

STEPHENS INC.

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Informational Brochure regarding the

**Stephens Small-Mid Cap Growth
Program**

Stephens Inc.

111 Center Street

Little Rock, Arkansas 72201-4430

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

Form ADV - Schedule H

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Schedule H
Informational Brochure regarding the
Stephens Small-Mid Cap Growth Program
(Private Client Group)

Stephens Inc. (Stephens) is a full service broker/dealer, principally engaged in the investment banking and securities brokerage business. It is registered with the Securities and Exchange Commission (SEC) 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 Small-Mid Cap Growth Program

Stephens Small-Mid Cap Growth Program (SMID) is an investment advisory wrap program of Stephens. The investment portfolio of SMID accounts is managed by Stephens Investment Management Group, LLC (SIMG), an affiliate of Stephens Inc. SIMG was organized in July 2005 and is registered with the Securities and Exchange Commission as an investment advisor. 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. SIMG personnel may also provide services to other clients and to other products or programs.

In the Stephens Small-Mid Cap Growth Program, SIMG will establish the investment policy and strategy for the portfolio make the selections of securities to be included in the portfolio and make the day-to-day investment decisions. The goal of SIMG is to seek growth of the equity value of a portfolio of small and mid cap equity investments for clients, consistent with clients’ investment objectives.

SIMG will attempt to identify core growth stocks among stocks of companies that have a market capitalization at the time of purchase no larger than the market capitalization of the largest company then included in the Russell 2500TM Index, using a disciplined bottom-up approach, employing financial screening techniques, fundamental research and the portfolio managers’ judgment, with a focus on identifying small cap companies and mid-cap companies believed to have above-average potential for equity growth. *The Russell 2500TM Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company.* The portfolio benchmark is the Russell 2500TM Growth Index. The Russell 2500TM Growth Index measures the performance

of those Russell 2500™ companies with higher price-to-book ratios and higher forecasted growth values. *The Russell 2500™ Growth Index is a trademark/service mark of the Frank Russell Company.* SIMG seeks, as a rule, to fully invest cash balances.

SIMG intends to invest SMID assets primarily in long positions in equity securities. However, from time to time SIMG may invest SMID assets in other types of securities, including without limitation, short term fixed income securities, exchange-traded funds and other investment company securities, and stock index futures.

Investments to be made through the Stephens Small-Mid Cap Growth Program are expected to be concentrated in investments in equities of small- and mid- cap growth companies and are not expected to be diversified across other asset classes. Small and mid cap growth strategies may be more volatile and less liquid than other investment strategies. Typically, individual investors are not advised to allocate more than ten to fifteen percent of their overall investment portfolio to a small and mid cap growth strategy. The Stephens Small-Mid Cap Growth Program portfolio is not managed for tax efficiency.

Types of Clients

The strategy will be available as separate accounts for clients of Stephens Inc., which may include institutional investors, individuals, banks, foundations, pension and profit sharing plans, trusts, IRA's, endowments, corporations, partnerships and any other entities. Stephens seeks to recommend a SMID account only to investors whose financial situation, investment objectives and risk tolerance make it appropriate, in the judgment of the investor and the investor's registered representative, for the investor to allocate a minimum of \$250,000 to a small and mid-cap growth strategy.

Management Fee Schedule For Stephens Small-Mid Cap Growth Accounts

Stephens Inc.'s fee for a SMID account is based on a percentage of assets under management. The annual fee is two and three-quarters percent (2.75%) of assets under management. Fees are negotiable. A portion of the SMID account fees, generally representing twenty to fifty percent (20%-50%) of SMID fees, will be paid to SIMG for its portfolio management services, pursuant to a sub-advisory agreement between Stephens and SIMG.

Stephens Inc.'s SMID fees apply to standard accounts and include management, trade execution services, custodial services, associated accounting reports and investment management reports, all provided by Stephens. The fee also encompasses commissions on securities transactions executed for SMID accounts through Stephens. The SMID fee does not include commissions or fees for securities brokerage or execution services provided by other brokerage firms, all of the costs of which (if any) will be borne by the client and charged to the client's account. In particular circumstances or in the case of accounts containing more than \$1,000,000 in assets the fees may be subject to negotiation or otherwise varied from the fee stated above.

The fee, from the opening of the account ("effective date") to the end of the then-current calendar quarter, will be obtained by computing the adjusted market value of cash and securities in the portfolio as of the close of business on the last day (subsequent to the effective date) of the

current calendar quarter and multiplying the resultant market value by one-fourth of the applicable annual fee rate(s), prorated for the percentage of the current calendar quarter during which the portfolio is under management.

The fee for any subsequent three-month period will be the amount obtained by computing the adjusted market value of cash and securities in the portfolio as of the close of business on the last business day of the three-month period and multiplying the resultant market value by one-fourth of the applicable annual fee rate(s). In the event a client's account is closed between quarter-ends, fees will be prorated as of the date of termination. The fee will be deducted from the client's account by Stephens Inc. quarterly unless otherwise agreed in writing. Clients will receive a Fee Statement following the deduction of the fee.

Each security in the portfolio is generally valued as of the close of business on a business day at its last trading price in its primary trading market on that day. A security for which trading has been halted or in which trading has not occurred will be valued at its last trading price or at its last reported or last available bid price or at a price that Stephens believes more accurately reflects the market value of such security in light of the circumstances surrounding the trading halt or the absence of trading activity, as well as the performance and prospects of the company's business, to the extent such information is made available to Stephens.

Typically, a portion of any revenue that the firm realizes in connection with an advisory account will be included in the calculation of the compensation to be paid by the firm to the investment advisory account representative; and, therefore, the investment advisory account representative will experience conflicts of interest similar to those experienced by the firm.

Investment Management Agreement

Entering into an advisory relationship with Stephens for the SMID Program involves the establishment of a brokerage account at Stephens by completing and signing a Stephens brokerage account agreement and the execution of an investment advisory agreement. The terms of the agreement between the client and Stephens 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 Stephens, 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, Stephens 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 Stephens the reasonable fees, costs and expenses incurred for such disposition as for collection, including attorney fees, of any unpaid balances under the contract.

Information about the client is provided by the client to Stephens and SIMG on the initial opening of the advisory account. A new account application is completed reflecting information about the client and maintained by Stephens. The new account application contains account name and address, investment objectives, client financial information and other client

information. Account information is updated upon notification from the client of any material changes and noted within the customer file.

Conditions for Management

Generally, a minimum of \$250,000 in assets is required for the establishment of investment advisory accounts under the SMID Program. However, exceptions may be made to this policy.

Other Stephens Wrap Advisory Programs

Stephens Inc. sponsors the Stephens Capital Management (“SCM”) program. SCM is a separate program, 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 Asset Allocation and Advisory Program (“AAA”) and the Real Return Strategy Program (RRS).

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.

The Professional Wealth Management (“PWM”) program is sponsored by Stephens Inc. The PWM Program is a separate program, which manages client assets on a discretionary utilizing both equity and fixed income strategies.

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 Committee and Management Process

Investment Committee Management of accounts in the Stephens Small-Mid Cap Growth Program are overseen and reviewed by an Investment Committee, which is composed of:

Saul M. Rousseau

Ken Bennett

Kent Oots, PH. D, CFA

Education and Business Standards

As a general rule, Stephens Inc. requires Financial Consultants 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 SMID Personnel

- (1) Saul Maddox Rousseau
Date of Birth: 09/13/69
Education: University of Arkansas, Fayetteville, AR
Graduated: 1992/BS in Economics
Five-Year Business Background: Stephens Inc., 1992 to present

Mr. Rousseau is a Senior Vice President of Stephens Inc. and the Mutual Fund Coordinator for Stephens Inc. Mr. Rousseau is a member of the Stephens Allocation Strategies Investment Committee, StephenChoice Investment Committee and the Stephens Asset Maximizer Investment Committee. Mr. Rousseau is licensed the following: 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”).

- (2) Henry Kenneth Bennett
Date of Birth: 03/01/47
Education: Arkansas State University, Jonesboro, AR
Graduated: 1970/BSE
Five-Year Business Background: Stephens Inc. 1981 to present

Mr. Bennett is a Senior Vice President of Stephens Inc. and a member of the Stephens Asset Maximizer Investment Committee. He is also the Chairman of the Fixed Income Management Committee of the Stephens Fixed Income Asset Management Advisory Program. Mr. Bennett is licensed the following: General Securities Representative (“Series 7”), General Securities Sales Supervisor (“Series 8”), Commodity Futures (“Series 3”), Uniform Securities Agent State Law Examination (“Series 63”) and the Uniform Investment Adviser Law Examination (“Series 65”).

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- (3) Kent Layne Oots
Date of Birth: 12/20/55
Education: Joliet Jr. College, Joliet, IL
Graduated: 1976/AA
College of St. Frances, Joliet, IL
Graduated: 1978/BA
Northern Illinois, Dekalb, IL
Graduated: 1984/MA & PHD
Chartered Financial Analyst 9/94
Five Year Business Background: Stephens Inc. 1991 to present

Mr. Oots, a Vice President of Stephens Inc., is a member of the Stephens Allocation Strategies Investment Committee. Mr. Oots is also a member of the Stephens Asset Maximizer Investment Committee, Fixed Income Management Committee of the Stephens Fixed Income Asset Management Advisory Program. Mr. Oots is licensed the following: National Futures Association Principal ("Series 3"), General Securities Representative ("Series 7"), General Securities Sales Supervisor ("Series 8"), Registered Options Principal ("Series 4"), Supervisory Analyst ("Series 16"), General Securities Principal ("Series 24"), Municipal Security Principal ("Series 53"), Uniform Securities Agent State Law Examination ("Series 63"), the Uniform Investment Adviser Law Examination ("Series 65") and the Research Analyst Exam. ("Series 86 and 87").

Review of Accounts

Client account review reports are prepared and provided to clients on a quarterly basis and account reviews are conducted for clients in the SMID Program on an annual basis. The review will include items such as; portfolio performance highlights, portfolio performance review, analysis of risk/return, portfolio management review, portfolio holdings, and client's suitability for small-mid cap investments. Reviews are to provide client with an assessment of their overall account performance in light of stated objectives and strategies implemented. The quarterly review reports disclose all transactions and the performance of each component of the account.

Saul Rousseau is responsible for serving as liaison between Stephens Financial Consultants and SIMG. Mr. Rousseau also coordinates account set up and client profiles review and account implementation.

The Investment Committee responsibilities are to review client accounts and coordinate with Stephens' Financial Consultants regarding account performance and suitability. The committee relies on internal Stephens's reports and reports from the Financial Consultants and SIMG in its overall review process.

Performance Calculations

Stephens Inc. relies upon performance information provided by contract vendors to SIMG. Stephens does not separately audit the calculation of this performance information to ensure that it is calculated on a consistent basis.

The performance review includes a comparison of the performance of SMID portfolios with the performance of selected market indices and peer group averages to evaluate the performance of SIMG over time.

Reports

Clients whose account securities are held through Stephens Inc. will receive monthly brokerage statements in the regular course of business. In addition, Stephens will provide to clients quarterly an account summary and performance report and a fee statement. The account summary is a statement of the advisory client's account that discloses transactions during each quarterly period and summarizes portfolio performance. Unless otherwise requested by client, Stephens will send to client a written confirmation of each securities purchase or sale transaction in client's account.

Client Meetings

A Stephens's representative will seek to meet with each client on an annual basis. Clients are encouraged to contact their Stephens representative at any time if they would like to have additional meetings or to address questions regarding their accounts. Information regarding each client's financial situation and investment objectives is made available to the Portfolio Managers upon its receipt and when it is updated. However, the client's primary contact is the client's Stephens representative, and a SMID client is expected to consult primarily with the client's Stephens representative to assist in determining what portion of the client's investment assets, if any, should be allocated to the SMID program.

Additional Compensation to Stephens Inc.

There are certain instances when Stephens may receive income as a result of managing SMID accounts in addition to the actual fees received directly from SIMG clients. Clients should understand that these transactions present potential conflicts of interest.

Cash Reserves

Stephens 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 and include select money market mutual funds. Alternatively, cash may be maintained in an account as a free credit balance on which Stephens may pay interest at a rate determined by Stephens. Stephens may benefit from an interest rate spread on funds held as free credit balances. The money market mutual funds may pay Stephens distribution and/or servicing fees. The income to Stephens 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 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, Stephens typically has no discretion to select where cash reserves will be held. The client and/or custodian will make the selection.

Mutual Funds

Stephens 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 fees received from clients. The possibility of such fees is disclosed in the client contract and is described in the fund prospectus mailed to each client on initial investment.

Additional Information

Overall Cost

Clients may access the SMID program through “wrap fee” pricing, which includes, among other things, the cost of investment advice, trade execution and custodial services. Investing through the SMID program on a “wrap fee” basis may cost the client more or less than purchasing such services separately depending upon such factors as trading activity, account size and investment adviser fees and account size 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 services to SIMG for a fee. Such arrangements, where they are used, are disclosed to affected clients in accordance with the provisions of SEC Rule 206 (4)-3, the “Solicitation Rule”.

Stephens Inc. also compensates registered representatives and certain other employees who refer clients to SIMG.

In both of these instances, parties referring advisory clients to Stephens 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 SMID Program over other programs or services.

Stephens Inc. Affiliates

Stephens Investment Management Group, LLC ("SIMG") is a subsidiary of Stephens Investments Holdings LLC. SIMG is also affiliated with Stephens Inc. which is a wholly-owned subsidiary of SI Holdings Inc. SIMG was organized in July 2005 and is registered with the Securities and Exchange Commission as an investment advisor. Stephens Inc. will pay a portion of your SMID Program account fee to SIMG, LLC for portfolio management services. Stephens Inc. will maintain custody of your SMID account and serves as broker and as an advisor on your SMID account. Stephens Inc. may also sell shares of SIMG advised mutual funds to clients of Stephens Inc.

Certain affiliates of Stephens Inc. have more than a 25% equity ownership interest in Hotchkis and Wiley Capital Management, LLC ("H&W"). H&W is an investment advisory firm that is registered with the SEC as an investment adviser. H&W provides investment advisory services to corporate, pension, public, endowment, foundation, mutual fund and other clients and to Stephens Capital Management, a division of Stephens Inc. H&W advises its own family of mutual funds. Stephens Inc. may act as a selected dealer, agent or as broker/dealer with respect to portfolio transactions (including securities and other financial transactions) of the funds and investment advisory accounts advised by H&W. In addition, Stephens Inc. may provide H&W with investment research services. Stephens Inc. may also sell shares of H&W's family of mutual funds to clients of Stephens Inc.

Policies and Procedures for Proxy Voting

Unless directed otherwise, SIMG will vote proxies for the securities held in SMID accounts in the best interest of the SMID account clients.

Clients may obtain a copy of SIMG's Policy and/or information on how SIMG voted the client's securities upon written request sent to SIMG, LLC.

Soft Dollar Benefits

Stephens Inc. does not anticipate that it will receive any soft dollar benefits relating to its operation of the SMID program. SIMG does participate in a commission sharing arrangements with certain of its executing broker-dealers which involve payments of soft dollar research credits to certain of its eligible research providers. Additionally, SIMG receives sell-side research from various broker-dealers and sends orders for execution to certain of these broker-dealers at rates which exceed those available elsewhere.

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 SIMG. Furthermore, all Stephens’s 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’s employee’s knowledge of customer information or customer transactions.
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.

Small-Mid Cap Disclosure

In addition to general investment risks, there are additional risks associated with investments in smaller and/or newer companies because their shares tend to be less liquid than securities of larger companies. Further, shares of small and new companies are generally more sensitive to purchase and sale transactions and changes in the issuer’s financial condition and, therefore, the prices of such small or mid cap stocks may be more volatile than those of larger company stocks.

Best Execution

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. For most SMID accounts, best execution is achieved by executing transactions through Stephens with all commission charges waived, in consideration of the advisory fee paid by the client for the SMID account.

Stephens generally does not charge a commission for the execution of securities transactions by Stephens Inc. for SMID accounts. However, for securities transactions executed through other

securities brokerage firms, applicable commission or execution charges will be borne by the client and charged to the client's account. All other charges for execution of securities transactions and custody of securities by Stephens for SMID accounts are included within the advisory fee, unless otherwise disclosed. Investment advisory clients are advised that SIMG has the option to seek execution of transactions through broker/dealers other than Stephens. However, on transactions executed through Stephens, 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 typically entail a brokerage commission payable out of the assets of the client to the foreign broker.

Directed Brokerage

Client may elect to direct SIMG to execute client's transactions through a securities brokerage firm designated by the client. Client understands and acknowledges that such designated brokerage firm may receive notice of SIMG's decision to make trades in the account (and in other accounts similarly managed by SIMG) after the broker(s) selected by SIMG has made a similar trade for other accounts, and the brokerage firm designated by client might not obtain as favorable a price for trades as the broker(s) selected by SIMG. Client understands and acknowledges that even if client designates Stephens as client's designated brokerage firm, Stephens may receive notice of SIMG's decision to make trades in the account (and in other accounts similarly managed by SIMG) after another broker(s) has made a similar trade for other accounts managed by SIMG, and Stephens might not obtain as favorable a price for trades as such other broker(s). Client also understands that client will not be charged any commission on trades executed through Stephens, but client's account will pay the applicable commission charges and other applicable fees on trades executed through securities brokerage firms other than Stephens whether the selection of such other brokerage firm is made by SIMG or is directed or designated by client.

Principal Transactions

As a broker/dealer, Stephens' business regularly includes buying and selling securities from and to its brokerage clients and others, on a principal basis for its own account. Stephens or its related persons may have a financial interest in securities of the same type and series as those bought or sold for SMID accounts and may make transactions in such securities for its own account. This principal trading activity could result in a conflict of interest because Stephens could potentially sell to a SMID account securities owned by Stephens as principal or buy from a SMID account as principal a security owned by the SMID account, and Stephens would have the power unilaterally to set the price of such transactions. It is Stephens policy, however, that Stephens, acting as a principal for its own account, will generally avoid such transactions and, in any event, 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 Stephens is acting in such transaction.

In general, transactions in securities in which Stephens acts as a market-maker will be effected for SMID accounts on an agency basis and not on a principal basis. Principal transactions in

securities in which Stephens acts as a market-maker will only be effected for SMID clients if Stephens 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 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.

Agency Cross Transactions

As a broker/dealer, Stephens' business also regularly includes buying and selling securities from and to its brokerage clients and others on an agency basis for the accounts of its brokerage clients and others. Stephens or its related persons may have a financial interest in securities of the same type and series as those bought or sold for SMID accounts and may make transactions in such securities for its own account or for the accounts of brokerage clients or others. These agency transactions could result in a conflict of interest because Stephens could potentially generate commission income from its brokerage accounts by selling to a SMID account, on an agency basis as agent for the seller, securities owned by brokerage accounts or by buying from a SMID account, on an agency basis as agent for the buyer, a security owned by the SMID account, and Stephens could have the power unilaterally to set the price of such transactions. It is Stephens policy, however, that Stephens will generally avoid engaging in such "agency cross" transactions. Nevertheless, from time to time, Stephens may effect a securities transactions for an advisory client in which Stephens acts as broker for both advisory client and for a non-advisory client on the other side of the transaction. In other words, Stephens may be in a position to buy or sell securities for an advisory client from or to the account of another client of Stephens. Because of the potential conflicts of interest involved in acting as agent for both parties to the same transaction, SIMG will only execute agency cross transactions where such arrangement is deemed to be in the advisory client's best interest. Stephens will disclose to and receive from the advisory client written consent to engage in this type of transaction pursuant to the terms and conditions set forth in the advisory contract and will report such transactions on the client's confirmations and on an annual report. Consent may be revoked without penalty at any time by the advisory client, effective upon receipt of written notice by Stephens.

Cross Trading

From time to time, Stephens may deem it appropriate that one client should purchase a particular security while another client should sell the same security. In this situation, it may be advantageous to both clients to cross the transactions internally between the two accounts by having the "purchasing" client purchase the securities directly from the "selling" client ("cross-trading"). Cross-trading can prevent both accounts from having to pay either the commission charges or the markups or markdowns that would be incurred if the trades were effected through broker-dealers in the open market.

Cross-trading presents a potential conflict of interest between the firm and one or both clients in that such trades could be effected for reasons other than the best interests of such clients. Stephens follows specific procedures designed to ensure that any such trades, if effected, are done on a fair and equitable basis.

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 may receive fees for services provided to such Funds, including (but 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 may be used to purchase or sell or otherwise deal 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 may 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 may receive compensation from other accounts involved in a Cross Trade.
- (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 and Clients of other advisory representatives of Stephens, as well as Stephens, its principals, employees, affiliates and their family members, may hold, and may 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 may pay certain fees to, and/or share revenues with, affiliates and their parties in connection with referrals for investment advisory accounts.
- (h) 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 may 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.
- (i) 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.
- (j) 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.
 - (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.

We are pleased you are considering Stephens Inc., 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 your Financial Consultant at (800-643-9691). Clients often receive this information by electronic delivery.

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