

## **Stifel Capital Management, LLC**

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### **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Stifel Capital Management, LLC. If you have any questions about the contents of this brochure, contact us 212-328-1000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Stifel Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

## **Item 2 - Summary of Material Changes**

This brochure replaces Stifel Capital Management, LLC's initial brochure dated October 3, 2023 and reflects updates to:

- Item 4 – Advisory Business; and
- Item 17 – Voting Client Securities

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## Item 4 Advisory Business

### Description of Firm

Stifel Capital Management, LLC (“SCM” or “firm”) is a limited liability company organized under the laws of the State of Delaware in 2023 with a principal place of business in New York, New York. SCM is a wholly-owned subsidiary of Stifel Financial Corp., a financial services holding company whose stock is publicly traded on the New York Stock Exchange under the symbol “SF.”

As used in this brochure, the words “we,” “our,” and “us” refer to SCM, and the words “you,” “your,” and “client” refer to you as either a client or prospective client of our firm.

### Our Advisory Services

We are a fixed income manager offering a range of fixed income strategies described in “Methods of Analysis, Investment Strategies and Risk of Loss” in Item 8 of this brochure.

We provide discretionary investment management services through separately managed accounts for public finance institutions, private institutions, corporations, universities, and foundations. Under these relationships, we enter into an investment advisory agreement with

each separately managed account client in which the client grants us discretionary authority to manage the client's account and to determine the specific securities, and the amount of securities to be purchased or sold for the account without obtaining the client's approval prior to each transaction.

We also provide discretionary investment management services to wrap fee programs ("Wrap Program") sponsored by other financial institutions in the U.S. (a "Wrap Sponsor"), including our affiliated broker-dealer, Stifel, Nicolaus & Company, Incorporated. We manage wrap accounts in accordance with their investment policies.

There are certain differences between how we manage separately managed accounts and how we manage other client accounts. For example, when participating in a Wrap Program, the Wrap Sponsor is typically responsible for determining the suitability of the Wrap Program, including SCM and our investment strategy, for the client. We typically are only responsible for managing client assets in accordance with the designated investment strategy. In addition, we may be restricted by Wrap Sponsors from communicating directly with clients; all communications, including communications with respect to the clients' investment objectives, financial condition and reasonable investment restrictions, typically must be directed through the Wrap Sponsor.

We generally permit clients to impose reasonable restrictions on investment in certain securities or types of securities. A restriction is reasonable if, in our judgment, the restriction does not impose any material or significant impairment on our ability to manage a client's assets in accordance with the investment strategy and guidelines established for that client's account.

There may be differences in the performance of wrap portfolios among SCM clients, resulting from differences in the number of securities held in the portfolio, cash availability, investment restrictions, account sizes, tax considerations, and other factors. Clients participating in a Wrap Program are charged a wrap fee by the Wrap Sponsor. For our services, the Wrap Sponsor generally pays SCM a fee based on assets managed by SCM, which is a portion of the total wrap fee the Wrap Sponsor charges clients. The fees we receive in connection with Wrap Programs may vary from fees charged to other clients and between Wrap Programs.

#### Assets Under Management

As of March 1, 2024 SCM had assets under management of \$105,154,076.

### **Item 5 - Fees and Compensation**

#### Portfolio Management Services

SCM has standard fee schedules based on the type of account, the services provided and the particular investment strategy involved. Typically, fees are based on a percentage of the net market value of assets managed for the applicable strategy based on market close prices as of the last business day of the preceding quarter. SCM's current maximum advisory fee for each of its offered strategies is 30 basis points annually. Our advisory fee is negotiable, on a case-by-case basis. In circumstances where we manage multiple accounts for a single client (or group of affiliated clients), we have, in some cases, agreed to aggregate the client's assets across related accounts to enable the client (or group of affiliated clients) to benefit from a lower fee tier or to consider such total assets in determining the fee schedule for each such account.

Our advisory fee is generally billed and payable, quarterly in advance, based on the closing value of the account on the last market day of the previous calendar quarter. If the portfolio management agreement is executed on a day other than the first day of a calendar quarter, our fees will be prorated, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. In the event of the early termination of the investment management agreement, fees paid in advance will be refunded on a pro rata basis. Any refunding would take place as and when provided in the client's investment management agreement with us.

### Additional Fees and Expenses

As part of our investment advisory services, we may invest, or recommend that you invest, in money market funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by such money market funds to their shareholders (which are described in each such fund's prospectus and generally include a management fee and other fund expenses).

You will also incur transaction charges and/or brokerage fees (including broker mark ups) when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, brokerage firms, custodians, and others. For information on our brokerage practices, refer to "Brokerage Practices" in Item 12 of this brochure.

As described more fully in Wrap Program agreements, for accounts managed through Wrap Programs, fees and costs related to transactions effected through our affiliates are included in the Fee that you pay the Wrap Sponsor in connection with the Account; however you may incur transaction charges for transactions effected through other broker-dealers.

### **Item 6 - Performance-Based Fees and Side-By-Side Management**

We do not accept performance-based fees (i.e., fees that are based on a share of capital gains or capital appreciation of a client's account).

### **Item 7 - Types of Clients**

We offer investment advisory services to public finance institutions, private institutions, corporations, universities, and foundations.

In general, we require a minimum of \$1,000,000 to open and maintain a separately managed advisory account.

Accounts managed in Wrap Programs are subject to account minimums that vary depending on the particular program, with amounts ranging from \$250,000 to \$500,000.

At our discretion, we may waive any minimum account size on a case-by-case basis.

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

SCM's method of analysis varies based upon the investment strategy. Investing in securities involves the risk of loss that clients should be prepared to bear.

SCM employs one or more of the following methods of analysis in providing our advisory services:

- Fundamental analysis;
- Technical analysis;
- Cyclical analysis;
- Quantitative analysis; and
- Subjective evaluation of non-quantifiable factors (e.g., quality of management or environmental, social, and governance characteristics) and judgment decisions.

The fixed income strategies that we manage fall under the following general categories:

### Tax-Efficient Strategies

Tax-efficient strategies seek to produce higher after-tax yields by investing across the U.S. investment-grade fixed income universe, whether they are municipal, corporate, or government issuers. While municipal bonds are the primary asset class, selective investments in corporate and government securities at opportune times can increase after-tax yield. This vertical is refined by interest rate risk into short-, intermediate-, and customized strategies. Each strategy – short, intermediate, and customized – has a different set of potential opportunities to increase after-tax yield by selectively investing in non-municipal securities. The focus on after-tax yield incorporates each investor's federal, state, and local taxation, to the extent applicable. In the case of clients that are not themselves governmental entities, state and local taxes are the primary factor in the selection of in-state or out-of-state municipals, as well as whether it is tax-efficient to invest in corporate securities.

- **Tax-Efficient Short:**  
The Short Tax-Efficient Strategy focuses on shorter-term maturities of 1-5 years with income generation, preservation of principal, and liquidity as the main investment objectives. Potential buy candidates are generally municipals and corporate securities.
- **Tax-Efficient Intermediate:**  
The Intermediate Tax-Efficient Strategy focuses on intermediate-term maturities of 1-15 years with income generation and liquidity as the main investment objectives. Potential buy candidates are generally municipals and hybrid tax-advantaged corporate securities.
- **Tax-Efficient Customized:**  
The customized strategy is for investors who have very specific investment guidelines that do not fit into one of the other strategies. Account types that have customized portfolios include limited liability corporations, insurance companies, captive insurance entities, government contractors, foundations, trusts, and individuals.

## Taxable Strategies

Taxable strategies seek to produce higher yields by investing across the U.S. investment-grade fixed income universe, whether they are municipal, corporate, or government issuers. While U.S. Treasury securities and corporate bonds are the primary asset classes, selective investments in municipal and other government securities at opportune times can increase yield. Top-line yield per rating value is a key metric in security selection. This vertical is refined by interest rate risk into ultra-short, short-, intermediate-, and customized strategies.

- **Reserve Fund:**

The Reserve Fund Strategy is a highly customized fixed income strategy that focuses on shorter term U.S. Government securities with maturities in the 0 to 3 year range. Preservation of principal and liquidity are the main investment attributes. Target investors are those who have to invest in U.S. Government securities by statute or investment guidelines. The Reserve Fund Strategy is designed to meet the needs of municipal and corporate entities that are required to maintain reserves as part of a bond issuance, project/construction planning, finance agreement or for other legal reasons. Each portfolio is bespoke to that specific entity's financial requirements. The strategy seeks to produce higher returns by employing an asset liability investment approach which limits interest rate risk as well as reduces cash drag on portfolio returns.

- **Strategic Cash:**

Strategic Cash is a customized short-duration fixed income strategy for investors with specific investment policy guidelines for their liquidity portfolios, such as corporations, as well as for investors who have very specific liquidity events, such as large tax payments. Portfolios guidelines are highly customized with the direct input of the investor.

- **Taxable Ultra-Short:**

The Ultra-Short Taxable Strategy focuses on shorter-term maturities of 0-3 years with preservation of principal and liquidity as the main investment objectives. Potential buy candidates are generally investment-grade corporate and government securities.

- **Taxable Short:**

The Short Taxable Strategy focuses on shorter-term maturities of 1-5 years with income generation, preservation of principal, and liquidity as the main investment attributes. Potential buy candidates are generally investment-grade corporate and government securities.

- **Taxable Intermediate:**

The Intermediate Taxable Strategy focuses on intermediate-term maturities of 1-15 years with income generation and liquidity as the main investment objectives. Potential buy candidates are generally investment-grade corporate and government securities, including agency mortgage-backed securities.

- **Hybrid Preferred:**

The Hybrid Preferred Strategy focuses on the middle of the corporate capital structure of banks, insurance companies, and utilities by investing in tax-preferenced, preferred, and subordinate securities. There is a significant increase in yield as you move down the capital structure from investment-grade-rated senior debt to lower-rated subordinated debt and preferred securities. This is a way to potentially receive high yields while investing in the lower capital structure of investment-grade companies.

- **Taxable Customized:**

The customized strategy is for investors who have very specific investment guidelines that do not fit well into one of the other strategies. Account types that have customized portfolios include limited liability corporations, insurance companies, captive insurance entities, government contractors, foundations, trusts, individuals.

### Principal Investment Risks

In general, the types of risks that each investor will be exposed to will vary, depending on the particular strategy utilized. Investments in securities generally are subject to market risk, which is the risk that the security's value will decline because of downturns in the general securities markets. Depending on market conditions, the value of an investment at the end of an investment period may be less than its initial value, and clients could lose money. Additional risks that may apply include:

- **Risk of Loss:**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

- **General Economic and Market Conditions Risk:**

The success of the firm's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls, energy prices, commodity prices, national and international political circumstances (including government intervention in financial markets, wars, terrorist acts, or security operations), natural disasters and regional, national, and global health crises (for example the global outbreak of the coronavirus disease 2019 (COVID-19) in 2020). These factors may affect the volatility of securities prices and the liquidity of your investments. Volatility or illiquidity could impair your profitability or result in losses. The firm's clients may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

- **Market Risk and Selection Risk:**

Market risk is the risk that one or more markets in which our strategies invest will go down in value, including the possibility that the markets will go down sharply and unpredictably. Selection risk is the risk that the securities that we select will underperform the markets, the relevant indices, or the securities selected by other strategies with similar investment objectives.

- **Liquidity Risk:**

The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price, or it may not be possible to sell the investment at all.

- **Credit Risk:**

Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event

that could impair or erase the value of an issuer's securities held by a client. Changes in an issuer's credit rating or the market's perception of an issuer's creditworthiness may also affect the value of the strategy's investment in that issuer. The degree of credit risk depends on the issuer's financial condition and on the terms of the securities.

- **Inflation and Interest Rate Risk:**

Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worthless and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

- **Duration Risk:**

Duration risk measures a debt security's price sensitivity to interest rate changes. Bonds with higher duration carry more risks and have higher price volatility than bonds with lower duration.

- **Prepayment Risk:**

Accounts that invest in income securities bear the risk that an issuer will exercise its right to pay principal on an obligation (such as an asset-based or mortgage-backed security) earlier than expected. This may happen during periods of declining interest rates. Under these circumstances, an account may receive a lower-than-expected yield and may be forced to reinvest in lower yielding securities.

- **Horizon and Longevity Risk:**

The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

- **Conflict of Interest Risk:**

We may take conflicting views on security holdings across strategies, depending upon the strategy's objective. However, our compensation structure does not favor one strategy over another, and is determined on an overall basis, and takes into consideration the profitability of the overall asset management practice. A potential conflict may arise both with respect to allocation of time to specific client accounts as well as an incentive to favor certain accounts over others. SCM personnel generally directly manage the applicable strategy rather than any specific account; investment decisions therefore are made at the strategy level rather than based on a client's specific circumstances. Client accounts in the same strategy typically hold the same securities (subject to exceptions arising from the applicable restrictions that a client may have imposed on an account). As a result, we are able to adequately manage their time without regard to the number of client accounts enrolled in a strategy.

- **Tax-Exempt Security Risk:**

Certain investment programs may seek to invest in tax-exempt securities, including (but not limited to) municipal bonds as well as money market funds. In order to attempt to pay interest that is exempt from federal or state and local income tax, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed to shareholders to be taxable. In addition, income from

one or more municipal bonds could be declared taxable because of unfavorable changes in tax or other laws, adverse interpretations by the Internal Revenue Service, state, or other tax authorities, or noncompliant conduct of a bond issuer. Changes or proposed changes in federal or state income tax or other laws may also cause the prices of tax-exempt securities to fall. Finally, income from certain municipal bonds may be subject to the alternative minimum tax and/or state and local taxes, based on the investor's state of residence.

- **Financial Risk:**  
Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Extension Risk:**  
Rising or high interest rates may result in slower-than-expected principal payments which may tend to extend the duration of a debt instrument, making them more volatile and more sensitive to changes in interest rates.
- **Economic and Market Events Risk:**  
Global economies and financial markets are becoming increasingly interconnected and conditions and events in one country, region, or financial market may adversely impact issues in a different country, region or financial market.
- **Cybersecurity Risk:**  
The Firm maybe be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of services attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting SCM and its service providers may adversely impact clients. For instance, cyber-attacks may interfere with the processing of transactions, cause the release of private information about clients, impede trading, subject clients and the Firm to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which clients may invest, which could result in material adverse consequences for such issuers and may cause SCM's investment in such issuers to lose value.
- **Financial Institution Risk:**  
Actual events involving reduced or limited liquidity, defaults, nonperformance, or other adverse developments that affect financial institutions or other companies in the financial services industry, including banks and other custodians of an investor's funds and securities, or impact the financial services industry generally, as well as concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems, defaults on financial obligations, non-performance of contractual obligations, and other adverse impacts on these financial institutions, investors that deposit funds and securities at these institutions, lenders and borrowers of these institutions, and other companies in the financial services industry. For example, on March 10, 2023, Silicon Valley Bank, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. Investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher

interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult to acquire financing on acceptable terms or at all. Any decline in available funding or access to cash and liquidity resources could, among other risks, adversely impact the ability to meet operating expenses, satisfy financial obligations, liquidate portfolio holdings, withdraw capital, or fulfill other obligations, or result in breaches of financial and/or contractual obligations. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on portfolio holdings, fund performance, or business operations.

### Recommendation of Particular Types of Securities

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided above.

### **Item 9 - Disciplinary Information**

Neither SCM nor its employees have been involved in any legal or disciplinary events that would be material to a client's or prospective client's evaluation of SCM's advisory business or the integrity of its management.

### **Item 10 - Other Financial Industry Activities and Affiliations**

SCM is a wholly-owned subsidiary of Stifel Financial Corp., a financial services holding company whose stock is publicly-traded on the New York Stock Exchange under the symbol "SF." The Stifel Financial Corp.'s affiliated group of entities includes:

1. Registered broker-dealers;
2. Registered investment advisers;
3. Registered municipal advisors;
4. Commodity pool operators and/or commodity trading advisers;
5. Banking and thrift institutions;
6. Insurance companies; and
7. Sponsor/General Partner and/or Managing Member of a pooled investment vehicle.

These affiliates include, but are not limited to, Stifel Nicolaus & Company, Incorporated ("Stifel Nicolaus"); Stifel Independent Advisors, LLC; Stifel Trust Company, NA; and Stifel Bank & Trust, NA. Certain management persons of SCM are registered representatives of broker-dealer affiliates of SCM.

Our affiliate, Stifel Nicolaus is a full-service broker-dealer, as discussed in more detail below, will generally be the exclusive broker dealer we select for the execution of our client transactions. Please also see refer to "Brokerage Practices" in Item 12 below for more information on our broker selection process. In addition, a number of our affiliated broker-

dealers may serve as underwriters or otherwise participate in the distribution of securities that we recommend for advisory accounts through purchases in the secondary market. Accounts in Wrap Programs do not participate in initial public offerings.

Our affiliations with these entities may change and/or we may acquire new affiliates at any time, without prior notice to you. Each client should note that each relationship set forth above creates a conflict of interest for our firm.

### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a formal Code of Ethics and Insider Trading Policies and Procedures (the "Code") to address and avoid potential conflicts of interest as required under Rule 204A-1 ("Rule 204A-1") of the Investment Advisers Act of 1940, as amended (the "Advisers Act"). For purposes of Rule 204A-1, all supervised persons are designated as "access persons." The Code reinforces the fiduciary principles that govern supervised persons, including:

- Setting forth standards of business conduct that are expected of all supervised persons, which demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing to you. All supervised persons are required to acknowledge their receipt of the Code of Ethics and any material amendments thereto in writing.
- Requiring compliance with federal securities laws, including (but not limited to) the Advisers Act, and the rules thereunder, as well as applicable state securities laws.

Persons associated with our firm are also required to report any violations of our Code of Ethics. We will provide a copy of our Code to any client or prospective client upon request. You may request a copy of the Code by contacting us at the telephone number on the cover page of this brochure.

#### **Personal Securities Trading and Reporting**

From time to time, our supervised persons may buy or sell securities for their own accounts that are the same securities as those held in client accounts. Such personal securities transactions may raise potential conflicts of interest when these supervised persons trade at or around the same time as a client account, or in a manner inconsistent with our then-current recommendations. Personal securities transactions by our supervised persons may also raise potential conflicts of interest when we are considering the related security for purchase or sale in client accounts.

To mitigate the associated risks, our Code is designed to reasonably detect and prevent such conflicts of interest and, when they do arise, to ensure that the supervised person effects the transactions in a manner that is consistent with our fiduciary duty to clients and in accordance with applicable law. To this end, all supervised persons are prohibited from using their position for any investment opportunities that any such individual learns of because of his or her position, to the detriment of our clients. Additionally, all supervised persons are required to obtain pre-approval from Compliance prior to entering any personal trade in certain security types. Supervised persons must submit their personal trade pre-clearance requests via a web-based application on the date of the proposed transaction and may not place an order for the purchase or sale of the security until the transaction has been approved.

Compliance monitors all supervised persons' trading, and our supervised persons submit quarterly transaction reports in accordance with the Code. Compliance conducts periodic testing of its procedures to ensure ongoing compliance by all supervised persons.

#### Participation or Interest in Client Transactions

Our affiliated firms, or persons associated with our firm may buy or sell the same securities at the same time that we recommend, purchase or sell for your account. These affiliates may have purchased or otherwise acquired securities or other interests in such issuers on terms different from, and more favorable than, those available to you. We may recommend to you, or buy or sell for your account, securities of issuers that one or more of our affiliates have sponsored or promoted.

We may also recommend securities issued by entities that are also our clients or clients of our affiliate investment advisers and/or broker-dealers. Specifically, we may recommend securities of issuers that our affiliates have sponsored or promoted (including serving as underwriter or selling member in initial public offerings and other syndicated offerings). To the extent recommended, those securities will be purchased in the secondary market, and not during the initial or secondary offerings. We do not allow accounts over which we are serving as investment adviser to participate in offerings in which our firm is also a selling member (this limitation may not apply to transactions that are directed by unaffiliated Investment Managers on our platform, to the extent such transactions are permitted by applicable law).

Our affiliates frequently have access to non-public information about publicly traded companies. When this occurs, we may be prohibited from trading an existing position, resulting in investment losses or the failure to achieve investment gains. In other cases, we may cause the purchase or sale of securities of an issuer at a time when an affiliate or its employees have material non-information about such securities or their issuers if the affiliates have not otherwise notified us of their possession of such information. Our affiliates and their respective employees have no duty to make any such information available to us, and we have no duty to obtain such information.

We have adopted and enforce written policies reasonably designed to prevent the misuse or dissemination of material, nonpublic information, including policies restricting SCM's and its employees from trading in a security if SCM is in receipt of material non-public information about the security and/or issuer. In those instances, neither SCM nor any of its employees is free to act upon any such information. As a result, SCM may not be able to initiate a transaction that it otherwise might have initiated and may not be able to dispose of a security that it otherwise may have sold.

#### **Item 12 - Brokerage Practices**

For certain separately managed accounts, clients agree with us in their agreement that all brokerage transactions for their account will be executed by Stifel Nicolaus, one of our affiliates. As a result, clients in this program may not always obtain as favorable a price or execution as could have been available through another broker-dealer. The use of Stifel Nicolaus to execute client trades creates a conflict of interest because it generates fees for our affiliate.

For Wrap Program clients, we expect to direct brokerage to Stifel Nicolaus; however, we may determine to effect transactions for discretionary clients through other broker-dealers if we determine, in light of all applicable factors, that executing through the other broker-dealer would

provide better execution than Stifel Nicolaus, in which case we may trade away. For all transactions executed through other broker-dealers, clients will likely (but may not always) incur additional costs, such as commissions or markups/markdowns embedded in the price of the security, that are in addition to, and not included in, fees paid under the Wrap Program.

For other accounts, we generally have authority to choose the broker-dealer used for each trade in clients' accounts. We have a fiduciary obligation to seek "best execution" of all client securities transactions. In exercising our discretion, we will generally seek the best combination of brokerage expenses and execution quality; however, SCM shall not be required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. SCM will review our affiliate's execution services on a periodic basis.

#### Research and Other Soft Dollar Benefits

SCM does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits").

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the fees charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

#### Brokerage for Client Referrals

In selecting or recommending a broker-dealer, we do not consider whether we receive client referrals from the broker-dealer.

#### Directed Brokerage

Other than as noted above, we generally do not permit clients to direct brokerage.

#### Aggregated Trades

We may, but are not required to, combine multiple orders for the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). Generally, participating accounts will pay a fixed transaction cost regardless of the number of securities transacted. In certain cases, each participating account pays an average price for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the bonds will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order.

From time to time, trade aggregation may not be possible because a security is thinly traded or otherwise not able to be aggregated and allocated among all accounts seeking the investment opportunity or a client may be limited in, or precluded from, participating in an aggregated trade as a result of an investment restriction, specific brokerage instructions, or other factors. In such cases, clients may not receive as favorable executions as they might otherwise receive from aggregated orders.

### **Item 13 - Review of Accounts**

At least quarterly, the Chief Investment Officer conducts a written review of client accounts. Such review will include a review of portfolio holdings, position sizes, and industry and sector exposure of the investment strategies to ensure that they are in accordance with the specific investment objectives and restrictions of the related strategy. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or
- changes in your risk/return objectives.

### **Item 14 - Client Referrals and Other Compensation**

From time to time, we may enter into an agreement to compensate an affiliate or a third party firm to refer clients to us. Such arrangements create a conflict of interest for the firm making the referral because of the fee the firm will receive for making the referral. Typically, payments for referrals are a percentage of the customary advisory fee received by SCM from the referred client. The referred client pays no additional fee to us. At the time of solicitation, each referred client is provided with details regarding the referral arrangement before the client signs an advisory agreement with us.

### **Item 15 - Custody**

We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the bank, broker-dealer, or qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

Our affiliate, Stifel, Nicolas & Company, Incorporated serves as custodian with respect to certain managed accounts. Stifel, Nicolas & Company, Incorporated undergoes an annual surprise examination of the accounts that it holds, and also obtains an internal control report from an independent public accounting firm that is registered and subject to regular inspection by the Public Company Accounting Oversight Board. We receive a copy of the internal control report issued by such independent public accounting firm.

**Item 16 - Investment Discretion**

For certain client types, we are granted discretionary authority within the applicable client agreement to buy and sell securities in the quantities and at the times we deem appropriate without obtaining prior consent from the client before each transaction. Clients may limit our discretionary authority through specific investment restrictions or guidelines.

**Item 17 - Voting Client Securities**

SCM will not vote any proxies, and SCM shall not be obligated to take action or render any advice with respect to the voting of proxies solicited by or with respect to the issuers of securities in which the assets of your account may be invested. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent or from SCM. In addition, SCM will not compile or file claims or take any related actions on behalf of the Client in any class action, bankruptcy, or other legal proceeding related to securities currently or previously held in the account.

**Item 18 - Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you.