to SCM.

In both of these instances, parties referring advisory clients to the SCMD may receive compensation as a result of the client’s participation in the program. The amount of compensation may be more than what the referring party would receive if the client participated in other Stephens’ programs or paid separately for investment advice, brokerage, and other services. Consequently, the referring party may have a financial incentive to recommend the SCM Program over other programs or services.

### **Other Activities**

Hotchkis and Wiley Capital Management, LLC, a related person of Stephens Inc., will be paid a negotiated fee on a quarterly basis, based on the average assets under management using the value strategy, for which SCM utilizes H&W’s model portfolio service offered to Stephens Inc. Such benefits are disclosed in H&W’s Form ADV or other disclosure documents.

An affiliate of Stephens has more than a 25% ownership interest in Hotchkis & Wiley Capital Management, LLC. An affiliate of Stephens is the sole owner of Stephens Investment Management Group, LLC. Both H&W and SIMG are investment advisors registered with the SEC. H&W and SIMG provide investment advisory services for corporate, pension, public, endowment, foundation, mutual fund and other clients. H&W advises its own family of mutual funds. SIMG advises mutual funds known as the Stephens Funds®. Stephens has acted, and may act, as a selected dealer, agent or as broker/dealer with respect to portfolio transactions (including securities and other financial transactions) of the mutual funds or investment advisory accounts advised by H&W or SIMG. In addition, Stephens provides investment research services to H&W and SIMG. Stephens also serves as an intermediary to facilitate purchases and redemptions of shares of mutual funds advised by H&W or SIMG for brokerage and advisory clients of Stephens.

### **Policies and Procedures for Proxy Voting**

It is Stephens’ policy to vote proxies and utilize Investment Advisory policies and procedures, which are reasonably designed to vote client securities in the best interests of the client and to address how potential conflicts of interest are handled.

Stephens will make available information of the firm’s proxy voting policy and procedures including information regarding how Stephens Inc. voted proxies, if requested.

In response to any request as to how the client’s proxies were voted, the Chief Compliance Officer – Investment Advisory would provide the information to the client.

### **Procedure**

Stephens’ procedures to implement the Firm’s proxy voting policy, is as follows:

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- a. Voting Procedures
    - Proxy materials are received on behalf of clients in Stephens' Reorganization Department ("Reorg. Department");
    - Copies of the Voting Form and the Annual Proxy are sent to respective investment advisory area for review;
    - Stephens will vote the proxy through the Reorg Department in accordance with applicable voting guidelines, either by electronically voting or by mailing the proxy in a timely and appropriate manner.
    - Unless the responsible advisor or advisory committee loses confidence in management of the issuer or the client directs the vote, Stephens will vote the shares as recommended by the Board of Directors of the issuer.
  - b. Proxy Voting Guidelines
    - Who is responsible for Voting Proxies?  
SCM: Each SCM Manager
  - c. Conflicts of Interest
    - On an annual basis Stephens will disclose to affected clients any identified potential material conflicts of interest by providing a list of said conflicts via the U.S. Mail.
    - Where Stephens has identified a specific potential material conflict of interest relating to one or more matters to be voted on by shareholders, Stephens: (1) will notify affected clients of the potential conflict of interest, (2) will disclose how the proxy will be voted absent a voting direction from the client, and (3) will give affected clients the opportunity to vote the proxy themselves.
    - Stephens will maintain a record of the voting resolution of any conflict of interest.

### **Investment Advisory Code of Ethics**

Stephens has adopted an Investment Advisory Code of Ethics ("Code"), which defines the requirements and expectations for the business conduct of all of its Investment Advisory employees, including employees of the SCM Program. Furthermore, all Stephens' employees are expected to adhere to Stephens' Mission and Values Statement and Code of Professional Conduct.

The fundamental position of Stephens is that all aspects of its business are to be conducted in an ethical and legal manner in accordance with federal law and the laws of all states where the investment advisory divisions do business. In accordance with that position general principles apply:

1. The interests of Stephens' clients always come first. Any personal securities transaction, which would be detrimental or potentially detrimental to any client account and any personal securities transaction, which is designed to profit by the market effect of any client account, must be avoided.
2. All personal securities transactions should be conducted in such a manner as to be consistent with the Code and to avoid actual or potential conflicts of interest or abuse of a Stephens' employee's knowledge of customer information or customer transactions.

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3. Investment adviser personnel should not take inappropriate advantage of their positions. Information concerning the identity of security holdings and financial circumstances of clients is confidential.
  4. Independence in the investment decision-making process is paramount.

**Accordingly, there are certain standards of conduct, which Stephens Inc. investment advisory employees follow to reduce potential conflicts with the interests of our clients.**

Stephens Inc. will provide a copy of the Code to any client or prospective client upon request.

### **ERISA Accounts**

The laws and regulations applicable to ERISA accounts restrict such accounts from engaging in certain types of transactions, including some types of transactions described herein in which non-ERISA SCM accounts might engage. Stephens intends to abide by such ERISA restrictions and to deal in and with any ERISA account in the SCM Program in accordance with policies and practices designed to achieve compliance with all applicable ERISA laws and regulations.

### **Best Execution**

Investment advisory clients are advised that they have the option to seek execution of transactions recommended by the Investment Adviser through broker/dealers other than Stephens Inc. However, on transactions executed through Stephens Inc., Stephens will not charge a commission to the client, except when an underwriting issue in which Stephens participates is purchased for an account; in this case, the sales concession and underwriting fees are built into the offering price. Transactions on foreign exchanges or in gold or silver bullion or bullion coins may entail a brokerage commission to the foreign broker or bullion dealer, in which Stephens may or may not share.

Stephens will strive to obtain “best execution” of transactions for clients in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances.

### **Principal Transactions**

Stephens Inc., acting as a principal for its own account, will not knowingly sell any security to or purchase any security from an advisory client, without obtaining the client’s prior consent to each such transaction and disclosing the capacity in which it is acting.

Principal transactions in securities in which Stephens Inc. acts as a market-maker will only be effected for SCMD clients if Stephens Inc. matches or betters the highest bid/lowest ask prices as reflected on NASDAQ, if applicable, and the client’s prior consent to such transaction has been obtained. No mark-downs or mark-ups from the highest bid/lowest ask price will be charged. Stephens Inc. acting as a market-maker has the potential for profit or loss on securities it sells to or buys from a customer as principal depending on the price in which Stephens executes the transaction.

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## Other Potential Conflicts of Interest

Stephens is a diversified financial services company that directly or through affiliates provides a wide variety of investment banking, securities, insurance and other investment-related services to a broad array of customers. These relationships could give rise to potential conflicts of interest. Any of the following types of transactions could present a potential for a conflict of interest.

- (a) Client account assets may be invested in interests of money market funds, mutual funds, other investment companies, privately offered investment funds and other collective vehicles (collectively, “Funds”) for which Stephens or its affiliates may act as investment advisor, sponsor, administrator, distributor, selling agent, or in other capacities (“Affiliated Funds”). In addition, Client account assets may be invested in interests of Funds for which Stephens or its affiliates do not act as investment adviser, sponsor, administrator or in other capacities. Stephens or its affiliates typically receive fees for services provided to such Funds, which often include (but are not limited to) fees payable under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (“12b-1 fees”) and fees paid to compensate Stephens for providing administrative services, distribution services, shareholder services, investment advisory services or other services to or for the benefit of such Funds.
- (b) Client account assets are often invested in transactions that involve or constitute a purchase, sale or other dealings with securities or other instruments for which (i) Stephens, (ii) an affiliate or employee of Stephens, (iii) an entity in which Stephens or an affiliate has a direct or indirect interest, or (iv) another member of a syndicate or other intermediary (where an entity referred to in (i), (ii), or (iii), above is or was a member of the syndicate), has acted, now acts, or in the future may act as an underwriter, syndicate member, market maker, dealer, broker, principal, agent, research analyst or in any other similar capacity, whether the purchase, sale or dealing occurs during the life of the syndicate or after the close of the syndicate.
- (c) Stephens, or any other broker-dealer that is or may become affiliated with Stephens (the “affiliated brokers”), is expected to act as broker or dealer to execute transactions on behalf of Client’s account. Client will not be charged a separate fee for brokerage services provided to the Account by affiliated brokers.
- (d) Stephens or its affiliates sometimes effect transactions for Client’s account with other accounts for which Stephens or an affiliate provides investment advisory services (“Cross Trades”). Such Cross Trades are intended to enable Stephens to purchase or sell a block of securities at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. Stephens typically receives compensation from other accounts involved in a Cross Trade.

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- (e) Subject to applicable regulations, Stephens or its affiliates may execute “Agency Cross Transactions” for the Client’s account. Agency Cross Transactions are transactions where Stephens, or any affiliate of Stephens, acts as broker for both the Client’s account and the other party to the transaction. In such transactions, Stephens, or any of Stephens’s affiliates acting as broker, may receive commissions from the other party to such transaction, to the extent permitted by law, in addition to its customary investment management or advisory fee for Client’s account.
  - (f) Clients of other divisions of Stephens or Clients of other advisory representatives of Stephens or Stephens, its principals, employees, affiliates and their family members, sometimes hold, and sometimes engage in transactions in, securities purchased or sold for Client or about which Stephens may give or may have given Client advice. The Client’s account may purchase as investments securities of companies with which Stephens or its affiliates maintain investment banking relationships or other relationships or securities of companies in which Stephens or its affiliates have an ownership or other investment interest.
  - (g) Subject to applicable law, Stephens sometimes pays fees to, and/or shares revenues with, affiliates or non-affiliates in connection with referrals for investment advisory accounts.
  - (h) Stephens, or its affiliates, may provide more than one type of service to Client (or a related organization), including (but not limited to), investment management services, investment advisory services, financial advisory services, underwriting services, placement agency services, investment banking services, securities brokerage services, securities custodial services, insurance agency services, insurance brokerage services, administrative services or other services, or any combination of services, all on such terms as may be agreed between Stephens (or its affiliate) and Client (or its related organization).
  - (i) Other divisions and other advisory representatives of Stephens perform investment advisory services for clients other than Client and such other divisions or other advisory representatives of Stephens give advice or take action with respect to other clients that may be similar to or different from the advice given or action taken for Client’s account, in terms of securities, timing, nature of transactions and other factors. Stephens will, to the extent practicable, attempt in good faith to allocate investment opportunities among its clients, including Client, on a fair and equitable basis. However, other divisions and other advisory representatives of Stephens will not undertake to make any recommendation or communication to Client with respect to any security which such other divisions or advisory representatives may purchase or sell (either as principal or for any other client’s account) or recommend to any other client, or in which such other divisions or advisory representatives, or their respective principals, employees, affiliates or their family members, may engage in transactions.

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- (j) Stephens may determine in particular circumstances that, while it would be both desirable and suitable that a particular security or other investment be purchased or sold for the account of more than one of Stephens' client accounts, there is a limited supply or demand for the security or other investment. Under such circumstances, Stephens will seek to allocate the opportunity to purchase or sell that security or other investment among those accounts on an equitable basis; and Stephens will not be required to assure equality of treatment among all of its clients (including that the opportunity to purchase or sell that security or other investment will be proportionally allocated among those clients according to any particular or predetermined standards or criteria) or to undertake to make investment opportunities offered or provided to clients of other divisions of Stephens or to clients of other representatives of Stephens available to Stephens or to clients of the representative assigned to Client's account, including Client.
- (k) Stephens may aggregate purchase or sale orders in a particular security for Client's account with orders for other clients' accounts when appropriate. However, Stephens is under no obligation to aggregate orders. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all of the securities or other investments purchased or sold for Client's account in an aggregated order, Stephens may average the various execution prices and charge or credit Client's account with the average price.

### **Who to Contact**

We are pleased you are considering Stephens Capital Management as your investment adviser. If you have any questions about the information contained in this brochure or about any aspect of the services we provide, please do not hesitate to call SCM at (501) 377- 2531. Clients often receive this information by electronic delivery.

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**For SEC Reference Purpose Only**

**Cross References**

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