



ADVISORY CONSULTING  
SERVICES

**SEC Number: 801-10746**

**DISCLOSURE BROCHURE**

**February 3, 2017**

This brochure provides information about the qualifications and business practices of Stifel, Nicolaus & Company, Incorporated. This brochure focuses on our Advisory Consulting Services; we also offer financial planning services and the wrap fee programs ("Program(s)"), each of which is covered in a separate brochure. If you have any questions about the contents of this brochure, please contact us at the address or telephone number provided below. 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, Nicolaus & Company, Incorporated is available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.

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## MATERIAL CHANGES

Since Stifel, Nicolaus & Company, Incorporated (“Stifel” or the “firm”)’s last update in March 2016, the firm has experienced the following changes which may be considered material:

- We added disclosures to the section “***Additional Information on Fees and Other Compensation – Interest and Similar Compensation***,” starting on page 11 of the brochure, we added information about the compensation that we may receive from our affiliated bank with respect to credit line loans (also known as SPA Loans) that clients may take out at the affiliated bank, collateralized by the assets held in their Stifel advisory accounts. Similarly, we added disclosures about compensation we may earn with respect to un-invested cash in client accounts prior to such cash being automatically swept to the client-selected vehicle.
- We have updated the section “***Disciplinary Information***” beginning on page 15 of the brochure with respect to the following events:
  - *On January 4, 2017, an Administrative Consent Order (“Order”) was entered against Stifel, Nicolaus & Company, Inc. (“Stifel Nicolaus”) and a former registered representative associated with Stifel Nicolaus by the Securities Division of the Mississippi Secretary of State (“Division”) resolving an investigation into certain activities occurring in two branch offices during the period of September 2000 through November 2013. Without admitting or denying the findings in the Order, Stifel Nicolaus agreed to the entry of the Order directing Stifel Nicolaus to cease and desist from violating Rule 5.15 of the Mississippi Securities Act of 2010, a books and records rule, and to pay the Division \$49,500 on its behalf as well as \$500 on behalf of the former registered representative.*
  - *On December 6, 2016, a final judgment (“Judgment”) was entered against Stifel by the United States District Court for the Eastern District of Wisconsin (Civil Action No. 2:11-cv-00755) resolving a civil lawsuit filed by the SEC in 2011 involving violations of several antifraud provisions of the federal securities laws in connection with the sale of synthetic collateralized debt obligations (“CDOs”) to five Wisconsin school districts in 2006. As a result of the Order, Stifel is required to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and 17(a)(3) of the Securities Act, and Stifel and a former employee are jointly liable to pay disgorgement and prejudgment interest of \$2.44 million. Stifel was also required to pay a civil penalty of \$22.5 million. The Judgment also required Stifel to distribute \$12.5 million of the ordered disgorgement and civil penalty to the school districts involved in this matter.*
  - *On April 8, 2016, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm used permissible customer-owned securities as collateral for bank loans procured by the firm. However, on several occasions over a period of years, prior to performing its customer reserve calculation, Stifel substituted those loans with loans secured with firm-owned collateral. The substitution thereby reduced the amount that Stifel was required to deposit into the Customer Reserve Account. FINRA found the practice to be a violation of applicable rules, including Section 15(c) of the Securities Exchange Act of 1934 and Rule 15c3-3(e)(2) thereunder. Throughout the relevant period, the firm had sufficient resources to fund the Customer Reserve Account even if the substitutions had not occurred. While not admitting or denying the allegations, the firm consented to a censure and fine of \$750,000.*
- In July 2016, our affiliated trust companies consolidated into two remaining entities; as a result, we deleted references to 1919 Investment Counsel & Trust Co. and the Trust Company of Sterne Agee Inc. from the section “Other Financial Industry Activities and Affiliations,”

starting on page 20 of the brochure.

In addition to the foregoing, we made various other edits to the brochure. To the extent not otherwise provided, clients may request a copy of the entire brochure from their Financial Advisor at any time, at no charge.

*In lieu of providing clients with an updated Part 2A Brochure each year, we generally will provide our existing advisory clients with this summary describing the material changes occurring since the last update that was sent to all advisory clients. We will deliver the summary each year to existing clients generally by April 30<sup>th</sup> of each year. Clients wishing to receive a complete copy of our then-current Brochure may request a copy at no charge from their Financial Advisor.*

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>ADVISORY BUSINESS.....</b>	<b>5</b>
<b>ADVISORY PROGRAMS OFFERED AT STIFEL .....</b>	<b>6</b>
<b>WRAP FEE PROGRAMS .....</b>	<b>6</b>
<b>STIFEL VANTAGE PROGRAM .....</b>	<b>6</b>
<b>STIFEL SUMMIT PROGRAM .....</b>	<b>6</b>
<b>STIFEL GUIDEPOST PROGRAM.....</b>	<b>7</b>
<b>MORNINGSTAR® MANAGED PORTFOLIOS<sup>SM</sup> PROGRAM.....</b>	<b>7</b>
<b>MANAGEMENT AND ADVISORY SERVICES TO PRIVATE FUNDS.....</b>	<b>8</b>
<b>FEES AND COMPENSATION.....</b>	<b>8</b>
<b>PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>12</b>
<b>ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS .....</b>	<b>12</b>
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS .....</b>	<b>12</b>
<b>DISCIPLINARY INFORMATION.....</b>	<b>15</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>20</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING .....</b>	<b>21</b>
<b>BROKERAGE PRACTICES.....</b>	<b>22</b>
<b>CASH SWEEP OPTIONS .....</b>	<b>25</b>
<b>REVIEW OF ACCOUNTS.....</b>	<b>25</b>
<b>CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>26</b>
<b>CUSTODY .....</b>	<b>26</b>
<b>INVESTMENT DISCRETION .....</b>	<b>27</b>
<b>VOTING CLIENT SECURITIES .....</b>	<b>27</b>
<b>FINANCIAL INFORMATION .....</b>	<b>27</b>
<b>ERISA RULE 408(B)(2) DISCLOSURE INFORMATION FOR QUALIFIED RETIREMENT PLANS .....</b>	<b>27</b>

## EXECUTIVE SUMMARY

### About Stifel, Nicolaus & Company, Incorporated

Stifel, Nicolaus & Company, Incorporated ("Stifel") is a broker dealer and investment adviser registered with the SEC since May 7, 1975. Stifel is owned by Stifel Financial Corp., a publicly held company whose common stock trades under the symbol "SF." Stifel is a leading full-service wealth management, investment advisory ("Advisory"), and investment banking firm, serving investment and capital needs of individual, corporate, institutional, and municipal clients. Stifel is a member of the Financial Industry Regulatory Authority ("FINRA"), the New York, American, Chicago, Philadelphia, and Chicago Board Options Exchanges, and the Securities Investor Protection Corporation ("SIPC"). Information about our qualifications, business practices, portfolio management techniques, and affiliates is accessible via publicly available filings with the SEC at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

In this brochure, the pronouns "we," "our," "us" and similar words will refer to Stifel. The pronouns "you," "your," and similar words will refer to you as the Client.

### Services We Provide

Stifel offers both Advisory and brokerage services. For more information about our brokerage business, please refer to the "Brokerage Practices" section of this brochure. ***It is important to understand that brokerage services are separate and distinct from Advisory services, and different laws, standards of care and separate contracts with clients govern each. While there are similarities among brokerage and Advisory services, our firm's contractual relationship with and legal duties to clients are subject to a number of important differences, depending on whether we are acting in a brokerage or Advisory capacity.***

## ADVISORY BUSINESS

### Types of Advisory Services Offered by Stifel

Our services include discretionary and non-discretionary Advisory services, which generally involve account and/or portfolio management, financial planning services, and recommendation of, or assistance with the selection of securities and/or third-party investment advisers ("Advisers"). Such Advisers may include firms that are independent of our firm ("Independent Advisers") as well as firms owned by our parent company, Stifel Financial Corp. ("Affiliated Advisers"). We enter into written agreements with Advisory Clients acknowledging our Advisory relationship and disclosing our obligations when acting in an Advisory capacity. We provide Advisory services to individuals, corporations, institutions, pension or profit sharing plans, employee benefit plans, trusts, estates, charitable organizations, other business and government entities, educational institutions, and banks or thrift institutions ("Clients"). We generally provide Advisory services through our registered investment advisory representatives ("Financial Advisors"), who determine the services that are most appropriate for Clients based on each Client's individual investment goals and financial circumstances. We may fulfill a Client's wealth management needs by acting as broker-dealer, investment adviser, or both. Our Advisory services cover most types of debt and equity or equity-related securities of domestic and foreign companies, as well as national and local government issuers, whether trading on an exchange or over-the-counter. We may also invest Client assets in rights and warrants, securities, options, certificates of deposit, open and closed-end funds, exchange-traded funds ("ETFs"), unit investment trusts ("UITs"), real estate investment trusts ("REITs"),

American Depositary Receipts ("ADRs"), foreign ordinary shares, and publicly traded master limited partnerships ("MLPs") and other securities.

Throughout this brochure and depending on the type of Program referenced, the term "Portfolio Manager" shall refer to, as applicable, a) Stifel where it or your Financial Advisor, as agent for Stifel, provides discretionary portfolio management services and/or b) an Independent Adviser or Affiliated Adviser that either provides model portfolios which Stifel will implement in your account, acts as your direct discretionary Portfolio Manager, or to whom Stifel has delegated discretionary authority as a sub-advisor. References to the singular include the plural and vice versa.

### Assets Under Management

As of December 31, 2015, we managed approximately \$26,528,379,300 of Client assets on a discretionary basis, and advised on \$11,873,044,136 on a non-discretionary basis. We also advised Clients with respect to an additional \$2,513,462,622 managed by other Advisers.

### Our Responsibilities as an Investment Adviser

As an investment adviser, we are acting as a fiduciary held to the legal standards set forth in the Investment Advisers Act of 1940, and state securities laws, as well as common law standards applicable to fiduciaries. Such standards include, but are not limited to, fair and equal treatment of Clients; full disclosure of material and potential conflicts of interest; full disclosure of all compensation received from Clients or third parties for providing investment advice or advisory services to our Clients; to obtain Client consent prior to engaging in transactions for our own account when dealing with Clients in an Advisory capacity; having a reasonable basis for believing that our investment recommendations are suitable and consistent with Client's objectives and goals, including any restrictions placed on the account, and to act in the best interest of our Clients. Additional information about our fiduciary obligations, including the policies and procedures that we undertake to fulfill those obligations, is available throughout this brochure, including under the section entitled "Participation or Interest in Client Transactions."

### Investment Restrictions

Subject to our review for reasonableness, Advisory Clients in the Programs covered in this brochure may impose restrictions on investing in specific securities or certain types of securities. If we determine that the restrictions are reasonable and accept them, we and/or any third party manager managing the Client's account will be responsible for implementing, and managing the account, consistent with such restrictions imposed by Client. It is important that Advisory Clients understand that, if such restrictions are approved and imposed on an account, the account's performance may differ (even significantly) from the performance of other accounts, managed by the same Financial Advisor, without similar restrictions. The ability to restrict investments does not apply to and does not affect the purchase policies of, or underlying securities held by, any mutual funds, ETFs or other commingled vehicles. Clients may request in writing that specific mutual funds or ETFs not be purchased in an account; however, because mutual funds and ETFs are pooled

investment vehicles, it is not possible for our firm to accommodate requests for restrictions on individual securities within such funds.

We define and/or identify certain types of permissible account restrictions (e.g. prohibiting investments in particular industries or socially responsible categories) by reference to information provided by a third-party service provider using the provider's proprietary methodologies, which may change at any time without notice to Clients. If a Client elects to impose such types of restrictions to their account, we will apply the restrictions based on our internal policies, by referencing the third-party service provider's information.

## ADVISORY PROGRAMS OFFERED AT STIFEL

### WRAP FEE PROGRAMS

As set forth on the cover page, we offer various Advisory Programs to our Clients, including "wrap fee" Programs, with respect to which we are the sponsor and, in certain programs, the portfolio manager for some or all of the portfolios in the Program. A "wrap fee" is an annual fee paid by the Client to Stifel that is intended to cover applicable services to the account, including investment advice, portfolio management (where applicable), execution (if executed at Stifel), custody, administrative and account reporting services. To the extent that portfolio management or similar services are provided by third parties, Stifel pays such third parties for their services and retains the balance of the wrap fee for its services. We generally manage accounts enrolled in wrap fee Programs with the same level of care used when we manage non-wrap fee Program accounts.

The wrap fee Programs that we offer include the Opportunity, Select Manager and Select Funds Programs whereby an affiliated or unaffiliated investment adviser acts as your discretionary portfolio manager, or provides their model portfolio to us for our implementation. Stifel also offers discretionary investment advisory services through the Solutions, Select APM, discretionary Fundamentals, Unison, and Spectrum Programs. Our non-discretionary investment advisory wrap fee Programs include the Horizon, Select Advisor, and non-discretionary Fundamentals Programs. Finally, under the Custom Advisory Portfolio Program, our firm retains limited discretionary trading authority over applicable client accounts whose portfolios may be a combination of any of internal and/or external model portfolios, mutual funds and/or ETFs. Each of these wrap fee Programs is further described in the Stifel Wrap Fee Programs Brochure and/or Select Programs Brochure, each of which is available upon request.

We also offer a number of different options under our Advisory Consulting Services Programs. Clients may select from the following Advisory Consulting Services Programs as appropriate for their needs:

### STIFEL VANTAGE PROGRAM

#### About our Stifel Vantage Program

Our Vantage Program ("Vantage") offers discretionary account management by certain Stifel Financial Advisors (in that capacity, "Vantage Managers") who meet the Vantage certification requirements.

Once the Client has established his/her investment objectives, goals, risk tolerance, and an overall asset allocation, the Vantage Manager will assist the Client in selecting an appropriate strategy for all or part of the Client's asset allocation in the Vantage account. To implement a Client's investment objectives and risk tolerance, a Vantage Manager may utilize fundamental, qualitative, quantitative and/or technical research published by Stifel or another source. Vantage Managers may also employ short-term purchases and/or limited options trading, provided such strategies are suitable and appropriate for the Client and, as applicable, approved

for the account. Accounts in the Vantage Program may differ depending on client objectives and Vantage Managers may have one or more approaches that they use in managing Client accounts. Each Client is encouraged to discuss and review with the applicable Vantage Manager how the account will be managed, as well as the specific risks applicable to the Client's Vantage account.

Subject to such limitations as we may impose from time to time, Vantage Managers invest in various kinds of equity and fixed income securities. As with our other discretionary programs, Clients may impose reasonable restrictions on investing in specific securities or certain types of securities.

#### Vantage Commission Schedule

Clients in the Vantage Program pay transaction-based charges (commissions) for the services provided by their Financial Advisor. Commissions are charged based on our standard commission schedule (subject to negotiation in certain circumstances) for brokerage transactions.

#### Conflicts of Interest

*It is important to understand that, due to the commission-based fee structure described in the preceding section, Stifel and/or your Financial Advisors may have an incentive to recommend this product over other products contained in this brochure or in other related brochures. Clients should consider carefully whether the Vantage Program is suitable for their investment objectives, risk tolerance, time horizon and investment experience. The Vantage Program may not be suitable for Clients with a projected high level of trading activity where the commission and transaction costs are expected to exceed those that would otherwise be charged under a similar, wrap fee-based Program. We highly encourage Clients to review all available options with their Financial Advisor(s).*

### STIFEL SUMMIT PROGRAM

#### About our Stifel Summit Program

Our Summit Program ("Summit") allows Stifel Financial Advisors the ability to serve Clients who are seeking investment advice for assets held at a custodian other than Stifel. Clients that may benefit from a Summit relationship include (but are not limited to): municipalities, endowments, foundations, corporations, high net worth individuals, and sponsors and/or trustees of qualified retirement plans subject to the Employee Retirement Income Security Act ("ERISA").

Non-discretionary investment services offered may include, for example: assisting Clients in the preparation of an investment policy statement; analysis of asset allocation and style consistency; advice regarding use of third-party investment managers; evaluation of investment risk and performance; and recommendations on the purchase and sale of individual investment vehicles including stocks, bonds, mutual funds, UITs, ETFs, closed-end funds, options, alternative investments, and/or insurance products. Our Financial Advisors provide investment advice to the Client in accordance with the Client's investment objectives, risk tolerance, time horizon, and investment experience as communicated to the Financial Advisor through an investment policy statement or other applicable documents. In each case, Clients are solely responsible for implementing any non-discretionary advice provided by the Financial Advisor(s).

From time to time, we may approve arrangements under which our Financial Advisors provide discretionary investment management services with respect to Client assets held at other financial institutions through the Summit Program. In such event, the Client (not Stifel or the Financial Advisor) determines the specific qualified independent custodian to be used. While our Financial Advisors may direct the trades, Client's independent qualified custodian or other broker-dealers will provide all brokerage execution and clearing services relating to such trades. The Client (not Stifel) is solely responsible for all brokerage and custodial charges imposed by Client's independent qualified custodian.

*Clients who elect to hold their assets at other institutions should be aware that we also offer other Programs through which Clients pay a wrap fee for investment management, execution (to the extent trades are executed through Stifel), clearing, and custodial services. These wrap fee Programs may be a cheaper alternative to Clients than using the Summit Program on a discretionary basis; we highly encourage Clients to review all available options with their Financial Advisor(s).*

#### Summit Fee Schedule

The minimum annual fee for the Summit Program is \$5,000 (which minimum may be waived at our sole discretion). The annual fee charged is a percentage of the total value of investments on which advice is provided. The fee schedule for the Summit Program is as follows:

Account Value	Annual Fee
First – \$ 5,000,000	1.35%
\$5,000,000 – \$10,000,000	1.10%
\$10,000,000 – \$25,000,000	0.85%
\$25,000,000 – \$50,000,000	0.75%
\$50,000,000 – \$100,000,000	0.65%
\$100,000,000 +	Negotiable

Clients may be able to negotiate lower fees with their Financial Advisor. In certain circumstances, the Financial Advisor may negotiate a one-time flat dollar fee arrangement with the Client.

The initial fee is calculated based on the *account's most recent account statement*, quarterly or otherwise. The fee is billed quarterly in advance.

### STIFEL GUIDEPOST PROGRAM

#### About our Stifel Guidepost Program

Our Guidepost Program allows Stifel Financial Advisors to provide non-discretionary investment advisory services to Clients that are participants of employer-sponsored, participant-directed retirement plans (e.g., 401(k) plans) or other qualified retirement plans subject to the Employee Retirement Income Security Act ("ERISA"). ***This Program is only suitable for Clients with plans held at Financial Institutions other than Stifel.***

Our Financial Advisors will typically review the available investment options of the applicable employer-sponsored plan(s) and provide investment advice to the Client in accordance with the Client's investment objectives, risk tolerance, time horizon, and investment experience as communicated to the Financial Advisor. Our Financial Advisors may continue to provide advice on a regular basis if current information has been made available. Clients are solely responsible for implementing any advice provided by their Financial Advisor(s), and providing our firm with current information relating to their account and situation (including, quarterly or more frequent custodial statements showing the then-current value of their accounts).

#### Guidepost Fee Schedule

The minimum annual fee for the Guidepost Program is \$200, which may be waived in our sole discretion. The annual fee typically is charged as a

percentage of the total value of investments on which advice is provided, not to exceed 2.5%.

The initial fee is calculated based on the *account's most recent account statement*, quarterly or otherwise. The fee is billed quarterly in arrears.

### MORNINGSTAR® MANAGED PORTFOLIOS<sup>SM</sup> PROGRAM

Clients participating in the Morningstar® Managed Portfolios<sup>SM</sup> Program (the "Morningstar Program") will enter into an agreement with both Stifel and Morningstar Investment Services, Inc. ("MIS"), an independent SEC-registered investment adviser. Each Client enrolled in the Morningstar Program gives MIS discretionary authority to manage the Client's assets in such Program. Under the arrangement, our Financial Advisors provide non-discretionary services to the Client, which typically include assisting the Client in completing a questionnaire and other applicable account opening forms, determining suitability, meeting with the Client at least annually to obtain any changes in the Client's financial situation, and acting as liaison between MIS and the Client.

#### Morningstar® Managed Portfolios<sup>SM</sup> Fee Schedule

Clients will be charged a Morningstar Program fee (the "Program Fee") *quarterly either in advance or in arrears* based on the account value either at the beginning or the end of the applicable period. The Program Fee has two components (i) the portion that will be retained by MIS (MIS Fee) and, (ii) the portion that MIS will pay to Stifel for our services (Stifel Fee) as follows:

#### MIS Fee

- **Mutual Fund Strategy ("MFS")** - MIS Net Fee\* is 40 bps on the first \$500,000; 35 bps for next \$500,000; 30 bps for next \$1 million; and 20 bps for all amounts thereafter. The MIS Net Fee for the Enhanced Cash Option ("ECO") is 20 bps, across all breakpoints. Investments in the ECO are not bank deposits and therefore, are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency.

In addition, an Annual Minimum MIS Advisory Fee of \$200 will be applied to those accounts not held with Morningstar's usual custodian for accounts in this Program.

- **Stock Basket Strategies ("SBS")** - MIS Advisory Fee is 55 bps for the first \$1 million, 50 bps for next \$4 million, and 45 bps thereafter (or as negotiated). The annual minimum MIS Advisory Fee for Custom Series is \$1,375, and \$550 for the Strategic Series
- **Exchange Traded Fund ("ETF") Strategy** - MIS Advisory Fee is 31 bps for the first \$1 million, 25 bps for the next \$4 million, and 20 bps thereafter (or as negotiated). The annual minimum MIS Advisory Fee for this Strategy is \$310.

#### Stifel Fee

As set forth above, in addition the MIS Fees, each Client in the Morningstar Program will also pay our firm a fee for the non-discretionary services provided by our Financial Advisor. The fee schedule for the Morningstar Program is as follows

	<u>MFS</u>	<u>SBS</u>	<u>ETF Strategy</u>
First 500,000	110 bps	110 bps	110 bps
Next 500,000	105 bps	110 bps	110 bps
Next 1,000,000	100 bps	110 bps	110 bps
Over 2,000,000	90 bps	110 bps	110 bps

Clients may be able to negotiate lower fees with their Financial Advisor.

Each Client will grant to MIS (not Stifel) the authority to deduct the Program Fee out of Client's custodial account. The Program Fee generally covers the costs associated with middle-office services such as a trading infrastructure and client accounting and reporting. The Program Fee does not include fees/commissions associated with executing brokerage transactions (including clearing fees) nor the internal expenses of mutual funds or exchange-traded funds. Clients may also incur certain charges by the independent custodian or clearing firm (or its affiliates) related to retirement plan accounts such as IRAs. Clients are solely responsible for paying any such fees, which the custodian or clearing firm typically will charge directly against the Client's account held at such firm. Such fees and expenses are in addition to the above-mentioned Program Fee.

## MANAGEMENT AND ADVISORY SERVICES TO PRIVATE FUNDS

Our firm serves as investment adviser to a series of private investment funds called the Cardinal Advisor Series Funds ("CAS Funds"). For all CAS Funds except the CAS Multi-Manager International Equity Fund (the "CAS Multi-Manager Fund"), we have delegated our investment discretion and portfolio management responsibilities to unaffiliated long-only asset managers (the "CAS Managers"). Further information on the process for selecting and evaluating CAS Managers can be found in the "Portfolio Manager Selection and Evaluation" section of this brochure. For the CAS Multi-Manager Fund, we invest the fund's assets in other CAS Funds as well as certain other products.

Our firm also serves as investment adviser to other private investment funds ("Other Private Funds" and together with the CAS Funds, the "Private Funds"), each of which invests in underlying private funds such as including hedge funds, private equity funds ("Underlying Funds") managed by investment advisers that are unaffiliated with us. Further information on the process for selecting the Underlying Funds can be found in the "Portfolio Manager Selection and Evaluation" section of this brochure. In each such case, the applicable Financial Advisor will consider a Client's eligibility for investment our Private Funds based on a review of the Client's stated investment objectives, goals, and limitations, and a comparison of the same to the fund's stated objectives and other limitations. At a minimum, eligible clients must be "accredited investors" within meaning of the federal securities laws; provided, however, that depending on the requirements of the Underlying Fund(s) in which the our Private Funds invest, we may require that Clients seeking to invest in the Private Funds meet the "qualified purchaser" standard of the federal securities laws. Clients should refer to the applicable Private Fund's offering documents for a discussion of the definition of these investor standards.

A Client that invests in a Private Fund may not impose restrictions on the investments made by such Private Fund.

## FEES AND COMPENSATION

### How We Charge For Advisory Services Covered in This Brochure

As set forth above under each applicable Program, except with respect to the Vantage Program, Clients pay an annual Advisory fee based on a percentage of assets (generally net of any margin debit balance) in their

Program account(s). The Advisory fee paid by each Client for an Advisory account is set forth on the applicable fee schedule signed by the Client. The fee schedules set forth above represent the rates that may be charged for each Program. Actual fees charged, may be negotiated or discounted in Stifel's sole discretion and therefore may differ from those outlined in the fee schedules outlined above. A Client may pay more or less than seemingly-similarly situated Clients depending on the particular circumstances of the Client, such as the pricing model, the size and scope of the Client relationship, additional or differing levels of service and the asset class to which each Strategy is attributable. Clients that negotiate fees with different tiers, including flat fees, may end up paying a higher fee than as set forth in the applicable fee schedule set forth above as a result of fluctuations in the amount of the client's assets under management and account performance.

There are certain other fee schedules that are no longer offered to new clients or are only offered to certain specific clients depending on their individual circumstances. Additionally, certain clients pay different fees, which may be higher or lower, than the ones referenced above and that are not currently available to all clients. There are also other fee schedules that may apply to certain specific strategies in the Programs referenced above.

### Calculation and Deduction of Advisory Fees

Advisory fees for each account are due quarterly, in either advance or arrears, depending on the Program and the specific agreement with the Client. The initial fee for each account is charged in full as of the opening date, based on the account's opening market value. In calculating the annual fee (or any partial period thereof), we assume a 360-day annual period. For the initial fee, the period for which the fee relates is the opening date through the last day of the current calendar quarter, and is prorated accordingly. Thereafter, the fee is based on the account's closing market value on the last business day of the previous calendar quarter. The fee is due on the business day following the assessment day.

In valuing assets held in Client accounts, we rely on publicly recorded information, use various vendor systems which we have reviewed and reasonably believe to be reliable, and/or rely on valuations provided by third-party custodians holding assets and/or accounts that are part of a Client's Advisory relationship with us. For assets held at Stifel, if prices are unavailable, we determine prices in good faith to reflect an understanding of the assets' fair market value. We do not adjust fees for fluctuations in value during a period due to market conditions, or as a result of intra-period transfers out of a Client's Advisory account(s) (including, but not limited to, transfer to a commission-based account for the same Client). However, an account **will** be charged a prorated fee on additional contributions made during a quarter, to the extent such additions are valued at more than \$25,000 or would generate a pro-rated quarterly fee of more than \$25. *Each Client is responsible for monitoring his or her account to minimize transfers that would increase applicable fees or otherwise result in increased charges.*

Any increase in the fee will be agreed upon, in writing, between you and Stifel. However, Stifel may provide you with prior written notice in any instance where a fee is decreased.

### Fee Householding

In certain cases, Clients may elect to fee household accounts invested in Programs covered in this brochure with other Advisory accounts held at our firm (that is, combine multiple Advisory accounts for purposes of calculating the fee in order to



qualify for available lower fee tiers in each Program). Fee householding can result in lower overall fees to the Client if the aggregate household value is high enough to qualify for lower fee tiers in the applicable Programs. *Clients should note, however, that in cases where Client assets are held with an unaffiliated custodian, due to expected lag times in receiving account information for billing purposes from such unaffiliated custodians, it may be impracticable to household these accounts with accounts held at Stifel. Clients should also note that it is the Client's responsibility, not Stifel's, to determine whether the Client has multiple Advisory accounts that could be fee householded and potentially result in lower overall fees to the Client.* Clients should contact their Financial Advisor(s) for more detailed information about fee householding advisory accounts.

#### ***Assets Held with Independent Custodians***

For the Summit, Guidepost and Morningstar Programs covered in this brochure, Client assets are held with an independent qualified custodian, selected by the Client.

In such cases, the Client's independent Custodian determines the value of Client's assets held in the applicable account, and our firm uses the custodial values to determine the dollar value of the fees owed in accordance the negotiated fee rate(s). In cases where fees are determined in such a manner, we require Clients to provide us with duplicate copies of account/custodial statements. We do not independently verify the values in such account/custodial statements. ***Clients should understand that we reserve the right to terminate the agreement if the Client consistently fails to promptly provide us with updated account statements on which to base our fees.***

Alternatively, Clients may (at their discretion) direct their independent qualified custodian or administrator to calculate the fee, and to pay such fee directly to us on a quarterly basis. Clients that elect to have their custodian calculate the fee should understand that we will present to the custodian the terms of the fees (i.e., the applicable annual percentage fee), and that the custodian will be responsible for determining the total value of the Client's account and, thereafter, the dollar value of the fee due to our firm. In such cases, we require Clients to agree to direct the custodian to provide us (upon request) with the basis upon which each quarterly installment of the fee is determined (which may be in the form of duplicate account statements). ***Clients should carefully review the independent custodian's or administrator's calculations and confirm the Stifel fees deducted from the account by such custodian or administrator, are consistent with the Client's fee agreement with Stifel. Clients are strongly encouraged to promptly notify us in the event of any discrepancies.***

#### **Deduction of Advisory Fees**

For the Summit, Guidepost and Morningstar Programs covered in this brochure, Advisory fees will be deducted according to the agreement between the Client and Stifel. Permissible fee payment options may include:

- ***Letter of Authorization ("LOA"):*** Pursuant to an LOA the Advisory fee may be deducted from a separate Stifel account on the billing date each quarter. If the designated account has insufficient funds, we reserve the right to automatically debit the Advisory account to collect the amount due.
- ***Client Invoice:*** In certain cases, Clients may select the option of receiving an invoice on the billing date each quarter and agrees to remit the fee payment promptly. If the fee payment is not received within a reasonable time, we reserve the right to automatically debit the Advisory account to collect the amount due. If the fee payment is debited from a qualified plan and funds are received thereafter, the receivable shall be considered a contribution.

In each case, we require that Clients establish a Stifel billing account for the sole purpose of processing fees. These fees are separate and independent from any other charges that may be imposed by the independent custodian and/or executing brokers used in connection with Client's accounts.

#### **Refund of Fees upon Termination**

- (i) ***Accounts Billed in Advance:*** In the event of a termination, Clients generally will receive a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter of termination. Notwithstanding the foregoing, we reserve the right to retain pre-paid quarterly fees if the agreement is terminated at any time within the first quarter of the first year of service.
- (ii) ***Accounts Billed in Arrears:*** Because fees are billed in arrears, no refunds are necessary when a Client terminates an account; *however, a Client will be billed for any earned but unpaid fees as of the termination date.*

#### **Exclusions from Advisory Fees**

##### ***Unsupervised Assets***

If a Client's account includes "unsupervised assets" that are excluded from billing (which may include but are not limited to positions in our parent company stock (SF), mutual fund shares purchased with a sales load at our firm and held for less than three years (Client is responsible for notifying Stifel of any such shares), or certain ineligible assets depending on the Program in which the account is enrolled), Clients should note that any such unsupervised assets are not considered part of our Advisory relationship. Our firm specifically disclaims any fiduciary obligations with respect to unsupervised assets held in a Client's Advisory account. This means that we do not undertake to monitor any such assets even though they are held in the Advisory account. The unsupervised assets are held in the account solely as an accommodation to the Client. Clients can request a list of the unsupervised assets held in their accounts at any time, without charge, from their Financial Advisor.

##### **Transaction Based Charges (Commissions)**

Clients in the Programs included in this brochure typically pay transaction based commissions either to (i) Stifel (in the case of the Vantage Program) in lieu of an annual fee if transactions are executed through Stifel, or (ii) the unaffiliated custodian holding the Client's assets or other executing broker-dealer effecting transactions for the Client account. Where applicable, Clients should refer to the "Brokerage Practices" section for more details about Stifel's execution services.

##### **Additional Fees and Expenses**

In addition to the Advisory fees (or transaction-specific commissions) explained above, Clients in each Program covered by this brochure will be separately responsible for:

- All account fees, costs, and expenses, including (but not limited to) brokerage, execution, custody, and/or account maintenance fees charged by Client's independent Custodian or by any independent broker-dealer through whom Client executes account transactions.
- To the extent applicable, any and all fees and expenses relating to any third-party manager managing any part of Client's account (whether or not such third-party manager was recommended by our Financial Advisor(s)).
- All fees and expenses relating to investment products purchased for Client's account (including, but not limited to,

the annual operating expenses of any mutual funds, exchange traded funds (“ETF”s), closed-end funds, or Private Funds purchased for the account).

- To the extent applicable, any and all fees and expenses relating to Clients maintaining an external qualified retirement plan account, including any third-party administration fees.
- To the extent assets are held at Stifel, any “pass through fees” by third-parties with respect to any securities in a Client’s portfolio. Pass-through-fees are typically charged in connection with American Depositary Receipts (ADRs) by the sponsors of such ADRs as custody-related expenses.
- To the extent assets are held at Stifel, any commissions, clearing charges, custodial fees, wire charges or other applicable charges by any financial institution (other than Stifel) in connection with investments in foreign ordinary shares.
- Any other fees and expenses not directly incurred by us or our Financial Advisor, and any fees and expenses not within our firm’s control.

***Each Client should carefully consider the overall cost when selecting a Program or Portfolio.***

#### **Compensation to Financial Advisors, Research Sources and third-party Advisers**

We remit a percentage (“Payout Rate”) of the Advisory fees and, if applicable, commissions that we receive from Clients, after the deduction of third-party Adviser fees and/or all other related expenses, to our Financial Advisors. Payout Rates generally range from 25% to 50% and are determined by many factors, including the total revenue generated by the Financial Advisor and the Program in which the Client is enrolled. Under certain circumstances, including mergers and acquisitions, some Financial Advisors may be compensated differently. We reserve the right, in our sole discretion, and without prior notice, to change the method by which our Financial Advisors are compensated. Financial Advisors are compensated on a monthly basis.

#### **Certain Compensation in Addition to the Advisory Fee**

Stifel, our Financial Advisors and affiliates may, from time to time, receive additional compensation in connection with certain types of assets in which Clients’ Advisory accounts may be invested. This compensation is in addition to the Advisory fee that a Client pays to us for our investment advisory services. The receipt of this compensation may create an incentive to recommend investment products based on the compensation received rather than their Clients’ needs. Clients have the option to purchase investment products that we recommend through brokers who are not affiliated with us.

#### **Compensation from Registered Funds**

Clients may incur direct fees and expenses for investments in mutual funds, ETFs, closed-end funds, or unit investment trusts (“UIT”s) and/or money market fund (collectively, “Registered Funds”). These fees and expenses are initially paid by the Fund complex, but are passed on to all Fund investors owning the same class of shares and are separate and in addition to fees charged for our Advisory services. Such fees and expenses will be included in the price of a Registered Fund and are not separately itemized, but are described in each Registered Fund prospectus. The types of fees and compensation that we may receive from Registered Fund companies include (but may not be limited to):

- (iii) *Networking and/or Omnibus Fees:* Registered Funds generally pay networking and/or omnibus fees in consideration for ancillary services provided in connection with fund positions held in accounts at our firm (such as in Vantage accounts). Networking fees are generally calculated by applying the standard networking range of up to \$10 per fund account annually. Omnibus fees may range up to \$19 per fund account annually, or 0.15% of the Registered Fund assets held at Stifel.

- (iv) *12b-1 Distribution Fees (“12b-1s”)* are received directly from the Registered Funds, both affiliated and non-affiliated, for distribution and shareholder services we provide in connection with the purchase and sale of mutual fund shares. The current rate of 12b-1 fees that we receive from Registered Fund companies generally ranges from 0% to 0.25% annually.

- (v) *Revenue Sharing Compensation* is intended to compensate us for assisting with the sales and distribution support and ancillary services related to sales of mutual fund shares, and is generally based on either the amount of sales or the value of assets our firm’s Clients hold with the particular fund company. Such payments may be made directly from the Registered Fund’s distributors and not from the Registered Funds themselves. Revenue Sharing may give our firm a financial incentive to recommend particular Funds to Clients. We generally receive Revenue Sharing in connection with Registered Fund shares held in Stifel accounts (or for the benefit of Stifel Client accounts held directly with a Registered Fund company), rather than shares held at other financial institutions. While not all Registered Fund companies participate in additional compensation arrangement with Stifel, the compensation that our firm receives may be based on either the total sales up to 0.15% of purchases, a portion of the fund assets held by Clients up to 0.10% on an annual basis, or a fixed dollar amount. This Revenue Sharing information is subject to change at our discretion. Although we seek to apply a standard payment schedule, not all Registered Fund companies approach Revenue Sharing the same way, and some fund companies may decline to pay Revenue Sharing at the levels listed above, or at all, which may present a financial disincentive for us to promote the sale of those funds. We do not pay any portion of any Revenue Sharing received to our Financial Advisors to mitigate the potential conflicts of interest that could arise if our Financial Advisors recommended Registered Funds based on our firm’s Revenue Sharing arrangements.

- (vi) *Training and Education Expense Contributions:* Registered Fund companies and/or Advisers may subsidize a portion of the cost of training and achievement seminars offered to our Financial Advisors through specialized and/or firm-wide Programs and consulting training forums. These seminars are designed to provide education and training to Financial Advisors who recommend (or are considering recommending) the Registered Fund and/or Adviser’s portfolio or strategies to Clients. The subsidies may vary, and no vendor company is required to participate in the seminars or to contribute to the costs of the seminars in order to have their products or services available through our platform. Financial Advisors do not receive a portion of these payments. However, their attendance and participation in these events, as well as the increased exposure to vendors who sponsor the events, may lead Financial Advisors to recommend the products and services of those vendors as compared to those who do not.

- (vii) *Fund Management Fees Received By Our Affiliates:* As set forth above, some of our affiliates also may serve as investment adviser and/or model providers to various Registered Funds which our Financial Advisors may recommend to and/or purchase for Client accounts. These affiliates will receive management fees (or a share thereof) from the Registered Fund or the Funds’ adviser, even in cases where the Registered Fund shares are purchased and

held in Stifel Advisory accounts (thereby, subject to Stifel advisory fees). *Our firm does not directly share in any Fund management or other fees received by our affiliates for their management services to the Registered Funds.* However, as part of the affiliated group, we may receive indirect benefits from such compensation through our parent company.

Registered Funds generally are sold by prospectus only. The prospectus contains important information about the specific Registered Fund being offered and should be reviewed carefully before investing. Although paid directly by a Registered Fund company, the compensation that we receive from funds set forth above generally is derived from fees that the Client pays to the Registered Fund. The amount of compensation received will vary depending on our arrangement with the applicable Registered Fund company. Each Registered Fund's prospectus generally describes the amount of compensation to be paid for specified services provided to its shareholders. In general, the Fund companies will continue to pay us for the duration of the Advisory agreements and, in some circumstances, may extend payments beyond the termination of the agreements if Clients continue to hold Registered Fund shares through brokerage accounts held at Stifel. A listing of the types and ranges of compensation that we receive from various Registered Fund companies is available at [www.stifel.com/disclosures/ERISA](http://www.stifel.com/disclosures/ERISA). We highly encourage all Clients to review this information carefully. *To the extent we do receive additional compensation discussed above from Registered Funds (including, for example, Revenue Sharing), we reserve the right not to rebate any such additional compensation to Clients (except with respect to IRA accounts and accounts subject to ERISA, in which case we generally will offset from the rebated amount, the value of our actual costs to provide the services for which we are being paid by the Registered Fund).*

#### **Interest and Similar Fees**

To the extent that the automatic sweep option for available cash in a Client's account is set to one of our insured bank deposit programs, we may (depending on the type of account) receive fees from participating banks in the program in connection with such Client funds. The fees (if any) that we receive are intended to, among other things, reimburse for the costs that we incur in connection with such program. However, from time to time, the fees that we receive and retain may be more or less than the actual costs incurred.

With respect to margin transactions, each Client that engages in such transactions should note that we charge interest on the amount borrowed and, if the proceeds are used to purchase securities in the Advisory account, our Advisory fees for the account are based on the market value of the account without regard to the amount borrowed. *We do not reduce our fees by the value of any interest or similar payments that we receive from Clients in this regard.* Each Client is strongly advised to carefully review the impact (including the long-term effects) that each of these practices will have on their overall account.

To the extent a Client uses the assets in Advisory accounts to collateralize non-purpose loans ("Credit Line Loans") with our affiliated bank, the affiliated bank may pay us an amount up to 0.25% on the outstanding principal balance of the Credit Line Loan. We pay portion of any such amounts received to the Financial Advisor.

#### **Float**

As set out in the section "Cash Sweep Program" below, if we serve as custodian of a Client account, un-invested cash in the account is generally swept in accordance with the option selected by the Client. However, during the period between when the cash is received into the account, and when such cash is swept into the selected option, we may benefit from the cash held in such Client accounts due to:

- new deposits to the account (including cash from interest and dividends paid on securities held in such account), and

- Un-invested cash in the account caused by instructions to buy and sell securities (which may, after the period described below, be automatically swept into a sweep vehicle).

For example, if we receive the cash after the close of business on a day in which the NYSE was open ("Business Day"), we may earn interest or receive other benefits through the end of the second following Business Day.

#### **Private Fund Management Fees**

We generally receive a management fee from each Private Fund based on the net asset value of such Private Fund, as described in its offering documents. The management fee is deducted and paid quarterly in advance or in arrears, as specified in each Private Fund's offering documents. The amount of the management fee varies by Private Fund and may also vary by class of interest within a particular Private Fund. Additionally, in our capacity as investment adviser to the Private Funds, we may (in our sole discretion) waive, rebate, reduce or calculate differently all or a portion of the management fee attributable to any investor in a Private Fund. If a Client invests in a Private Fund as part of any of our other Advisory Programs (e.g., the Horizon Program or other wrap fee Programs), either (i) the Private Fund position is excluded from the billable value of the account, or (ii) the Private Fund position is included in the billable value of the account; however, the Client will pay a reduced management fee, as an investor in the Private Fund, intended to approximate the annual fee rate payable by the Private Fund to the Fund Manager for its services.

#### **Revenue Sharing With Private Investment Funds or Their Sponsors**

From time to time, we may enter into revenue-sharing arrangements with private investment funds in which our Clients invest, or the managers or sponsors of such private investment funds. We also enter into placement agent agreements pursuant to which our firm and our Financial Advisors receive placement fees from funds or their affiliates as compensation for recommending and/or selling the fund to Clients. To the extent that we receive placement fees and/or have a revenue-sharing arrangement with any fund in which Client assets are invested, the Client will typically receive, at or prior to the time the investment is made, disclosures relating to the fees and compensation that our firm will receive in respect of the investment (including, to the extent applicable, any ongoing payments.) These arrangements create a conflict of interest because they may give a Financial Advisor an economic incentive to recommend funds for which we receive a placement fee over other products. Clients should carefully consider such arrangements in determining whether to implement a Financial Advisor's recommendations relating to funds.

#### **Insurance Commissions**

In addition to being a dual registrant, our firm is also licensed as an insurance agency with various states. As such, eligible (i.e. licensed) Financial Advisors are able to offer various insurance products to Clients as part of our comprehensive investment services to Clients. Such Financial Advisors are generally licensed as insurance agents and, as such, can effect insurance transactions for separate and customary commission compensation. We receive a portion of any commissions that the issuing insurance company pays with respect to insurance products sold by our Financial Advisors.

#### **Non-Cash Compensation**

Financial Advisors may receive non-cash compensation from mutual fund companies, third-party Advisers, insurance vendors, and/or sponsors of products that we distribute in the form of

occasional gifts, meals, tickets, and/or other forms of entertainment.

#### **General Disclosure about Conflicts of Interest**

As set forth above, the additional compensation associated with the Programs and/or investments described in the preceding section, to be paid to and retained by Stifel and/or one or more of our affiliates (and which may be shared with your Financial Advisor), may present a conflict between the interests of Clients on the one hand and those of Stifel, our affiliates and your Financial Advisor on the other. This additional compensation may provide an incentive to Stifel and/or your Financial Advisor, in exercising discretion or making recommendations for your account, to choose or recommend investments that result in higher compensation to our firm, your Financial Advisor and/or affiliates of Stifel. For example, your Financial Advisor will receive a portion of the fee that we retain after paying, as applicable, the third-party Adviser or Research Source its portion of the Advisory fee. *As a result, our Financial Advisors may have an incentive to recommend Advisory Programs in which the fee is not shared with a third-party Adviser or a Research Source in order to receive a higher portion of the fee.*

In these circumstances, it is our duty to determine that an investment made in your Account or recommended to you that results in such additional compensation is in your best interest based up on the information you have provided to us.

**It is important to note that** the services provided to you under the Programs described above may be obtained on an unbundled basis and may result in overall lower costs. You could use a commission-based brokerage account instead of a fee-based investment advisory account. If you selected a brokerage account, we would not provide any investment advisory or portfolio management services and would earn commissions (and their equivalents) for effecting transactions based upon your specific instructions instead of the net asset-based fee it retains in the investment advisory context (after payment is made to Research Sources, third-party Advisers etc., as applicable). If your Financial Advisor placed few transactions for your brokerage account, the revenue from your brokerage account would be less profitable to Stifel than the amounts it retains from the Advisory fee. As a result, Stifel may have a financial incentive to recommend an Advisory Program to you over other Programs or services. **You are responsible for determining whether an Advisory Program is appropriate for you. In that regard, you should understand the investment strategy you have selected and the amount of anticipated trading activity in assessing the overall cost of the Program.** Relative transaction infrequency could have a bearing on whether an asset-based fee account is more appropriate for you than a commission-based account.

#### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Stifel does not charge performance-based fees.

#### **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

The Advisory services offered in this brochure are available to individuals, corporations, institutions, pension or profit sharing plans, employee benefit plans, trusts, estates, charitable organizations, other business and government entities, educational institutions, and banks or thrift institutions. However, please note that not all types of investors are eligible for each Program.

Private Funds for which our firm serves as investment adviser are available only to investors that meet the qualification standards set forth in each Fund's offering documents.

#### **Program Minimums**

The following minimum account sizes are generally required to open an account in the Programs outlined in this brochure. Specific minimums depend upon the investment strategy selected by the Client and exceptions to the stated minimums can be granted in Stifel's sole discretion.

- Vantage Program: \$50,000
- Summit Program: \$1,000,000
- Guidepost Program: no minimum account size
- Morningstar® Managed Portfolios<sup>sm</sup> Program: minimums are determined by MIS, and range from \$40,000 to \$1,000,000, depending on the type of portfolio. There are also subsequent investment minimums for each of the strategies that are determined at MIS' sole discretion.

*Clients should contact their Financial Advisor for more information on account and investment minimums.*

#### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

##### **Methods of Analysis, Investment Strategies**

In determining the appropriate allocations and/or investments for our Client accounts in the cases where Financial Advisors are directing and/or recommending specific securities or investments, our Financial Advisors generally use information obtained from various sources including financial publications, inspections of corporate activities, company press releases, research material prepared by affiliates and/or third parties, rating or timing services, regulatory and self-regulatory reports, and other public sources. In addition, Financial Advisors may also use research provided by our Research Department and/or from third-party independent sources relating to a broad range of research and information about the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and tax law interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and other information which may affect the economy or securities prices. The research used may be in the form of written reports, telephone contacts, and personal meetings with research analysts, economists, government representatives, and corporate and industry spokespersons. Our Financial Advisors use any and/or a combination of fundamental, technical, quantitative, and statistical tools and valuation methodologies. As a result of these different methodologies, technical or quantitative research recommendations may differ from, or be inconsistent with, fundamental opinions for the same security.

Important issues and valuation measures that Financial Advisors may consider when selecting specific equity securities for Advisory accounts include, but are not limited to, dividend return, ratio of growth rate to price/earnings multiple, ratio of market price to book value, market capitalization to revenue ratio, relative strength, management capability and reputation, corporate restructuring trends, asset value versus market value, and other fundamental and technical analysis. With respect to fixed income securities, Financial Advisors assist the Client to determine, or recommend to the Client, the appropriate type of security (government, corporate, or municipal), the appropriate maturity and diversification, and the appropriate parameters that will apply to the fixed income securities to be purchased for a Client account.

In general, our Advisory services with respect to the Programs offered in this brochure typically combine strategic asset allocation and periodic rebalancing to grow and/or preserve principal. Financial Advisors generally assist Clients in designing portfolios with a long-term perspective, and periodically rebalance the portfolios to manage risk.

**Portfolio Manager Selection and Evaluation.** With respect to the CAS Funds, investment managers that are identified as being potential CAS Managers undergo a due diligence process that includes using proprietary and non-proprietary analyses and data to evaluate certain qualitative and quantitative factors such as the investment manager's efficacy in implementing the strategy and achieving the strategy's objective, staff turnover, and historical performance relative to applicable benchmarks and peer groups. Our analyses also include reviews of third party information. No single factor is determinative and the particular factors considered may vary among investment managers.

CAS Managers and their respective investment strategies are thereafter reviewed at least quarterly based on various quantitative and qualitative factors, including performance, adherence to investment strategies and investment objectives, and material business changes, to determine whether they continue to remain suitable to sub-advise the CAS Funds. Stifel may classify a CAS Manager a "SELL" for a variety of reasons, including, but not limited to, a departure from its investment discipline or stated investment guidelines, or prolonged periods of lagging performance. Stifel may also terminate a CAS Manager as set forth in the sub-investment management agreement between Stifel and a CAS Manager.

Stifel invests the investable assets of the CAS Multi-Manager Fund in certain other CAS Funds and other products in such a manner as to seek to achieve its investment objective.

The other Private Funds invest in Underlying Funds managed by unaffiliated investment managers. The Underlying Funds and their managers go through an initial due diligence process that includes reviewing certain quantitative and qualitative factors. Among other things, we review the Underlying Fund's performance history and relative performance, service provider relationships and regulatory filings as well as constituent documents and offering documents. The factors considered may vary among the Underlying Funds.

Thereafter, we also review, among other things, each Underlying Fund's performance, financial results and assets at least quarterly (if the Underlying Fund is a hedge fund) or semi-annually (if the Underlying Fund is a private equity fund). Our ongoing review of each Underlying Fund may also include in-person meetings with its investment advisor, typically every two to four years, unless circumstances warrant a more frequent visit. We might recommend the replacement of an Underlying Fund based on a variety of reasons, including, but not limited to, personnel or ownership changes at the Underlying Fund's investment adviser, or prolonged periods of lagging performance.

We do not verify, or engage a third party to verify, performance data provided by the Underlying Funds, however do review that data for reasonableness by comparing it to the Underlying Funds' audited financial statements.

#### **Risk of Loss**

Clients should understand that all investment strategies and the investments made when implementing those investment strategies involve risk of loss and clients should be prepared to bear the loss of assets invested. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments fluctuates due to market conditions and other factors. Past performance of Advisory accounts is not indicative of future performance.

Our personnel may recommend a wide array of investments. In general, each Program and/or Strategy covers a wide range of securities. As such, the types of risks that each Client will be exposed to will vary depending on the particular Program and Strategy in which the Client is enrolled, as well as the investments held in the Client's Advisory account, and such accounts will not necessarily be profitable. Past performance is not a guarantee of future results.

#### **Material Risks**

For the Programs listed above, equities, ETFs, mutual funds, options and fixed income securities are typically the primary investments. Clients should always read the prospectus or other offering documents for a full description of risks associated with the particular investment. Also, Clients are urged to consider all of the risks associated with the types of transactions and securities being considered for an investment, as well as any potential impact that engaging in any of the transactions may have on an account's overall performance. The following material risks may also be applicable to Advisory accounts in the Programs covered in this brochure:

**Management Style Risks:** Depending on the type of Advisory service provided, Financial Advisors may also recommend other investment advisers to manage Client assets and/or to provide the investment strategy used to manage the accounts. In general, we select Advisers and Research Sources based on, among other things, their management style and performance track record. However, an Adviser's past performance is not a guarantee of its future results; as such, its investment strategies may fail to produce the intended results.

**Investment Company Securities Risks:** Our Financial Advisors may recommend an investment in mutual funds, ETFs, UITs, and/or closed-end funds. Each fund in a Client's account may be subject to a variety of risks, depending on its investment strategies and/or the securities held by the fund. For example, mutual funds that primarily hold a portfolio of small capitalization companies will be subject to small capitalization risks, which may include increased volatility and decreased liquidity (relative to large capitalization companies).

An ETF's shares may trade at a market price that is above or below its net asset value. Various funds, such as leveraged ETFs, also use investment techniques and financial instruments that may be considered aggressive, including the use of derivative transactions and short-selling techniques. The use of inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. An investor could incur significant losses even if the long-term performance of the underlying index showed a gain. Most inverse ETFs "reset" daily. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time.

**Fixed Income Securities Risks:** Fixed income securities are subject to credit risk, interest rate risk, and liquidity risk. Credit risk is the risk the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. Interest rate risk is the risk of losses due to changes in interest rates. In general, the prices of debt securities rise when interest rates fall, and the prices fall when interest rates rise. In addition, 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. Therefore, if interest rates are very low at the time of purchase of the bonds,

when interest rates eventually do rise, the price of such lower interest rate bonds will decrease, and anyone needing to sell such bonds at that time, rather than holding them to maturity, could realize a loss. High-yield debt securities (junk bonds) generally are more sensitive to interest rates. Such securities are also highly subject to liquidity risk. Liquidity risk is the risk that a particular security may be difficult to purchase or sell and that an investor may be unable to sell illiquid securities at an advantageous time or price. There are also special tax considerations associated with investing in high-yield securities structured as zero coupon or pay-in-kind securities. Municipal bonds are also subject to state-specific risks, such as changes in the issuing state's credit rating, as well as the risk that legislative changes may affect the tax status of such bonds. Municipal bonds may also have a call feature, entitling the issuer to redeem the bond prior to maturity. A callable security's duration, or sensitivity to interest rate changes, decreases when rates fall and increases when rates rise because issuers are likely to call the bond only if the rates are low. Investors in callable bonds are therefore subject to re-investment risk – that they will need to re-invest their proceeds at lower rates. Investments in government-sponsored entity securities also exhibit these risks, although the degree of such risks may vary significantly among the different government-sponsored entity securities. Some securities issued or guaranteed by U.S. government agencies or instrumentalities are not backed by the full faith and credit of the U.S. and may only be supported by the right of the agency or instrumentality to borrow from the U.S. Treasury.

**Derivatives Risks:** Depending on the Clients' risk tolerance, investment objectives and other applicable factors, our Financial Advisors may recommend derivative transactions, including, but not limited to, options and futures. Generally, a derivative is a financial arrangement, the value of which is derived from, or based on, a traditional security, asset, or market index. Such transactions may be used for several reasons, including hedging unrealized gains. Hedging strategies, if successful, can reduce the risk of loss by offsetting the negative effect of unfavorable price movements in the investments being hedged. However, hedging strategies can also reduce the opportunity for gain by offsetting the positive effect of favorable price movements in the hedged investments. Derivative instruments also may be used to obtain market exposure (that is, for speculative purposes rather than hedging). A position in the derivatives market may be used as a substitute for buying, selling, or holding certain securities. The use of derivative transactions is a highly specialized activity that involves investment techniques and risks that may be more heightened than those associated with ordinary portfolio securities transactions. From time to time, our Financial Advisor also may recommend short selling. A short sale involves the sale of a security that is borrowed. Short sales expose a Client's account to the risk that it will be required to acquire, convert, or exchange securities to replace the borrowed securities (also known as "covering" the short position) at a time when the securities sold short have appreciated in value, thus resulting in a loss. An account's investment performance may also suffer if required to close out a short position earlier than initially anticipated. In addition, an account may be subject to expenses related to short sales that are not typically associated with investing in securities directly, such as margin account maintenance costs.

**Alternative Investments Risks:** Some Programs may invest in alternative investments. Alternative investments, including (but not limited to) investment partnerships, alternative mutual funds, non-traditional ETFs, managed futures, and/or real estate (related) investments may also present unique risks, such as decreased liquidity and transparency and increased complexity. Alternative investments typically use derivative instruments (such as options, futures, or index-based instruments) and/or leveraging strategies. The use of derivative instruments involves multiple risks, as discussed in more detail above. In addition, to the extent that the alternative investment uses commodities (or commodity-based derivatives) as part of its investment strategy, the investment return may also vary as a result of fluctuations in the supply and demand of the underlying commodities. Real estate-related investments will be subject

to risks generally related to real estate, including risks specific to geographic areas in which the underlying investments were made. Certain alternative investments may be less tax efficient than others.

Additional risks may include style-specific risk, speculative investment risk, concentration risk, correlation risk, credit risk and lower-quality debt securities risk, equity securities risk, financial services companies' risk, interest rate risk, non-diversification risk, small- and mid-cap company risk, and special risks of mutual funds and/or ETFs, among others.

**Tax-Exempt Securities Risks:** Our Financial Advisors may recommend tax-exempt securities, including (but not limited to) municipal bonds as well as tax-exempt mutual funds and ETFs. 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 held in the Portfolio could be declared taxable because of unfavorable changes in tax or other laws, adverse interpretations by the Internal Revenue Service ("IRS"), 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 ("AMT") and/or state and local taxes, based on the investor's state of residence.

**Foreign Securities Risks:** From time to time, we may recommend foreign securities, directly or through funds that hold a portfolio of foreign securities. Foreign securities can be more volatile than domestic (U.S.) securities. Securities markets of other countries are generally smaller than U.S. securities markets. Many foreign securities may also be less liquid than U.S. securities, and are typically subject to currency risks. Some foreign securities also may be subject to taxes and other charges imposed by the issuer's country of residence or citizenship. Certain foreign securities may be subject to additional costs and risks which, if incurred are in addition to (i.e., are not included in) Stifel's fees due from the Client. All these factors could affect a Client's realized return on the investment.

**Frequent Trading and High Portfolio Turnover Rate Risk:** The turnover rate within certain discretionary Advisory accounts in this brochure (specifically, in the Vantage Program) may be significant. Frequent trades may result in high transactions costs, including substantial commissions, fees, and other transaction costs. In addition, frequent trading is likely to result in short-term capital gains tax treatment. As a result, high turnover and frequent trading in an Advisory account could have an adverse effect on the cost and therefore the return on the Advisory account.

**Diversification Risk:** Certain Accounts in Programs described in this brochure may invest primarily in mutual funds and other Registered Funds that are managed by their affiliated companies. As a result, clients in these Strategies and Portfolios may not have access to as wide a variety of management styles as Clients in our other Programs.

**Dependence on Key Personnel:** In certain situations, we may rely heavily on certain key personnel of our firm, our affiliates, and/or the personnel of certain Advisers available on our platform. The departure of any such key personnel or their inability to fulfill their duties may adversely affect the ability of affected Client accounts, including our firm's ability to



effectively implement the investment Program communicated to the Client in respect of such accounts and, as a result, adversely impact the performance of the accounts.

**Risks relating to the Use of Third Party Managers:** Our selection of managers is inherently based on subjective criteria with the result that the true performance and abilities of any particular manager may be difficult to assess. The historical performance of a manager is not indicative of its future performance, which can vary considerably. We do not have a role in the day-to-day management of the investments managed by third party managers (such as certain of the CAS Funds). Consequently, the performance of such investments is substantially dependent on the skill and acumen of key employees of the managers. If such employees cease to participate in the manager's business, the manager's ability to select attractive investments and manage its portfolio could be impaired.

We rely to a great extent on information provided by the managers and may have limited access to other information regarding the managers' portfolios and operations. There is a risk that a manager may knowingly, negligently or otherwise withhold or misrepresent information, including instances of fraud or similar activities. We are not able to guarantee that its ongoing monitoring would detect instances of fraudulent or similar activity. In addition, managers may have similar or divergent investment views and strategies. Consequently, a Client whose assets are managed by more than one manager may at times hold economically offsetting positions in its overall portfolio, and could indirectly incur transaction costs without accomplishing any net investment result, or may compete with its own accounts for the same positions in one or more markets. Where managers hold similar views or employ similar trading strategies, a Client's overall portfolio may hold large positions in a relatively limited number of the same or similar investments. Greater concentration of positions across multiple managers will increase the adverse effect of any unfavorable conditions in the market, sector, or industry in which the positions are concentrated.

**Risks Relating to Investments in the Private Funds:** The following is a summary of the principal risks that apply to investments in the Private Funds and does not attempt to identify every potential risk associated with a particular investment strategy or Private Fund.

Additional information about applicable risks is set forth in each Private Fund's prospectus, private placement memorandum, or other offering document or disclosure document (collectively, "risk disclosures") provided in connection with an investment in such Private Fund. Clients are encouraged to read those risk disclosures carefully. This information is qualified in its entirety by reference to the respective risk disclosures and in the event of any conflict or inconsistency, Clients should rely on the respective risk disclosures.

- (i) **Regulatory Environment.** Interests in the Private Funds generally are not registered under federal or state securities laws, nor are they subject to regulation by the SEC or other regulators. In addition, when investing in the Private Funds, Clients may not be protected by federal or state securities laws, other than certain anti-fraud provisions of those laws. Notwithstanding the foregoing, there is increased regulatory scrutiny of the private investment fund industry in general. Any future changes in the regulations applicable to the private investment fund industry could have a material adverse impact on the performance of the Private Funds' investments.
- (ii) **Concentration Risk.** Certain Private Funds may not establish concentration limits with respect to particular securities, industries, or sectors. Consequently, a Private Fund may be relatively concentrated in a particular security, industry or sector and unfavorable conditions affecting any such security, industry or sector could have a material adverse effect on the Private Fund's overall financial condition.

- (iii) **Investment Strategy Risk.** Depending on their investment strategies, certain Private Funds may engage or invest in highly leveraged transactions, short sales, derivatives, commodities, or volatile or speculative instruments, and may concentrate their investments in a limited number of securities or other interests, including securities that are not publicly registered, listed or publicly traded, which may serve to make an investment in such Private Funds highly speculative and risky. Before investing in a Private Fund, Clients should understand the attendant risks of its investment strategy.
- (iv) **Lack of Liquidity.** Interests in the Private Funds are generally illiquid. No market may exist for the Private Funds' interests, and substantial restrictions may exist with respect to their transferability and resale. The securities and other interests in which a Private Fund invests similarly may be illiquid. As a result, Clients should be prepared to bear the financial risks of investing in a Private Fund for a significant period of time, and understand that they may not be able to withdraw assets whenever they wish to do so.
- (v) **Lack of Transparency.** Private Fund investors generally receive periodic reports from the Fund or its manager. However, a Private Fund may not always provide all the information that clients request because certain information may be considered proprietary or otherwise confidential. This lack of information may make it more difficult for Clients to evaluate the risks of a continued investment in the Private Fund.
- (vi) **Ability to Meet Investment Objectives.** Our firm is not responsible for the investment decisions of the third party managers that are hired to manage the Private Funds and/or any such Private Fund's underlying investments. As such, we cannot guarantee that the investment objectives of any particular Private Fund will be achieved.

## DISCIPLINARY INFORMATION

1. On January 4, 2017, an Administrative Consent Order ("Order") was entered against Stifel, Nicolaus & Company, Inc. ("Stifel Nicolaus") and a former registered representative associated with Stifel Nicolaus by the Securities Division of the Mississippi Secretary of State ("Division") resolving an investigation into certain activities occurring in two branch offices during the period of September 2000 through November 2013. Without admitting or denying the findings in the Order, Stifel Nicolaus agreed to the entry of the Order directing Stifel Nicolaus to cease and desist from violating Rule 5.15 of the Mississippi Securities Act of 2010, a books and records rule, and to pay the Division \$49,500 on its behalf as well as \$500 on behalf of the former registered representative.
2. On December 6, 2016, a final judgment ("Judgment") was entered against Stifel by the United States District Court for the Eastern District of Wisconsin (Civil Action No. 2:11-cv-00755) resolving a civil lawsuit filed by the SEC in 2011 involving violations of several antifraud provisions of the federal securities laws in connection with the sale of synthetic collateralized debt obligations ("CDOs") to five Wisconsin school districts in 2006. As a result of the Order, Stifel is required to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and

- 17(a)(3) of the Securities Act, and Stifel and a former employee are jointly liable to pay disgorgement and prejudgment interest of \$2.44 million. Stifel was also required to pay a civil penalty of \$22.5 million. The Judgment also required Stifel to distribute \$12.5 million of the ordered disgorgement and civil penalty to the school districts involved in this matter.
3. On April 8, 2016, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm used permissible customer-owned securities as collateral for bank loans procured by the firm. However, on several occasions over a period of years, prior to performing its customer reserve calculation, Stifel substituted those loans with loans secured with firm-owned collateral. The substitution thereby reduced the amount that Stifel was required to deposit into the Customer Reserve Account. FINRA found the practice to be a violation of applicable rules, including Section 15(c) of the Securities Exchange Act of 1934 and Rule 15c3-3(e)(2) thereunder. Throughout the relevant period, the firm had sufficient resources to fund the Customer Reserve Account even if the substitutions had not occurred. While not admitting or denying the allegations, the firm consented to a censure and fine of \$750,000.
  4. On March 24, 2016, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm executed transactions in a municipal security in an amount that was below the minimum denomination of the issue. The conduct described was deemed to constitute a violation of applicable rules. While not admitting or denying these allegations, the firm agreed to a censure and a fine of \$25,000.
  5. On March 3, 2016, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm, among other things, (i) traded ahead of certain customer orders, (ii) failed to mark proprietary orders with required notations, (iii) failed to yield priority, parity, and/or precedence in connection with customer trades submitted with proprietary orders, (iv) failed to disclose required information in writing to affected customers, and (v) failed to reasonably supervise and implement adequate controls in connection with these trades. These allegations were considered to be violations of New York Stock Exchange (“NYSE”) Rules 90, 92, 410(b), and 2010 as well as Section 11(a) of the Exchange Act. While not admitting or denying the allegations, the firm consented to a censure and fine of \$275,000.
  6. On January 5, 2016, Stifel, along with one of its employees, entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that Stifel and the employee (i) failed to adequately supervise the written communication of a registered institutional salesperson who circulated communications about companies that were subject to Stifel research, and (ii) failed to implement a supervisory system designed to supervise the distribution, approval, and maintenance of research reports and institutional sales material. These allegations were considered violations of various NASD Rules (including, but not limited to Rule 2711(a)(9), 2210(d)(1), and 3010). While not admitting or denying the allegations, the firm consented to a censure and fine of \$200,000.
  7. On October 27, 2015, Stifel was one of many firms to enter into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm (i) disadvantaged certain customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge, but were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees, and (ii) failed to establish and maintain a supervisory system and procedures to ensure that eligible customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. These allegations were considered to be violations of NASD Rule 3010 and FINRA Rules 3110 and 2010.
  8. On June 18, 2015, Stifel, together with 39 other financial service firms, consented to the entry of a Cease and Desist Order by the Securities and Exchange Commission (“SEC”) following voluntary participation in the SEC’s Municipalities Continuing Disclosure Cooperative Initiative (“MCDC”). The SEC alleged that each participating firm generally violated federal securities laws and regulations (including certain anti-fraud provisions thereof) in connection with municipal securities offerings in which the firm (i) acted as either senior or sole underwriter and in which the offering documents contained false or misleading statements by the issuer about the issuer’s prior compliance with certain federal securities laws or regulations, (ii) failed to conduct adequate due diligence about the issuer in connection with such offerings, and (iii) as a result, failed to form a reasonable basis for believing the truthfulness of the statements made by the issuers in the offerings, in each case as required by applicable securities laws and regulations. While not admitting or denying the allegations, Stifel consented to a fine of \$500,000 and to retain a consultant to conduct a review of its policies and procedures relating to municipal securities underwriting due diligence.
  9. On June 10, 2015, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that (i) the firm failed to report the correct symbol indicating whether a transaction was buy, sell, or cross and inaccurately appended a price override modifier to 50,076 last sale reports of transactions that were reported to the FINRA/NASDAQ Trade Reporting Facility, and (ii) the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations as well as FINRA rules concerning trade reporting. These allegations were considered to be violations of FINRA Rule 7230A(d)(6), FINRA Rule 2010, and NASD Rule 3110. While not admitting or denying the allegations, the firm consented to censure and a fine of \$40,000.
  10. On June 8, 2015, Stifel entered into a settlement agreement with the Chicago Board of Options Exchange, Incorporated to settle allegations that the firm failed to register individuals, by the required deadline, who were otherwise required to register as proprietary trader principals. While not admitting or denying the allegations, the firm agreed to censure and a fine of \$35,000.
  11. On March 4, 2015, Stifel entered into an Acceptance, Waiver, and Consent with The NASDAQ Stock Market LLC to settle allegations that the firm failed to immediately display certain customer limit orders in NASDAQ securities in the firm’s public quotation, when (i) the order price was equal to or would have improved the firm’s bid or offer and/or the national best bid or offer for such security, and (ii) the size of the order represented more than a de minimis change in relation to the size associated with the firm’s bid or offer in each such security. In addition, The NASDAQ also alleged that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and the Rules of NASDAQ concerning limit order display. These allegations were considered to be violations of Rule 604 of Regulation NMS and NASDAQ Rules 3010 and 2010A. While not admitting or denying the



allegations, the firm consented to a censure and a fine of \$15,000.

12. On December 23, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm (i) failed to execute orders fully and promptly, and (ii) failed to use reasonable diligence to ascertain the best inter-dealer market and to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. In addition, FINRA also alleged that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations and/or the Rules of FINRA. These allegations were considered to be violations of FINRA Rules 5320 and 2010 and NASD Rules 2320 and 3010. While not admitting or denying the allegations, the firm agreed to a censure and a fine of \$55,000.
13. On November 3, 2014, the SEC issued a Cease-and-Desist Order and entered into a settlement agreement with Stifel to settle allegations that Stifel executed a transaction in the Puerto Rico bonds with a customer in the amount below the \$100,000 minimum denomination of the issue. The conduct described was deemed to constitute a violation of MSRB Rule G-15(f). While not admitting or denying these allegations, the firm agreed to a censure and a fine of \$60,000.
14. On October 21, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm (i) failed to report to the FINRA/NASDAQ Trade Reporting Facility the capacity in which the firm executed certain transactions in Reportable Securities, (ii) failed to disclose to its customers the correct reported trade price in certain transactions and its correct capacity in each transaction, (iii) incorrectly included an average price disclosure in certain transactions, (iv) inaccurately disclosed the commission or commission equivalent in certain transactions, and (v) accepted a short sale in an equity security for its own account without: (1) borrowing the security, or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and (3) documenting compliance with Rule 203(b)(1) of Regulation SHO. In addition, FINRA also alleged that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the above-noted issues. These allegations were considered to be violations of FINRA Rule 7230A, SEC Rule 10b-10, Rule 203(b)(1) of Regulation SHO, SEC Rule 605 of Regulation NMS, NASD Rule 3010, and FINRA Rule 2010, respectively. While not admitting or denying the allegations, the firm agreed to a censure and a fine of \$32,500.
15. On September 25, 2014, Stifel entered into an Acceptance, Waiver, and Consent with The NASDAQ Stock Market LLC to settle allegations that the firm failed to immediately display certain customer limit orders in NASDAQ securities in the firm's public quotation, when (i) the order price was equal to or would have improved the firm's bid or offer and/or the national best bid or offer for such security, and (ii) the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each such security. The conduct described was deemed to constitute a violation of Rule 604 of Regulation NMS. While not admitting or denying the allegations, the firm consented to a censure and a fine of \$12,500.
16. On September 22, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations on two separate items. The first, that the firm failed to establish and implement an anti-money laundering ("AML") program reasonably designed to detect and cause the reporting of certain suspicious activity during a period when the firm executed for its customers unsolicited purchases and sales of at least 2.5 billion shares of low-priced securities ("penny stocks") which generated at least \$320 million in proceeds. As a result, the firm was deemed to have violated NASD Rule 3011(a) and FINRA Rule 3310(a). The second allegation was that the firm failed to establish, maintain, and enforce a supervisory system reasonably designed to ensure compliance with Section 5 of the Securities Act of 1933 and the applicable rules and regulations with respect to the distribution of unregistered and non-exempt securities. As a result, the firm was deemed to have violated NASD Rule 3010 and FINRA Rule 2010. While not admitting or denying the allegations, the firm consented to a censure and a fine of \$300,000.
17. On February 27, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm failed to report Trade Reporting and Compliance Engine ("TRACE") transactions in TRACE-eligible debt securities for agency bond new issue offerings during the period May 10, 2011 through September 30, 2011. While not admitting or denying the allegations, the firm agreed to (i) a censure, (ii) a fine of \$22,500, and (iii) revise the firm's written supervisory procedures relating to supervision of compliance with FINRA Rule 6760.
18. On January 9, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that, among other things, (i) the firm allowed certain of its registered representatives to recommend nontraditional ETFs to customers without such representatives conducting adequate due diligence on the recommended products, (ii) the firm did not provide adequate formal training to its representatives or their supervisors regarding nontraditional ETFs before permitting such persons to recommend and/or supervise the sale of nontraditional ETFs to customers, and (iii) the firm failed to establish and maintain a supervisory system of controls, including written procedures specifically tailored to address the unique features and risks associated with nontraditional ETFs, or one that was reasonably designed to ensure that the sale of such nontraditional ETFs complied with applicable securities laws and regulations. The firm consented to a regulatory censure, a fine of \$450,000, and restitution to the 59 affected customers in the amount of \$338,128.
19. On December 23, 2013, Stifel and one of its representatives entered into a Stipulation and Consent Agreement with the State of Florida Office of Financial Regulation to settle allegations that the Stifel representative engaged in investment advisory business within the State of Florida without due registration as an investment advisory representative. Stifel agreed to an administrative fine of \$15,000. For its part, the State of Florida approved the individual's investment advisory representative registration.
20. On December 20, 2013, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations that, among other things, (i) the firm accepted and held customer market orders, (ii) traded for its own account at prices that would have satisfied the customer market orders, (iii) failed to immediately execute the customer market orders up to the size and at the same price at which it traded for its own account or at a better price, and (iv) failed to execute orders fully and promptly and, in addition, some of the instances resulted in prices to the customers that were not as favorable as possible under prevailing market conditions. The firm consented to a

censure and fine of \$80,000.00 and to pay restitution of \$4,416.74 to the affected customers.

supervisory procedures and to pay restitution in the amount of \$1,791.33 to its customers.

21. On September 27, 2013, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations relating to a Trading and Market Making Surveillance Examination for trades dated in 2010 – specifically, that (i) the firm reported inaccurate information on customer confirmations relating to distinguishing compensation from handling fees, failing to include market maker disclosure, and incorrectly including average price disclosure, (ii) the firm made available a report on the covered orders in national market system securities that included incorrect information regarding the size of orders, classification of orders in incorrect size buckets, (iii) the firm’s written supervisory procedures failed to provide adequate written supervisory procedures relating to supervisory systems, procedures and qualifications, short sale transactions, backing away and multiple quotations, information barriers, and minimum quotation requirements, and (iv) the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning order handling, anti-intimidation coordination, soft dollar accounts and trading, Order Audit Trail System (“OATS”) reporting, books and records, and monitoring electronic communications. These allegations were considered to be violations of SEC Rule 10b-10, SEC Rule 605 of Regulation NMS, NASD Rule 3010, and FINRA Rule 2010, respectively. While not admitting or denying the allegations, the firm agreed to a regulatory censure and a fine of \$20,000. The firm also agreed to revise its written supervisory procedures.
22. On August 6, 2013, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm failed to properly indicate whether certain orders were buy, short sales, or long sales and, further, failed to indicate the correct capacity of certain orders into the NASDAQ/SingleBook System, in violation of NASDAQ Rules 4755 and 4611(a)(6), respectively. While not admitting or denying the allegations, the firm agreed to a regulatory censure and an aggregate fine of \$10,000.
23. On August 6, 2013, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations relating to three separate reviews from 2008, 2009, and 2010 regarding fair pricing of fixed income securities – specifically, that (i) for certain of those periods, the firm failed to buy or sell corporate bonds at a fair price, (ii) the firm bought or sold municipal securities for its own account and/or sold municipal securities to a customer at an aggregate price that was not fair and reasonable, and (iii) the firm failed to use reasonable diligence to ascertain the best inter-dealer market price for certain identified transactions and/or to buy and sell in such market such that the price to its customers was as favorable as possible under prevailing market conditions. These allegations were considered to be violations of FINRA Rule 2010, NASD Rules 2110, 2320, 2440, Interpretive Materials -2440-1 and -2440-2, and MSRB Rules G-17 and G-30(A). To settle each of these separate allegations, the firm agreed to be censured and fined \$92,500 in the aggregate, and to pay restitution to clients of \$53,485.96 (of which \$36,762.73 had already been paid by the firm, of its own accord, to the affected clients) plus interest.
24. Stifel entered into a letter of Acceptance, Waiver, and Consent dated August 6, 2013, for violations of SEC, FINRA, and NASD rules. The allegations were the result of four separate reviews FINRA conducted during 2008 and 2009 involving OATS reporting, market order timeliness, and market making. Without admitting or denying the findings, the firm consented to the described sanctions and was censured and fined \$52,500 for the violations found during the four separate reviews. The firm also agreed to revise its written
25. On May 29, 2013, Stifel entered into a settlement agreement with the Chicago Board of Options Exchange, Incorporated to settle allegations that the firm failed to register individuals that were otherwise required to register as proprietary trader principals by the required deadline. While not admitting or denying the allegations, the firm agreed to a regulatory censure and a fine of \$5,000.
26. On September 28, 2012, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm failed to report TRACE 29451 transactions in TRACE-eligible debt securities within 15 minutes of the time of execution, in violation of FINRA Rule 6730(A) and Rule 2010. While not admitting or denying the allegations, the firm agreed to pay a fine of \$5,000.
27. On March 26, 2012, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm failed to adequately supervise a former Missouri agent who sold unregistered securities, and failed to detect or respond adequately to warning signs and/or evidence that should have alerted the firm to the agent’s misconduct. Stifel neither admitted nor denied FINRA’s findings. The firm consented to findings, a censure, and agreed to pay a regulatory fine of \$350,000 and restitution in an amount not to exceed \$250,000 plus interest to customers affected by the agent’s misconduct (subject to various other procedural requirements).
28. On January 24, 2012, Stifel entered into a consent order with the Missouri Securities Division to settle allegations that the firm failed to supervise a former Missouri agent who sold unregistered securities, failed to disclose material facts, made material misstatements, and who engaged in an act, practice, or course of business that operated as a fraud or deceit. The Division further found that Stifel failed to make, maintain, and preserve records as required under the Securities and Exchange Act and Stifel’s written supervisory procedures. Stifel neither admitted nor denied the Division’s findings. The firm consented to findings, a censure, and agreed to pay \$531,385 in restitution and interest to investors, \$500,000 to the Missouri Secretary of State’s Investor Education and Protection Fund, and \$70,000 as costs of the Division’s investigation. In addition, Stifel is required to retain an outside consultant to review and report to Stifel concerning certain of the firm’s policies and procedures. The report will be made available to the Division.
29. In 2009, 2010, and 2011, Stifel entered into consent agreements with a number of state regulatory authorities regarding the sale of securities commonly known as “Auction Rate Securities” (ARS). The state regulatory authorities claimed that Stifel failed to reasonably supervise the sales of ARS by failing to provide sufficient information and training to its registered representatives and sales and marketing staff regarding ARS and the mechanics of the auction process applicable to ARS. As part of some or all of the consent agreements, Stifel agreed to pay various levels of fines to the states, to accept the regulator’s censure, to cease and desist from violating securities laws and regulations, to retain at Stifel’s expense a consultant to review the firm’s supervisory and compliance policies and procedures relating to product review of nonconventional

investments, and/or repurchase certain auction rate securities from the firm's clients. The states with which Stifel entered into agreements of consent and the amounts of the fines paid to the respective states are:

<u>STATE</u> <u>FINE PAID</u>	<u>DATE RESOLVED</u>	
VIRGINIA	09/18/09	\$ 17,500.00
MISSOURI	01/22/10	\$ 250,000.00
NORTH DAKOTA	04/12/10	\$ 1,050.00
INDIANA	04/14/10	\$ 173,323.36
SOUTH DAKOTA	04/19/10	\$ 1,050.00
IOWA	04/19/10	\$ 2,172.71
VERMONT	04/22/10	\$ 1,116.04
WASHINGTON	04/26/10	\$ 1,512.29
KENTUCKY	04/27/10	\$ 7,984.40
MONTANA	05/04/10	\$ 1,050.00
CALIFORNIA	05/05/10	\$ 11,220.45
NEBRASKA	05/10/10	\$ 1,248.13
ALABAMA	05/13/10	\$ 1,050.00
MISSISSIPPI	05/18/10	\$ 2,833.13
LOUISIANA	05/25/10	\$ 1,116.04
UTAH	06/01/10	\$ 1,116.04
TENNESSEE	06/16/10	\$ 3,889.80
PUERTO RICO	06/23/10	\$ 1,050.00
WEST VIRGINIA	06/28/10	\$ 1,050.00
DELAWARE	07/08/10	\$ 1,182.08
OKLAHOMA	07/14/10	\$ 1,050.00
COLORADO	08/24/10	\$ 24,720.67
KANSAS	08/19/10	\$ 13,597.95
RHODE ISLAND	08/10/10	\$ 1,050.00
US VIRGIN ISLANDS	09/14/10	\$ 1,050.00
CONNECTICUT	09/23/10	\$ 8,512.73
MAINE	09/24/10	\$ 1,116.04
MICHIGAN	09/29/10	\$ 35,788.02
SOUTH CAROLINA	10/04/10	\$ 1,446.25
ARKANSAS	10/19/10	\$ 1,314.17
NEW JERSEY	10/29/10	\$ 15,381.10
ALASKA	10/27/10	\$ 1,446.25
WISCONSIN	12/08/10	\$ 18,286.93
OREGON	02/17/11	\$ 2,502.92
MINNESOTA	01/31/11	\$ 5,805.01
NEVADA	02/03/11	\$ 17,164.21
OHIO	04/14/11	\$ 15,645.25
MARYLAND	05/13/11	\$ 16,663.56
FLORIDA	04/23/12	\$ 29,617.71
GEORGIA	05/01/12	\$ 2,040.63
PENNSYLVANIA	08/10/12	\$ 9,450.00

ILLINOIS

08/29/12

\$ 32,619.00

30. On October 27, 2010, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that Stifel failed to buy or sell corporate bonds at a price that was fair, taking into account all relevant circumstances; that the firm transmitted reportable order events to OATS that were rejected by OATS for repairable context or syntax errors that went uncorrected by the firm; that the firm incorrectly reported principal trade transactions as "agent" or "riskless principal" trades; and that the firm failed to report correctly the first leg of riskless principal transactions as "principal." While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a \$32,500 fine.
31. On September 23, 2010, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that, prior to its acquisition by Stifel, Ryan Beck & Co., Inc. had failed to establish an effective supervisory system and written supervisory procedures reasonably designed to ensure that discounts were correctly applied on eligible UIT purchases. FINRA alleged that Ryan Beck failed to identify and appropriately apply sales charge discounts and misstated to certain clients that discounts and breakpoint advantages had been properly applied. While not admitting or denying the allegations, the firm agreed to an undertaking by which the firm would submit to FINRA a proposed plan of how it will identify and compensate customers who qualified for, but did not receive, the applicable UIT sales charges discount. The firm will determine the excess sales charges paid by customers and calculate monies owed, plus interest, and provide FINRA with a schedule of the same and a program of restitution.
32. On March 10, 2010, Stifel agreed to pay a \$133,000 fine to the State of Missouri and disgorgement of customer commissions in the amount of \$78,617 arising out of the State's allegations that the firm failed to reasonably supervise a Missouri-registered agent with regard to transactions in certain securities accounts of three Missouri residents.
33. On April 6, 2009, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that the firm had failed to report to NASDAQ Market Center last sale reports of transactions in designated securities and failed to report to NMC the second leg of "riskless principal" transactions. While not admitting or denying the allegations, the firm agreed to pay a fine of \$5,000.
34. On September 18, 2007, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that the firm failed to make available a report on the covered orders in National Market Securities that it received for execution from any person. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a fine of \$7,500.
35. On September 12, 2007, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that the firm failed to report information about the purchase and sale transactions effected in municipal securities to the Real-Time Transaction Reporting System ("RTRS") in a manner prescribed by MSRB Rule G-

14. While not admitting or denying the allegations, the firm agreed to pay a fine of \$5,000.

36. On August 21, 2007, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that the firm had failed to immediately display a limited number of customer limit orders in NASDAQ securities in its public quotation, when such order was equal to or would have improved the firm's bid or offer and the national best bid or offer for such security, and the size of such order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each such security. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a fine of \$10,000.
37. On June 14, 2007, Stifel entered into an agreement of acceptance, waiver, and consent with NASD resolving NASD's claim that Stifel failed to establish, maintain, or enforce a supervisory system and written procedures reasonably designed to prevent and detect late trading. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a \$125,000 fine.
38. On March 7, 2007, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that the firm, acting in its capacity as an underwriter of municipal securities, failed to file, or cause to be filed, the required MSRB Rule G-36 forms with MSRB in a timely manner; and that the firm failed to establish and maintain a supervisory system reasonably designed to achieve compliance with the filing requirements of MSRB G-36. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a fine of \$15,000.
39. On October 26, 2006, Stifel entered into a stipulation and consent to penalty with the NYSE resolving NYSE's claim that the firm had failed to adhere to principles of good business practice by providing customers' nonpublic personal information to a third party without first entering into a contractual agreement with the third party prohibiting the third party from disclosing or using the information in noncompliance with federal and regulatory rules and regulations; that the firm had failed to preserve and maintain instant messaging communications in the required format for the required retention period; that the firm had failed to establish and maintain appropriate procedures for supervision, control, and review of e-mail communications; that the firm had failed to apply for NYSE approval of affiliated entities that engaged in securities or kindred business that were under common control by firm's parent entity; and that the firm had failed to obtain NYSE approval for one branch manager. The firm agreed to a regulatory censure and to pay a fine of \$100,000.

#### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As set forth above, our firm is dual registered as an investment adviser and a broker-dealer, and is also a licensed insurance agency with various states. We have a number of affiliates that are registered as investment advisers or broker-dealers (or both). In addition to being registered representatives of Stifel, some of our management persons may be registered representatives of these affiliated broker-dealers. In addition, some of our management persons may be licensed to practice law in various states. These individuals do not provide legal services to Advisory Clients. Our parent company, Stifel Financial Corp., is a publicly traded company. In accordance with applicable exchange rules, our Financial Advisors are prohibited from soliciting or recommending Clients, and/or using their discretionary authority, to purchase our parent company stock (SF) for the benefit of Client accounts. If a Client determines, notwithstanding the foregoing, to require the purchase of SF

in an account, we may agree to purchase such securities and may, at our sole discretion, require the Client to acknowledge the unsolicited nature of the transaction and/or exclude the underlying value of the stock from the billable value of the account.

The following affiliates may be involved, directly or indirectly, in the Advisory services provided to Clients in the Programs covered in this brochure:

***Affiliated Investment Advisers and Broker-Dealers*** – We have a number of arrangements with our affiliated investment advisers and broker-dealers that are applicable to Clients enrolled in our Programs. A more detailed discussion of these affiliates and related Programs is included in our Wrap Fee Program Brochure. Clients enrolled in any of these Programs should note that our Financial Advisors may have an incentive to recommend portfolios using these affiliates rather than unaffiliated entities since, to the extent any the portfolio management portion of the fees go to an affiliate, such funds remain within the Stifel umbrella. To mitigate this risk, we do not pay our Financial Advisors on the basis of recommendations of Affiliated Advisers or products. However, our Financial Advisors may develop close personal relationships with employees and associated persons of our Affiliated Advisers as a result of being affiliated and, as a result, may have an incentive to recommend such affiliated Advisers over unaffiliated ones.

We pay Independent and Affiliated Advisers and Research Sources from the Advisory fees received from Clients. Our affiliates, Ziegler Capital Management, LLC ("Ziegler"), Sagewood Asset Management LLC ("Sagewood"), a wholly owned subsidiary of Ziegler, Thomas Weisel Capital Management LLC, 1919 Investment Counsel, LLC, Choice Financial Partners, Inc., d/b/a EquityCompass Strategies, and Washington Crossing Advisors may serve as Investment Manager and/or Model Adviser to a number of Client accounts. As with all other sub-Advisers, we pay our affiliates out of the Advisory fee that we receive from Clients, in the same range as unaffiliated Advisers. Our Advisory fees for Client accounts with respect to which an affiliate is also a service provider are comparable to Client accounts with unaffiliated service providers. Nevertheless, we may be deemed to have an incentive to recommend an Affiliated Adviser and/or internal or affiliated Research Sources.

We also serve as clearing broker and custodian to accounts sourced by our affiliate, Century Securities Associates. We may also provide portfolio management services to some of these clients to the extent they are enrolled in our discretionary wrap Programs covered in our wrap fee Program Brochure. We receive a share of the fees and/or commissions paid by Century clients in connection with the services that we provide.

***Affiliated Trust Companies*** – Our affiliates, Stifel Trust Company, N.A. and Stifel Trust Company Delaware, N.A., each provide personal trust services (including serving as trustee or co-trustee, or custodian) for individuals and organizations. From time to time, as trustee or managing agent, these trust affiliates may open an Advisory account with us. In such cases, the fees charged by our affiliate are structured in a manner that is consistent with applicable fiduciary principles.

***Keefe, Bruyette & Woods ("KBW")*** – Our Financial Advisors may, from time to time, use research provided by our affiliate, KBW, in connection with the services provided to Clients with Advisory accounts. Clients are not charged for the value of such

research; Stifel does not use KBW to execute client trades or otherwise provide services to Client accounts.

**Affiliated Mutual Funds** – From time to time, Client assets may be invested in shares of mutual funds managed by our affiliates. As of the date of this brochure, affiliated mutual funds directly managed by our Affiliated Advisers include EquityCompass Quality Dividend Fund, Catalyst/EquityCompass Buyback Strategy Fund, Ziegler Strategic Income Fund, Ziegler Floating Rate Fund, 1919 Financial Services Fund, 1919 Maryland Tax-Free Income Fund, 1919 Socially Responsive Balanced Fund, and 1919 Variable Socially Responsive Balanced Fund. Additional products may be introduced in the future. In each case, these Affiliated Advisers receive management fees for their services to the funds. Our affiliates also may serve as sub-adviser and/or provide the investment model used by the fund's named investment adviser to manage the various other mutual funds. For these services, the affiliates generally will receive a fee from the fund's investment adviser (typically a share of the applicable fund's management fee). Our Financial Advisors may also recommend any of these funds to non-discretionary Clients, or may purchase shares of these funds in discretionary Client accounts, provided, however, that the fund shares may not be purchased on behalf of any account that is subject to, or covered by, ERISA provisions. *Clients should note that with limited exceptions, we do not reduce our advisory fees by the value of any internal fund expenses that may be paid to/received by our Affiliated Advisers.*

**Other Affiliated Products** – From time to time, Stifel, in its capacity as a broker, may offer various products that are connected to its affiliates, such as where an affiliate receives fees relating to such products. As of the date of this brochure, these may include, but are not limited to, the common stock as well as any debt securities issued by our parent company (including securities trading under the symbols SF and SFN); various iterations of medium-term notes issued by Barclays Capital, a division of Barclays Bank PLC, which are linked to the EquityCompass Share Buyback Index; various ETFs issued by Invesco PowerShares and/or ProFunds Group, each of which is linked to a KBW financial sector index; as well as securities issued by CM Finance (trading under the symbol CMFN). Additional products may be introduced in the future. Such products may not be purchased or held in an advisory account that is subject to or covered by ERISA provisions. To the extent that these products are purchased/held in any other advisory account, our affiliate (such as EquityCompass, KBW or other affiliate, as the case may be) may receive a portion of the fees or other remuneration received by the issuer of the product, in each case as per the affiliate's agreement with the issuer. *Clients should note that, with limited exceptions, we do not reduce our advisory fees by the value of any compensation that may be paid by the product's issuer to the affiliate.*

**Stifel Bank & Trust** ("SB&T") In connection with the insured bank deposit programs offered as cash sweep options for our Client accounts (discussed below in the Section titled "Cash Sweep Options"), our affiliate, SB&T is either the sole participating bank, or one of the participating banks (and typically the first bank), into which idle cash swept from eligible Client accounts may be swept. In addition, from time to time, Advisory Clients may also have a direct relationship with SB&T and hold other personal deposit and/or bank accounts at SB&T in which case, such Clients are solely responsible for any customary fees that are charged with respect to such deposit or other bank accounts. Finally, as set forth under the section "Credit Line Loans" below, SB&T compensates us in connection with Credit Line Loans that Clients hold at SB&T. Clients should therefore note that the Financial Advisor may have an incentive to recommend such Credit Line Loans and, as such, should carefully review the terms of any proposed Credit Line Loan prior to taking out any such Loan.

**Limited Partnerships** - As discussed in the section "Management and Advisory Services to Private Funds," our firm may, directly or through an affiliate, act as a general partner to various Private Funds. These

Private Funds may be offered to brokerage clients, some of whom may also be Advisory clients. Solicitation activities for investment partnerships are typically made via an offering circular or prospectus and may only be made to clients for whom the partnership interests are deemed suitable. To the extent that an Advisory client invests in one of our Private Funds, the related partnership interests generally are not held in Advisory accounts unless specifically agreed upon with the Client. If we approve an Advisory Client to purchase and/or hold the Private Fund's interests in an Advisory account, Stifel will charge a fee that may be separate and in addition to fees charged by the Private Fund.

**Stifel Nicolaus Insurance Agency, Incorporated** – As set forth above, our firm is licensed as an insurance agency in a number of states and, as such, is able to sell insurance products to clients directly. However, in a few states, insurance products are sold through our affiliate, Stifel Nicolaus Insurance Agency, Incorporated. In such cases, the affiliate, and not our firm, will receive customary commissions paid by the insurance companies issuing Client policies. Financial Advisors who sell insurance products in such states typically are licensed as agents of the affiliate and will receive a portion of the insurance commissions paid.

**Executive Tax Advisors, Inc.** – From time to time, this affiliate may provide tax services in conjunction with financial and wealth planning services or other Advisory services provided to certain Clients.

Each client should note that each relationship set forth above creates a conflict of interest for our firm and/or Financial Advisors. Our firm acts as a fiduciary with respect to all Advisory services. As a fiduciary, we take reasonable steps to ensure that all material conflicts are fully disclosed to our Clients.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING

### Code of Ethics

In addition to our general Financial Code of Ethics, which is applicable to all Stifel personnel, our Advisory personnel are also subject to our Investment Advisory Code of Ethics ("IA Code of Ethics"). A copy of the IA Code of Ethics is available upon request. Set forth in the IA Code of Ethics are standards reasonably designed to promote honest and ethical conduct, comply with federal securities laws and governmental rules and regulations, maintain privacy of Client information, protect nonpublic information, and encourage associates to report any known violations. Such standards include placing Client interests first, avoiding any material or potential conflicts of interest, and ensuring that personal securities transactions are conducted appropriately. Compliance periodically reviews the IA Code of Ethics to ensure adequacy and effectiveness in complying with applicable regulations.

### Participation or Interest in Client Transactions

Advisory transactions are typically executed on an agency basis. However, our firm may trade with Clients and seek to earn a profit for its own account (such trades generally are referred to as "principal transactions"). Principal transactions are executed at prices and commission rates which we believe are competitive and in accordance with industry practice. Although we may be able to provide a more favorable price to a Client if we purchase from or sell to our inventory of securities, we generally are not able to engage in such transactions with Advisory Clients due to regulatory requirements, which require written disclosure and

prior written consent on a trade-by-trade basis. However, if the account is managed by an Independent Adviser who is directing the trade, we may, as broker, trade from our inventory without having to obtain written Client consent for the transaction. We generally do not permit Advisory accounts in Programs covered in this brochure to participate in syndicated offerings where our firm is a member of the underwriting syndicate or selling group.

We typically do not execute agency cross transactions in Advisory Client accounts; however, to the extent that any such transaction is effected in a Client account, we will make all necessary disclosures to the affected Clients and obtain prior written consent. We generally do not affect agency cross transactions between Clients if we have recommended the security to both Clients.

Certain of our Financial Advisors may recommend securities of issuers that our firm has otherwise sponsored or promoted (including initial public offerings and other syndicated offerings). Client transactions in such offerings are required to be effected in brokerage accounts, not Advisory accounts. Clients who participate in such transactions should note, therefore, that neither Stifel nor the Financial Advisor is, in any way, acting as a fiduciary with respect to any such transactions. As associated persons of a registered broker-dealer, our Financial Advisors are generally prohibited from participating in these offerings. However, some of our affiliates may, for their own accounts or for accounts of their clients, take substantial positions in such securities. In such cases, the affiliate may indirectly benefit from our Financial Advisor's investment recommendations if (for example) the later purchase by our Advisory client accounts of the securities causes the price of those securities to rise. In general, Stifel and its affiliates do not share information relating to investments made for client accounts. To the extent that associated persons obtain information relating to investments by Stifel and/or an affiliate, such associated persons are prohibited from (i) passing such information to any other person who does not need to know the information in order to perform required duties, and (ii) using such information to benefit a Financial Advisor or client.

Our officers and/or employees (including our Financial Advisors) may serve on the boards of companies in Clients' portfolios. In addition, our firm or affiliates may provide services to such portfolio companies. The portfolio companies may compensate us (or our affiliates) for their services with options to purchase stock or other equity interests of the portfolio companies. If an affiliate owns options or other securities issued by portfolio companies, a conflict of interest may arise between the timing of any exercise or sale of these options, and our decisions about the same portfolio securities for Client accounts.

Our firm, Financial Advisors, and affiliates frequently have access to non-public information about publicly traded companies. When this occurs, our Financial Advisors (and therefore, their Client accounts) may be prohibited from trading an existing position at a time that would be beneficial to such Clients, resulting in investment losses or the failure to achieve investment gains. In other cases, we may purchase or sell the 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 from the affiliates.

#### **Personal Trading**

Our employees and affiliates may invest in any Advisory Programs that we offer. Our written supervisory procedures are designed to detect and prevent the misuse of material, non-public information by employees. Our firm and affiliates, directors, officers, stockholders, employees, and members of their families may have positions in and, from time to time, buy or sell securities that we recommend to Advisory Clients. We prohibit transactions in our firm account(s) and accounts of associated

persons in any security that is the subject of a recommendation of our Research department until the recommendation has been disseminated to Clients and a reasonable time has elapsed following the dissemination. Our directors, officers, and employees are prohibited from buying or selling securities for their personal accounts if the decision to do so is substantially derived, in whole or in part, by reason of their employment, unless the information is also available to the investing public or through reasonable inquiry. We maintain and regularly review securities holdings in the accounts of persons who may have access to Advisory recommendations.

## **BROKERAGE PRACTICES**

### **About Our Broker-Dealer**

Our firm's principal business in terms of revenue and personnel is that of a securities broker-dealer. As a broker-dealer, we execute securities transactions per client instructions. As an integral part of the services offered, when providing brokerage services, Financial Advisors may assist clients in identifying investment goals, creating strategies that are reasonably designed to meet those goals, and making suitable buy, hold, and sell recommendations based on risk tolerance and financial circumstances. However, Financial Advisors do not make investment decisions on behalf of clients and do not charge any fees for any incidental advice given when providing brokerage services. *Absent special circumstances, Financial Advisors are not held to fiduciary standards when providing brokerage services.* Legal obligations to disclose detailed information about the nature and scope of our business, personnel, commissions charged, material or potential conflicts of interests, and other matters, are limited when acting as a broker-dealer.

### **Our Responsibilities as a Broker-Dealer**

As a broker-dealer, Stifel is held to the legal standards of the Securities Act of 1933, the Securities Exchange Act of 1934, FINRA rules, and state laws where applicable. Such standards include fair dealings with Clients, reasonable and fair execution prices in light of prevailing market conditions, reasonable commissions and other charges, and reasonable basis for believing that securities recommendations are suitable.

Brokerage clients pay commission charges on a per transaction basis for securities execution services in their brokerage accounts. Clients with accounts in the Vantage Program set forth in this brochure pay commission charges on a per transaction basis for the Advisory services provided by the Financial Advisor; however, unlike regular brokerage accounts, Financial Advisors exercise discretion over Vantage accounts. Clients in all other Programs covered in this brochure do not pay any commission to Stifel because Stifel does not provide any brokerage, execution, or custodial services to such Clients. See "Fees and Compensation" for more details about Advisory fees and other fees and expenses.

### **Execution of Transactions**

We typically self-execute transactions for Advisory accounts held at our firm for the Programs covered in this brochure. We may effect transactions through other broker-dealers when we believe, in our or their sole discretion, that such broker-dealer may provide better execution than would be the case if we executed the transaction. In such instances, applicable regulations generally require us to take into account and consider, when determining an execution venue for Client trades, the execution costs (if any) that participating Clients will incur in connection with the proposed trade as well as speed and certainty of

execution, price and size improvement, and overall execution quality. *If additional execution costs are incurred, the Client will be responsible for such execution costs in addition to the Advisory Fee.*

Orders for most Advisory Programs held at our firm are routed for agency execution. On the execution end, orders for Advisory Clients with accounts held in custody at our firm are generally treated with the same priority and procedural flow as non-advisory brokerage trades (except, such orders are not routed to our market makers and may be done as a block order, which may have different rules and priorities). We generally use automated systems to route and execute orders for the purchase and sale of securities for most Advisory accounts, unless directed by Clients to do otherwise. We use a reasonable diligence to ascertain the best markets for a surety and to buy and sell in such markets so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Certain large orders that require special handling may be routed to a market center for execution via telephone or other electronic means. We regularly monitor existing and potential execution venues and may route orders in exchange-listed or over-the-counter ("OTC") securities to other venues if it is believed that such routing is consistent with best execution principles. For equity securities, we monitor the performance of competing market centers and generally route orders to those that consistently complete transactions timely and at a reasonable cost and which normally execute at the national best bid or offer. Whenever possible, orders are routed to market centers that offer opportunities for price improvement through automated systems. We execute mutual fund transactions for Advisory accounts through traditional omnibus vendors, or through clearing arrangements with other brokerage firms under so-called super-omnibus arrangements.

#### **Aggregation of Trades in Advisory Portfolios**

To the extent possible, and in order to seek a more advantageous trade price, we may (but are not required to) aggregate orders for the purchase of a security for accounts in a discretionary Program held at our firm for execution in a single transaction ("block trades"). However, Clients in our Vantage Program should be aware that we do not require our Vantage Financial Advisors to aggregate orders for Client accounts into block trades. As a result, Clients with accounts managed by the same Vantage Manager may receive different execution prices even when trading in the same security on the same day. When used, block trading generally allows us to execute equity trades in a timely, equitable manner. The related transaction costs are shared equally at an average price per share and on a pro rata basis between all accounts included in the block trade. Orders that cannot be filled in the same block trade or at the same average price are assigned to accounts in a manner that ensures no bias towards any Client. This practice does not ordinarily affect or otherwise reduce fees, commissions, or other costs charged to Clients for these transactions, but may provide price improvement. A partial fill of a block trade may be allocated among Client accounts randomly, pro rata, or by some other equitable procedure. In certain cases, Independent and Affiliated Advisers may use computer systems that allocate purchase and sale transactions either on a random or pro rata basis. In any case, Clients may pay higher or lower prices for securities than may otherwise have been obtained.

In connection with the handling of block orders for accounts held at our firm, our firm may engage in hedging, offsetting, liquidating, facilitating, or positioning transactions ("risk-mitigating transactions") that may occur at the same time or in advance of a client order, and these activities may have impact on market prices. Beyond these risk-mitigating transactions, our firm and/or affiliates will refrain from any conduct that could disadvantage or harm the execution of client orders or that would place our financial interests ahead of clients.

Unless we are informed in writing ("opt out"), we will conclude that clients with account held at our firm understand that we may engage in risk-mitigating transactions in connection with client orders and will conclude that clients have given us (including our affiliates) consent to

handle block transactions as described above. Clients can contact their Financial Advisor for instructions on how to opt out.

#### **Execution and/or Custody through Unaffiliated Firms (Directed Brokerage)**

Clients in certain of the Programs covered in this brochure (i.e., Summit, Guidepost and Morningstar Program) generally select their own independent qualified custodian, who typically also acts as executing broker for transactions in the Client's account(s). Neither our firm nor our Financial Advisors provide advice or recommendations as to which third party custodian a client should use. Rather, each Client must make an independent decision as to the specific independent custodian that will hold Client's assets. Clients that direct brokerage to a particular independent broker should note that we may be unable to achieve the most favorable execution of transactions for the account, and that this practice may result in higher costs to the Client. Fees for Advisory services are not covered, and if warranted, Clients are responsible for brokerage commissions, mark-ups, mark-downs, and/or other costs associated with transactions effected through or with unaffiliated broker-dealers. Additionally, our Advisory fees do not include, and Clients are solely responsible for, custodial services provided by other financial institutions. Clients also are responsible for interest on debit account balances, the entire public offering price including underwriting commissions or discounts on securities purchased from underwriters or dealers involved in distribution of securities, exchange fees, regulatory fees, transfer taxes (including any foreign transaction taxes), and other fees required by law.

We do not assess the reasonableness of commissions and other charges assessed by third-party brokers mandated by the Client. When securities can be traded in more than one marketplace, Client's independent custodian or clearing firm will generally use its discretion in selecting the market in which such orders are entered. Each affected Client should be aware that the clearing firm may receive remuneration, compensation or other consideration for directing orders to particular broker-dealers or market centers for execution (i.e., payment for order flow) and that Stifel generally does not participate in such arrangements.

#### **Payment for Order Flow**

Payment for order flow is defined as any monetary payment, service, property, or benefit that results from remuneration, compensation, or consideration to a broker-dealer from another broker-dealer in return for routing customer orders to that broker-dealer. Orders may be routed to electronic communication networks ("ECNs") or similar enterprises in which we or some of our affiliates may have a minority ownership interest if it is determined to be in the best interest of Clients and consistent with our obligations under applicable law. We and/or our affiliates have ownership interests in ECNs and, as such, may receive indirect compensation from the ECNs if orders for Advisory Programs are directed to such trading networks. Clients do not pay additional fees directly to us for such arrangements, but our firm and/or our affiliates may receive cash payments from certain market centers in exchange for routing orders.

#### **Trade Error Correction**

It is our firm's policy that if there is a trade error for which we are responsible, trades will be adjusted or reversed as needed in order to put the Client's account in the position that it would have been in if the error had not occurred. Errors will be corrected at no cost to Client's account, with the Client's account not recognizing any loss from the error. The Client's account will be fully compensated for any losses incurred as a result of an error.

If the trade error results in a gain, our firm typically retains the gain.

We offer many services and, from time to time, may have other Clients in other Programs trading in opposition to Clients' Advisory accounts. To avoid favoring one Client over another Client, we attempt to use objective market data in the correction of any trading errors.

#### **Research and Other Benefits**

Financial Advisors and Clients have access to research published by our firm's research analysts ("Stifel Research"), the primary source of our research. Subject to certain exceptions, we incorporate the insights and economic perspectives of Stifel Research, where appropriate, into our products and services. *Clients should be aware that our firm may have conflicts of interest in connection with research reports published.* Stifel and other affiliates may have long or short positions, or deal as principal or agent, in relevant securities, or may provide Advisory or other services to issuers of relevant securities or to companies connected with issuers covered in research reports issued by Stifel Research. Our research analysts' compensation is not based on investment banking revenues; however, their compensation may relate to revenues or profitability of Stifel business groups as a whole, which may include investment banking, sales, and trading services. Financial Advisors also have access to proprietary models covering equities, fixed income, mutual funds, and municipal securities developed by our firm's various business areas.

Our firm may also use research obtained from other financial institutions, including our affiliate, KBW, as well as from other affiliated or unaffiliated broker-dealers and/or investment advisers. In general, we seek third-party research that is in-depth fundamental corporate research to assist in providing Advisory services to Clients. This includes information in the form of written and oral reports, reports accessed by computers or terminals, statistic collations, appraisals, and analyses relating to markets, companies, industries, business and economic factors, market trends, portfolio strategy, and trading insight and intelligence. Materials of a general nature that deal with technical factors, the business cycle, and the economy are also regarded as having value. Our firm generally pays for independent third-party research. However, our firm has also entered into arrangements with third-party sources, such as Russell Investments, whereby such sources provide certain research services for free, generally in return for recommending their investment products (or investment products of their affiliates) to Clients. *Clients should be aware that our receipt of such research services may present a conflict of interest by creating an incentive for our firm and/or Financial Advisors to recommend the investment products offered by such research firms (or by their affiliates).* Our personnel generally do not recommend products based on the value of research services received directly from the research provider or their affiliates. Research services are generally used to benefit all Client accounts, whether or not such research was generated by the applicable Client account. However, not all research services will be used for all Client accounts; the type of research used with respect to any one account will depend on, among other things, the types of investments that are deemed suitable for the account.

Finally, some of our Financial Advisors may also obtain research from other independent sources. Generally such research is publicly available and the Financial Advisors do not pay extra to receive such research. However, in certain cases, Financial Advisors may pay for third-party research which may be used in connection with services provided to Client accounts. In general, Stifel does not use any such financial institution in connection with trade executions in Client accounts.

#### **Margin**

Clients may choose to employ margin strategies in eligible non-retirement accounts held at Stifel. *The use of leverage, or investing with borrowed funds, is generally not recommended in Advisory Programs;* however, it may be approved on an exception basis when specifically requested by individual Clients, or for use in specialized strategies. Certain eligibility requirements must be met and documentation in the

form of a separate margin agreement must be completed prior to using leverage in Advisory accounts. Only Clients can authorize the use of leverage in an Advisory account (that is, neither our firm nor our Financial Advisors can use discretion to set up a margin arrangement or privileges for a Client's Advisory account). In making the decision to set up margin privileges for an Advisory account, it is important Clients understand the risks associated with employing margin strategies, the impact the use of borrowed funds may have on Advisory accounts, and how investment objectives may be negatively affected. Employing margin in Advisory accounts is a more aggressive, higher risk approach to pursuing investment objectives. Clients should carefully consider whether the additional risks are appropriate prior to employing margin strategies due to the increased potential for significantly greater losses associated with using margin strategies. The use of margin also involves higher costs; Clients pay interest to our firm on the outstanding loan balance of their original margin loan. Furthermore, fees are calculated as a percentage of total assets in the account; therefore, employing margin strategies to buy securities in Advisory accounts generally increases the amount of, but not the percentage of, fees. *This results in additional compensation to us. The amount of the margin loan is not deducted from the total value of the investments when determining account value for purposes of calculating the advisory fee.* As a result, Clients may lose more than their original investments. Likewise, a positive or negative performance, net of interest charges and fees, is magnified. Gains or losses are greater than would be the case in accounts that do not employ margin strategies. *Clients generally will not benefit from employing margin strategies if the performance of individual accounts does not exceed interest expenses on the loan plus fees incurred as a result of depositing the proceeds of the loan.*

#### **Credit Lines**

Clients may use assets in Advisory accounts to collateralize non-purpose loans ("Credit Line Loans"). Clients may apply for Credit Line Loans from our affiliate, SB&T, using eligible securities accounts, including eligible Advisory accounts, as collateral. The proceeds of such loans may not be used to trade or carry securities, repay debt that was used to trade or carry securities, or repay debt to any affiliate of SB&T. If Advisory accounts are used to collateralize Credit Line Loans, the accounts are pledged to support any Credit Line Loans extended, margin strategies are automatically discontinued, and Clients are not permitted to withdraw funds unless sufficient amounts of collateral remain to continue supporting the Credit Line Loans (as determined by SB&T in its sole discretion). Clients pay interest to SB&T on Credit Line Loans at customary rates. Certain eligibility requirements must be met and loan documentation must be completed prior to applying for Credit Line Loans.

#### **Defaults**

Credit Line Loans extended by SB&T are demand loans and subject to collateral maintenance requirements. SB&T may demand repayment at any time. If the required collateral value is not maintained, SB&T may require additional collateral, partial or entire repayment of any Credit Line Loans extended, and/or sale of securities to satisfy collateral maintenance requirements. Clients who employ margin strategies in their accounts may need to deposit additional cash or collateral or repay a partial or entire amount of the funds borrowed if the value of their portfolio declines below the required loan-to-value ratio. Failure to promptly meet requests for additional collateral or repayment, or other circumstances including a rapidly declining market, may cause SB&T to instruct us to liquidate some or all of the collateral supporting any Credit Line Loan in order to meet



collateral maintenance requirements. Depending on market circumstances, the prices obtained for the securities may be less than favorable. Any required liquidations may interrupt long-term investment strategies and may result in adverse tax consequences.

*We (including your Financial Advisor) may have a financial incentive and a conflict of interest in connection with your decision to obtain a Credit Line Loan, insofar as we may earn compensation in connection with such Credit Line Loan. Specifically, SB&T may pay us an amount up to 0.25% on the outstanding principal balance of the Credit Line Loan. We use that amount, in whole or in part, to determine the Financial Advisor's production, which may affect his or her compensation.*

#### **Other Important Considerations Relating to the Use of Margin or Credit Line Loans in Connection with Advisory Accounts.**

*Neither our firm nor our Financial Advisors provide legal or tax advice. Clients should consult legal counsel and tax advisors before using borrowed funds as collateral for loans. Neither our firm nor our affiliates act as investment adviser with respect to the liquidation of securities held in Advisory accounts to meet margin calls or Credit Line Loan demands, and as creditors, our firm and our affiliates may have interests that are adverse to Clients. There are substantial risks associated with the use of borrowed funds for investment purposes and the use of securities as collateral for loans. Additional limitations and availability may vary by state. For further information, please see the Stifel Loan Disclosure Statement available upon request.*

#### **CASH SWEEP OPTIONS**

We offer one or more sweep options for the available cash balances in Client accounts, depending on the type of account that a Client is establishing (i.e., retirement versus non-retirement). Clients should review the Sections "The Stifel Cash Investment Service," and "Disclosure Documents for Automatic Cash Investment or Sweep Fund Choices," of the brokerage account agreement and disclosure booklet (the "Brokerage Account Agreement") for the terms, conditions, and other important information relating to the applicable sweep options, including a discussion of the various conflicts that we may have in connection with such options as well as how we seek to mitigate such conflicts. Clients may access the Brokerage Account Agreement, as amended from time to time, under the "Important Disclosures" section of [www.stifel.com](http://www.stifel.com), or may request a copy from their Financial Advisor.

#### **REVIEW OF ACCOUNTS**

##### **Account Review**

Each new account enrolled in a Program is reviewed by the applicable Financial Advisor's supervisor prior to account opening. Thereafter, Financial Advisors perform account reviews regularly.

##### **Portfolio Performance**

Clients generally receive quarterly analyses of their portfolio performance relative to comparable market indices or other benchmarks. Performance information is verified by Stifel's Consulting Services Operations staff by reviewing the performance results for consistency among similar Portfolios and identifying any unusual variations or inaccuracies. In certain limited circumstances, Clients may be allowed to waive receipt of periodic performance reports from Stifel.

##### **Performance Information**

We typically provide performance reports to Clients on a quarterly basis using performance returns calculated by our primary performance system. Our primary system calculates total performance returns (after deduction of actual trading expenses) using a daily calculation methodology that adjusts for cash flows in the account as of the applicable date. In certain limited cases, we may calculate Client account

performance using one of our secondary performance systems. Our secondary performance systems generally calculate performance returns using the Modified Dietz Method, which is a time-weighted method that also identifies and accounts for cash flows in the account. If the date of a cash flow is not known, we will assume a mid-month date for cash flows. Regardless of the system from which performance is calculated, our policies require our personnel to periodically review a sampling of the performance returns to confirm their accuracy or compliance with presentation standards.

We rely on publicly recorded information, use various vendor systems, and/or rely on valuations provided by third-party custodians holding assets and/or accounts that are part of a Client's advisory relationship with us in determining the values used in our performance reports. If Clients' accounts include privately issued alternative investments, we rely on values provided by the management, administrators, and sponsors of each such investment and may, as a result of delays in getting information from such parties, use estimated values in reporting the performance of such investments. ***Stifel does not independently verify any such valuations.*** The actual value, once determined, may differ from the estimates previously provided by the third party to Stifel and, therefore, used by Stifel in previous reports and calculations. Clients may, thus, not be able to realize the same value as shown for such assets upon a sale or redemption of the same. ***Each Client should also note that Stifel will not amend previously issued calculations or reports as a result of changes in the valuation figures provided by such third parties.***

Clients may notice a difference in the ending market values displayed on the quarter-end custodial statements issued by our firm versus our performance reports for the same account. Performance reports generally include any income that is earned (accrued) but not yet posted to Client accounts. Custodial statements also include accrued income, but the calculation may not match the calculation used for performance reporting purposes. Clients should contact their Financial Advisors if they have any questions relating to figures shown on their performance reports.

***With very limited exceptions, Stifel generally does not provide performance reports for accounts in the Summit or Guidepost Programs.***

##### **Transaction Statements**

Clients with discretionary accounts held at Stifel typically receive monthly (but in no event less than quarterly) statements that identify buys, sells, dividends, interest, deposits, and disbursements in their accounts during the previous month, as well as the overall market value of the portfolio at month's end. A summary of portfolio holdings as of the end of each reported quarter is also listed. Clients may not waive receipt of account statements. Clients whose accounts are held away from Stifel, with a qualified custodian (but who trade through Stifel), will receive a statement with respect to each month in which a transaction is effected in their Stifel account. However, if no transactions are effected in accounts held away from Stifel, such Clients may receive their statements on a quarterly basis. All other clients with a third-party custodian will receive statements from their applicable custodian based on the custodian's own delivery schedule.

##### **Realized Gain/Loss Summary**

Custodial statements from Stifel include annual listings of all closed transactions in their accounts during each calendar year, as

well as the offsetting cost of each transaction and, thus, the realized gains/losses for each closing transaction.

### **Year-End Tax Report**

As custodian, Stifel provides comprehensive 1099 statements for the previous tax year. 1099 statements include both reportable and non-reportable information including cost basis for securities that have been sold and additional information to assist with tax preparation.

### **Transaction Confirmations**

Clients with discretionary accounts may elect to receive trade confirmations immediately upon execution in their accounts or defer confirmations until the end of each quarter. Eligible clients who elect to defer confirmations receive summary reports at the end of each quarter outlining the transactions posted to their accounts during the most recent calendar quarter. The election to receive confirmations immediately or quarterly may be changed at any time upon the Client's written notice. Clients of non-discretionary Programs are not eligible to defer confirmations. Clients that have signed up for online access to their Advisory accounts may review their transaction confirmations through the online portal.

### **Performance Information for External Managers**

CAS Fund investors will receive the respective fund's unaudited monthly statements from the fund's administrator, and schedule K-1s and audited financial statements at the end of each fiscal year.

Other Private Funds will provide investors with the respective fund's unaudited statements on a monthly or quarterly basis, and schedule K-1s and audited financial statements at the end of each fiscal year.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

In general, we require that all solicitation or referral arrangements comply with applicable regulatory requirements, including, but not limited to, disclosures to Clients about the referral arrangement as well as any fees received (or paid) in connection with such referral at the time of the referral or execution of the Client agreement. We have policies and procedures designed to assure that proper disclosures are provided to Clients at the time of solicitation and/or account opening, as well as that all Clients sign appropriate disclosure delivery receipts. Each affected Client will receive disclosures from the applicable solicitor disclosing the solicitation arrangement, as well as the fee paid by Stifel to such solicitor (or received by Stifel) in respect of the solicitation.

Our firm may enter into solicitation arrangements with one or more of our Affiliated Advisers, for us to act as solicitor for the Affiliated Adviser and/or the Affiliated Adviser to act as solicitor for our firm. In either case, the solicited clients should be aware that our Financial Advisors may have an incentive to recommend Affiliated Advisers over Independent Advisers, as the Affiliated Adviser's receipt of additional revenues for portfolio management services not otherwise available with the Financial Advisor may have a positive impact on our affiliated group. Similarly, our Affiliated Adviser may have an incentive to recommend our firm over other financial institutions. As of the date of this brochure, our firm had entered into solicitation arrangements with the following Affiliated Advisers in which we have agreed to act as solicitor: Ziegler, Sagewood and 1919 Investment Counsel.

In addition to the arrangements set forth above, our firm also participates in the following solicitation or referral arrangements applicable to our Advisory services covered in this brochure:

### **Stifel Alliance Program**

Under the Stifel Alliance Program ("Alliance"), we may directly or indirectly compensate individuals or companies for Client referrals by

sharing a portion of the fees charged by our firm. Our policies prohibit our Financial Advisors from up-charging any Client to make up for the portion paid to or otherwise expended in connection with an Alliance solicitor. We and/or our associated persons may pay for registration costs (if any) relating to the solicitor to facilitate the solicitor's state registration (if required). As a result, such solicitors may have incentive to refer clients to Stifel over other firms.

### **Compensation for Client Referrals**

Our firm and/or Financial Advisors may be compensated by third-party Advisers for Client referrals. Compensation received in such arrangements may be based on a percentage of the total fees paid by each Client to the third-party adviser for the period of time each Client remains with the third-party investment adviser. In other cases, a third-party adviser may agree to use our trade execution and custodial services for all referred Clients, and may also agree to open brokerage accounts for clients not introduced by us. By providing trade execution and custodial services to such advisers, our firm and/or our Financial Advisors act in a brokerage capacity and may receive brokerage compensation. As such, Financial Advisors have an incentive to recommend third-party advisers with whom the Financial Advisor and/or Stifel has a referral arrangement over those with no such arrangement. To the extent that such arrangements affect Clients' Advisory accounts, the Financial Advisor's brochure supplement generally will include a discussion of the applicable referral arrangements (if any).

As set forth above, our firm has entered into solicitation arrangements with certain of our Affiliated Advisers, pursuant to which we (or our Financial Advisors) receive compensation for referrals made to such Affiliated Advisers. In addition, our Financial Advisors also may receive nominal compensation for referring clients to our other affiliates for services including, but not limited to, our banking affiliates.

### **Other Compensation**

As set forth above under "Fees and Compensation," we may receive Revenue Sharing from Private Fund sponsors or managers to whom we refer Clients for investments. We may similarly receive payments from mutual funds in which Clients invest. Clients should also refer to the "Brokerage Practices" section above for a discussion of research services that our firm may receive for recommending certain products to our Clients.

## **CUSTODY**

Our firm maintains physical custody of Advisory Client assets in the Vantage Program covered in this brochure, and provides all required reports directly to the Client. We have adopted policies and procedures that are designed to mitigate risks involved being a self-custodial firm in an effort to ensure that our client's assets are protected. Among other things, we undergo a separate examination by an independent auditor the purpose of which is to obtain the auditor's report on our internal controls design to safeguard client's assets held at our firm. Our firm also undergoes an annual surprise audit by an independent registered accounting firm, which audit is designed to verify the Clients' assets. At the conclusion of the annual surprise audit, the independent auditor files a report with the SEC attesting to, among other things, our compliance with regulatory requirements.

Certain of our affiliates may also serve as qualified custodians of our Client assets. In such cases, consistent with applicable regulations, we generally receive a report issued by an

independent registered public accountant relating to the affiliate's internal controls in connection with its custody services.

As set forth above under "Brokerage Practices - Execution and/or Custody through Unaffiliated Firms," Clients in certain Programs offered through this brochure may elect to have their assets maintained by an independent qualified custodian.

## INVESTMENT DISCRETION

Some Programs may require Clients to provide us with a limited power of attorney so that account and/or portfolio management services may be provided on a discretionary basis. Discretion is authorized by Clients by signing the discretionary Program's Client Agreement. Discretionary authority is limited to selection of securities as well as the number of shares to buy or sell and, if directed by the Client, voluntary corporate actions and proxy voting. Clients may impose reasonable restrictions on our discretionary authority and modify existing restrictions by notifying us in writing. Such modifications are honored after being reviewed and accepted by our personnel. Clients that elect to impose investment restrictions on their account should note that such restrictions generally will affect account performance and that, in some cases, the impact may be material and adverse.

## VOTING CLIENT SECURITIES

Clients who receive **discretionary** investment advisory and/or portfolio management services may appoint Stifel or an Independent or Affiliated Adviser who manages their account on a discretionary basis, as applicable, to vote proxies on their behalf. Clients may change their proxy voting election at any time upon written notice to us. In voting proxies, we have a fiduciary responsibility to make investment decisions that are in the best interest of Clients and vote Client securities accordingly. As required by applicable regulations, we have adopted policies and procedures to govern the proxy voting process. Our policies provide that, in general, we will vote with management on routine issues, and will vote non-routine issues in a manner calculated and intended to maximize shareholder value. We have retained a third-party proxy voting service to provide independent, objective research and voting recommendations, and to vote proxies on our behalf. In the event of a conflict between our firm's interests and the interests of our Clients, we may decline to vote a proxy if the independent proxy voting service is unable to provide a voting recommendation and vote the securities on our behalf. In such cases, we generally will forward the proxies to the applicable Client for voting.

Clients may request a copy of our Proxy Voting Policies and Procedures at any time, including a record of the proxies voted in respect of their account.

We do not provide any form of assistance in the proxy voting process to, nor do we accept proxy voting authority from clients who receive account and/or advisory services on a non-discretionary basis. Such clients generally will receive proxy materials directly from the issuer's transfer agent, and are responsible for voting their own proxies. We also do not vote any proxies for Clients whose custodial accounts are held by third-party custodians.

## FINANCIAL INFORMATION

Stifel does not have any adverse financial conditions to disclose under this Item.

## ERISA Rule 408(b)(2) DISCLOSURE INFORMATION FOR QUALIFIED RETIREMENT PLANS

This section generally describes the fiduciary status of, investment advisory services provided by, and compensation paid to Stifel with respect to ERISA qualified retirement plans (each, a "Plan").

### General Description of Status and Services Provided by Stifel to Plans

As set forth above in the section titled "*Advisory Programs Offered at Stifel*" of this brochure, we offer and provide a variety of investment advisory Programs that are intended to assist responsible Plan fiduciaries with their prudent investment duties under ERISA. A thorough description of the services provided to a specific Plan is set forth in the applicable Advisory agreement, and may include, investment management, trading, and/or custody services, as well as participant education and guidance.

**Discretionary Investment Management Services** – We offer and provide discretionary ERISA fiduciary investment advisory services through the Vantage Program covered in this Brochure. Discretionary investment management services through this Program are provided directly through a Stifel Financial Advisor. More detailed information about the Vantage Program is provided in, and each Plan Client should review the sections above entitled "Advisory Programs Offered at Stifel", and "Fees and Compensation."

**Non-Discretionary Advisory Services** – We also offer and provide non-discretionary and investment advisory services through our Summit Program as detailed above. Non-discretionary investment advisory services for this Program are provided directly by your Financial Advisor. More detailed information about the Summit Program is provided in, and each Plan Client should review the sections above entitled "Advisory Programs Offered at Stifel", and "Fees and Compensation."

### General Description of Compensation Paid to Stifel

Our firm accepts direct compensation in the form of fees paid pursuant to the Advisory agreement entered into with the Plan at the time of account opening. Plan Clients should refer to the applicable Advisory agreement for the fee calculation formula specific to the Plan account.

As set forth above under "Trade Error Correction," our policy is to put a Client's account in the position that it would have been in if an error had not occurred. As a result, to the extent a trade error results in a gain, Stifel will retain the resulting gain. Pursuant to applicable guidelines, such gains may be deemed additional compensation. We maintain a record of any losses and/or gains resulting from trade errors in any account, and will provide such information to an account holder upon request.

Plan accounts that invest in ADRs may also incur pass-through-fees, which are typically charged by the sponsors of certain ADRs as custody-related expenses. When applicable, Stifel collects ADR pass-through fees from applicable Plan assets, then forwards all such ADR pass-through-fees to the Depository Trust Company (or other applicable central securities depository).