

# STEPHENS INC.

## ANNUAL DISCLOSURE STATEMENTS

### BROKERAGE AND INVESTMENT ADVISORY RELATIONSHIPS

Depending on your needs and your investment objectives, you may have brokerage accounts, advisory accounts or both. There are important differences between these types of accounts, and you should understand them so you choose the services that are right for you. Stephens Inc. (“Stephens”) is registered with the SEC as a broker-dealer and as an investment adviser, offering both brokerage and investment advisory services. Your relationship with your Financial Consultant, and the obligations of Stephens, will be different in different types of accounts. For more information regarding your relationship with Stephens, please go to [stephens.com](http://stephens.com) or contact your Financial Consultant.

### NOTICE TO REVIEW CUSTODIAL STATEMENT

Pershing serves as the clearing broker and custodian for Stephens clients and furnishes you with account statements or reports for your information and review. The information contained in the Stephens statements and reports was obtained from sources believed to be reliable but has not been independently verified. Only the statement of the custodian of the account assets should be considered the official record of account assets, and only the statement of the custodian of the account assets should be relied upon for tax reporting purposes. If Pershing is not the custodian of the account assets, please compare the Stephens reports/statements with the account statement(s) provided by the custodian of the account assets to verify funds and securities in the account. If Pershing is the custodian of the account assets, then the Stephens brokerage account statement is the custodial statement for the account assets. Please review that statement carefully and compare it with any portfolio reports, performance reports or other statements or reports that may be provided regarding the account assets. Please notify us promptly if you do not receive an account statement on at least a quarterly basis from the custodian(s) of all account assets.

### INVESTMENT ADVISORY BROCHURE

Stephens provides its advisory customers with either (i) the current brochure(s) (including a summary of material changes, if applicable) relating to the investment advisory services we provide to each respective customer or (ii) a summary of material changes, if applicable, to the brochure(s), as contemplated by Form ADV, Part 2A. There are no material changes contained in our Form ADV annual update this period. You may obtain a complete brochure by contacting us at 877-891-0095 to request a copy or by contacting your Financial Consultant. The Stephens ADV and additional brochures are now available at [www.stephens.com/investment-disclosures/](http://www.stephens.com/investment-disclosures/). To access your FC’s SEC Advisor Biography, go to [www.stephens.com](http://www.stephens.com), use the search bar in the top right corner of the home page and search by your FC’s name. SEC Advisor Biographies are also available in the “Our Team” section and are there for your review. Stephens and its affiliates provide a wide range of investment-related services to our customers, and these relationships could give rise to conflicts of interest. You may view a list of companies at [www.stephens.com/potential-conflicts-of-interest/](http://www.stephens.com/potential-conflicts-of-interest/). If there have been any changes in your financial situation, investment objectives or risk tolerance or if you wish to impose reasonable restrictions on the management of your account or reasonably modify existing restrictions or objectives, please contact your Financial Consultant.

### FINRA BrokerCheck INFORMATION

The Financial Industry Regulatory Authority (“FINRA”) BrokerCheck Hotline Number is 1-800-289-9999 and their website is [www.finra.org](http://www.finra.org). An investor brochure that includes information describing FINRA BrokerCheck is available upon request from the FINRA.

### COMPLAINTS

To report a complaint regarding your brokerage or advisory account, please contact the Stephens Compliance Department at 111 Center Street, Little Rock, Arkansas, 72201 or call 1-888-731-3829.

## MARGIN DISCLOSURE

Securities purchased on margin or carried in your margin account are collateral for margin loans made to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan and, as a result, Stephens and/or Pershing can take actions, such as issue a margin call and/or sell securities or other assets in any of your accounts introduced by Stephens to Pershing in order to maintain the required equity in the account. It is important that you fully understand the risks involved in trading securities on margin. These risks can include the following:

- You can lose more funds than you deposit in the margin account.
- Stephens and/or Pershing can force the sale of securities or other assets in your account(s).
- Stephens and/or Pershing can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a margin call.
- Stephens and/or Pershing can increase its “house” maintenance margin requirements at any time and is not required to provide you advance written notice.
- You are not entitled to receive an extension of time to pay a margin call.

## OPTIONS DISCLOSURE DOCUMENT

Pursuant to SEC Rule 9b-1, Stephens is required to provide all clients who trade options or who receive options-related sales material a current copy of the Characteristics and Risks of Standardized Options (also known as the options disclosure document or “ODD”). If the ODD is amended or supplemented, Stephens is required to send a copy of the updated ODD to all clients whose accounts are approved for trading the options class(es) to which the amendment or supplement relates.

Structured securities, derivatives, and options are complex instruments that are not suitable for all investors, may involve a high degree of risk, and may be appropriate investments only for sophisticated investors who are capable of understanding and assuming the risks involved. The risks of options trading should be weighed against the potential rewards.

Prior to effecting an option transaction, you should have received, read, and understood the ODD, which can be found on The Options Clearing Corporation’s website at <https://www.theocc.com/Company-Information/Documents-and-Archives/Options-Disclosure-Document>.

## PRINCIPAL TRANSACTIONS

### Pre-hedging and Hedging Activities

Stephens transacts and makes markets in multiple financial products and instruments. Unless otherwise expressly agreed or provided for in other applicable Stephens disclosures or required by law or regulation, Stephens may conduct these activities as principal. When Stephens executes principal transactions with you, it does so as an arm’s length counterparty for its own account. Stephens does not act as a fiduciary or financial advisor (or in any similar capacity) on your behalf in relation to these transactions.

When Stephens is acting in a principal trading capacity, Stephens may look for market opportunities that both satisfy the terms of your order and may allow us to make an appropriate return on the transaction. These opportunities may include executing other transactions to satisfy our own competing trading interests and responding to competing orders from other clients. Except to the extent we have agreed to different terms of execution, we will exercise our reasonable discretion in entering into a transaction with you based on your order, including, among others, fill quantity, execution time, prioritization, hedging, and aggregation with other orders.

When you provide Stephens with specific information for the purpose of obtaining a quote or request Stephens to enter into a transaction as your counterparty, such information along with all other

information available to Stephens, may (subject to applicable law) be used by Stephens to engage in its trading, market making, and risk management activities, including pre-hedging and hedging activities, without further disclosure to you. Any pre-hedging or hedging transactions will be entered into with a view to managing risk and facilitating your transaction and may be executed before, during, and after receiving a live pricing request or firm order from you. Any pre-hedging or hedging transactions entered into by Stephens could be at different prices from the price at which Stephens executes your transaction, may affect market prices or rates of or liquidity for, the financial products or instruments you are buying or selling, which may result in a profit or loss to Stephens.

## **FINRA RULE 5320 DISCLOSURES**

When you place an order in an equity security with Stephens, FINRA Rule 5320 generally prohibits us from executing a transaction for our own account (a “principal trade”) on the same side of the market as your order at a price that would satisfy your order (a practice known as “trading ahead”) unless we immediately thereafter execute your order up to the size you specified and at the same price or better than the one we traded for our own account.

### **Held Orders**

A “Held order” requires Stephens to promptly execute the order for an immediate fill. A market order is an example of a held order. Held orders for equity securities will continue to receive priority over Stephens’ principal orders. Stephens may trade principally at prices that would satisfy these trading orders through the use of internal controls, such as information barriers and separate lines of supervision, that operate to prevent a trading unit that handles principal positions from obtaining knowledge of these orders.

### **Not Held Orders**

A “Not Held order” allows Stephens to exercise its discretion and judgment regarding the price or time at which a trade is executed in order to obtain the best execution of your order. For Not Held, non-institutional orders that are less than 10,000 shares or \$100,000, Stephens may rely on such internal controls to trade principally at prices that would satisfy these orders.

Not Held orders for more than 10,000 shares or \$100,000 may be worked alongside principal orders handled by Stephens and would not necessarily receive priority over these principal orders. You may instruct Stephens that with respect to all or any portion of your order that you do not want Stephens to trade principally alongside this type of order.

### **Trading Outside Normal Market Hours**

Stephens generally does not execute orders outside of normal market hours of 9:30 to 4:00 Eastern Time. The business practices discussed above will apply should Stephens accept an order for execution outside of normal market hours. Customers should be aware that any orders executed outside of normal market hours are subject to the following risks: Risk of Lower Liquidity, Risk of Higher Volatility, Risk of Changing Prices, Risk of Unlinked Markets, Risk of News Announcements, and Risk of Wider Spreads.

## **VOLATILE MARKET CONDITIONS**

### **Delays**

High volumes of trading at the market opening or intra-day may cause delays in execution as well as executions at prices significantly away from the market price quoted or displayed at the time the order was entered.

### **Market Orders vs. Limit Orders**

A “market order” is an instruction to buy or sell a security at the best available price in the current financial market. Stephens is required to execute market orders fully and promptly without regard to price and, while you may receive a prompt execution of a market order, the execution may be at a price significantly different from the current quoted price for that security. A “limit order” is an order

to buy or sell a security at a specific price or better. Limit orders will be executed only at the specified limit price or better, and while you receive price protection, there is a possibility the order will not be executed.

### Limited Market Access

During periods of volatility in the price and volume of a particular security, when systems problems result in the inability to place buy or sell orders, you may suffer market losses.

### Stop Orders and Stop Limit Orders

A “stop order” uses a specific price (the “stop price”) as a trigger to become a market order once the specific price has been traded in the market. As previously stated, Stephens is required to execute a market order fully and promptly at the current market price. Stop orders are not guaranteed execution prices. Stop orders may be triggered by a short-lived, dramatic price change and sell stop orders may add downward pressure on the price of a security. Therefore, the price at which a stop order is ultimately executed may be very different than the triggering stop price. During volatile market conditions, the execution may be at a significantly different price from the stop price if the market is moving rapidly. If your stop order is triggered under such circumstances, you may buy or sell at an undesirable price even though the price of the security may stabilize during the same trading day.

Placing a “limit price” on a stop order (a “stop limit order”) may help mitigate some of these risks. A stop limit order becomes a limit order instead of a market order upon reaching the stop price. However, because Stephens cannot sell for a price that is lower/buy for a price that is higher than the limit price you set, there is a possibility your order will not be executed at all. You should consider using a limit order or stop limit order in situations where achieving a desired price is more important to you than getting an immediate execution irrespective of price.

### ORDER EXECUTION AND ROUTING INFORMATION (SEC RULES 605 AND 606)

SEC Rule 605 requires market centers like Stephens that trade National Market System (“NMS”) securities to make available standardized, monthly reports that include uniform statistical measures of execution quality. SEC Rule 606(a) requires Stephens to publish quarterly reports that provide a general overview of our routing practices. These reports can be found online at <http://disclosures.bxstech.com/sphn/>.

In addition to the SEC Rule 606(a) quarterly reports, qualifying customers can request certain information under the Rule about the routing of their individual customer orders for the prior six months' trading activity. This includes directed or non-directed orders and the transaction time, separated for NMS held orders, NMS not held orders and options on NMS securities. Under SEC Rule 606(b)(3), upon request of a customer who places a not held order, Stephens must provide a standardized set of individualized disclosures.

Stephens by default routes retail orders to Pershing. Under certain circumstances, Stephens may route some Not Held orders to its Institutional Equities desk for execution. Stephens reviews Pershing's reports pursuant to its policies and procedures designed to achieve best execution. For more information on Pershing's order routing practices, please visit <https://www.orderroutingdisclosure.com/> and enter STEPHENS INC in the Broker-Dealer's Full Name field.

### PAYMENT FOR ORDER FLOW DISCLOSURE (SEC RULE 607)

Stephens may from time to time receive payment for order flow. This compensation may be received in various manners, including, but not limited to, direct cash payments on a per share basis and rebates from various stock exchanges. Such payments assist in offsetting Stephens' expense and exchange charges attendant to order execution. Absent specific instructions from customers, it is Stephens' policy to direct orders in an attempt to achieve the best execution on behalf of the customer. A number of considerations are utilized in deciding the market, exchange and/or market

maker to which Stephens will direct the order. The receipt of payment for order flow is not a determinative factor in the decision.

Orders are exposed across exchanges and market centers for the purpose of obtaining price improvement. If price improvement is not obtained, Stephens will make best efforts to execute the order at the national best bid or best offer. Stephens' foremost objective is to obtain the best execution regardless of any compensation factor.

### **FINRA RULE 5270 DISCLOSURES**

FINRA Rule 5270 expands the scope of its existing front running prohibitions beyond equity securities to include trades in related financial instruments (e.g., options, derivatives, security-based swaps, and other financial instruments overlying a security that is the subject of an imminent block transaction).

Under FINRA Rule 5270, Stephens would be generally prohibited from trading for its own account while in possession of material, non-public market information concerning an imminent customer block transaction or providing such information to other customers for trading purposes prior to the time information concerning the block transaction has been made publicly available or has otherwise become stale or obsolete.

FINRA Rule 5270 does provide the following "permitted transactions" as outlined in the Rule while in possession of detailed order information regarding an imminent block sized transaction in the following limited circumstances:

- Transactions undertaken to facilitate the execution of your block sized order;
- Transactions that are executed, in whole or in part, on a national securities exchange and comply with the marketplace rules of that exchange;
- Transactions effected to satisfy a prior customer order;
- Transactions to correct a bona-fide error; and,
- Transactions executed to offset customer odd-lot orders.

Please note that your order will be handled in a manner that is consistent with best execution standards and that Stephens maintains a surveillance and supervisory infrastructure to monitor execution quality.

Please contact your Stephens sales representative if you require more information regarding how your block transactions are handled or if you object to the terms and conditions mentioned above.

### **MUNICIPAL SECURITIES CLIENT PROTECTION AND EDUCATION (MSRB RULE G-10 DISCLOSURE)**

Stephens Inc. is registered with the U. S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board (MSRB). The MSRB's website is [www.msrb.org](http://www.msrb.org). An investor brochure is posted on the website of the MSRB that describes the protections that may be provided by MSRB rules and how to file a complaint with an appropriate regulatory authority.

### **SIPC**

Stephens is a member of the Securities Investor Protection Corporation ("SIPC"). You may obtain information about SIPC, including the SIPC Brochure, by calling the SIPC Membership Department at 202-371-8300, or visiting them on the Web at [www.sipc.org](http://www.sipc.org).