

**Stephens Inc.**  
**111 Center Street**  
**Little Rock, Arkansas**  
**72201-4430**

**Stephens Fixed Income Management Program**

**877-891-0095**

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

March 31, 2020

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**

This is an update of Form ADV for Stephens Inc.  
Our last update was filed with the SEC on November 15, 2019.

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## **Item 4 Services, Fees and Compensation**

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

Stephens is a full service broker/dealer and investment bank. In addition to being registered with the SEC, Stephens is a member of the Financial Industry Regulatory Authority ("FINRA"), the New York Stock Exchange, Inc. (NYSE), the NYSE American LLC ("NYSE-AMEX"), the Municipal Securities Rulemaking Board (MSRB), the Investors' Exchange LLC ("IEX"), the Securities Investor Protection Corporation (SIPC) and the National Futures Association (NFA). Stephens derives greater revenues from its broker/dealer and investment banking activities than it derives from its investment advisor activities. Stephens Fixed Income Management ("FIM") is a division of Stephens Inc. Affiliates of Stephens are also separately engaged in financial services businesses, including merchant banking, insurance and investment advisory businesses.

### **Stephens Fixed Income Management**

FIM manages client assets on a discretionary basis, under the Stephens Fixed Income Management program ("SFIM"). All accounts are advised and managed by the Fixed Income Management Committee. The goal of SFIM is to seek to earn a high return on income investments for the client consistent with the client's investment objectives subject to market conditions. SFIM seeks to fully invest balances at all times. The portfolio objective will be to invest in fixed income securities and money market funds, which invest in fixed income securities.

### **Management Fee Schedule**

Clients pay a wrap fee for Stephens' services. SFIM calculates its fee based on a negotiated annual fee that is quoted in basis points. The portion of the total fee that may be paid to the portfolio manager is 0% to 42%.

SFIM fees apply to standard accounts and include management, brokerage services\* and investment management reports. In the event this agreement is terminated between quarter-ends, such fees shall be prorated as of the date of termination. The fee is deducted from the account by SFIM quarterly unless otherwise agreed in writing. SFIM clients will receive a Fee Statement shortly after the deduction of the fee.

The fee for the period from the opening of the account ("effective date") to the end of the calendar quarter shall be obtained by computing the weighted average of the daily market value of cash and securities in the portfolio during such period and multiplying the resultant weighted average market value by one-fourth of the applicable annual fee as indicated above, pro-rated for the percentage of the original calendar quarter during which the portfolio is under management.

The fee for any subsequent three-month period shall be the amount obtained by computing the weighted average of the daily market value of cash and securities in the portfolio during such period and multiplying the resultant weighted average market value by one-fourth of the applicable annual fee as indicated above.

- \* Investment advisory clients have the option to seek execution of transactions recommended by SFIM 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 securities of an underwritten 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.

### **Investment Management Agreement**

Entering into an advisory relationship with SFIM involves the execution of an Investment Management Agreement and a general account agreement. The terms of the Investment Management Agreement between the client and SFIM is generally for a period of one year beginning on the effective date of the agreement and is automatically 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 without penalty within five (5) business days after the entering into the agreement and receive a full refund of any investment advisory fees paid to Stephens. At any time, the agreement may be terminated without penalty by either the client or SFIM, 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, SFIM 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 SFIM the reasonable costs and expenses incurred for such disposition and collection, including attorney fees, for any unpaid balances under the agreement.

From time to time, but only in special circumstances, the fees may be negotiable or otherwise varied. These fee arrangements could include flat fee, commission and/or performance compensation. Fees will be payable on a schedule as negotiated by the parties.

### **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 administrative or transfer fees will be charged at Stephens' standard rates in addition to the wrap fee.

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 administrative or transfer fees will be charged when incurred at Stephens' standard rates in addition to the wrap fee.

### **Custodial Services**

Stephens clearing broker-dealer, Pershing, normally provides custodial account services to Stephens' clients. Custodial services provided by Pershing include custody of securities in your account, periodic statements, certain tax reporting and other similar services. Our clearing firm, Pershing, is a subsidiary of the Bank of New York Mellon Corporation, and is located at One Pershing Plaza, 4<sup>th</sup> Floor – Jersey City, NJ 07399. Pershing will send your account statements, which you should carefully review. In addition to the account statements Pershing sends you, we may send you a quarterly performance report which among other things, lists your account holdings and performance. You should compare our report to the account statements you receive from Pershing. In the event of any discrepancy between our report and any statement you receive from Pershing regarding the same investment, you should rely on the statement from Pershing.

Your account will be subject to the terms and conditions described in the Advisory Contract, Agreement and any separate agreement or agreements executed in connection with the account.

Stephens includes custodial fees for custody services and securities services provided by Pershing within the "wrap" fee charge. If a client's account is under a "wrap" fee Program, commission charges are included as part of the Stephens advisory fee unless the client has selected a third party adviser who "trades away" from Pershing. Clients may engage an independent custodian. The fees of any custodian other than Pershing 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 trading.

### ***Pershing Relationship***

Pershing is the clearing firm for our securities business. Due to this business relationship, Pershing shares with us a portion of the transaction costs and fees you pay to Pershing for certain transactions and services. The compensation we receive is an additional source of revenue to Stephens, and it defrays our costs associated with maintaining and servicing client accounts.

Your advisory fee is not reduced or offset as a result of any revenue that Pershing shares with Stephens. The following is a brief description of some of the revenue and other items. Pershing pays us on a quarterly basis an Active Account Credit in support of our ongoing

investment in various businesses, marketing and technology initiatives relating to the services we offer. This Active Account Credit is based on the total number of Stephens client accounts held on the Pershing platform.

- Pershing also pays us a Basis Point Credit each quarter which is computed based on the total value of Stephens client accounts held on the Pershing platform.
- Pershing also provides consulting and other assistance to us from time to time.
- Stephens receives revenues from Pershing on any investor free credit balances. These revenues are not received by Stephens for free credit balances in ERISA or IRA accounts.
- Pershing pays us a placement fee for each CD purchased through Pershing by a Stephens' client.

Where Stephens receives compensation from Pershing, this presents a conflict of interest because Stephens and your Financial Consultant have a greater incentive to make available, recommend, or make investment decisions regarding investments and services that provide additional compensation over those investments and services that do not.

You should only use the cost basis information provided on your custodial account statements for tax reporting purposes.

Pershing's mailing address is: Pershing LLC; One Pershing Plaza; Jersey City, New Jersey 07399.

For IRA and other retirement accounts, Pershing may charge termination fees pursuant to an adoption agreement you enter into with Pershing, which authorizes Pershing to act as the IRA custodian for Internal Revenue Service purposes. Pershing may resign at any time as the IRA custodian and then you have the right to appoint a successor IRA custodian (Successor).

### **ERISA Fees**

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 impose delays on the time at which principal transactions can be effected for advisory accounts, and thereby can 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 IAR through broker/dealers other than Stephens. However, on transactions executed through Stephens with Pershing, Stephens or Pershing 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 SFIM 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 can 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.

### ***Confirmations, Account Statements and Performance Reviews***

In most cases, Pershing is the custodian of your account and provides you with written or electronic confirmation of securities transactions, and account statements at least quarterly. You will also receive a monthly account statement if you have had activity in your account during the month which will detail the activity and the positions in your account. If you have not had any activity during the month and you have positions in your account, you will receive a quarterly account statement which details the positions in your account. You may waive the receipt of account statements or confirmations after each trade in favor of e-delivery via <https://stephensaccess.netxinvestor.com/web/stephens/login> . You may also receive mutual fund prospectuses, where appropriate.

We will provide you periodic reviews of your account. These show how the account investments have performed on an absolute basis.

Stephens will periodically review client portfolio holdings to determine whether advisory clients who hold mutual fund positions are invested in appropriate share classes for the mutual fund positions in their accounts. In the event 12b-1 fees are received on client holdings, these will be rebated to the advisory client.

## **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 SFIM program. However, exceptions may be made to this policy. Stephens or the client can terminate SFIM agreements at any time following 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**

### **Education and Business Standards**

As a general rule, Stephens requires SFIM Investment Advisor Representatives (“IAR”) 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 SFIM Investment Advisor Representatives are employees of Stephens.

### **Performance Calculations**

A Portfolio Analysis report will be provided to the advisory client on a quarterly basis. The Portfolio Analysis report is organized to show the performance of the portfolio and the investments included in the portfolio. The portfolio performance is calculated monthly according to industry standards and compared to a comparable index based on product type and duration provided by Barclays Capital (previously called the Lehman Index).

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

### **Advisory Services**

Management of accounts in the Stephens Fixed Income Management program is overseen and reviewed by the Fixed Income Management Committee, which is composed of:

Henry Kenneth Bennett, Chairman  
Troy W. Clark

### **Portfolio Managers**

The Fixed Income Management Committee has delegated certain portfolio management responsibilities to the SFIM Investment Advisor Representatives.

Our investment management 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 manager, the client typically pursues one or more of our investment strategies. Clients can 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 client’s account, a wrap fee client has the ability to place limitations and/or restrictions on the investments in their portfolio. Where restrictions are imposed, Stephens will manage the client’s portfolio investments to comply with 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

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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 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 comes 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, we have the discretionary authority to determine the securities, and the amount of securities, to be bought and sold for our clients without obtaining specific client consent. The discretionary authority regarding investments may, however, be subject to certain restrictions and limitations placed by the client on transactions in certain types of securities or industries or to restrictions or limitations imposed by applicable regulations.

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

In the SFIM 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. On occasion, Stephens enters into performance fee arrangements with appropriate clients as discussed below. Only certain clients qualify for performance fee arrangements which compensate Stephens based, in part, on the performance of the client's account.

All 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. Performance fees are typically invoiced annually.

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 are not 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 has 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 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. Stephens has discretion not to accept these arrangements.

### **Types of Clients**

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.

Many of Stephens’ clients are high net worth individuals. 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.

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.

Only those clients we deem in our discretion suitable will be accepted into these programs.

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

SFIM Investment Advisor Representatives currently provide investment advisory services for your discretionary portfolio. Your SFIM Investment Advisor Representatives have the flexibility to adapt strategies to a changing financial environment while maintaining a focus on long-term growth and capital appreciation.

SFIM Investment Advisor Representatives are responsible for making day-to-day discretionary investment decisions subject to oversight and review by the SFIM Supervisory Principals. The SFIM program seeks to keep 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.

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

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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:

**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.

**Management Risk** - Our judgments about the attractiveness and potential appreciation of a particular asset class, mutual funds 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.

**Money Market Risk** - An investment in a Money Market Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund. Yields will vary. Yield quotations more closely reflect the current earnings of the fund than the total return.

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

**Certain Risks Associated with Cybersecurity.**

With the increased use of technologies such as the Internet to conduct business, investment advisers, including Stephens rely in part on digital and network technologies (collectively, “cyber networks”). These cyber networks are susceptible to operational, information security and related risks and can be at risk of cyber-attacks. Cyber-attacks could seek unauthorized access to cyber networks for the purpose of misappropriating sensitive information, corrupting data, or causing operational disruptions.

Cyber-attacks can potentially be carried out against the issuers of securities you have invested in, against third party service providers, or against Stephens itself by persons using techniques that range from efforts to circumvent network security, overwhelm websites, and gather intelligence through the use of social media in order to obtain information necessary to gain access to cyber networks. Although cyber-attacks potentially could occur, Stephens and Pershing maintains an information technology security policy and technical and physical safeguards intended to protect the confidentiality of internal data.

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

Information about the client is communicated to the portfolio managers on the initial opening of the advisory account. A New Account Form is completed for or by the advisory

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client and maintained by Stephens. The New Account Form 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 SFIM Investment Advisor Representatives assigned to manage the account and support personnel have access to the client's data maintained by Stephens.

Stephens' 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 is largely an investment adviser to high net worth individuals. We provide investment advice to individuals, to 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.

## **Item 8 Client Contact with IARS**

### **Client Meetings**

The SFIM Investment Advisor Representative assigned to a client's account will be the primary contact for the client at Stephens. SFIM Investment Advisor Representatives will offer to discuss or meet with clients periodically to discuss their investment portfolios and investment goals, not less frequently than annually. Clients are encouraged to contact the SFIM 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**

Stephens Inc. voluntarily participated in the Securities and Exchange Commission's Share Class Selection Disclosure Initiative, and on March 11, 2019 the SEC entered a Cease and Desist Order against Stephens in which Stephens neither admitted nor denied the allegations of the SEC's Order. The Order alleged that Stephens did not fully disclose conflicts of interest related to the selection of mutual fund share classes for its advisory clients, and that Stephens purchased, recommended or held mutual fund share classes for client accounts which paid Stephens 12b-1 fees when less expensive share classes of the same funds were available which did not pay Stephens these 12b-1 fees. The Order directed Stephens to Cease and Desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Investment Advisers Act of 1940 and ordered that Stephens be censured and pay disgorgement and prejudgment interest to advisory clients who held these more expensive mutual funds share classes in their advisory accounts. (IA Release No. 40-5196)

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.

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## **Affiliations**

Stephens, from time to time, enters into arrangements with other broker/dealers, investment advisors or other persons whereby such parties refer clients seeking advisory services to Stephens pursuant to Rule 206 (4)-3, the “Solicitation Rule”.

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 entities under common control with Stephens hold an 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 of voting securities. SIMG provides investment advisory services for separate account clients and for mutual funds known as the American Beacon Stephens Funds® or other funds which may be added from time to time.

H&W advised mutual funds and SIMG advised mutual funds are 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 are provided through Stephens Insurance, LLC.

For further information that pertains to related persons of Stephens, please refer to “Other Potential Conflicts of Interest” in Section 6B.

## **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 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 generally prohibited 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.

Additionally, SIMG serves as one of the investment advisers to the following multi-manager mutual funds using our SMID Select Growth Strategy:

- Vanguard Explorer™ Fund; and
- Bridge Builder Small/Mid Cap Growth Fund

#### **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 SFIM Supervisory Principals. Henry Kenneth Bennett is responsible for supervisory approval of new advisory accounts and the daily review of trading activity.

The Supervisory Principal review consists of monthly analysis of activity in SFIM accounts considering suitability and general performance. The Portfolio Manager calculates returns based upon pricing provided by an outside source. The calculations are compared to certain indices, which are chosen by SFIM pursuant to investment guidelines dictated 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. The reviewers may refer accounts to the Compliance Department for further analysis if necessary.

When Stephens executes a transaction for you through a Pershing's' order execution system, you will receive a written or electronic confirmation of the transaction which provides information regarding the transaction. You may elect to receive these quarterly. You will also receive a written or electronic monthly account statement if you had activity in your account that is custodied by Pershing during the month, which will detail the activity and the positions in your account. If you have not had any activity during the month and you have positions in your account, you will receive a written or electronic quarterly account statement, which details the positions in your account.

You may waive the receipt of account statements or confirmations after each trade in favor of e-delivery via <https://stephensaccess.netxinvestor.com/web/stephens/login> . You may also receive mutual fund prospectuses, where appropriate.

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 can 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 can 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 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. Stephens Inc. as a duly-registered Broker/Dealer, is paid the retail 12b-1 fees for brokerage mutual fund investments. Where 12b-1 fees are received in advisory accounts, these fees are rebated to the client account.

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) Although underwriting initial public offerings on behalf of corporate and other types of issuer clients is a regular part of Stephens' investment banking business, the frequency, share price, number of shares available, and other characteristics of such offerings vary widely over time. For example, in some years Stephens may not participate as an underwriter, or in only a few, IPOs. For factors that limit IPO product availability to clients through Stephens see Item 5(C) Fees and Compensation/IPO Retail Client Allocations/IPO Related Conflicts of Interest for more detail information.

d) 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.

e) 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.

f) Subject to applicable regulations, Stephens or its affiliates sometimes 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, receives 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.

g) 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 gives or has 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 is 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.

**k) Both advisory and brokerage clients of Stephens have the ability to borrow money against the collateral value of their accounts with non-purpose loans arranged through Stephens with a third party bank. Stephens receives an administrative fee which is paid by the third party bank in an amount which varies but can be up to 1.35% of the monthly outstanding balance of the client's loan. Part of the administrative fee is passed along to Stephens Financial Consultants, and this can create a conflict of interest. Since Stephens has not compared rates available elsewhere, clients may be able to obtain lower interest rates on their loans through other banks.**

#### **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's proprietary 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.

### **Stephens Personal Trading**

Stephens' personnel may not participate in IPOs. 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, IARs 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 Advisory.

### ***Account Review***

The IAR assigned to your account is your primary point of contact with Stephens. Your IAR should offer to discuss or meet no less frequently than annually with you as an advisory client. Stephens encourages you to contact your IAR at any time if you have questions or would like to have additional discussions or meetings.

If you have experienced any changes regarding your finances, investment objectives or risk tolerance, please contact your IAR to see if any adjustments are necessary to your investment strategy.

## **C. Portfolio Management**

### **Description of Advisory Services**

Stephens's investment advisory services seek to tailor an investment program for the financial goals 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 their accounts, such as restrictions on investing in particular securities or types of securities or restrictions on investing in particular industries.

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

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

Stephens and its affiliates performs advisory and/or brokerage services including investment reporting for various clients, and Stephens gives advice or take actions for other clients that differ from the advice given or the timing or the nature of any action taken for your account. In addition, Stephens may, but is not obligated to, purchase or sell or recommend for purchase or sale any security which Stephens or any of its affiliates may purchase or sell for their own accounts or the account of any other client.

**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. **To access your IAR's SEC Advisor Biography, go to <https://www.stephens.com/> home page. Use the search bar, in the top right corner of the home page. Search by your IAR's name. SEC Advisor Biographies are available in the Our Team section. Please review them.**

## Definitions and Professional Designation Qualifications

### **Accredited Investment Fiduciary® (AIF®)**

The Accredited Investment Fiduciary (AIF®) Designation is a professional certification that demonstrates an advisor or other person serving as an investment fiduciary has met certain requirements to earn and maintain the credential.

The purpose of the Accredited Investment Fiduciary (AIF®) Designation is to assure that those responsible for managing or advising on investor assets have a fundamental understanding of the principles of fiduciary duty, the standards of conduct for acting as a fiduciary, and a process for carrying out fiduciary responsibility.

The AIF® training curriculum is offered in distance education or a blended learning option to suit each Candidate's needs. Fi360's Prudent Investment Practices cover four Steps (domains), twenty-one Practices (tasks), and seventy-nine Criteria that an investment fiduciary is expected to be able to perform. After passing the exam, a Candidate wishing to file for the AIF® designation must submit the accreditation application and accreditation fee. Six Hours of annual continuing education is required, a minimum of four of which must be delivered by Fi360 or one of Fi360's approved CE providers.

*For further information regarding the AIF® certification, please refer to the website of Center for Fiduciary Studies: <http://www.fi360.com/products-services/training-overview/aif-designation-training#sthash.RCuODced.dpuf>*

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

Individuals who hold the AWMA® 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. 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>*

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

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

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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>*

### **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. CFP®s are required to complete 30 credit hours of continuing education accepted by CFP Board every two years, including 2 hours of CFP Board-approved Ethics CE.

*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/>*

### **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 Certification Examination. The Certification Examination is a five-hour examination and has 125 multiple-choice questions and 15 non-scored, pretest questions. Each examination item (question) is related to an area of work performed by an investment management consultant/advisor. The topics have been identified through a job analysis. All examination items are written in a four-option, multiple-choice format. 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://investmentsandwealth.org/cima>*



**Certified Pension Consultant (CPC)**

The Certified Pension Consultant (CPC) credential is conferred by 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. The CPC is the capstone credential, or highest credential, currently conferred by ASPPA.

To earn the CPC credential, you must successfully complete various exams, verify a minimum of two years' experience in the retirement plan industry, provide two letters of recommendation and apply for the ASPPA credentialed membership.

All credentialed members must acquire 40 hours of continuing education (CE) credits (2 of which must be Ethics) in a two-year cycle and renew their ASPPA Membership annually to retain their credential(s).

*For further information regarding the CPC credential, please refer to the website of American Society of Pension Professionals and Actuaries (ASPPA): <https://www.asppa.org/professional-development/certified-pension-consultant-cpc>*

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

The Certified Portfolio Manager (CPM®) designation is a collaboration of the Academy of Certified Portfolio Managers and Columbia University. The academic component is designed to provide a deeper understanding of fundamental security analysis, asset allocation, and portfolio management concepts for financial services industry professionals managing discretionary portfolios.

The curriculum encompasses eight core concepts:

- Quantitative Methods
- Financial Statement Analysis
- Corporate Finance
- Fixed Income Analysis
- Equity Analysis
- Fiduciary Responsibility
- Derivatives

Qualifying for the CPM® designation

The current criteria for applicant eligibility are any of the following (1) A certificate, diploma or academic degree providing evidence of a four-year undergraduate degree.(2) 3 years of employment in the financial services industry and (3) Letter of recommendation on behalf of the applicant who is employed in the financial services industry, written by a supervisor, where the credential requirements are desired for the training and development of the applicant. At the end of each calendar year, ACPM members are required to submit the following; Record of 20 completed continuing education hours. ACPM maintains a self-auditing continuing education policy. Answers to a series of Professional Conduct questions. Annual membership dues. All three items are due by December 31st of that calendar year.

*For further information regarding the CPM® credential, please refer to the website of the Academy of Certified Portfolio Managers: <http://www.academyofcpm.org/>*

### **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 ongoing 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>*

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

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

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

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