

***STEPHENS INC.***

***111 Center Street***

***Little Rock, AR. 72201***

***(501) 377-2000***

**Informational Brochure regarding**

## **StephensChoice**

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

**Form ADV - Schedule H**

<b>Table of Contents</b>	<b>Page</b>
<b>Overall Program/Introduction</b>	
Description of Stephens	1
<b>SC Mutual Funds Strategy</b>	
Description of StephensChoice Program	1
For Trustee Directed Accounts	2
For Participant Directed Accounts	2
<b>Services</b>	
Services	2
Custodial Services	3
Liaison Services	3
Educational Services	3
Other Services	4
Trading Authorization	4
Types of Client	5
Selection of Portfolio Manager	5
<b>Fee</b>	
Fees Schedules	6
Annual Account Fee	7
Collection of Fees	8
Brokerage/Clearing/Custody Charges	8
Miscellaneous	8
<b>Plan Service Agreement</b>	8
<b>Conditions for Management</b>	8
<b>Other Stephens Wrap Advisory Programs</b>	9
<b>Investment Committees and Management Process</b>	
Investment Committee	10
Education and Business Standards	10
Education & Business Background for Key SC Personnel	10
Review of Accounts	12
Performance Calculations	12
Client Meetings	12
Reports	13
<b>Additional Compensation to Stephens Inc.</b>	
Money Market Options	13
Mutual Funds	13
Additional Fees	13
<b>Additional Information</b>	
Overall Cost	14
Compensation for Referrals	14
Other Activities	14
Policy and Procedures for Proxy Voting	15
Investment Advisory Code of Ethics	16
ERISA Accounts	16
Best Execution	16
Principal Transactions	17
Other Potential Conflicts of Interest	17
Who to Contact	20
<b>Cross Reference</b>	20

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## Schedule H

### Informational Brochure regarding the **StephensChoice Program**

Stephens Inc. (“Stephens”) is a full service broker/dealer and investment bank. It is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (“FINRA”), the New York Stock Exchange, Inc. (NYSE), the NYSE AMEX Equity Firm (“AMEX”), 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 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 is also registered as an investment advisor with the Securities and Exchange Commission. Stephens also provides other investment advisory services, and one or more affiliates of Stephens is also registered with the SEC as an investment advisor, and another affiliate of Stephens is an insurance agency. Stephens is actively engaged in lines of business other than investment advisory services. Stephens provides securities brokerage services, retail brokerage services, institutional sales and trading services, market making services, research services, underwriting services, investment banking services and other related services, in addition to investment advisory services. Investment advisory service is not Stephens’ predominant line of business.

The StephensChoice Program (“SC”) is mutual fund based, investment platform offered by Stephens to assist 401(k) plans and other retirement plans or deferred compensation plans, programs or arrangements to invest assets based upon the particular investment needs and objectives of the client plans. SC, Stephens and its advisor representatives involved in this program may also provide brokerage and other services to other clients or engage in other functions and duties associated with Stephens’ business in addition to the functions of investment advisor and broker/dealer, to which they may devote as much time as necessary.

### **StephensChoice Program**

The StephensChoice Program (“SC”) is a platform designed by Stephens to assist client’s 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.

#### **MUTUAL FUNDS STRATEGY**

Stephens selects for the SC standard line-up one or more actively managed mutual funds representing each asset class included in the StephensChoice Program and establishes and communicates to clients standard SC model asset allocation portfolios for differing risk and time horizon parameters. Ongoing investment selection, monitoring, fund replacement, periodic rebalancing, investment performance measurement and quarterly reporting is provided by Stephens Inc., throughout the life of the account. Stephens provides the services described above

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to clients under a Plan Services Agreement, and Stephens also provides, if requested by client, brokerage and/or custodial services needed to effect transactions for SC accounts and certain compliance functions relating to the services provided by Stephens.

**For Trustee Directed Accounts:**

Based on individual consultations with the Plan Trustee(s) and the Risk Tolerance Questionnaire, an SC asset allocation model recommendation is developed by Stephens for each trustee directed account, intended to reflect the investment objectives, risk tolerance and investment time horizon communicated to Stephens by the Trustee(s). Following selection of an asset allocation model by the Trustee(s), Stephens will initiate and execute the transactions that are required to invest the client's account in accordance with such asset allocation. Best execution is sought for all transactions.

**For Participant Directed Accounts:**

If requested by the client, Stephens will conduct group enrollment meetings on dates agreed to by the client and Stephens. Stephens will be available to meet with plan participants in connection with initial enrollment to assist participants in identifying the participant's objectives, risk tolerance, and time horizon. Following initial enrollment, Stephens will be available to meet with individual participants on an as needed basis, as well as to provide annual account reviews and rebalancing. Following receipt of participant asset allocation directions via an enrollment form, Stephens will initiate the transactions that are required to invest the participant's account in accordance with the asset allocation selected by participant. Best execution is sought for all transactions.

Stephens, with the approval of the Trustee, may change from time to time the mutual fund or mutual funds representing any asset class in the standard line-up of StephensChoice funds, or add or eliminate asset classes from the SC platform or adjust the standard SC asset allocation models, all consistent with the plan's investment profile as communicated to Stephens.

The SC Program is a "wrap fee program" in which the client pays a single fee for investment advisory services and related services, which may or may not include executions, custody and clearing charges. 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." Mutual fund companies may also impose other fees from time to time. Any fees imposed by any mutual fund company with respect to SC account assets will be charged to the account, whether resulting from redemption or similar fees.

**SERVICES**

Services provided under the SC Program include: providing the SC platform, selecting the asset classes included in the platform, monitoring the mutual funds made available through the platform, recommending additions to or deletions from the line-up of mutual funds made available through the platform, asset allocation modeling, quarterly performance reports and when requested, risk profiling. With respect to SC accounts in the SC Program, the assigned Financial Consultant at Stephens Inc. is responsible for reviewing performance of the accounts with the client periodically. The day-to-day investment decisions and security selections are

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made by the clients or plan participants from among the investment choices made available through the platform. Mutual fund distributions are generally reinvested in the respective fund. When Stephens acts as custodian, mutual funds transactions will be executed by Stephens Inc. in SC accounts based upon the instructions of the clients or plan participants. The goal of the StephensChoice Program is to assist clients by attempting to bring together into a single platform a line-up of mutual funds capable of creating reasonable returns with reduced risk through an investment strategy, consistent with client's investment profile, that utilizes a diversified portfolio in which each asset class represented in the portfolio is managed by professional mutual fund managers.

Other services that may be provided under the SC Program include: assistance in defining client's investment goals, periodic rebalancing, accounting support and automated billing.

Actively managed mutual funds will be the primary investments used in the SC investment portfolios. Past performance is no guarantee of future results.

**Custodial Services:**

Stephens may also provide custodial account services. Alternatively assets may be held through a third part administrator or other custodian. Custodial services provided by Stephens include custody of securities in client's account, periodic statements, certain tax reporting, delivery of mutual fund prospectuses and proxy materials and other similar services. The account will be subject to the terms and conditions described in the Plan Services Agreement, Stephens' standard account agreement and any separate agreement or agreements executed in connection with the account. Custodial fees attributable to assets of the account held in custody by any person, firm or entity other than Stephens, will be charged to the account and will be in addition to the wrap fee for the account.

**Liaison Services:**

If requested by the Plan, Stephens may assist the Plan with liaison services to help the Plan establish an account with a new Plan custodian or to help the Plan transfer assets of the Plan to a new custodian. Stephens may provide liaison services to help the Plan establish accounts with third-party providers of record keeping and administration services to the Plan or liaison services to help with communications relating to the discussion and resolution of administrative issues related to the Plan's operations or to its relationships with the third party providers of record keeping, administration and custodial services to the Plan; and liaison services to help the Plan with the development of education and enrollment packets for Plan participants or prospective Plan participants.

**Educational Services:**

If requested by the Plan, Stephens may assist the Plan with its conducting of individual or group education and enrollment meetings on dates. The educational services may include a discussion of enrollment materials, investment alternatives available under the Plan, potential investment objectives, potential risks associated with different investment approaches, potential effects of portfolio diversification, the potential effects of different investment time horizons and other aspects of Plan participation or investing through the Plan. In addition, if requested by the Plan,

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Stephens may assist the Plan with preparing the investment information required to be provided to participants by the “identified plan fiduciary” under §404(c) of ERISA, as described in DOL Reg. 2550.404(c)-1(b)(2)(i)(B)(I), prior to or coincident with the participant’s enrollment in the Plan, and will assist the Plan with preparing the information described in DOL Reg. 2550.404(c) 1(b)(2)(i)(B)(2).

**Other Services:**

For accounts that are held away from Stephens its is contemplated that third party providers of Plan services (other than Stephens) will provide plan design, actuarial, record keeping, administration, brokerage, clearance, settlement and custodial services to the Plan, and that none of such services will be provided by Stephens, unless Stephens and the Plan enter into a separate subsequent written agreement describing such services and setting forth the terms and conditions on which such services would be provided. Stephens and the Plan contemplate that dividends and distributions (other than liquidating distributions) received on investments held through the Plan will generally be reinvested into the investment that paid the dividend or distribution and that Plan portfolios designed to pursue an asset allocation model will be rebalanced from time to time to promote adherence to the selected model.

**Trading Authorization:**

In connection with the SC Program, when acting as custodian, Stephens Inc. shall buy or sell securities for the client’s account in accordance with the directions of the client. If Stephens is not acting as custodian, the Trustee or the participant will direct the custodian to buy or sell securities for the client’s account. If authorized by the client for its SC assets, Stephens will have authority to reinvest dividends and other income distributions on behalf of SC accounts and to rebalance client portfolios on a periodic basis. Each client may from time to time request a modification of the asset allocation or withdraw assets from the SC Program, subject to applicable account size minimums established by Stephens Inc. from time to time and subject to limitations adopted by Stephens Inc. on the frequency of such changes.

Except with respect to the payment of applicable fees or other obligations owed to Stephens, 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 plan.

The client acknowledges and understands that brokerage or securities transaction execution services provided by any person or entity other than Stephens Inc. are separate from and in addition to the wrap fee for the account and the cost of such services will be the sole responsibility of the plan. Additionally, regular service charges shall apply to each client’s account for account administration services other than investment management services, securities execution services and securities custody 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 any SC client’s 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

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purchase or sell for their own accounts or the account of any client. Cash awaiting investment or reinvestment may be invested in a money market mutual fund offered through 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.

**Types of Clients:**

The SC Program is available to qualified retirement plans and other deferred compensation plans interested in investing through a mutual fund asset allocation platform.

**Selection of Portfolio Managers:**

The SC selection process is a four step proprietary process for actively managed mutual fund selection.

The SC process begins with Morningstar's database of 14,000+ actively managed funds and screen these funds through a filter of initial criteria that includes objectives such as three year manager tenure, five year inception date, size of fund and three and five year performance numbers. From this screening, the process takes semi-finalists and screens those funds on both a quantitative and qualitative analysis. On a quantitative basis, we then evaluate such factors as annual performance, standard deviation, which measures volatility of returns; R squared, which measures the relationship of returns to the benchmark; alpha, which measures excess returns due to manager's skill. On a qualitative basis, we also evaluate such factors as a deeper understanding of the fund's investment philosophy, an understanding of trading disciplines for buying and selling of securities and knowledge of the configuration of the portfolio management team.

The process continues with a Due Diligence visit to funds considered potential finalists in the selection process and the choosing of a selected fund and an alternate fund per asset class by the StephensChoice Investment Committee.

The relationship with the selected funds is established to provide for a regular flow of communication and materials from such funds. This funds selection process results in many different mutual fund companies being represented on the SC platform, as Stephens attempts to identify a "Best of Breed" mutual fund for each asset class on the platform.

Once chosen, selected actively managed funds are regularly monitored by Stephens. Throughout the quarter the actively managed funds are regularly monitored for performance, news and participation in conference calls. At quarter's end, the StephensChoice Investment Committee meets to compare the line-up on performance to selected investment benchmarks and evaluate other criteria relating to the operation of the funds. If warning signs are observed, a fund may be subjected to a probationary review and comparative analysis.

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Warning signs typically are based upon factors such as style inconsistency, manager changes, performance issues or changes in investment philosophy.

Upon completion of the probationary review, the investment committee will determine whether that fund will remain in the standard SC line-up or be replaced with an alternate fund in that asset class.

Once a client approves the investment line-up, the client's account may be established and assets invested in the SC mutual funds. The client's assets will be invested pursuant to the asset allocation selected by the Trustee, or in the case of a participant directed plan, the asset allocation selected or developed by the participant from the mutual funds made available through the SC platform.

### **FEES**

Fees for the SC Program will be billed to the Plan sponsor or deducted from client's assets and collected by Stephens Inc. from the client's account(s) quarterly in arrears at the rates set forth in the Plan Service Agreement, based on the daily average asset value of the assets in the account(s) for that calendar quarter. If Stephens is not acting as custodian the fee may be based on a different quarterly accounting method. Accounts that begin or terminate for any reason within a calendar quarter will be charged on a pro rata basis.

The services provided under the Plan Service Agreement contemplate that the client will invest client's assets in investment company securities ("Mutual Funds"). Individual Mutual Funds may pay fees to Stephens Inc. as a result of these investments. The existence and amounts of such Mutual Fund fees is more fully described in the fund prospectus for each Mutual Fund in which client assets may be invested. These fees will be passed through to the client and applied to offset the fees payable by the client as described in the Fee Schedule.

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.

### **Fee Schedule:**

The annual fee percentage is based on the projected assets at the end of the year. The fee percent will remain constant through the year unless actual assets significantly increase or decrease and an adjustment is mutually agreed upon by the client and Stephens.

The Percentage fee is applied to the daily average asset value for the calendar quarter and billed or deducted from client assets following the quarter end, unless Stephens is not acting as custodian.

In accounts that Stephens is acting as custodian, any payments received by Stephens Inc. from any mutual fund company based on assets held by client through its SC account will be passed through to the client and applied to offset and reduce the fees payable to Stephens Inc. by the

client as calculated above. An “estimated offset amount” based on the rate of revenues expected to be received from mutual funds will be calculated each quarter, and client’s quarterly fee will be reduced by that amount. In the event that the actual receipts by Stephens are greater than the “estimated offset amount” an additional offset will be made with the first quarter billing after year end. Stephens also reserves the right to reduce the offset amount in the year end quarter if the actual receipts from mutual fund companies are less than the “estimated offset amount”.

In accounts for which Stephens is not acting as custodian, the second fee schedule below that does not include an “estimated off-set” would apply.

### **Annual Account Fee**

#### ***Stephens as Custodian:***

	Assets under Management	% of Assets Gross Fee	Cumulative Assets	Cumulative Gross Fee	**Anticipated Offset Amount	Effective Annual Net Fee
<b>First</b>	\$500,000	1.65%	\$500,000	1.65%	0.25%	1.40%
<b>Next</b>	\$500,000	1.40%	\$1,000,000	1.53%	0.25%	1.28%
<b>Next</b>	\$1,000,000	1.15%	\$2,000,000	1.34%	0.25%	1.09%
<b>Next</b>	\$1,000,000	0.95%	\$3,000,000	1.19%	0.25%	0.94%
<b>Next</b>	\$2,000,000	0.60%	\$5,000,000	0.96%	0.25%	0.71%
<b>Next</b>	\$5,000,000	0.35%	\$10,000,000	0.65%	0.25%	0.40%

Over \$10 Million\*

\*Fees Negotiated on Assets in Excess of \$10,000,000.

\*\*Subject to change.

#### ***Stephens Not as Custodian:***

	Assets under Management	% of Assets Gross Fee	Cumulative Assets	Cumulative Gross Fee
<b>First</b>	\$500,000	1.40%	\$500,000	1.40%
<b>Next</b>	\$500,000	1.15%	\$1,000,000	1.28%
<b>Next</b>	\$1,000,000	0.90%	\$2,000,000	1.09%
<b>Next</b>	\$1,000,000	0.65%	\$3,000,000	0.94%
<b>Next</b>	\$2,000,000	0.35%	\$5,000,000	0.71%
<b>Next</b>	\$5,000,000	0.10%	\$10,000,000	0.40%

Over \$10 Million\*

\*Fees Negotiated on Assets in Excess of \$10,000,000.

A minimum Fee may be assessed per account. Any number of accounts for the benefit of one client may be linked together to meet a fee breakpoint, all as based on client directives.

SC fees apply to standard accounts and may include investment advice, brokerage execution services, custodial services, associated accounting reports and investment performance 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

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of the date of termination. Stephens Inc. deducts the fee from the client's account(s) assets, or bills the fee, quarterly in arrears in accordance with the Plan Services Agreement.

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 trustee of any material changes and noted within the Plan's file.

**Collection of Fees:**

Stephens is authorized to deduct from the account each quarter in arrears the amount of the total quarterly wrap fee as described in the Plan Services Agreement, and the other fees if any, applicable to client accounts for such calendar quarter. Alternatively the Plan Sponsor may choose to be billed and to pay the fees from the Sponsor's assets not included within the Plan.

**Brokerage/Clearing/Custody Charges:**

All charges for executions of securities transactions, 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.

**Miscellaneous:**

Stephens Inc. or its employees may themselves own securities of the kind recommended for the Account.

**PLAN SERVICES AGREEMENT**

Entering into an agreement for the SC Program, involves the execution by client of a Plan Services 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 \$150,000 in assets is required for the establishment of an account under the StephensChoice Program. However, exceptions may be made to this policy.

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

The **Professional Wealth Management (“PWM”)** program is a discretionary investment advisory program offered by Stephens Inc. Clients receive advice from a selected advisory representative of Stephens who assists the client in managing the assets held in the client’s PWM account, with individual attention to the client’s investment needs and objectives.

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 **Stephens Managed Assets Program (“MAP”)** is an asset allocation program sponsored by Stephens Inc. whereby the client selects certain participating investment managers companies (the “Investment Managers”) to direct their investments of Client’s assets. In this program, Stephens acts as the registered investment advisor establishing a separate account for the client. A separate account is a portfolio of individual securities privately managed by an institutional

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money manager (“Sub-Manager”). A separate account may include a mix of equities; fixed income and cash equivalents.

**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**

The StephensChoice Program is overseen and reviewed by the StephensChoice Investment Committee, which is composed of:

Mimi Myer Hurst, CFA – Chairperson  
Edward Frost, CPC  
Steven Lawrence Middleton  
Saul M. Rousseau  
Warren Simpson

### **Education and Business Standards**

As a general rule, Stephens Inc. requires SC 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 SC Personnel**

(1) Mimi Myer Hurst

Date of Birth: 6/14/57

Education: University of Arkansas, Fayetteville, AR.

Graduated: 1979/BA

Chartered Financial Analyst 9/1989

Five-Year Business Background: Stephens Inc., 09/01 – present

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

(2) Edward P. Frost

Date of Birth: 09/06/54

Education: University of Arkansas, Little Rock, AR.

Graduated: 1977/BS

Certified Pension Consultant 10/1983

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

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

(3) Steven Laurence Middleton

Date of Birth: 11/15/60

Education: University of Arkansas, Fayetteville, AR  
Graduated 1984/BS

Five Year Business Background: Stephens Inc. 05/90 – present

Mr. Middleton is an Executive Vice President Managing Director of Stephens Inc. and a committee member of the StephensChoice Investment Committee. Mr. Middleton has the following licensing: General Securities Representative (“Series 7”), Uniform Securities Agent State Law Examination (“Series 63”) and the Uniform Investment Adviser Law Examination (“Series 65”). Mr. Middleton is also licensed through the Arkansas Insurance Department for the sale of life, health and variable products.

(4) 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., 8/1992 - 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 StephensChoice Investment Committee, the Stephens Allocation Strategies Investment Committee and the Stephens Asset Maximizer Investment Committee. Mr. Rousseau is licensed the following: General Securities Representative (“Series 7”), General Securities Sales Supervisor (“Series 8”), Uniform Securities Agent State Law Examination (“Series 63”) and the Uniform Investment Adviser Law Examination (“Series 65”).

(5) Joseph Warren Simpson

Date of Birth: 05/01/57

Education: Southern Methodist Univ., Dallas, TX  
Graduated: 1979/BBA  
University of Arkansas, Fayetteville, AR  
Graduated: 1981/MBA

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

Mr. Simpson is an Executive Vice President of Stephens Inc., Managing Director of SCM, Chairman of the Capital Management and the Equity Management Committees of SCM, and a member of the StephensChoice Investment Committee. Mr. Simpson is also a Portfolio Manager

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of SCM. Mr. Simpson has the following licensing: General Securities Representative (“Series 7”), General Securities Principal (“Series 24”), Uniform Securities Agent State Law Examination (“Series 63”) and the Uniform Investment Adviser Law Examination (“Series 65”).

### **Review of Accounts:**

Client account review reports are prepared and provided to trustees on a quarterly basis and account reviews are conducted for clients in the SC Program on an annual basis. The review will include items such as; portfolio performance asset allocation, analysis of risk/return, individual manager review, and portfolio holdings. Reviews are to provide clients with an assessment of their overall account performance in light of stated objectives and strategies implemented.

Mr. Frost has the daily responsibilities for oversight of the StephensChoice Program operation. He is responsible for serving as liaison between Stephens Financial Consultants and the plans. Mr. Frost also coordinates account set up and client profiles reviews and account implementation.

The StephensChoice Investment Committee responsibilities are to select, monitor and review mutual funds included on the SC platform, establish standard SC model asset allocations, monitor performance of SC mutual funds and asset allocation models and to make changes or adjustments from time to time to the line-up of funds included in the SC Program including adjustments to the standard SC asset allocation models.

### **Performance Calculations:**

Stephens Inc. performance information is calculated by Stephens’ Portfolio Department, which based upon information provided by the funds included in the SC Program. A computerized portfolio system licensed from a third party is utilized to calculate the performance of client accounts and to prepare portfolio performance reports.

Stephens regularly reviews 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 the funds with the performance of selected market indices and peer group averages to assist in evaluating the performance of funds over time.

To determine the value of securities in your account, we generally rely on third party quotation services and on the net asset value of mutual fund shares as reported by the funds or third party 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.

### **Client Meetings:**

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

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If your plan has experienced any changes regarding its 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 will receive brokerage statements, i.e., confirmations and monthly statements, in the regular course of business, unless otherwise instructed. In addition, for trustee-directed accounts, an account summary and fee statement is mailed quarterly to each client. The account summary provides more investment performance information than the monthly statement and is typically prepared as of the close of the last business day of each quarter. For participant-directed accounts, quarterly statements are prepared for each participant by third party administrators selected by the Client.

**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 SC.

**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 money market mutual fund may pay Stephens Inc. a distribution fee. The income to Stephens Inc. if any will be passed through to client and will be applied to offset the fees payable by client under its plan services agreement. Cash balances arising from the sale of 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.

**Mutual Funds:**

Under the SC Program, client's accounts will be invested in mutual funds. Individual mutual funds may pay fees to Stephens Inc. as a result of these investments. Any payments received by Stephens from any mutual fund company based on assets held by client through its SC account will be passed through to client and applied as an offset to reduce the SC fee payable to Stephens Inc. by the Client. 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.

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### **Additional Fees**

SC Program fees are based on the assumption that each client's account assets will be invested in mutual funds included in the SC Program. In any event, Stephens Inc. will comply with Rule 205-3 of the Investment Advisers Act of 1940.

## **ADDITIONAL INFORMATION**

### **Overall Cost**

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

### **Compensation for Referrals:**

Stephens, 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 may receive compensation as a result of such clients' engaging Stephens. The amount of compensation may be more than what the referring party would receive if the plan 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 SC 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 advisors registered with the SEC. H&W and SIMG provide investment advisory services for corporate, pension, public, endowment, foundation, mutual fund and other clients. H&W advises its own family of mutual funds. SIMG serves as investment adviser to one or more mutual funds. Stephens may act as a selected dealer, agent or as broker/dealer with respect to portfolio transactions (including

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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 on securities that are owned in an account and held in custody for the account by Stephens and to 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.

If the Client chooses to have their securities custodied away from Stephens it will be the responsibility of the client to vote or to arrange for the voting of their proxies.

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**

- Proxy materials are received on behalf of clients in Stephens' Reorganization Department ("Reorg. Department");
- Copies of the Voting Form and the Annual Proxy are sent to respective investment advisory area for review;
- Stephens will vote the proxy through the Reorg Department in accordance with applicable voting guidelines, either by electronically voting or by mailing the proxy in a timely and appropriate manner.
- Unless the responsible advisor or advisory committee loses confidence in management of the issuer or the client directs the vote, Stephens will vote the shares as recommended by the Board of Directors of the issuer.

**b. Proxy Voting Guidelines**

- Who is responsible for Voting Proxies?  
SCM: StephensChoice Investment Committee

**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

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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 SC. 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 transaction in a 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 SC accounts might engage. Stephens intends to abide by such ERISA restrictions and to deal in and with any ERISA account in the SC Program in accordance with policies and practices designed to achieve compliance with all applicable ERISA laws and regulations. Fees received by Stephens from mutual fund companies as a result of investments made in such mutual fund companies through the SC Program on behalf of ERISA accounts will be passed through to such accounts and applied to offset the client’s service fees for such accounts.

### **Best Execution:**

Clients are advised that they have the option to seek execution of transactions recommended by the Financial Consultant through broker/dealers other than Stephens. However, on transactions executed through Stephens, Stephens will not charge a commission to the SC clients, except

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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 plan’s total cost or proceeds in each transaction is the most favorable under the circumstances.

**Principal Transactions:**

Stephens, 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 acts as a market-maker will only be effected for SC clients if Stephens matches or betters the highest bid/lowest ask prices as reflected on NASDAQ, if applicable, and the client’s prior consent to such transaction has been obtained. No mark-downs or mark-ups from the highest bid/lowest ask price will be charged. Stephens, acting as a market-maker, has the potential for profit or loss on securities it sells to or buys from a customer as principal depending on the price 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. Any payments received by Stephens from any mutual fund company based on assets held by client in an SC account will be passed through to the client and applied as an offset to reduce the SC fee payable to Stephens Inc. by the client.

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- (b) Client account assets may be used to purchase or sell or otherwise deal with securities or other instruments for which (i) Stephens, (ii) an affiliate or employee of Stephens, (iii) an entity in which Stephens or an affiliate has a direct or indirect interest, or (iv) another member of a syndicate or other intermediary (where an entity referred to in (i), (ii), or (iii), above is or was a member of the syndicate), has acted, now acts, or in the future may act as an underwriter, syndicate member, market maker, dealer, broker, principal, agent, research analyst or in any other similar capacity, whether the purchase, sale or dealing occurs during the life of the syndicate or after the close of the syndicate.
  - (c) Stephens or any other broker-dealer that is or may become an affiliate of Stephens (the “affiliated brokers”), is expected to act as broker or dealer to execute transactions on behalf of client’s SC 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 SC 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 StephensChoice fee for the SC client’s account.
  - (f) Accounts of other divisions of Stephens and accounts 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 account of an SC client or about which Stephens may give or may have given advice to an SC client. The client’s SC 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.

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- (h) Other divisions and other advisory representatives of Stephens perform investment advisory services for accounts other than this SC account and such other divisions or other advisory representatives of Stephens may give advice or take action with respect to other accounts that may be similar to or different from the advice given or action taken for this SC 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 accounts, including the SC accounts, 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 account, or in which such other divisions or advisory representatives, or their respective principals, employees, affiliates or their family members, may engage in transactions.
- (i) Stephens may determine in particular circumstances that, while it would be both desirable and suitable that a particular security or other investment be purchased or sold for the account of more than one of Stephens' 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 accounts (including that the opportunity to purchase or sell that security or other investment will be proportionally allocated among those accounts according to any particular or predetermined standards or criteria) or to undertake to make investment opportunities offered or provided to accounts of other divisions of Stephens or to accounts of other representatives of Stephens available to Stephens or to SC accounts assigned to the representative handling client's SC account, including the client to whom this disclosure statement has been delivered.
- (j) Stephens may aggregate purchase or sale orders in a particular security for Plan's account with orders for other Client's 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 SC account in an aggregated order, Stephens may average the various execution prices and charge or credit client's SC account with the average price.
- (k) 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

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on such terms as may be agreed between Stephens (or its affiliate) and Client (or its related organization).

**Who to Contact**

We are pleased you are considering Stephens Inc. to provide services for your retirement or deferred compensation program. 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					
	<i>Page(s)</i>		<i>Page(s)</i>		<i>Page(s)</i>
Item 7(a)	cover	Item 7(f)	12, 13	Item 7(j)	11
#7(b)	ii	#7(g)	4	#7(k)	1, 2,3,4,5,6,7,8,9,10
#7(c)	5,6,7	#7(h)	10,11		11,12,13,14,15,16,17,18
#7(d)	12	#7(i)	4	#7(l)	1,13,14,15,16,17,18
#7(e)	13			7(m)	4,5