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SEC File No: 801-15510

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

Informational Brochure regarding the

# **Professional Wealth Management**

## **Discretionary Program**

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

**Form ADV - Schedule H**

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**STEPHENS INC.**  
**Schedule H**  
**Informational Brochure regarding the**  
**Professional Wealth Management 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.

Professional Wealth Management Program (“PWM”) is an investment advisory program offered by Stephens Inc. Clients receive advice by seasoned professional managers, with individual attention to the client’s investment needs and objectives. Investment advisory services are provided to clients using the criteria established by the PWM program. Professional Wealth Managers 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.

**Professional Wealth Management Program**

In the Professional Wealth Management Program (“PWM”), seasoned professional registered personnel manage client assets on a discretionary basis, utilizing both equity and fixed income strategies. The goal of PWM Program 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. In balancing the potential return for a client’s portfolio against the risk exposure in the portfolio, Professional Wealth Managers first undertake a study of the risk/reward tolerances of the client, by asking the clients to complete an individualized 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.

Professional Wealth Managers are responsible for making day-to-day discretionary investment decisions subject to oversight and review by Stephens Branch Officer Managers (“BOM”). The PWM Program seeks to keep client assets fully invested at all times, investing assets otherwise uninvested in money market mutual funds. From time to time investments may include mutual funds or other pooled investment products.

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For certain accounts, PWM Managers obtain model portfolio reports periodically from outside registered investment advisors or other vendors and utilize these model portfolio reports as their primary basis for selecting investments for PWM portfolios. Cash balances may exist pending initial investment or may arise from the sale of securities and/or dividend or distribution payments. The fee Stephens Inc. pays the selected investment advisors or vendors for model portfolio reports is typically based upon the amount of assets under management pursuing this strategy. Some balances may be invested in money market mutual funds.

Clients often receive this information by electronic delivery.

### **Types of Clients**

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

### **Management Fee**

PWM advisory fees apply to standard accounts and include management, brokerage services, custodial services, associated account reports and investment management reports. The fees charged are negotiable and may differ from client to client based on a number of factors. These factors include, but are not limited to, the type and size of the account, and the number and range of supplemental advisory and client-related services to be provided to the account. These fee arrangements could include a percentage fee, a flat fee compensation. Fees will be payable quarterly on a schedule as negotiated by the parties. In the event a client's account is closed between quarter-end, fees will not be prorated as of the date of termination. The fees will be deducted from the client's account quarterly unless otherwise agreed in writing. For more information regarding the above, contact your Professional Wealth Manager.

If a percentage fee is used, the fee, from the opening of the account ("effective date") to the end of the 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, unless otherwise agreed in writing.

If a percentage fee is used, 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 day of the three-month period and multiplying the resultant market value by one-fourth of the applicable annual fee rate(s), unless otherwise agreed in writing.

With accounts for which the PWM manager obtains and utilizes model portfolio reports from outside investment advisors or other vendors, a portion of the fee is paid by Stephens to those investment advisors or vendors.

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## **PWM Fees**

All PWM accounts are charged a “wrap fee” at the annual rate set forth in the table below based upon a percentage of the assets in the account for Stephens Inc.’ advisory, execution, custodial and related services.

### **Equity and Balanced Accounts**

2.25% for the first \$500,000  
1.75% for the next \$500,000  
1.25% for the next \$4,000,000  
1.00% for the next \$5,000,000  
assets over \$10,000,000 - negotiable

### **Fixed Income Accounts**

1.25% for first \$500,000  
1.10% for next \$500,000  
1.00% for next \$4,000,000  
0.80% for assets over \$5,000,000

In limited situations, a Professional Wealth Manager may be permitted to manage an account pursuant to different compensation arrangements, including, without limitation, a base fee plus a percentage of account appreciation over an appropriate performance index. Higher account minimums, as well as other relevant procedures, would apply. Please be aware that performance-based fee arrangements may create an incentive for a Professional Registered Manager to make investments that are riskier or more speculative than would be the case under other fee alternatives. Also, please review sections of this Brochure entitled “Additional Compensation to Stephens Inc.”

With certain accounts, Stephens Inc. pays selected outside investment advisors or other vendors a fee for model portfolio reports based upon the amount of assets under management pursuing this strategy.

## **Investment Management Agreement**

Entering into an advisory relationship with Stephens Inc. involves the execution of an investment advisory agreement. The term of the agreement shall be for a period of one year beginning on the effective date of the contract, provided that the parties shall automatically renew it for successive additional one-year terms without further action. 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, either the client or Stephens Inc. may terminate the contract without penalty, 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 Inc. 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 Inc. the reasonable fees, costs and expenses incurred for such disposition and for collection, including attorney fees, of any unpaid balances under the contract.

A new account application is completed for each account and signed 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

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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 \$250,000 in assets is required for the establishment of a PWM investment advisory account. However, exceptions may be made to this policy. There is no minimum management fee established for PWM advisory accounts. Stephens Inc. or the client can terminate PWM agreements at any time following advance written notice.

### **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”) and the Stephens Capital Management Fixed Income Strategy (“SCMFIS”) and the Asset Allocation and Advisory Program (“AAA”).

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.

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. SAM is a separate managed account program, which, utilizes outside money managers in equity, fixed income and mutual funds strategies to manage client account assets on a discretionary basis. Stephens does not exercise any discretion under this program.

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 StephensChoice Program (“SC”) is a platform designed by Stephens to assist clients

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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.**

### **Supervisory Process**

#### **Professional Wealth Manager’s Education and Business Standards**

As a general rule, Stephens requires each Professional Wealth Manager to have a college degree and extensive experience with securities brokers, investment advisers, asset managers, investment bankers, financial institutions, insurance companies, or equivalent institutions. Such standards may be waived in exceptional cases.

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

Primary responsibility for the supervision of these accounts lies with the applicable Stephens Branch Office Manager (“BOM”). BOM’s conduct a periodic review of activity in selected PWM accounts, considering suitability of transactions and general performance. BOM’s may also consider levels of activity, timing of transactions, transactions in restricted securities, profitability, 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, designated principals at Stephens’ home office make quarterly reviews of the investment performance and investment strategy of selected accounts. The reviewers may refer accounts to the Compliance Department for further analysis if necessary. Reviewers are not assigned accounts by any formula or numerical standard.

The following individuals provide supervisory reviews of Professional Wealth Manager Accounts:

- (1) Richard Randolph (Wick) Alexander  
Date of Birth: 11/04/1966  
Education: University of Texas  
Graduated: 1989/BA  
Five-Year Business Background: Stephens Inc. 04/2001 – present  
SVP/ Branch Office Manager Private Client Group – Austin, Texas
- (2) Robert A. Ames  
Date of Birth: 01/22/1943  
Education: US Military Academy, West Point, NY  
Graduated: 1964/BS (Engineering)  
Tulane University, New Orleans, La.  
Graduated: 1972/MOR (Operations Research)  
US Army War College, Carlisle, Pennsylvania

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Graduated: 185/Executive Management  
Salve Regina University, Newport, RI  
Graduated: 1998/MS (Management)

Five-Year Business Background: Stephens Inc. 12/2003 - present  
VP/Branch Office Manager Private Client Group – Charlotte, North Carolina.

(3) Christopher Thomas Smith

Date of Birth: 8/03/1972

Education: Wofford Collage, Spartanburg, SC 29307.

Graduated: 1994/BA

Five-Year Business Background: Legg Mason Wood Walker –

09/2003 to 02/2006

Citigroup Global Mkts. – 02/2006 to 07/2006

Stephens Inc. 07/2006 – present

VP/Branch Office Manager Private Client Group – Columbia, South Carolina.

(4) Wayne A. Thomas

Date of Birth: 07/11/1953

Education: University Mississippi, Oxford, Ms.

Graduated: 1975/BBA Banking/Finance

Five-Year Business Background: Morgan Keegan & Co., Inc.

1/18/2002 – 1/14/2009

Stephens Inc. 01/2009 – present

VP/Branch Admin. Manager Private Client Group – Ridgeland, Mississippi

(5) Henry Kenneth Bennett

Date of Birth: 03/01/1947

Education: Arkansas State University, Jonesboro, AR

Graduated: 1970/BSE

Five-Year Business Background: Stephens Inc. 06/1981 - present

SVP/Managing Director/Branch Office Manager Private Client Group – Little Rock, Arkansas, Austin, Texas and New Haven, Connecticut.

(6) Kent Layne Oots

Date of Birth: 12/20/1955

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 9/1994

Five-Year Business Background: Stephens Inc. 7/1991 - present

VP/Branch Office Manager Private Client Group – Little Rock, Arkansas, Austin, Texas and New Haven, Connecticut.

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- (7) Sarah Richardson  
Date of Birth: 08/02/1963  
Education: Arkansas State University, Jonesboro, AR  
Graduated: 1985/BS  
Five-Year Business Background: Stephens Inc. 02/1990 - present  
AVP/Asst. Branch Office Manager Private Client Group – Little Rock, Arkansas,  
Austin, Texas and New Haven Connecticut.
- (8) Andrew McDara Blau  
Date of Birth: 1/11/1963  
Education: Denison University  
Graduated: 1985/BA  
Five-Year Business Background: Stephens Inc. 1/2004 – present  
SVP/Branch Office Manager Private Client Group – New York, New York
- (9) Ronnie Charles Saliba  
Date of Birth: 9/17/73  
Education: Hofstra University, Hempstead, New York  
Graduated: 1995/BA  
Fordham University, New York, New York  
Graduated: 1999/MBA Finance  
Five-Year Business Background: Stephens Inc. 1/2004 – present  
AVP/Branch Office Admin. – Private Client Group – New York, New York

### **Performance Calculations**

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.

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 such as the last recorded transaction.

Your Professional Wealth Manager may use a wide variety of investments in managing PWM 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 PWM 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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### **Client Meetings**

Professional Wealth Managers seek to meet with clients periodically to discuss their investment portfolios and investment goals, not less frequently than annually. Clients are encouraged to contact Stephens Inc. at any time if they would like to have additional discussions or meetings.

### **Reports**

Stephens Inc. will send to each client whose account is carried at Stephens Inc., a confirmation of each transaction executed in the account and periodic account statements, in the regular course of business, unless other arrangements have been agreed between the client and Stephens. In addition, a Portfolio Analysis report will be provided to the advisory client on a quarterly basis. The Portfolio Analysis report is organized to show the performance of the portfolio and the investments included in the portfolio.

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

There are certain instances when Stephens may receive income as a result of managing PWM accounts in addition to the PWM 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 funds may pay Stephens Inc. a distribution fee. The income to Stephens Inc. is in addition to the fees that are received from your account. Cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are invested automatically in such money market type investments, 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 Stephens would have 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 as a result of these investments. These fees received by Stephens would be in addition to the PWM advisory fees received from

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clients. The existence of such applicable fees is disclosed in the client contract and is more fully described in the fund prospectus.

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**

The PWM Program 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

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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 other persons whereby such parties may refer customers seeking advisory services to Stephens pursuant to Rule 206 (4)-3, the “Solicitation Rule”.

Parties referring advisory clients to Stephens Inc. 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 PWM Program over other programs or services.

### **Other Activities**

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 advisers 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 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 and investment advisory accounts advised by H&W or SIMG. In addition, Stephens may provide H&W or SIMG with investment research services. Stephens may also sell shares of mutual funds advised by H&W or SIMG to 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:

**a. Voting Procedures**

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- 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?  
PWM 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 PWM 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 are our first consideration. 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 PWM accounts might engage. Stephens intends to abide by such ERISA restrictions and to deal in and with any ERISA account in the PWM 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. 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 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.

When trades are executed through Stephens they are generally executed on an agency basis in consideration of SEC Rule 206(3) which generally prohibits principal transactions in advisory accounts except with disclosure to and consent from the customer. These requirements, as a practical matter, may impose delays on the time at which principal transactions may be effected for these accounts, and thereby may impair the execution quality of such transactions for such customers.

#### **Principal Transactions**

Pursuant to SEC Rule 206(3), 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.

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As a practical matter, the above requirements may impose delays on the time at which principal transactions may be effected for advisory accounts, and thereby may impair the execution quality of such transactions for advisory clients. Accordingly, transactions are generally executed on an agency basis.

Principal transactions in securities in which Stephens Inc. acts as a market-maker will only be effected for PWM 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.

### **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.

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- (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) 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).

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- (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 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.
  - (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.

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 Professional Wealth Manager at their respective branch offices.

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