

***STEPHENS INC.***  
***111 Center Street***  
***Little Rock, AR. 72201***  
***(501) 377-2000***

Informational Brochure regarding the  
**Stephens Asset Maximizer**

Supported By  
**FundQuest Incorporated**

This brochure provides clients with information about Stephens Inc. and the Stephens Asset Maximizer Program that should be considered before becoming a client of the Stephens Asset Maximizer 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**

# **Stephens Asset Maximizer Program**

### **Supported by FundQuest Incorporated**

Stephens Inc. operates as a full service broker/dealer, 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 Boston Stock Exchange (BSE), 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 Inc. provides such services and offers and sells such products as appropriate under these registrations, devoting substantially all of its time to broker/dealer, investment advisory, investment banking and futures commission merchant activity.

Certain investment advisory services are to be provided to clients through the Stephens Asset Maximizer Program. Stephens Inc. and/or Subadvisors will develop and implement an investment strategy and portfolio allocation for each client on the basis of individual objectives, needs, risk tolerance, and return expectations using Separate Investment Managers, Mutual Fund investments and/or a combination of both.

### **Stephens Asset Maximizer Program**

The Stephens Asset Maximizer Program (“SAM”) is an asset allocation program sponsored by Stephens Inc. and administered through FundQuest Incorporated (“FundQuest”), whereby the client is offered one or more of the following strategies: (a) mutual funds purchased on a “no load” or a “load waived” basis through Stephens Inc., (b) portfolio sub-accounts (“Sub-Accounts”) managed by registered investment advisers (“Sub-Managers”) included on FundQuest’s list of available Sub-Managers or (c) a combination of mutual funds and separately managed portfolio sub-accounts (“Hybrids”). Sub-Managers not currently available through FundQuest may be added, at FundQuest’s sole discretion.

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## **SAM INVESTMENT OPTIONS**

### **A. Discretionary Investment Management Strategy (“PIM”)**

**Stephens Asset Maximizer – Mutual Funds Strategy** – FundQuest acts as the registered investment advisor, objectively populating and managing a mutual fund portfolio, on a discretionary basis, in line with the client’s investment objectives.

**Stephens Asset Maximizer – Hybrid Strategy** – FundQuest acts as the registered investment advisor, objectively populating and managing a portfolio of mutual funds and separately managed Sub-Accounts, on a discretionary basis, in line with the client’s investment objectives.

**Stephens Asset Maximizer – Separate Account Strategy** – FundQuest acts as the registered investment advisor. The Financial Consultant assists clients in selecting Sub-Managers based upon the Client Profile. A separate account is a portfolio of individual securities privately managed by an institutional money manager. A separate account may include a mix of equities, fixed income and cash equivalents.

FundQuest provides ongoing investment monitoring, rebalancing, performance measurement, and comprehensive quarterly reporting throughout the life of the account, in each strategy.

FundQuest acts as the Account Manager for all PIM Accounts. FundQuest and selected Sub-Manager(s) have discretion to manage the investments of each PIM Account, in accordance with the client’s Investment Advisory Agreement.

Stephens Inc. and its Financial Consultants act on a non -discretionary basis. FundQuest develops an Investment Strategy Report based upon the Client Profile. Stephens Inc. provides all required broker-dealer compliance functions for the PIM Strategies. Each Sub-Account Manager will be responsible for complying with all legal and regulatory requirements applicable to its activities as discretionary manager of funds in Sub-Accounts.

Based on the Investment Strategy Report, mutual funds and/or separately managed Sub-Accounts are selected by FundQuest for client’s account. FundQuest authorizes the trades required to manage the client’s accounts, establishes Sub-Accounts and designates Sub-Managers to manage the Sub-Accounts. Stephens Inc. upon the instructions of FundQuest and/or the designated Sub-Manager(s) will execute all transactions. Best execution is sought for all transactions.

FundQuest has unlimited investment discretion with respect to any changes to investments in the PIM Strategies, consistent with client’s investment objectives as disclosed in the Client Profile. This discretion shall include the modification of asset allocations and replacement or reduction of mutual funds or Sub-Managers within the Client Accounts.

The PIM Strategies are “wrap fee programs” in which the client pays a single fee for investment management and related services, executions, custody and clearing charges and Sub-Manager fees. Fees for other services, such as wire transfer fees, document copying fees, account research fees and other services will be charged at Stephens’ standard rates in addition to the “wrap fee”.

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## **B. Client-Directed Strategy (“CD”)**

The Client Directed Strategy is customized for the client by using one or more of the following portfolio components: (a) mutual funds purchased on a “no load” or a “load waived” basis, (b) sub-accounts (“Sub-Accounts”) managed by registered investment advisers (“Sub-Managers”) included on FundQuest’s list of available Sub-Managers and (c) combinations of mutual funds and separately managed Sub-Accounts (“Hybrids”) which are recommended by Stephens Inc. and/or its Financial Consultants and selected by the Client. Sub-Managers not currently available through FundQuest may be added, at FundQuest’s sole discretion.

Stephens Inc.’s Financial Consultants will act as brokers, without investment discretion, on the CD Program Accounts, subject to the limitations described in the Client Profile. FundQuest develops an Investment Strategy Report based upon the Client Profile. Stephens Inc.’s Financial Consultants utilize the Client Profile, Investment Strategy Report and other resources to recommend Sub-Managers and/or mutual fund investments for each Account and at the client’s request will establish mutual fund investments and/or Sub-Accounts with designated Sub-Managers that will have discretionary authority to manage the Sub-Accounts.

Stephens Inc. provides all required broker/dealer compliance functions for the CD Strategy. Each Sub-Account Manager will be responsible for complying with all legal and regulatory requirements applicable to its activities as discretionary manager of funds in Sub-Accounts they manage.

FundQuest acts on a non-discretionary basis only for CD Program Accounts. If FundQuest removes a Sub-Manager from the list of Sub-Managers available through FundQuest, Stephens Inc. will recommend that the client transfer management of any assets previously managed by the removed manager to a new Sub-Manager or Sub-Managers, selected by Client and included on the list of Sub-Managers available through FundQuest. FundQuest is responsible to review all investment activities of the Sub-Managers in management of assets and provide regular reports on the status and performance of the Sub-Managers.

Stephens Inc. upon the instructions of the client and/or the designated Sub-Manager(s) will execute all transactions. Best execution is sought for all transactions. The CD Strategy is part of a “wrap fee program” in which the client will pay a single fee for investment management and related services such as, executions, custody and clearing charges and Sub-Manager fees. Fees for other services, such as wire transfer fees, document copying fees, account research fees and other services will be charged at Stephens’ standard rates in addition to the “wrap fee”.

## **SERVICES**

With respect to both PIM accounts and CD accounts in the SAM Program, the assigned Financial Consultant at Stephens Inc. is responsible for reviewing performance of the accounts with the client periodically, subject to supervision by the Stephens Asset Maximizer Investment Committee. The day-to-day investment decisions and security selections for the Sub-Accounts are made by the Sub-Manager of the account selected by the client. Transactions in mutual funds in the account will be directed by FundQuest in PIM accounts and by the client in CD accounts. The goal of Stephens Asset Maximizer Program is to assist clients by attempting to

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bring together specialty money managers capable of creating a customized investment strategy and portfolio to earn professionally managed returns on investments in equity and fixed income securities for the client consistent with the client's risk profile and investment objectives.

Other Services provided under the SAM Program include: investment management, custody of securities, securities brokerage and execution services, client risk profiles, assistance in defining client goals, asset allocation modeling, assistance in selecting Sub-Managers, quarterly performance reports, investment Sub-Manager reviews, accounting support and automated billing. You have access to participating separate account Sub-Managers, in some cases at reduced fees and minimum investment sizes, through the SAM program as compared with those available to the public directly from such investment managers. Under the SAM Program, we can structure diversified investment portfolios using separate investment managers to make direct investments for the client's account, as well as mutual fund investments. We will provide periodic reports of your account and your risk profile and investment goals.

Mutual Funds may also be used in the portfolio allocation process. Past performance is no guarantee of future results.

**Custodial Services.** Stephens will also provide custodial account services. Custodial services provided by Stephens include automated mutual fund trading and custody of securities in your account, periodic statements, certain tax reporting, delivery of mutual fund prospectuses and proxy materials and other similar services. Your account will be subject to the terms and conditions described in the Investment Advisory Agreement, Stephens' standard account agreement and any separate agreement or agreements executed in connection with the account. If any of the assets on the account are held in custody by any person, firm or entity other than Stephens, the custodial fees of such other custodian will be charged to the account and will be in addition to the wrap fee for the account.

**Collection of Fees.** Stephens is authorized to deduct from your account each quarter in advance the amount of the total quarterly wrap fee as described in the Investment Advisory Agreement, and the other fees, if any, applicable to your account for such calendar quarter. Stephens will issue quarterly reports to you reflecting the transactions in your account and the performance of the investments. It is contemplated that such performance reports will be prepared by FundQuest.

**Sub-Manager Arrangements.** To effect the SAM Program, Stephens Inc. has entered into a contractual arrangement with FundQuest. FundQuest agrees to prepare asset allocation recommendations, to make recommendations regarding mutual fund investments and Sub-Managers for client accounts, to prepare quarterly performance reports, to provide access to investment Sub-Managers through separate agreements whereby such investment Sub-Managers have provided FundQuest with the authority to accept accounts on behalf of the investment Sub-Managers and to provide other services in connection with these accounts, so long as a servicing agreement between FundQuest and Stephens Inc. is in effect. Each investment Sub-Manager assigned to manage a portion of a client's account has the responsibility for making discretionary investment management decisions for the portion of the account that is managed by such

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investment Sub-Manager, subject to specific instructions or restrictions placed on management of the account by the client. Each client authorizes Stephens Inc. to disclose the client's account information to FundQuest and to any Sub-Manager, to assist Sub-Manager with proper management of the account.

### **Trading Authorization**

In connection with the SAM Program, Stephens Inc. shall not have discretionary authority to buy or sell securities for the client accounts (except to the extent Stephens is designated as an investment Sub-Manager for the client's account under the Program), but Stephens shall execute trades pursuant to instructions of the investment Sub-Managers of the account. Each Client will designate FundQuest or one or more investment Sub-Managers participating in the SAM Program to manage portions of the account (collectively hereafter "Portfolio Investments"). Each investment Sub-Manager shall have discretionary authority, subject to the client's instructions or investment guidelines, to buy, sell and trade securities in the portion of each account managed by such investment Sub-Manager, including but not limited to authority to reinvest dividends and other income distributions on a similar basis. Each client may from time to time request a modification of the portfolio allocation, change the investment Sub-Managers or withdraw assets from the SAM Program, subject to applicable account size minimums established by FundQuest, Stephens Inc. and Sub-Managers from time to time and subject to limitations adopted by FundQuest, Stephens Inc. and Sub-Managers on the frequency of such changes.

FundQuest and any Sub-Managers on your account may receive duplicate periodic statements to assist in transaction, analysis, reporting and other account servicing responsibilities.

Except with respect to the payment of the fees or for correction of errors, Stephens Inc. is not authorized to withdraw or transfer any money, securities, or property out of a client's account, without authorization from the client.

Client acknowledges and understands that brokerage or securities transaction execution services provided by any person or entity other than Stephens Inc. is separate from and in addition to the wrap fee for the account. Additionally, regular service charges shall apply to Client's account for brokerage services other than securities execution services provided by Stephens Inc.

Stephens Inc. and its affiliates may perform advisory and/or brokerage services including investment reporting for various clients, and Stephens may give advice or take actions for other clients that differ from the advice given or the timing or the nature of any action taken for your account. In addition, Stephens Inc. may, but is not obligated to, purchase or sell or recommend for purchase or sale any security which Stephens or any of its affiliates may purchase or sell for their own accounts or the account of any other client. Cash awaiting investment or reinvestment may be invested in a money market account offered by Stephens Inc., pursuant to an automatic cash sweep program.

Stephens will not charge commissions on securities transactions that are executed through Stephens for these accounts. Your account would be responsible to pay any commission

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charges imposed by any other brokerage firm on any securities transactions executed through any other brokerage firm, and such charges would be in addition to the wrap fee and any other applicable charges incurred by your account. By executing trades through Stephens, your account might forego benefits, such as participation in block trades or negotiated transactions that might be available through other brokerage firms.

### **Types of Clients**

The SAM Program is available to individuals, banks, foundations, pension and profit sharing plans, trusts, IRAs, endowments, corporations, partnerships and other entities interested in investing in separately managed accounts.

### **Selection of Portfolio Managers**

When client assets come into the SAM Program, the following procedures are used to choose the mix of managers to place in a portfolio. The client completes a Client Profile form. The information provided in the Client Profile will be used by FundQuest to develop a recommended asset allocation and recommended mutual funds and/or Sub-Managers in or with which to invest. For PIM Accounts, the client's assets will be invested in accordance with FundQuest's recommendations. For CD Accounts, the client will select investments following discussion with Stephens' Financial Consultant about the Investment Strategy Report, the recommended asset allocation and potential Sub-Managers and/or mutual funds with which to implement the proposed asset allocation plan. In recommending an asset allocation plan, historical returns of a hypothetical portfolio using the proposed asset allocation are analyzed. Both historical risk scores and historical returns of various participating managers are also compared against passive index scores. When the client approves a proposed asset allocation plan, the client's account may be established and assets placed with the agreed Sub-Manager(s) and/or mutual fund(s) to operate the plan.

The replacement of Sub-Managers in a client portfolio may be recommended under the following circumstances:

- Change of client's investment situation or goals;
- Sub-Manager philosophy changes;
- Sub-Manager exposes client's account to investment style change;
- Sub-Manager firm undergoes ownership change or major personnel change;
- Sub-Manager performance lags peer group benchmarks;
- Stephens Inc., in consultation with client, determines to effect a change; or
- Sub-Manager holds an unnecessarily large cash position.

### **FEE SCHEDULES**

Fees for the Programs will be billed to the Client and collected by Stephens Inc. from the Client's Account(s) quarterly in advance at the rates set forth in the Client's Investment Advisory Agreement, based on the value of the assets in your Account(s). Accounts that begin or terminate for any reason within a calendar quarter will be charged on a pro rata basis.



Stephens Inc. and FundQuest may in their sole discretion pay all or a portion of the above stated fees to other parties involved in providing service with respect to Client Account(s) and as permitted by law. No party shall be compensated based on a share of capital gains upon or capital appreciation of funds or any portion of funds or other investments in the Account. In addition to the “wrap fee” the client may also incur certain charges imposed by other third-parties in connection with investments made through the Account, including among others the following types of charges: mutual fund 12b-1 fees, mutual fund management fees and administrative servicing fees, fees charged by Sub- Managers, deferred sales charges on previously purchased mutual funds, clearing, custody and other transaction charges and service fees, and IRA and Qualified Retirement Plan fees. Other parties may receive a portion of these third-party fees. Further information regarding charges and fees assessed by a mutual fund or other securities sponsor or Sub-Manager is available in the appropriate prospectus or disclosure statement.

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.

### **Fees**

The fee schedules set forth below will be in effect for the Accounts, unless otherwise agreed to by all parties. Fees are calculated and billed quarterly in advance based on the average daily asset value of the Account during the preceding quarter and are debited from the Account at the beginning of each quarter.

The initial fee will be based upon the amount of assets with which the Client establishes the Account.

### **Annual Account Fee**

	<b>Equity &amp; Balanced</b>	<b>Fixed Income</b>	<b>Mutual Funds</b>
<b>First \$500,000</b>	<b>2.75%</b>	<b>1.25%</b>	<b>1.75%</b>
<b>Next \$500,000</b>	<b>2.25%</b>	<b>1.00%</b>	<b>1.50%</b>
<b>Next \$2,000,000</b>	<b>1.75%</b>	<b>.85%</b>	<b>1.10%</b>
<b>Next \$4,000,000</b>	<b>1.50%</b>	<b>.75%</b>	<b>0.85%</b>

A minimum Fee may be assessed per account. Any number of Accounts for the benefit of one Client and immediate family members may be linked together to meet a Fee breakpoint, all as based on Client directives.

- **Equity and Balanced** –a minimum annual fee of \$2,750 applies to all equity accounts and all balanced accounts.

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- **Fixed Income** – a minimum annual fee of \$1,250 applies to all fixed income accounts.

**Brokerage/Clearing/Custody Charges:**

All charges for executions of securities transaction, clearing and custody provided by Stephens Inc. are included in the “wrap fee.” Charges for services provided by other firms or entities are not included in the wrap fee and will be paid separately by the client out of the account. Stephens’ fees for other services, such as wire transfer fees, document copying fees, research fees and fees for other services will be charged to the account at Stephens’ standard rates for such services.

**Sub- Manager Fees:**

Sub-Manager investment management fees are included in my Account fees. Sub-Manager fees typically range from 0.25% to 1.00% annually depending on the asset class, asset style managed, size of account, etc

SAM fees apply to standard accounts and include investment management, brokerage execution services, 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. Stephens Inc. deducts the quarterly fee from the client’s accounts.

A fee will be charged at the opening of the account (“effective date”) and based on the market value of cash and securities being provided to establish the account *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 to be managed.

Fees will be charged at the beginning of each subsequent calendar quarter based on the amount obtained by computing the adjusted average daily market value of cash and securities in the portfolio during the preceding calendar quarter and multiplying the resultant market value by one-fourth of the applicable annual fee rate(s).

Information about the client is communicated to FundQuest and to the Sub-Managers on the initial opening of the advisory account and from time to time thereafter. A Stephens account application and agreement must be completed by each client and maintained by Stephens. The Stephens account application contains account name and address, investment objectives and specific financial information. Client information may be updated from time to time upon notification from the client of any material changes and noted within the customer file.

**Miscellaneous:**

Stephens Inc. and/or its affiliates may have an opportunity to benefit from markups, markdowns or volume discounts on mutual funds or other securities purchased for the Accounts. Stephens Inc. or their employees may themselves own securities of the kind recommended for the Account. From time to time for the purpose of seeking to achieve a better price or lower execution cost transactions in your Account may be combined with other transactions, or portions of larger purchase or sale orders that may be allocated to your Accounts.

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## **CLIENT ADVISORY AGREEMENT**

Entering into an advisory relationship for the SAM Program, involves the execution by Client of an Investment Advisory Agreement (“Agreement”). Any party to the Agreement, upon written notice to the other parties, may terminate the Agreement. If the account is to be liquidated as the result of a termination notice, it is understood that Stephens may take up to five (5) trading days to effect such liquidation following the date the liquidation request was received by Stephens. Proceeds will be payable to client within ten (10) business days of termination.

Termination of the Agreement will not affect the liabilities or obligations of the parties arising from transactions initiated prior to termination. At the time of entering into such Agreement, the client will be afforded a right to terminate the Agreement without penalty within five (5) business days after the entering into the Agreement. Each client agrees to pay Stephens’ reasonable costs and expenses of collection, including attorney fees, for any unpaid balances under the contract.

## **CONDITIONS FOR MANAGEMENT**

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

## **OTHER STEPHENS WRAP 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”), Real Return Strategy (“RRS”) and the Stephens Capital Management Asset Allocation & Advisory Services (“AAA”) 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.

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 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.

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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 Asset Maximizer Program are overseen and reviewed by the Stephens Asset Maximizer 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 SAM 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 SAM 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

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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”).

- (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: 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”), Uniform Securities Agent State Law Examination (“Series 63”), and the Uniform Investment Adviser Law Examination (“Series 65”).

### **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 SAM Program on an annual basis. The review will include items such as; portfolio performance highlights, monitoring asset allocation, portfolio performance review, analysis of risk/return, individual manager review, and portfolio holdings. 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.

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Saul Rousseau oversees the daily operation of the Stephens Asset Maximizer Program. He is responsible for serving as liaison between Stephens Financial Consultants and FundQuest. He also coordinates account set up and client profiles review and account implementation.

The Stephens Asset Maximizer Investment Committee responsibilities are to review client accounts and coordinate with Stephens' Financial Consultants regarding adherence to the client's investment policy with regard to asset allocation and performance. The committee relies on internal reports from the Financial Consultants and FundQuest in its overall review process.

### **Performance Calculations**

Stephens Inc. relies upon performance information provided by FundQuest, which obtains information from the portfolio managers included in the SAM Program to determine if a manager will fit into a client account. Stephens does not regularly 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 Sub-Managers with the performance of selected market indices and peer group averages to evaluate the performance of Sub-Managers or prospective Sub-Managers over time.

### **Client Meetings**

Stephens Inc. Financial Consultants ("Financial Consultants") will offer to meet periodically with SAM Program clients. Clients are encouraged to contact Stephens Inc., at any time if they have questions or would like to have additional meetings.

If you have experienced any changes regarding your financial profile, investment objective or risk tolerance, please contact your Financial Consultant to see if any adjustments are necessary to your investment strategy.

### **Reports**

Clients whose accounts are held in custody with Stephens Inc. will receive brokerage statements, i.e., confirmations and monthly statements, in the regular course of business, unless otherwise instructed. 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, as of the close of the last business day of each quarter.

### **ADDITIONAL COMPENSATION TO STEPHENS INC.**

There are certain instances, including those outlined below when Stephens may receive income from third parties as a result of managing SAM accounts in addition to the actual fees, which SAM clients pay.

### **Money Market Options**

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.

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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 sale 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, SAM has no discretion to select where cash reserves will be held. The client and/or custodian will make the selection.

### **Mutual Funds**

Under the SAM Program, Clients may invest 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 existence of such applicable fees is more fully described in the fund prospectus mailed to each client on initial investment.

Mutual Funds available through the program are limited to fund families with which Stephens has a selling agreement and which may be purchased on a no-load or load waived basis, which would exclude most proprietary funds of competing Brokers Dealers and certain other funds.

### **Additional Fees**

SAM Program fees are based on the assumption that client assets will be invested directly in securities through a Sub-Manager included in the FundQuest Program or in mutual funds included in the FundQuest Program. The client may experience additional fees if other mutual funds, managers or investment strategies are employed or if a portion of the portfolio is invested in other alternative asset classes (e.g. commodities, venture capital, real estate, hedge funds). It is common for alternative asset class managers to use an incentive fee structure in calculating their management fees which could result in higher fees. In any event, Stephens Inc. will comply with Rule 205-3 of the Investment Advisers Act of 1940.

## **ADDITIONAL INFORMATION**

### **Overall Cost**

The SAM 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 you're various other investment structures and programs which are available in considering whether to establish or maintain 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

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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.

### **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
  - Proxies and other consents with respect to any securities held in any Sub-Account of the SAM Program Account are voted or exercised by the Sub-Account Manager unless specifically excepted by the client or by law.
- b. Proxy Voting Guidelines
  - Who is responsible for Voting Proxies?  
Sub-Account 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.



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### **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 SAM 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.
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 SAM accounts might engage. Stephens intends to abide by such ERISA restrictions and to deal in and with any ERISA account in the SAM 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 Sub-Manager 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.

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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 SAM 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 transactions 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 at 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

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- 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) 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.

### **Who To Contact**

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 (501) 377- 2000. Clients often receive this information by electronic delivery.

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**For SEC Reference Purpose Only**

**Cross References**

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