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**Stephens Capital Management**  
**Non-Discretionary Program**

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Website: [www.stephens.com](http://www.stephens.com).

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Uniform Application for Investment Advisor Registration

This wrap fee program brochure provides information about the qualifications and business practices of Stephens Inc. If you have any questions about this brochure or its content, please contact us at [877-891-0095](tel:877-891-0095) or [www.stephens.com](http://www.stephens.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Stephens Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Stephens Inc is a registered investment adviser with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

## **Item 2 Material Changes**

There are no material changes.

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## Item 4 Services, Fees and Compensation

Stephens Inc. ("Stephens") is an Arkansas corporation which was registered with the Securities and Exchange Commission ("SEC") as a broker dealer in September 1946 and began providing investment advisory services in September 1980. Stephens registered as an investment advisor with the SEC on September 19, 1980.

Stephens is a full service broker/dealer and investment bank. It is registered with the SEC as a broker/dealer 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 SEC; however, Stephens derives greater revenues from its broker/dealer and investment banking activities than it derives from its investment advisor activities. Stephens Capital Management ("SCM") is a division of Stephens Inc. Affiliates of Stephens are also separately engaged in financial services businesses, including merchant banking, insurance agency and investment advisory businesses.

### **Stephens Capital Management** **Non-Discretionary Program**

In the Stephens Capital Management Non-Discretionary Program ("SND"), seasoned professional registered personnel of SCM ("Investment Advisor Representatives") advise clients regarding their management of client assets on a non-discretionary basis, utilizing both equity and fixed income strategies and, in some cases, alternative investment classes. The goal of SND is to assist clients with the management of their investment assets consistent with the client's investment objectives and investment strategies, subject to market conditions. SND seeks to assist clients with fully invest cash balances at all times, investing assets otherwise un-invested in money market funds. From time to time investments may include mutual funds.

Investment Advisor Representatives are responsible for providing non-discretionary investment advice, subject to oversight and review by the SCM Supervisory Principals. The SND seeks to assist clients with keeping client assets fully invested at all times, investing assets otherwise un-invested in money market mutual funds. In many accounts, investments include mutual funds or other pooled investment products.

The client may pursue its own investment objectives, which may include (but are not limited to):

**Equity:** Clients pursuing an Equity investment objective will typically invest in a diversified portfolio of stocks that may include large, medium and small capitalization stocks generally through investments in pooled equity investment products such as

mutual funds or exchange traded funds. This strategy seeks to be invested in equity securities at all times. Cash balances may exist pending initial investment or may arise from the sale of securities and/or dividend or distribution payments pending reinvestments.

**Fixed Income:** Clients pursuing a Fixed Income strategy will typically invest in a diversified portfolio of fixed-income securities, which may include municipal bonds, government bonds, corporate bonds or pooled investment products that are invested primarily in fixed-income securities or a combination of different types of fixed income investments. Alternatively, clients pursuing a Fixed Income strategy may invest in a portfolio comprised of investment grade bonds, primarily U.S. Treasury securities.

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

In many accounts investments in any of the strategies could include mutual funds, exchange traded funds or other pooled investments.

**Fees:** For the Advisory Accounts in which Stephens is acting as Investment Adviser for the Client, the Client shall pay a “wrap fee” at the following annual rate based upon a percentage of the assets in the Advisory Accounts. This fee includes Stephens Inc.’s advisory fee, execution, custodial and related services.

#### **Annual Account Fee**

120 basis points (1.20%)

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

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

applicable annual fee rate(s) indicated above, pro-rated for the percentage of the current calendar quarter during which the portfolio is under management.

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

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

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

The portion of the total fee that is paid to the portfolio manager is 30% to 50%.

#### **Investment Management Agreement**

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

#### **Other types of Fees and Expenses Clients May Pay**

The wrap fee covers custody services and securities execution services provided by Stephens for the account. Clients may engage an independent custodian. The fees of any custodian other than Stephens are not covered by the wrap fee and are the separate responsibility of the client. Clients may direct trading through another broker or other execution venue, and, in such a situation, the client will be responsible for all costs and commissions incurred in connection with such directed trading. Fees for other services,

such as wire transfer fees, document copying fees, account research fees and other services will be charged at Stephens's standard rates in addition to the wrap fee.

For any mutual fund investment Stephens' clients invest in, fees are also charged by the mutual fund, as more fully described in the mutual fund's prospectus. Individual mutual funds also pay fees to Stephens as a result of these investments. These fees received by Stephens would be in addition to the fees received by Stephens from clients. The existence of such applicable fees is disclosed in the client agreement and such fees are more fully described in the fund prospectuses mailed to each client on initial investment. Past performance is no guarantee of future results.

Clients that invest in mutual funds advised by Hotchkis & Wiley Capital Management LLC ("H&W") or advised/sub-advised by Stephens Investment Management Group LLC ("SIMG") would bear a proportionate share of the fees and expenses of those funds including the management fees, sub-advisory fees or other fees paid to H&W or SIMG. These fees and expenses include commissions or fees, if any, paid to Stephens in connection with portfolio transactions. Please refer to each mutual fund's prospectus for a full discussion of the fees and expenses of each mutual fund.

In the SND program, assets not otherwise invested would typically be invested in money market mutual funds, or comparable investments, in which to hold cash reserves. The selections are limited to investments authorized by Stephens in its capacity as custodian, if Stephens is serving as custodian of the account. Money market mutual funds often pay Stephens a distribution fee on assets invested in the fund through Stephens. The income to Stephens is in addition to the fees that are received from these accounts. In most accounts, cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients not otherwise invested are automatically invested on a daily basis in a money market mutual fund designated by client.

Funds placed in a client's account by personal check usually will be invested in a money market mutual fund within two business days after deposited with Stephens. Due to the foregoing practices, Stephens may earn interest on such funds prior to the date that deposits are credited to client accounts and thus may realize some economic benefit because of the timing of the investment of these funds.

If an unaffiliated third party acts as custodian of account assets, typically the custodian and the client, and not Stephens, would determine where cash reserves will be held.

### **Collection of Fees**

Stephens is authorized to deduct from your account each quarter the amount of the total quarterly wrap fee as described in the Investment Management 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. Fees for other services, such as wire transfer fees, document copying

fees, account research fees and other services will be charged when incurred at Stephens's standard rates in addition to the wrap fee.

### **Custodial Services**

Stephens will also provide custodial account services. Custodial services provided by Stephens include custody of securities in your account, periodic statements, certain tax reporting and other similar services. Your account will be subject to the terms and conditions described in the Investment Management Agreement, Stephens' standard account agreement and any separate agreement or agreements executed in connection with the account. If any of the assets in 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.

### **ERISA**

Fees charged to accounts of ERISA-covered plans will comply with the limitations made applicable under ERISA.

### **ERISA Section 408(b)(2) Disclosures**

You may be, or may be acting on behalf of, a pension plan governed by the Employee Retirement Income Security Act of 1974, as amended (ERISA). ERISA section 408(b)(2), requires most parties that provide services to employee benefit plans to disclose certain information to a responsible plan fiduciary. Generally, the service provider must disclose the services that it provides to the plan and the compensation that it expects to receive in connection with the services.

Stephens Inc.'s disclosures are available at the following web address:  
[www.stephens.com/ERISA408b2](http://www.stephens.com/ERISA408b2)

**If you are the responsible plan fiduciary, please view the disclosures on this website. If you are not the responsible fiduciary, please forward this information to the responsible fiduciary of the plan.**

**Please review this website periodically for any required updates.**

### **Principal Transactions**

Pursuant to SEC Rule 206(3), 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.

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



Investment advisory clients are advised that they have the option to seek execution of transactions recommended by the FC through broker/dealers other than Stephens. However, on transactions executed through Stephens, Stephens will not charge a commission to the client, except when an underwriting issue in which Stephens participates is purchased for an account; in this case, the sales concession and underwriting fees are built into the offering price.

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.

Transactions in securities in which Stephens acts as a market-maker or otherwise as a principal will only be effected for clients subject to the client’s written consent to such transaction indicating the quantity and dollar amount of the securities being purchased or sold. If Stephens is acting as a market-maker or otherwise as a principal, Stephens has the potential for profit or loss on securities it sells to or buys from a customer.

#### **Is a Wrap Fee Arrangement for you?**

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

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.

### **Item 5 Account Requirements and Types of Clients**

#### **Conditions for Management**

Generally, a minimum of \$100,000 in assets is required for the establishment of investment advisory accounts under the SND. However, exceptions may be made to this policy. Stephens or the client can terminate SND agreements at any time following

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advance written notice. Only those clients we deem in our discretion suitable will be accepted into this program.

We provide investment advisory services to individuals, pension plans, foundations, corporations, other business entities and other types of clients.

## **Item 6 Portfolio Manager Selection and Evaluation**

### **Investment Advisor Representative's Education and Business Standards**

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

### **Performance Calculations**

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

To determine the value of securities in your account, we generally rely on third party quotation services. If a price is unavailable or believed to be unreliable, we may determine the price in good faith and may use other sources such as the last recorded transaction.

You may invest in a wide variety of investments in your SND accounts, including equity and debt securities of various kinds, exchange traded funds, mutual funds and other securities or other pooled investment products. Subject to approval by Stephens, you may also consider using margin, short-term trading and certain options strategies, including but not limited to covered calls and protective puts.

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

### **Portfolio Management by a Related Person of Stephens**

Investment Advisor Representatives are employees of Stephens. Stephens may from time to time engage in transactions on behalf of clients with H&W or with SIMG or with mutual funds advised by H&W or SIMG. H&W is an investment advisor registered with the SEC in which affiliates of Stephens hold a substantial ownership interest. H&W provides investment advisory services to corporate, pension, public, endowment, foundation, mutual fund and other clients, and H&W also advises its own family of mutual funds. SIMG is an investment advisor registered with the SEC in which affiliates of Stephens hold the entire ownership interest. SIMG provides investment advisory

services for separate account clients and for mutual funds known as the American Beacon Stephens Funds®.

H&W advised mutual funds and SIMG advised mutual funds may be offered through Stephens' broker dealer services and/or investment advisory services as part of an investment program. Clients that invest in H&W advised mutual funds or in SIMG advised mutual funds would bear a proportionate share of the fees and expenses of those funds including the management fees or other fees paid to H&W or SIMG. These fees and expenses include commissions or fees, if any, paid to Stephens in connection with portfolio transactions. Please refer to each mutual fund's prospectus for a full discussion of the fees and expenses of each mutual fund.

Stephens sometimes refers clients to Stephens Insurance, LLC, an affiliate of Stephens, for advice pertaining to products that may be provided through Stephens Insurance, LLC.

For further information that pertains to related persons of Stephens, please refer to "Other Potential Conflicts of Interest".

### **Advisory Services**

In balancing the potential return for a client's portfolio against the risk exposure in the portfolio, SCM Investment Advisor Representatives first undertake a study of the risk/reward tolerances of the client through interviews with the client and by asking the clients to complete an investment objective questionnaire or an investment policy statement. The assessment, when combined with the client's stated investment objectives and other communications with client, leads to an asset allocation strategy designed to seek to achieve returns commensurate with the client's risk tolerance and time horizon without exposing the client's portfolio to excessive risks.

Our investment advisory service seeks to tailor an investment program for the unique financial circumstances and objectives of a particular client. When we are engaged as an investment advisor, the client typically pursues one or more of our investment strategies. Clients may impose investment restrictions on the manager of their accounts, such as restrictions on investing in particular securities or types of securities or restrictions on investing in particular industries.

### **Wrap Fee Programs**

In addition to other indications of individual ownership, including the right to withdraw, hypothecate, vote, or pledge securities held in the wrap fee account, a wrap fee account client has the ability to place limitations and/or restrictions on the investments in their portfolio. Where restrictions are imposed, Stephens will not make any discretionary investments of the client's portfolio assets in violation of these restrictions, but the investment performance of the client's account will likely differ (positively or negatively) from other clients following a similar investment strategy, that is not subject to the same restrictions. The minimum account size for wrap fee programs vary from program to program, and a person considering a wrap fee program should review the disclosure document provided by Stephens of the applicable program for details regarding the

operation of the program, its risks, fees, and other charges. In the SND program, the entire wrap fee is paid to Stephens for its services relating to each wrap fee account.

In determining the suitability of an investment strategy for a particular wrap fee program client, we rely on the information provided by the client regarding the financial objectives of the client for each account. This information may come from, among other sources, personal interviews with the client and written questionnaires completed by the client and other communications with the client or its representative regarding the client's situation, investment objectives, risk tolerances and investment restrictions, if any. Our strategies are not appropriate for all investors, and investors should only invest a portion of their portfolio in these programs.

In separately managed accounts we advise in the SND program, we do not have the discretionary authority to determine the securities to be bought and sold for our clients without the client placing an order with us to buy or sell such securities.

#### **Performance-Based Fees and Side-By-Side Management**

In the SND program Stephens does not offer any performance-based fee alternatives. Stephens typically charges clients an investment advisory fee based on the value of the assets in the client's account. Stephens does from time to time consider performance-based fee proposals initiated by clients or prospective clients.

In each instance fees are negotiable and vary depending on the size of the investment, the nature of the services to be rendered by Stephens to the client, and other factors. Fees are typically invoiced quarterly.

Should Stephens determine to engage in performance-based fees any such fee arrangement would be negotiated with the client on an individualized basis. The performance fee arrangement could create an incentive for Stephens to seek to maximize the investment return by making investments that are subject to greater risk, or are more speculative, than would be the case if Stephens' compensation were not based upon the investment return or could create an incentive for Stephens to seek to limit investment returns by pursuing investments with reduced risk. With a performance fee arrangement Stephens' fee is contingent upon the returns on the Client's Assets, which is computed based upon unrealized and realized appreciation or depreciation of Client's Assets. Accounts participating in a performance fee arrangement may pay Stephens more compensation, or less compensation, when compared to standard fee rates. Performance fee arrangements may not be available for all investment accounts and must be approved by Stephens on a case-by-case basis. Performance fee rates are negotiable. A client may negotiate a base fee rate, performance fee rates, an index to be used to calculate the performance fee, or the use of no index in calculating the performance fee.

Any performance fee that Stephens charges is intended to comply with Rule 205-3 and other applicable requirements under the Investment Advisers Act of 1940 (the "Adviser's Act"). Stephens may also be perceived to have an incentive to favor accounts which it charges a performance fee over other types of client accounts by allocating more profitable investments to performance fee accounts or by devoting more resources toward

the accounts' management. Stephens seeks to mitigate the potential conflicts of interest which may arise from managing accounts that bear a performance fee through its policies and procedures, including those related to investment allocation, and by complying with the provisions of Rule 205-3 as stated above.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

SCM currently offers non-discretionary investment advisory services relating to portfolios of equity, fixed income and alternative asset classes and provides asset allocation advice to clients. As an operating division of Stephens, SCM has a unique perspective on investing that enables SCM to spot opportunities that others might miss and avoid the pitfalls of narrow, short-term thinking. Independence also affords us the flexibility to adapt our strategies to a changing financial environment while maintaining a focus on long-term growth and capital appreciation.

SCM's Investment Advisor Representatives take into account both our clients' unique situations and the changing financial markets in developing investment strategies tailored to meet our clients' financial goals.

We utilize street and independent sources for our research, but it is not the sole basis of our investment decision making process. Other sources of information we utilize can include industry data obtained from subscription services, company filings, street research and models. We utilize these services for real-time news and pricing. We also utilize other independent research sources for quantitative reports that measure such things as price changes, growth rates, profitability, valuation, earnings surprises and earnings revisions. These quantitative reports are used to help identify new securities that meet our investment criteria and to monitor existing holdings.

Investing in securities involves risk of loss that clients should be prepared to bear. The material risks associated with our strategies are:

Equity Market Risk – Overall stock market risks may affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.

Management Risk - Our judgments about the attractiveness and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The price of an individual security can be more volatile than the market as a whole and our investment thesis on a particular stock may fail to produce the intended results.

Small Cap and Mid Cap Company Risk - Investing in Small Cap and Mid Cap issuers involves a significantly greater risk than investing in larger, more established companies. The daily trading volume for Small Cap and Mid Cap issuers can be much lower than for more widely held, established companies. There may be periods when it is difficult to invest in or liquidate portfolio investments for our various investment strategies. This is particularly the case when breaking news on a company occurs or when significant

market forces and events occur. In addition, small and mid cap companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

Foreign Debt Obligations – Investing in foreign debt obligations entails additional risks, including those related to regulatory, market or economic developments, foreign taxation and less stringent investor protection and disclosure standards.

Foreign Securities -- Investing in foreign securities presents certain risks that may not be present in domestic securities. For example, investments in foreign and emerging markets present special risks including currency fluctuation, the potential for diplomatic and political instability, regulatory and liquidity risks, foreign taxation and differences in auditing and other financial standards. In addition to the greater exposure to the risks of foreign investing, emerging markets present considerable additional risks, including potential instability of emerging market countries and the increased susceptibility of emerging market economies to financial, economic and market events.

Debt Obligations -- Investing in debt (bond) obligations entails additional risks, including interest rate risk such that when interest rates rise, the prices of bonds and the value of bond funds shares can decrease and the investor can lose principal value.

Alternative Investments - Investing in alternative investments presents risks that may differ from the risk of investing in stocks and bonds. The prices and performance of alternative investments can be affected by changes in stock prices, bond prices, interest rates, credit availability, real estate prices, foreign currency exchange rates, global or domestic demand for commodities or other goods or services, international relations, the stability and policies of foreign and domestic governments, natural or manmade disasters, weather and climatic conditions, business or economic conditions and other factors.

Investors should only invest a portion of their total portfolios in these securities, and investors should be prepared to lose their entire investments.

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

In the SND program, Stephens will not take any action with respect to the voting of proxies solicited by or with respect to the issuers of securities in which assets of the client may be invested from time to time, except to provide proxy materials to client.

Stephens will have no power, authority, responsibility or obligation to take any action on behalf of clients with regard to any claim or potential claim of the client in any bankruptcy proceeding, class action securities litigation or other litigation or proceeding relating to securities held at any time in the client account, including, without limitation, to file proofs of claim or other documents related to such proceeding, or to investigate, initiate, supervise or monitor class action or other litigation involving client assets.

## **Item 7 Client Information Provided to Portfolio Managers**

Information about the client is communicated to the SCM Investment Advisor Representative on the initial opening of the advisory account. A new account application is completed reflecting information provided by the advisory client and maintained by Stephens. The new account application contains account name and address, investment objectives and specific financial information. Advisory account information is updated upon notification from the advisory client of any material changes and noted within the customer file. The Investment Advisor Representative assigned to manage the account and support personnel have access to the client's data maintained by Stephens.

Stephens's advisory programs are available to individuals, banks, foundations, pension and profit sharing plans, trusts, IRA's, endowments, corporations, partnerships and other entities requiring investment advisory services. Stephens' investment advisory services business is largely focused on high net worth individuals, foundations and businesses. We provide investment advice to individuals, trusts, to boards and retirement systems for various governmental pension and retirement plans, to corporate pension and retirement plans, to various foundations and private entities. Our investment focus is on equity securities, although fixed income securities, mutual funds, exchange-traded securities and other types of securities may be purchased for client accounts in our various strategies from time to time.

We reserve the right to accept or decline any account and in accordance with the terms of a particular account's investment agreement, we reserve the right to close an account if appropriate in our discretion.

Additionally, we advise wrap fee accounts in various programs sponsored by affiliated and unaffiliated investment advisers. The sponsor establishes a minimum account size for each program, and you should refer to the sponsor's wrap fee brochure for a discussion of minimum account sizes and whether the minimum account size can be waived.

## **Item 8 Client Contact with Portfolio Managers**

### **Client Meetings**

The SCM Investment Advisor Representative assigned to a client's account will be the primary contact for the client at SCM. SCM Investment Advisor Representatives will offer to meet with clients periodically to discuss their investment portfolios and investment goals, not less frequently than annually. Clients are encouraged to contact the SCM Investment Advisor Representative assigned to the client's account at any time if the client would like to have additional discussions or meetings.

## **Item 9 Additional Information**

### **Disciplinary Information**

In its capacity as a broker/dealer, Stephens has been subject to legal or disciplinary events in the ordinary course of its business, such as regulatory sanctions relating to compliance with broker/dealer trade reporting requirements and other regulatory actions. Stephens has not been subject to legal or disciplinary events of the types required to be disclosed under this item in its investment advisory capacity.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### **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 Stephens.

Furthermore, all Stephens’ employees are expected to adhere to Stephens’ Mission and Values Statement and Code of Professional Conduct.

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

1. The interests of Stephens’ clients are our first consideration. Any personal securities transaction, which would be detrimental or potentially detrimental to any client account and any personal securities transaction, which is designed to profit by the market effect of any client account, must be avoided.
2. All personal securities transactions should be conducted in such a manner as to be consistent with the Code and to avoid actual or potential conflicts of interest or abuse of a Stephens’ employee’s knowledge of customer information or customer transactions.
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 investment advisory employees follow to reduce potential conflicts with the interests of our clients. Stephens will provide a copy of the Code to any client or prospective client upon request.

### **Conflicts of Interest Ownership**



From time to time, we may seek to effect a principal transaction between our firm (or an affiliate) and a client. Before buying any security from, or selling any security to, a client, we will obtain the client's prior consent to the transaction and otherwise comply with applicable law concerning the transaction.

American Beacon Stephens Funds® and Hotchkis & Wiley Funds (“Affiliated Funds”) are funds managed by affiliates of Stephens. ERISA accounts and IRA accounts are discouraged from investing in these Funds. Other advisory accounts may invest in the Affiliated Funds in an appropriate amount if: (1) the manager and the client determine that the investment is suitable for the account, and (2) the client signs an Affiliate Funds Consent Letter (“Consent Letter”) prior to directing the purchase of the affiliated fund shares.

#### Stephens Personal Trading

Stephens’ personnel may not participate in initial public offerings. All employees are required to maintain their personal accounts and accounts in which they have a beneficial interest at Stephens unless the account has been specifically exempt in writing from this requirement. Stephens’ employees are required to provide copies of all of their trade confirmations and brokerage account statements to Stephens’ Compliance Department in order to permit the monitoring of compliance with personal trading policies and restrictions. Additionally, employees are required to report all personal securities transactions no less than quarterly. Stephens’ Code requires employees to report violations of the Code to Stephens Chief Compliance Officer – Investment Advisor.

#### Conflict of Interest with Personal Trading and Client Trades

To minimize potential conflicts of interest, advisory personnel who determine or approve what recommendations will be made for client accounts will not participate in Stephens’ trading activities and will not know what trading strategies are employed for its proprietary accounts.

It should be noted, however, that Stephens allows purchases to be made in the marketplace by its employees of securities owned by any client account, provided that such purchases are made in amounts consistent with the normal investment practice of the person involved. Such purchases must be made after the investment advisory accounts managed by such employee (or in the management of which such employee participates) has completed its transactions in such securities. Under certain circumstances, employee transactions may be permitted prior to full completion of investment advisory division’s transactions. Such exceptions require prior approval of the appropriate Preclearance Officer and will only be granted after considering factors such as the time element involved in filling the order, market considerations, etc.

#### Supervision and Review of Accounts

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

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

When Stephens executes a transaction for you through a Stephens' order execution system, you will receive a written confirmation of the transaction which provides information regarding the transaction. You will also receive a written monthly account statement if you have had activity in your account that is custodied by Stephens during the month which will detail the activity and the positions in your account. If you have not had any activity during the quarter and you have positions in your account, you will receive a written quarterly account statement which details the positions in your account. Confirmations and account statements will be mailed to you unless you have chosen to receive the confirmations and account statements electronically, for example, via StephensAccess.

In addition, we provide account reports for client accounts reflecting account holdings and account performance on a quarterly basis.

### **Client Referrals and Other Compensation**

Neither Stephens nor any of our employees receives any economic benefit, sales awards or other prizes from any outside parties for providing investment advice to our clients.

Stephens does not currently compensate any person who is not a supervised person for client referrals. Stephens may consider referral proposals from time to time, subject to SEC Rule 206(4)-3 and other applicable rules, regulations and restrictions.

### **Financial Information**

To the best of our knowledge, there is no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

### **Other Potential Conflicts of Interest**

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

- a) Client account assets may be invested in interests of money market funds, mutual funds, other investment companies, privately offered investment funds and other

collective vehicles (collectively, “Funds”) for which Stephens or its affiliates may act as investment advisor, sponsor, administrator, distributor, selling agent, or in other capacities (“Affiliated Funds”). In addition, client account assets may be invested in interests of Funds for which Stephens or its affiliates do not act as investment adviser, sponsor, administrator or in other capacities. Stephens or its affiliates typically receive fees for services provided to such Funds, which often include (but are not limited to) fees payable under a plan adopted pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (“12b-1 fees”) and fees paid to compensate Stephens for providing administrative services, distribution services, shareholder services, investment advisory services or other services to or for the benefit of such Funds.

b) Client account assets are often invested in transactions that involve or constitute a purchase, sale or other dealings with securities or other instruments for which (i) Stephens, (ii) an affiliate or employee of Stephens, (iii) an entity in which Stephens or an affiliate has a direct or indirect interest, or (iv) another member of a syndicate or other intermediary (where an entity referred to in (i), (ii), or (iii), above is or was a member of the syndicate), has acted, now acts, or in the future may act as an underwriter, syndicate member, market maker, dealer, broker, principal, agent, research analyst or in any other similar capacity, whether the purchase, sale or dealing occurs during the life of the syndicate or after the close of the syndicate.

c) Stephens, or any other broker-dealer that is or may become affiliated with Stephens (the “affiliated brokers”), is expected to act as broker or dealer to execute transactions on behalf of client’s account. Client will not be charged a separate fee for brokerage services provided to the Account by affiliated brokers.

d) Stephens or its affiliates sometimes effect transactions for client’s account with other accounts for which Stephens or an affiliate provides investment advisory services (“Cross Trades”). Such Cross Trades are intended to enable Stephens to purchase or sell a block of securities at a set price and possibly avoid an unfavorable price movement that may be created through entrance into the market with such purchase or sell order. Stephens typically receives compensation from other accounts involved in a Cross Trade.

e) Subject to applicable regulations, Stephens or its affiliates may execute “Agency Cross Transactions” for the client’s account. Agency Cross Transactions are transactions where Stephens, or any affiliate of Stephens, acts as broker for both the Client’s account and the other party to the transaction. In such transactions, Stephens, or any of Stephens’s affiliates acting as broker, may receive commissions from the other party to such transaction, to the extent permitted by law, in addition to its customary investment management or advisory fee for client’s account.

f) Clients of other divisions of Stephens or clients of other advisory representatives of Stephens or Stephens, its principals, employees, affiliates and their family members, sometimes hold, and sometimes engage in transactions in, securities

purchased or sold for client or about which Stephens may give or may have given client advice. The client's account may purchase as investments securities of companies with which Stephens or its affiliates maintain investment banking relationships or other relationships or securities of companies in which Stephens or its affiliates have an ownership or other investment interest.

h) Subject to applicable law, Stephens sometimes pays fees to, and/or shares revenues with, affiliates or non-affiliates in connection with referrals for investment advisory accounts.

i) 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).

j) Other divisions and other advisory representatives of Stephens perform investment advisory services for clients other than client and such other divisions or other advisory representatives of Stephens give advice or take action with respect to other clients that may be similar to or different from the advice given or action taken for client's account, in terms of securities, timing, nature of transactions and other factors. Stephens will, to the extent practicable, attempt in good faith to allocate investment opportunities among its clients, including client, on a fair and equitable basis. However, other divisions and other advisory representatives of Stephens will not undertake to make any recommendation or communication to client with respect to any security which such other divisions or advisory representatives may purchase or sell (either as principal or for any other client's account) or recommend to any other client, or in which such other divisions or advisory representatives, or their respective principals, employees, affiliates or their family members, may engage in transactions.

### **Who to Contact**

We are pleased to have an opportunity to serve 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 Stephens at (877-891-0095). Clients often receive this information by electronic delivery.

### **Definitions and Professional Designation Qualifications**

#### **Accredited Wealth Management Advisor<sup>SM</sup> (AWMA)<sup>®</sup>**

Individuals who hold the AWMA<sup>®</sup> designation have completed a course of study encompassing wealth strategies, equity-based compensation plans, tax reduction alternatives, and asset protection alternatives. Additionally, individuals must pass an end-of-course examination that tests their ability to synthesize complex concepts and apply theoretical concepts to real-life situations.

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All designees have agreed to adhere to Standards of Professional Conduct and are subject to a disciplinary process.

Designees renew their designation every two-years by completing 16 hours of continuing education, reaffirming adherence to the Standards of Professional Conduct and complying with self-disclosure requirements.

*For further information regarding the AWMA® certification, please refer to the website of College For Financial Planning: <http://cffpdesignations.com/Designation/AWMA>*

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### **The Chartered Financial Analyst, (CFA)**

The Chartered Financial Analyst designation is awarded to investment professionals who have successfully completed the requirements set forth by the CFA Institute (formerly known as the Association for Investment Management and Research, or AIMR). The CFA Institute is an international non-profit organization whose stated mission is to promote and develop a high level of educational, ethical and professional standards in the investment industry.

To be eligible for the CFA designation, candidates must pass 3 examinations that test the academic portion of the CFA program, possess a bachelor's degree from an accredited educational institution or equivalent, and have 48 months of acceptable professional work experience. The CFA curriculum includes the following subject areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (such as stocks and bonds); and Portfolio Management and Analysis (asset allocation, portfolio risk, and performance measurement).

*For further information regarding the CFA charter, please refer to the website of CFA Institute: <https://www.cfainstitute.org/pages/index.aspx>*

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### **Certified Financial Planner™, (CFP)®**

To earn the CFP designation, an individual must complete a college-level course of study addressing the financial planning subject areas determined by the Certified Financial Planner Board of Standards, Inc. ("CFP Board"), pass a comprehensive two-day examination developed by the CFP Board and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university) and demonstrate three years of full-time work experience in financial planning or a related field. CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning.

*For further information regarding the CFP® certification marks, please refer to the website of the Certified Financial Planner Board of Standards, Inc. (CFP Board): <http://www.cfp.net/>*

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### **Certified Investment Management Analyst, (CIMA)**

The CIMA certification signifies that an individual has met initial and on-going experience, ethical, education, and examination requirements for investment management consulting, including advanced investment management theory and application. Prerequisites for the CIMA certification are three years of financial services experience and an acceptable regulatory history. To obtain the CIMA certification, candidates must pass an online Qualification Examination, successfully complete a one-week classroom education program provided by a Registered Education Provider at an AACSB accredited university

business school, and pass an online Certification Examination. CIMA designees are required to adhere to IMCA's Code of Professional Responsibility, Standards of Practice, and Rules and Guidelines for Use of the Marks. CIMA designees must report 40 hours of continuing education credits, including two ethics hours, every two years to maintain the certification. The designation is administered through Investment Management Consultants Association (IMCA).

*For further information regarding the CIMA certification, please refer to the website of Investment Management Consultants Association (IMCA): [http://www.imca.org/main/do/CIMA\\_Home/](http://www.imca.org/main/do/CIMA_Home/)*

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### **Certified Pension Consultant (CPC)**

The Certified Pension Consultant (CPC) credential is conferred by the American Society of Pension Professional and Actuaries (ASPPA) to benefits professionals working in plan administration, pension actuarial administration, insurance, and financial planning. CPCs work alongside employers to formulate, implement, administer and maintain qualified retirement plans.

Earning ASPPA's CPC credential requires successful completion of the relevant ASPPA exams.

Individuals with at least three years of retirement plan related experience may apply to the ASPPA Board of Directors for the CPC credential. Applicants must demonstrate competence in specific areas of retirement and related employee benefits consulting through completion of the CPC examination series offered by ASPPA.

*For further information regarding the CPC credential, please refer to the website of American Society of Pension Professionals and Actuaries (ASPPA): <http://www.asppa.org/main-menu/edpubs/certandcred.aspx>*

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### **The Certified Portfolio Manager (CPM)®**

The Certified Portfolio Manager (CPM) ® designation is sponsored by the Academy of Certified Portfolio Managers (ACPM) and Columbia University in New York City. The academic component of the credentialing process is designed by the Curriculum Committee of ACPM to provide a deeper understanding of fundamental security analysis, asset allocation, and portfolio management concepts. The modules to be completed encompass core finance concepts that include: Quantitative Methods, Financial Statement Analysis, Corporate Finance, Fixed Income Analysis, Equity Analysis, Derivatives, and Portfolio Management.

Eligibility criteria for CPM® candidates consist of the following requirements: 5 yrs minimum experience, series 7 licensed, \$10MM AUM in a Discretionary Asset Management Program and the certification by a supervising compliance officer that the candidate has a clean compliance record.

*For further information regarding the CPC credential, please refer to the website of the Academy of Certified Portfolio Managers: <http://www.academyofcpm.org/displaycommon.cfm?an=2>*

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### **Certified Public Accountant (CPA)**

Certified Public Accountant (CPA) CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of continuing professional education (CPE) activities

on an on going basis. Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct.

*For further information regarding the CPA designation, please refer to the website of American Institute of Certified Public Accountants (AICPA): <http://www.aicpa.org/Pages/Default.aspx>*

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### **Chartered Retirement Planning Counselor<sup>SM</sup> (CRPC)®**

The CRPC® is conferred by the College for Financial Planning. Individuals who hold the CRPC® designation have completed a course of study encompassing pre-and post-retirement needs, asset management, estate planning and the entire retirement planning process using models and techniques from real client situations. The program is designed for approximately 120-150 hours of self-study. The program is self-paced and must be completed within one year from enrollment.

*For further information regarding the CRPC® designation, please refer to the website of College for Financial Planning Alumni: <http://www.cffp.edu>.*

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### **Chartered Retirement Planning Specialist<sup>SM</sup> (CRPS)®**

The CRPS® is conferred by the College for Financial Planning. Individuals who hold the CRPS® designation have completed a course of study encompassing the specialization in creating, implementing and maintaining retirement plans for businesses. They must pass an exam demonstrating their expertise. Successful applicants earn the right to use the CRPS designation with their names for two years. Every two years, CRPS professionals must complete 16 hours of continuing education and pay a nominal fee to continue using the designation.

*For further information regarding the CRPS® designation, please refer to the website of College for Financial Planning Alumni: <http://www.cffp.edu>.*