

**DISCLOSURE BROCHURE**

**04/15/2011**

This Brochure provides information about the qualifications and business practices of Stifel, Nicolaus & Company, Incorporated and wrap fee programs that we offer. We also offer Advisory Consulting Services and financial planning services, each of which is covered in a separate brochure. If you have any questions about the contents of this wrap fee program 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 or by any state securities authority. Additional information about Stifel, Nicolaus & Company, Incorporated is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **MATERIAL CHANGES**

Since Stifel, Nicolaus & Company, Incorporated's last update on March 31, 2010, the firm has experienced the following change which may be considered material.

- Stifel, Nicolaus & Company, Incorporated is a wholly owned subsidiary of Stifel Financial Corp. (NYSE: SF). On July 1, 2010 Stifel Financial Corp. acquired Thomas Weisel Partners Group, Inc. As a result of the transaction, in addition to the existing affiliated relationships Stifel, Nicolaus & Company, Incorporated has with other Stifel Financial Corp. subsidiaries, Stifel, Nicolaus & Company, Incorporated also became affiliated with Thomas Weisel Partners LLC, TW Asset Management LLC, Thomas Weisel Capital Management LLC, and Thomas Weisel Global Growth Partners LLC.
- Effective April 15, 2011, the following portfolios are no longer available through the Score Program: Global Asset Portfolio (managed using Washington Crossing Advisors' strategies) and Total Core Portfolio (managed using research sources from Equity Compass strategies). Existing accounts in these portfolios have the option of (i) moving their assets to another portfolio in the Score Program, (ii) moving to another program entirely, or (iii) maintaining the current accounts but changing the account from an advisory account to a brokerage, commission-based account. Clients should contact their Financial Advisors for more information about these accounts.
- Effective April 15, 2011, the following portfolios were added to the Score Program: Blue Chip Rising Dividend Portfolio (managed using Washington Crossing Advisors' strategies) and Tactical Core Equity Portfolio (managed using research sources from Equity Compass strategies). Additional information about these portfolios is contained in this Brochure.

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>ADVISORY BUSINESS.....</b>	<b>4</b>
<b>SERVICES, FEES AND COMPENSATION .....</b>	<b>4</b>
<b>STIFEL SCORE PROGRAM .....</b>	<b>4</b>
<b>STIFEL SOLUTIONS PROGRAM.....</b>	<b>7</b>
<b>STIFEL OPPORTUNITY PROGRAM.....</b>	<b>7</b>
<b>STIFEL SELECT MANAGED ACCOUNT PROGRAM .....</b>	<b>8</b>
<b>STIFEL HORIZON PROGRAM.....</b>	<b>8</b>
<b>STIFEL FUNDAMENTALS PROGRAM.....</b>	<b>9</b>
<b>STIFEL UNISON PROGRAM.....</b>	<b>9</b>
<b>STIFEL SPECTRUM PROGRAM.....</b>	<b>10</b>
<b>SEI ASSET MANAGEMENT PROGRAM .....</b>	<b>10</b>
<b>SARATOGA ADVANTAGE TRUST PROGRAM.....</b>	<b>10</b>
<b>STIFEL/COMERICA BANK &amp; TRUST ALLIANCE .....</b>	<b>10</b>
<b>ADDITIONAL INFORMATION ON FEES AND COMPENSATION .....</b>	<b>11</b>
<b>PERFORMANCE-BASED FEES .....</b>	<b>13</b>
<b>ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS .....</b>	<b>13</b>
<b>PORTFOLIO MANAGER SELECTION AND EVALUATION.....</b>	<b>13</b>
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>13</b>
<b>CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS.....</b>	<b>14</b>
<b>CLIENT CONTACT WITH PORTFOLIO MANAGERS.....</b>	<b>14</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>14</b>
<b>DISCIPLINARY INFORMATION .....</b>	<b>15</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....</b>	<b>16</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>17</b>
<b>BROKERAGE PRACTICES .....</b>	<b>18</b>
<b>REVIEW OF ACCOUNTS.....</b>	<b>20</b>
<b>CLIENT REFERRALS AND OTHER COMPENSATION.....</b>	<b>20</b>
<b>VOTING CLIENT SECURITIES.....</b>	<b>20</b>
<b>FINANCIAL INFORMATION .....</b>	<b>20</b>

## EXECUTIVE SUMMARY

### About Stifel, Nicolaus & Company

Stifel, Nicolaus & Company, Incorporated (“Stifel”) is a leading full-service regional brokerage, 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”). Stifel is a registered investment adviser with the SEC; however, this does not imply a certain level of skill or training. Information about our qualifications, business practices, portfolio management techniques, and affiliates is accessible via publicly available filings with the Securities and Exchange Commission (“SEC”) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and in this Brochure, which is provided free of charge before or at the time we enter into an advisory agreement with you and annually thereafter.

### Services We Provide

Stifel is registered with the SEC as a broker dealer and investment adviser (“Investment Adviser”) offering both brokerage and Advisory services, respectively. For more information relating to 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 that each is governed by different laws and separate contracts with clients. While there are similarities among brokerage and Advisory services, the 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.* We may, directly or through an affiliate, act as a general partner to investment partnerships. These investment partnerships 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 an investment partnership in which our firm or an affiliate acts as general partner, the related partnership interests are not held in Advisory portfolios.

## ADVISORY BUSINESS

### About our Investment Adviser

Stifel has been a registered Investment Adviser with the SEC since May, 07, 1975. Our firm is owned by Stifel Financial Corp., a publicly held company. Our Advisory services include discretionary account and/or portfolio management, non-discretionary investment advice, financial planning services, and assistance with the selection of securities and third party investment advisers. Such advisers may include firms that are independent of our firm (“Independent Managers”) as well as firms that are owned by Stifel Financial Corp. (“Affiliated Managers”). Our firm enters into written agreements with Clients acknowledging our Advisory relationship and disclosing our obligations when acting in an Advisory capacity. Advisory services are provided 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 services that are most appropriate for Clients based on 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 and national and local government issuers, both that are exchange-listed and over-the-counter. Services relating to rights and warrants, securities, options, certificates of deposit, variable annuities, variable life insurance, 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 are also provided. Clients may impose restrictions on investing in certain securities or types of securities. More information regarding any securities and/or services offered is available upon request. Information about our consulting services is contained herein.

### Our Responsibilities as an Investment Adviser

As an Investment Adviser, we are held to the legal standards of the Investment Advisers Act of 1940 and state laws where applicable. 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 any and all compensation received from Clients or third parties as a result of our relationships with Clients, Client consent prior to engaging in transactions for our own account when dealing with Clients in an Advisory capacity, reasonable basis for believing that investment recommendations are suitable and consistent with Client objectives and goals, including any restrictions placed on us, and reasonable belief that we are acting in the best interest of 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 Participation or Interest in Client Transactions section of this Brochure.

## SERVICES, FEES AND COMPENSATION

We offer a number of different wrap programs (each, a “Program” and collectively, the “Programs”) as well as, where applicable, different portfolios within each Program (each, a “Portfolio” and collectively, the “Portfolios”) as set forth below:

### STIFEL SCORE PROGRAM

#### About Stifel Score Program

The Stifel Score Program (“Score”) was referred to as the Stifel Core Portfolios Program (“S|CORE”) prior to January 2010. Score offers Stifel-managed model Portfolios based on research from nationally recognized sources (“Research Sources”). Some of the Research Sources used may be affiliated with our firm, each as set forth below:

#### Selecting Research Portfolios

Research Sources used under the Score Program include Washington Crossing Advisors (“Washington Crossing”), EquityCompass Strategies (“EquityCompass”), Standard & Poor’s, Russell Investments (“Russell”), and Laffer Investments

("Laffer"). We compensate Research Sources from fees paid by Clients. Washington Crossing and EquityCompass are both owned by Stifel Financial Corp. From time to time, Research Sources may remove securities from or add securities to their model lists, which may prompt us to do the same with the corresponding Score Portfolios.

*Washington Crossing* is a proprietary Stifel Advisory unit that uses quantitative and fundamental analysis to research asset value. Financial Advisors may receive compensation for both recommending and/or managing Washington Crossing Portfolios to or for Clients. Washington Crossing Portfolios available through Score include:

#### ***Conquest Portfolios***

These Portfolios seek to add value by actively allocating assets among U.S. equities, bonds, commodities and foreign assets using ETFs and inverse ETFs. The approach is intended to reduce overall risk exposure to individual issuers through diversification, to improve liquidity through the use of highly marketable ETFs, and maintain a portfolio of many asset classes throughout various market conditions. These Portfolios pursue additional returns by tilting portfolio weights to assets expected to outperform in the coming months while reducing exposure to assets expected to underperform. This process is commonly referred to as tactical asset allocation. This strategy is appropriate for investors who have conservative, tax-exempt conservative, balanced, tax-exempt balanced, growth, tax-exempt growth, and aggressive growth objectives. The minimum initial investment is \$50,000.

#### ***Victory Portfolio***

This Portfolio invests primarily in equity securities of domestic companies deemed growing, profitable and well-capitalized. A proprietary screening and evaluation process attempts to identify companies with positive after tax-free cash flow, high rates of return on capital, improvements in revenue growth, and margin expansion. The Portfolio is a long-only, non-leveraged strategy that uses cash as a hedge against market and company specific risk. The minimum initial investment is \$100,000.

#### ***Sector Enhanced Portfolios***

These Portfolios seek to add value by actively allocating assets among U.S. equities, bonds, commodities and foreign assets by using ETFs. The approach is intended to reduce overall risk exposure to individual companies through diversification, improve liquidity through the use of highly marketable ETFs, and maintain a portfolio of many asset classes and/or sectors throughout a variety of market conditions. These Portfolios pursue additional returns by tilting portfolio weights to those assets expected to outperform in the coming months while reducing exposure to assets expected to underperform. This process is commonly referred to as tactical asset allocation. This strategy is appropriate for investors who have balanced, tax-free balanced, growth, tax-free growth and aggressive growth objectives. The minimum initial investment is \$50,000.

#### ***Blue Chip Rising Dividend Portfolio***

This Portfolio seeks to access blue-chip companies with rising dividends at attractive valuations. The Portfolio favors companies with strong balance sheets and consistent earnings who are capable of sustained growth of shareholder capital. The Portfolio will hold approximately 40 stocks and will be invested across multiple economic sectors. This strategy is appropriate for investors who have a moderate growth objective. Minimum initial investment is \$100,000.

#### ***Laddered Bond Portfolio***

This Portfolio seeks to provide a stream of income with preservation of capital. Bonds are actively chosen and monitored based upon fundamental evaluation of balance sheet quality, trends in cash flow, interest coverage, and liquidity. Laddered Portfolio extends out ten years with approximately 10% of the Portfolio invested in each year. As bonds mature proceeds are utilized to extend the ladder to ten years. Systematic

withdrawals are generally not allowed in the Laddered Bond Portfolio. The minimum initial investment is \$300,000.

*EquityCompass* is a research and Advisory unit of Choice Financial Partners, Inc., a wholly owned subsidiary and affiliated investment adviser of Stifel Financial Corp. Led by Chief Investment Officer Richard Cripps, CFA, EquityCompass utilizes quantitative analysis of company fundamentals and market expectations of approximately 3000 stocks to rate stocks in terms of quality, risk/reward potential, and timeliness. Quality is measured by comparing companies to sector peers in terms of revenue growth, margin improvement, change in debt levels and share count, and dividend policy. Risk/reward potential is measured by analyzing price momentum and valuations (price relative to expectations for forward operating metrics such as earnings, cash flow and sales) relative to their universe of stocks. Stocks with low (high) relative valuations and positive (negative) momentum are viewed as having high performance potential (risk). The timeliness model compares relative valuations to 12-month averages to identify stocks with potentially favorable entry points. EquityCompass Portfolios perform screens for minimum price and trading volume requirements, and eliminate stocks with high performance risk. EquityCompass Portfolios available through Score include:

#### ***Select Quality Portfolio***

This Portfolio consists of stocks that are above average in quality and favorable in terms of timeliness. This Portfolio is diversified across the 10 Standard and Poor's defined sectors and is reviewed quarterly to optimize exposure to stock selection criteria. The minimum initial investment is \$50,000.

#### ***Quality Dividend Portfolio***

This Portfolio consists of stocks that are above average in quality and favorable in terms of timeliness, have high dividend yield, and are subject to sector and industry constraints. Stock selections may be concentrated in a particular sector. The Portfolio is reviewed on a quarterly basis to optimize exposure to stock selection criteria. Stock positions are removed based upon a sharp deterioration in quality, dividend cuts, or becoming less favorable in quantitative models. The minimum initial investment is \$50,000.

#### ***Research Opportunity Portfolio***

This Portfolio utilizes quantitative analysis as well as fundamental analysis from Stifel Research. The strategy selects 20 Stifel buy-rated stocks that are favorable in terms of timeliness. The Portfolio is reviewed monthly to optimize exposure to stock selection criteria. Stocks are removed based upon a Stifel downgrade to sell, or becoming less favorable in quantitative models. This Portfolio is expected to have a high level of turnover. The minimum initial investment is \$50,000.

#### ***Socially Responsible Select Quality Portfolio***

This Portfolio consists of stocks that are above average in quality and favorable in terms of timeliness. The Portfolio is diversified across the 10 Standard and Poor's defined sectors. Additional screens are run on this universe of securities to exclude companies that have operations in areas that may be deemed socially unacceptable. These areas include, but are not limited to: adult entertainment, alcohol, animal testing, board composition, contraceptives/abortifacients, environment, firearms for the non-military market, gambling, stem cell research, tobacco, or any company that is not covered by Institutional Shareholder Services (ISS). ISS software is utilized to conduct the screening of companies for this Portfolio. The minimum initial investment is \$50,000.

### ***Tactical Core Equity Portfolio***

This Portfolio is a multi-asset class portfolio consisting of U.S. equity securities, ETFs, and inverse ETFs, all of which may track various U.S. and international equity markets. The strategy may also invest in other exchange traded vehicles that offer beneficial diversification. Within its U.S. equity allocation, the strategy seeks to invest in stocks spanning across all style (Value/Growth) and size (Small-Mid-Large) classifications. The strategy will also engage in a tactical hedging strategy by the use of ETFs with the objective of reducing excessive portfolio volatility during periods of heightened economic and market uncertainty. This Portfolio is best suited for investors who have a moderately aggressive risk tolerance and 5+ year investment horizon. The minimum initial investment is \$100,000.

### ***Tactical Total Core Portfolio***

This Portfolio is a multi-asset class portfolio consisting of U.S. equity securities, ETFs, and inverse ETFs, all of which may track various U.S. fixed income and international equity markets. The strategy may also invest in other exchange traded vehicles that offer beneficial diversification. Within its U.S. equity allocation, the strategy seeks to invest in stocks spanning across all style (Value/Growth) and size (Small-Mid-Large) classifications. The strategy will also engage in a tactical hedging strategy by the use of ETFs with the objective of reducing excessive portfolio volatility during periods of heightened economic and market uncertainty. This Portfolio is best suited for investors who have a moderately aggressive risk tolerance and 5+ year investment horizon. A tax-free version of this Portfolio is available. The minimum initial investment is \$150,000.

Standard & Poor's is known worldwide for their indices, credit ratings, equity research, data services, and advisory services, and is an industry leader in providing tools and solutions for a multitude of investor needs. Through Score, Clients are able to harness the expertise of Standard & Poor's equity research analysts and investment models. Standard & Poor's Portfolios available through Score include:

### ***Platinum Portfolio***

This Portfolio is derived from Standard & Poor's Platinum Portfolio. This Portfolio model combines the top-rated stocks from Standard & Poor's Stock Appreciation Ranking System ("STARS") and Standard & Poor's proprietary Fair Value quantitative ranking system. This model is designed, constructed, and maintained solely by Standard & Poor's. While it is our intention to replicate this model, there may be instances in which Stifel's Platinum Portfolio differs from Standard & Poor's Platinum Portfolio model. Differences may create a disparity in reported performance. The minimum initial investment is \$100,000.

### ***Neural Fair Value 20 Portfolio***

This Portfolio is derived from the Standard & Poor's Neural Fair Value 20. This Portfolio model is created by combining the Fair Value Model and the Neural Model, Standard & Poor's proprietary quantitative stock ranking systems. This model is designed, constructed, and maintained solely by Standard & Poor's. While it is our intention to replicate this model, there may be instances in which Stifel's Fair Value Portfolio differs from Standard & Poor's Neural Fair Value Model. Differences may create a disparity in reported performance. The minimum initial investment is \$50,000.

Russell Investments has been providing high-quality, unbiased consulting and advisory services to clients on a global basis since its inception in 1936. With nearly \$200 billion in assets under management and oversight responsibility for more than \$2 trillion, Russell is one of the world's largest advisory firms. Russell Investments Portfolios available through Score include:

### ***Russell Model Strategy Portfolios***

These Portfolios utilize mutual funds constructed by Russell and consist of more than 10 Portfolios that range from conservative (predominantly

fixed-income) to aggressive (all equity Portfolios). All Portfolios are invested in Russell mutual funds that have various investment goals and objectives. Russell selects sub-advisors for each of their mutual funds based upon their own due diligence. The minimum initial investment is \$50,000.

### ***Russell Enhanced Asset Allocation Model Strategy Portfolios***

These Portfolios utilize mutual funds constructed by Russell and represent Enhanced Asset Allocation version of their Balanced and Growth Model Strategy Portfolios. These Portfolios are invested in Russell mutual funds that have various investment goals and objectives. Russell selects sub-advisors for each of their mutual funds based upon their own due diligence. Based on their asset allocation research, Russell may tactically allocate these Portfolios to over/underweight particular asset classes. The minimum initial investment is \$50,000.

Laffer Investments was founded by Dr. Arthur B. Laffer, who is noted for being "The Father of Supply-Side Economics," and who served on President Ronald Reagan's Economic Policy Advisory Board from 1981 through 1989. Dr. Laffer created the Laffer Curve, which illustrates the incentive/behavior relationship between tax rates and tax revenues. Laffer is the investment management affiliate of Laffer Associates, an institutional economic investment research organization that provides research and consulting services to institutional Clients around the world. Laffer Associates, founded in 1979, is the practical extension of Dr. Laffer's academic research focusing on the relationships between economics and investments. Laffer Portfolios available through Score include:

### ***Global ETF Portfolio***

This Portfolio consists of 8 equally weighted country-specific ETFs that are recommended by Laffer. Selection of each country-specific ETF is based upon Laffer's global competitiveness ranking system which determines which countries are best positioned for growth in the year ahead. The ranking system incorporates variables such as exchange rates, changes to tax rates for dividend, individuals and corporations. The top 8 countries based on this ranking system are placed in a portfolio and equally weighted. The Portfolio may allocate up to 25% in emerging market countries. There are special considerations associated with international investing including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. The minimum initial investment is \$50,000.

### ***General Fee Information***

Advisory fees for the Score Program are due quarterly in advance. The initial fee is due in full on the account opening date, and is based on the opening market value of the account. The initial fee is for the period from the opening date through the last business day of the then-current calendar quarter and is prorated accordingly. Thereafter, the quarterly fee is based on the account closing market value on the last business day of the previous calendar quarter and is due on the following business day. The fee schedule for the Score Program is provided as follows:

### ***Equity Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.75%
\$500,000 – \$ 999,999	2.25%
\$1,000,000 – \$1,999,999	2.00%
\$2,000,000 – \$2,999,999	1.75%
\$3,000,000 – \$3,999,999	1.50%
\$4,000,000 +	Negotiable

### ***Mutual Fund and ETF Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.25%
\$500,000 – \$ 999,999	1.50%
\$1,000,000 – \$1,999,999	1.25%
\$2,000,000 – \$2,999,999	1.15%
\$3,000,000 – \$3,999,999	1.10%
\$4,000,000 +	Negotiable

### ***Fixed Income Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	2.00%
\$150,000 – \$ 499,999	1.75%
\$500,000 – \$ 999,999	1.50%
\$1,000,000 – \$1,999,999	1.25%
\$2,000,000 – \$2,999,999	1.00%
\$3,000,000 – \$3,999,999	0.85%
\$4,000,000 +	Negotiable

### ***Russell Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	1.75%
\$150,000 – \$ 499,999	1.50%
\$500,000 – \$ 999,999	1.25%
\$1,000,000 – \$1,999,999	1.00%
\$2,000,000 – \$2,999,999	0.75%
\$3,000,000 – \$3,999,999	0.70%
\$4,000,000 +	Negotiable

## **STIFEL SOLUTIONS PROGRAM**

### **About Stifel Solutions Program**

The Stifel Solutions Program (“Solutions”) was referred to as the Stifel Advisory Account (“SAA”) Program prior to January 2010. Under this Program, Financial Advisors provide discretionary portfolio management to Clients. We require our Financial Advisors to meet certain criteria before they are permitted to offer the Solutions Program to their Clients, including, but limited to, prior approval by the Branch Manager and the Consulting Services Review Committee. Important issues and valuation measures Financial Advisors may consider when selecting specific equity securities for client 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 determine the appropriate type of security (government, corporate, or municipal) and the appropriate maturity and diversification for Client accounts. In limited, pre-approved situations, we have allowed certain Financial Advisors to act in a discretionary capacity and collect management fees for certain Solutions accounts while the accounts also pay commissions to the referring Financial Advisors. This arrangement results in the account being charged both fees and commissions. This arrangement has been limited to existing business transferring or converting to Stifel in which the Client had previously been part of such arrangement at a previous financial institution with the same Financial Advisor. This arrangement does not include new accounts opened at Stifel. As a general rule, Stifel does not charge both fees and commissions within the same Solutions relationship. The minimum initial investment is \$100,000.

### **General Fee Information**

Fees are due quarterly in advance. The initial fee is due in full on the opening date and is based on the account’s opening market value. The period for which the fee is due is the opening date through the last business day of the current calendar quarter and prorated accordingly. Thereafter, the fee is based on the account’s closing market value on the last business day of the previous calendar quarter and is due on the following business day. The fee schedule is provided as follows:

### ***Equity Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.80%
\$500,000 – \$ 999,999	2.70%
\$1,000,000 – \$1,999,999	2.60%
\$2,000,000 – \$2,999,999	2.50%
\$3,000,000 – \$3,999,999	2.00%
\$4,000,000 +	Negotiable

### ***Mutual Fund and ETF Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.80%
\$500,000 – \$ 999,999	2.70%
\$1,000,000 – \$1,999,999	2.60%
\$2,000,000 – \$2,999,999	2.50%
\$3,000,000 – \$3,999,999	2.00%
\$4,000,000 +	Negotiable

## **STIFEL OPPORTUNITY PROGRAM**

### **About Stifel Opportunity Program**

The Stifel Opportunity Program (“Opportunity”) was referred to as the Stifel Managed Assets Program (“SMAP”) prior to January 2010. Discretionary portfolio management by Independent and Affiliated Managers is available through Opportunity. This Program offers a comprehensive and structured approach to guide Clients through the investment planning and portfolio management process. This process typically consists of establishing objectives and determining asset allocation. The minimum initial investment for equity and balanced accounts generally starts at \$100,000, and the minimum initial investment for fixed income accounts generally starts at \$250,000. However, certain Independent and Affiliated Managers may require different account minimums.

### **General Fee Information**

Fees are due quarterly in advance. The initial fee is due in full on the opening date and is based on the account’s opening market value. The period for which the fee is due is the opening date through the last business day of the current calendar quarter and prorated accordingly. Thereafter, the fee is based on the account’s closing market value on the last business day of the previous calendar quarter and is due on the following business day. The fee schedule is provided as follows:

### ***Equity and Balanced Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.75%
\$500,000 – \$ 999,999	2.25%
\$1,000,000 – \$1,999,999	2.00%
\$2,000,000 – \$2,999,999	1.75%
\$3,000,000 – \$3,999,999	1.50%
\$4,000,000 +	Negotiable

### ***Fixed Income Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	2.00%
\$150,000 – \$ 499,999	1.75%
\$500,000 – \$ 999,999	1.50%
\$1,000,000 – \$1,999,999	1.25%
\$2,000,000 – \$2,999,999	1.00%
\$3,000,000 – \$3,999,999	0.85%
\$4,000,000 +	Negotiable

## **STIFEL SELECT MANAGED ACCOUNT PROGRAM**

### **About Stifel Select Managed Account Program**

This Program is closed to new accounts. Under the Select Managed Account Program (“SSMAP”), Independent Managers provide discretionary portfolio management services that were previously not available through the Opportunity Program. Under the SSMAP Program, Financial Advisors assist Clients with establishing objectives, determining asset allocation, monitoring the Client account, as well as selecting and evaluating the Independent Managers’ performance. Portfolio management services are provided by Independent Managers under a sub-advisory arrangement with Stifel and through a fully disclosed agreement with Pershing LLC (“Pershing”), an independent registered broker dealer. Pershing provides trade execution, clearing, and custodial services, as well as general administrative services through its unit, Lockwood. To establish an account, Clients were required to complete and execute Pershing documents, including (but not limited) to a Pershing New Account Form. The minimum initial investment for the Program was \$100,000.

### **General Fee Information**

Fees are due quarterly in advance. The initial fee is due upon the Independent Manager’s acceptance of the account or the Client’s funding of the account, whichever is later, and is assessed pro rata in the event the agreement is executed at any time other than the first day of the calendar quarter. Thereafter, the fee is due on the first business day of each calendar quarter and based on the value of assets under management as of the close of business on the last business day of the preceding quarter as valued by an independent pricing service, where available, or otherwise by Pershing in good faith based on Pershing’s books and records. There is no adjustment to the fee if assets are deposited or withdrawn after the inception of a quarter. If, prior to the completion of four full calendar quarters, the Client closes the account, or withdrawals bring the account value below the Independent Manager’s required minimum, the Client agrees to pay to Pershing an early closing cost of the lesser of one additional quarterly fee equal to the Client’s previous quarterly fee or \$2,000, in addition to any pre-paid quarterly fee, in order to cover the administrative cost of establishing the account. Pershing will deliver securities held in the account as instructed by the Client unless the Client requests that the account be liquidated. After the completion of four full calendar quarters, no early closing cost is applicable and the Client is entitled to a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter of termination. Client authorizes Pershing to deduct all applicable charges from the account, and all such charges will be clearly noted on the Client’s statements. Client understands that Stifel, Pershing, and the Independent Manager, in connection with the performance of their respective services, shall be entitled to and will share in the fee payable hereunder. The fee does not include commissions for transactions executed through other brokerage firms. Except in certain limited circumstances, all brokerage transactions are executed through Pershing by the Independent Manager, and the commissions are included in the fee. The Independent Manager shall have the ability to select broker-dealers other than Pershing for execution of trades, when necessary, to fulfill its duty to seek best execution of transactions for Clients consistent with applicable law. Client acknowledges that, while Client is responsible for brokerage and other

charges that are implicit within an execution price, Client pays no separate commissions or other charges incurred in connection with any transactions effected through a broker-dealer other than Pershing. The all-inclusive fee includes all charges for the services of Stifel, Pershing, the Independent Manager, and all other applicable brokerage charges with the exception of early closing costs, as set forth below, and qualified plan termination charges. The Advisory fee does not include commissions for transactions executed through other brokerage firms beyond Stifel and Pershing. The fee schedule is provided as follows:

### ***Equity and Balanced Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.75%
\$500,000 – \$ 999,999	2.25%
\$1,000,000 – \$1,999,999	2.00%
\$2,000,000 – \$2,999,999	1.75%
\$3,000,000 – \$3,999,999	1.50%
\$4,000,000 +	Negotiable

### ***Fixed Income Portfolios***

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	1.25%
\$150,000 – \$ 499,999	1.10%
\$500,000 – \$ 999,999	0.85%
\$1,000,000 – \$1,999,999	0.75%
\$2,000,000 – \$2,999,999	0.70%
\$3,000,000 – \$3,999,999	0.65%
\$4,000,000 +	Negotiable

## **STIFEL HORIZON PROGRAM**

### **About Stifel Horizon Program**

The Stifel Horizon Program (“Horizon”) was referred to as the Stifel Investor Advisory Program (“SIAP”) prior to January 2010. Under the Horizon Program, our Financial Advisors offer non-discretionary investment advice as to the appropriateness of individual investments including stocks, bonds, mutual funds, UITs, ETFs, closed-end funds, options, and alternative investments, in each case based on the Client’s circumstances. If applicable, advice may be provided to retirement plan (ERISA) sponsors and/or trustees with regard to investment related issues specific to ERISA plans. Clients are ultimately responsible for determining whether or not to implement the Financial Advisor’s recommendations. The minimum initial investment is \$50,000 with householding exceptions.

From time to time, depending on the Client’s investment objectives, a Financial Advisor may recommend and/or assist a Client in selecting an independent third-party manager to manage for a portion of a Client’s account. In such cases, the Client (not Stifel) is responsible for setting up the portfolio manager relationship, including executing an investment advisory agreement with such third-party manager. The Client shall also be responsible for the advisory fee charged by such third-party manager, as well as any transactional or custodial fees incurred in connection the portion managed by the third-party manager. If agreed-upon by the parties, the Financial Advisor may periodically monitor the third-party manager’s performance and/or adherence to the Client’s stated goals and objectives.

### **General Fee Information**

The minimum annual fee is \$1,500. The fee charged is an annual percentage of the total value of investments on which advice is provided not to exceed more than 3%. Accounts in the same household may be aggregated for purposes of determining the fee



calculation. Accounts in the same household are aggregated for determining the number of trades. The fee permits Clients to place 150 annual trades. Within the 150 trade limitation, surcharges apply on equity trades of 20,000 shares or more and option trades of 50 contracts or more. Accounts with trades in excess of 150 per year will be assessed a surcharge of \$29.99 per trade, with an additional surcharge for equity trades over 1,000 shares and all option trades. The initial fee is based on the previous day's closing market value of the eligible assets. The Horizon fee does not cover any trades executed in Client accounts where Stifel is a member of the selling syndicate. Syndicate trades are executed as principal trades, and are effected solely in our capacity as a broker-dealer, not as an Investment Adviser. Syndicate trades are subject to commissions and each Client is ultimately responsible for determining whether to implement the trade. The securities underlying the trade are excluded for purposes of determining the billable Advisory assets in the Horizon account for a period of no less than twelve months following the trade. To value the assets, we rely on publicly recorded information believed to be reliable but which cannot be guaranteed. If prices are unavailable, we determine prices in good faith to reflect an understanding of the assets' fair market value. Fees are due quarterly in advance. The period for which the fee is due is the opening date through the last business day of the current calendar quarter and prorated accordingly. Thereafter, the fee is based on the account's closing market value on the last business day of the previous calendar quarter and is due on the following business day. The fee schedule is provided as follows:

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.25%
\$500,000 – \$ 999,999	1.75%
\$1,000,000 – \$1,999,999	1.50%
\$2,000,000 – \$2,999,999	1.25%
\$3,000,000 – \$3,999,999	1.00%
\$4,000,000 +	Negotiable

#### **STIFEL FUNDAMENTALS PROGRAM**

##### **About Stifel Fundamentals Program**

Discretionary and non-discretionary portfolio management is available through the Stifel Fundamentals Program ("Fundamentals"). This Program offers a comprehensive and structured approach to the investment planning and portfolio management process. This process typically consists of establishing objectives, determining asset allocation, selecting appropriate mutual funds and/or ETFs, monitoring the account, and evaluating the performance of the mutual funds and ETFs selected. The minimum initial investment is \$25,000.

##### **Discretionary Fundamentals**

Clients authorize us to implement personalized asset allocation strategies by investing available assets in load-waived and no-load mutual funds or ETFs from an approved list of companies. Clients may choose between models that utilize either mutual funds or ETFs. Our personnel select funds from a large universe of mutual funds and ETFs. Many factors are considered including investment objectives, management styles, long-term performance records, risk levels, manager tenures, asset sizes, and annual expense ratios. We review our choices on a quarterly basis, and discretionary accounts are adjusted when our firm no longer recommends a current portfolio holding. Clients may request in writing that certain specified mutual funds, ETFs, or certain categories of both, not be purchased in an account. In the event that mutual funds, ETFs, or categories of both are restricted, the portion of the account that would have been invested in such may be invested in cash equivalents or short-term fixed income instruments at our discretion. Investments in cash equivalents or short-term fixed income instruments pursuant to such restrictions may impact the performance of the account relative to an account that is fully invested in mutual funds or ETFs. Because mutual

funds and ETFs are pooled investment vehicles, it is not possible for our firm to accommodate requests for restrictions on individual securities.

##### **Non-Discretionary Fundamentals**

Clients implement their own personalized asset allocation strategies by investing available assets in load-waived and no-load mutual funds or ETFs from an approved list of companies.

##### **General Fee Information**

Fees are due quarterly in advance. The initial fee is due in full on the opening date and is based on the account's opening market value. The period for which the fee is due is the opening date through the last business day of the current calendar quarter and prorated accordingly. Thereafter, the fee is based on the account's closing market value on the last business day of the previous calendar quarter and is due on the following business day. The fee schedule is provided as follows:

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	1.75%
\$150,000 – \$ 499,999	1.50%
\$500,000 – \$ 999,999	1.25%
\$1,000,000 – \$1,999,999	1.00%
\$2,000,000 – \$2,999,999	0.75%
\$3,000,000 – \$3,999,999	0.70%
\$4,000,000 +	Negotiable

#### **STIFEL UNISON PROGRAM**

##### **About Stifel Unison Program**

Discretionary portfolio management is available through the Stifel Unison Program ("Unison"). Clients authorize our firm to invest in funds that are selected from a large universe of equities selected by Independent Managers, mutual funds and/or ETFs. Many factors are considered including investment objectives, management styles, long-term performance records, risk levels, manager tenures, asset sizes, and annual expense ratios. We review our choices quarterly and adjust accounts when a current portfolio holding is no longer recommended. Many factors are considered in determining an appropriate diversified allocation model selection for Clients including account inception value, taxable vs. non-taxable account status, and investment objectives and risk characteristics. The minimum initial investment is \$250,000.

##### **General Fee Information**

Fees are due quarterly in advance. The initial fee is due in full on the opening date and is based on the opening market value of the account. The period for which such payment is made is the opening date through the last business day of the current calendar quarter and is prorated accordingly. Thereafter, the quarterly fee is based on the account closing market value on the last business day of the previous calendar quarter and is due on the following business day. The minimum initial investment is \$250,000. The fee schedule is provided as follows:

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.75%
\$500,000 – \$ 999,999	2.25%
\$1,000,000 – \$1,999,999	2.00%
\$2,000,000 – \$2,999,999	1.75%
\$3,000,000 – \$3,999,999	1.50%
\$4,000,000 +	Negotiable

## STIFEL SPECTRUM PROGRAM

### About Stifel Spectrum Program

Discretionary portfolio management is available through the Stifel Spectrum Program ("Spectrum"). Clients authorize our firm to invest in funds that are selected from a large universe of mutual funds and/or ETFs. Many factors are considered including investment objectives, management styles, long-term performance records, risk levels, manager tenures, asset sizes, and annual expense ratios. We review our choices quarterly and adjust accounts when a current portfolio holding is no longer recommended. Many factors are considered in determining an appropriate diversified allocation model selection for Clients including account inception value, taxable vs. non-taxable account status, and investment objectives and risk characteristics. The minimum initial investment is \$50,000.

### General Fee Information

Fees are due quarterly in advance. The initial fee is due in full on the opening date and is based on the account's opening market value. The period for which the fee is due is the opening date through the last business day of the current calendar quarter and prorated accordingly. Thereafter, the fee is based on the account's closing market value on the last business day of the previous calendar quarter and is due on the following business day. The fee schedule is provided as follows:

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 149,999	3.00%
\$150,000 – \$ 499,999	2.25%
\$500,000 – \$ 999,999	1.50%
\$1,000,000 – \$1,999,999	1.25%
\$2,000,000 – \$2,999,999	1.10%
\$3,000,000 – \$3,999,999	1.00%
\$4,000,000 +	Negotiable

## SEI ASSET MANAGEMENT PROGRAM

### About SEI Asset Management Program

This Program is not generally open to new accounts. Discretionary portfolio management is available through the SEI Asset Management Program ("SEI"). Clients may select an asset allocation model comprised of mutual funds from SEI Asset Management Corporation, an Independent Manager. Alternatively, Clients may invest in one or more SEI mutual funds on a non-discretionary basis. This Program is designed to determine investment objectives through an interview process and by completing a questionnaire provided by SEI. Clients choose an SEI mutual fund asset allocation model and, if preferred, automatic rebalancing. Alternatively, Clients may buy individual SEI mutual funds on a non-discretionary basis. SEI utilizes multiple institutional managers as advisers to the SEI mutual funds. These managers are monitored by SEI to ensure that their investment styles remain consistent with the investment objective of the SEI funds. Rebalancing maintains the proper allocation to each asset class in a model. Rebalancing occurs automatically if the underlying SEI mutual funds deviate from the prescribed quarterly allocation by greater than a 2% variance for non-taxable accounts and a 3% variance for taxable accounts. SEI rebalances Client accounts monthly and Clients will not incur charges on the rebalancing transactions. SEI Trust Company (a subsidiary of SEI Asset Management Corporation) acts as the transfer agent and custodian for each Client account. The minimum initial investment is \$150,000.

### General Fee Information

SEI Trust Company, subject to Client authorization, debits Client accounts for the fee and remits payment to Stifel on a quarterly basis. The initial fee is due in full on the opening date and is based on the account's opening market value. The period for which the fee is due is the opening date through the last business day of the current calendar quarter and prorated accordingly. Thereafter, the fee is based on the account's closing market value on the last business day of the previous calendar quarter and

is due on the following business day. The fee schedule is provided as follows:

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 399,999	3.00%
\$400,000 – \$ 499,999	2.50%
\$500,000 – \$ 999,999	2.00%
\$1,000,000 – \$1,999,999	1.75%
\$2,000,000 +	1.60%

## SARATOGA ADVANTAGE TRUST PROGRAM

### About Saratoga Advantage Trust Program

This Program is not generally open to new accounts. Discretionary and non-discretionary portfolio management is available through the Saratoga Advantage Trust Program ("Saratoga"). Clients may select an asset allocation model comprised of mutual funds from Saratoga Advantage Trust, an open-end investment company managed by Orbitex Saratoga Capital Management. This process typically consists of establishing objectives and determining asset allocation using software provided by Saratoga. Financial Advisors provide written recommendations necessary to achieve stated goals. The minimum initial investment is \$10,000 for non-qualified accounts and \$250 for qualified accounts.

### General Fee Information

Saratoga, subject to Client authorization, debits Client accounts for the fee and remits payment to Stifel on a quarterly basis. The initial fee is due in full on the opening date and is based on the account's opening market value. The period for which the fee is due is the opening date through the last business day of the current calendar quarter and prorated accordingly. Thereafter, the fee is based on the account's closing market value on the last business day of the previous calendar quarter and is due on the following business day. The fee schedule is provided as follows:

<u>Account Value</u>	<u>Annual Fee</u>
First – \$ 99,999	2.00%
\$100,000 – \$ 149,999	1.75%
\$150,000 – \$ 249,999	1.50%
\$250,000 – \$ 499,999	1.25%
\$500,000 – \$1,000,000	1.00%

## STIFEL/COMERICA BANK & TRUST ALLIANCE

Within the Stifel/Comerica Bank & Trust Alliance, trust administration and management of non-financial assets are the responsibility of Comerica. As trustee, Comerica confers with trust beneficiaries to determine income needs. Comerica maintains custody of trust assets, settles all trades, prepares monthly statements, remits income, considers and makes decisions on distribution requests, and prepares tax returns. Comerica may also provide other services such as bill paying and lifestyle planning. Our firm is responsible for the discretionary management of financial assets of trust accounts in the Program. Independent and/or Related Advisers are selected through Opportunity, or model Portfolios are utilized through Fundamentals. Financial Advisors work with Comerica and our Financial Planning Department to gather information about the general terms of the trusts, beneficiary needs, and existing asset holdings. Investment strategies are developed, which may include asset allocation and investment option recommendations. Comerica reviews final investment strategies and approves the selection of Independent Managers, Affiliated Managers, or model Portfolios to be used within each trust. We monitor the

performance and provide quarterly performance reports to beneficiaries. Trustee and investment management fees are determined as a percentage of the account and are typically bundled and charged as an all-inclusive fee (including trade execution and custodial services). However, clients may negotiate an arrangement where applicable fees are charged separately. In some instances, a trust may own assets that are not able to be managed within, or would be better suited if managed outside of, Stifel/Comerica Bank & Trust Alliance. When this occurs, those assets we do not manage may be managed by Comerica Asset Management. Our firm may receive a portion of the fee collected by Comerica on assets managed by Comerica Asset Management, and Financial Advisors may receive a portion of the fee that our firm receives.

#### General Fee Information

Comerica's trust fees and Stifel's Advisory fees are due monthly according to the fee schedule below. Comerica debits the account for the entire fee and remits the Advisory fee, of which Financial Advisors may receive a portion, to Stifel. The fee schedule is provided as follows:

##### Annual Fees with Opportunity:

Assets	Stifel Fee	Comerica Fee	Total Fee
First \$500,000	0.95 – 1.55%	0.65%	1.60–2.20%
Next \$500,000	0.95 – 1.55%	0.57%	1.52–2.12%
Next \$4,000,000	0.85 – 1.55%	0.50%	1.35–2.04%
Balance of Assets	0.75 – 1.55%	0.30%	1.05–1.85%
Minimum Fee	\$4,750	\$3,000	\$7,750

##### Annual Fees with Fundamentals:

Assets	Stifel Fee	Comerica Fee	Total Fee
First \$500,000	0.50 – 1.55%	0.65%	1.15–2.20%
Next \$500,000	0.50 – 1.55%	0.57%	1.07–2.12%
Next \$4,000,000	0.40 – 1.55%	0.50%	0.90–2.05%
Balance of Assets	0.30 – 1.55%	0.30%	0.60–1.85%
Minimum Fee	\$2,500	\$3,000	\$5,500

#### ADDITIONAL INFORMATION ON FEES AND COMPENSATION

##### How We Charge For Advisory Services

Please refer to each Program description for corresponding fee schedules. Fee schedules may be subject to negotiation depending on a range of factors including, but not limited to, account size and overall ranges of services provided. We do not adjust fees for fluctuations in value during a period due to market conditions; an account will be charged a prorated fee on any net additions during a quarter. ***The total charges that Clients may pay in Advisory fees may be higher than the commissions that could have been charged for brokerage-only services. Clients should consider the value of Advisory services provided when evaluating fees.*** The combination of brokerage and Advisory services may not be available separately or may require multiple accounts and varying forms of payment. When selecting Programs, Clients should also consider the amount of anticipated trading activity in assessing the overall cost of the Program. The following payment options are available to Clients:

##### Automatic Debit

The Advisory fee is deducted from available cash or cash equivalents including money market funds in the Client's Advisory account on the billing date each quarter. Our firm has discretionary authority to rebalance or liquidate securities in order to generate sufficient funds to cover the fee. Account statements reflect the fee payment amount.

##### Letter of Authorization

The Advisory fee is 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

Each Client receives an invoice on the billing date each quarter and agrees to remit the fee payment promptly. If the fee payment is not received, 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.

##### Refund of Fees Upon Termination

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 after the initial 5 days but within the first quarter of services.

##### Brokerage Commissions

As a dual-registered firm, we execute all Client brokerage transactions, with very limited exceptions. We generally do not charge separate brokerage commissions to Advisory Clients for services offered in this Brochure. Most programs offered in this Brochure assume a normal amount of trading activity; some Programs may impose a limit on the maximum trades allowed in an account without imposing additional charges to cover the excess trading. In addition, Advisory fees do include not transaction costs imposed on trades effected through other brokers, 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, third-party administration fees, and other fees required by law and outside of Stifel's control. Advisory Fees also do not include custodial services provided by other financial institutions. As set forth above, Advisory fees do not include commissions charged for syndicate trades effected in Horizon accounts. Prices at which securities are purchased in principal transactions from other dealers are computed by Stifel or the other dealer in the customary manner based on the prevailing inter-dealer market price. Each Client should consider the overall cost when selecting a Program or Portfolio.

##### Insurance Commissions

In addition to being a dual registrant, our firm is also licensed as an insurance agency with various states. As such, our Financial Advisors are able to offer various insurance products to Clients as part of our comprehensive investment services to Clients. We receive a portion of any commissions that the issuing insurance company pays with respect to insurance products sold by our Financial Advisors.

##### Compensation to Financial Advisors

We remit a percentage of the commissions and fees ("Payout Rate") that we receive from Clients to our Financial Advisors. Payout Rates range from 25% to 50% and are determined by many factors, including the total revenue generated by each Financial Advisor. 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 Financial Advisors are compensated. As licensed securities salespersons ("Registered Representatives"), Financial Advisors may effect securities transactions for commissions. Most Financial Advisors are licensed to provide both brokerage and Advisory services. Financial Advisors may also be licensed as insurance agents and, as such, can effect insurance transactions for separate and customary commission compensation. ***The Payout Rate for our Financial Advisors in connection with Advisory fees may be higher than their Payout Rate for***

*brokerage commissions only. Financial Advisors may, therefore, have an incentive to recommend Advisory accounts over brokerage accounts.* In addition, the Payout Rate may differ depending on the Program in which a Client is enrolled and as a result of the different fee structures available, Financial Advisors may also have incentive to recommend certain Programs over others. Our firm and/or Financial Advisors may, from time to time, receive incentive awards from issuers of various investment products for the recommending or introducing investment products to Clients. 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.

### **Mutual Fund Fees and Compensation**

Clients should consider all risks and charges prior to investing in any mutual fund. Clients who own mutual funds may incur certain internal expenses charged directly by the mutual fund company. These expenses are separate and in addition to fees charged for Advisory services. Internal expenses are described in each mutual fund prospectus. The prospectus contains important information about the mutual fund being offered and should be reviewed carefully before investing. Mutual funds are sold by prospectus only. Our firm or our affiliates may receive payments from mutual fund companies for selling the related mutual fund shares and/or for providing custodial and other services to Clients holding such mutual fund shares. This compensation may include shareholder services or distribution fees addressed below under 12b-1 Compensation. Each mutual 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 mutual fund shares through brokerage accounts held at Stifel.

### **Networking Compensation**

Our firm receives networking fees in consideration for ancillary services provided in connection with mutual fund positions held through Stifel. These fees are generally paid from the assets of the fund, but in some cases may be subsidized in part by affiliates of mutual fund companies (such as the fund manager). The fees are generally calculated by applying the standard networking range of up to \$10 per fund account annually.

### **12b-1 Compensation**

Mutual fund expenses may include 12b-1 distribution fees ("12b-1s") that may be paid from mutual companies to Financial Advisors via the firm as a conduit. This means that Financial Advisors may, from time to time, receive compensation in connection with the placement of Client funds into particular mutual funds. This compensation is in addition to and separate from fees paid by Clients for Advisory services. 12b-1s may be in excess of the amount that would qualify as "no-load." We receive 12b-1 compensation from non-affiliated mutual fund companies which is intended to compensate us for effecting purchases of mutual fund shares or for other services ancillary thereto. The current rate of 12b-1 fees that we receive from mutual fund companies generally ranges from 0% to 0.25% annually.

### **Revenue Sharing Compensation**

In addition to sales loads, 12b-1s, and processing fees, we may receive other compensation ("Revenue Sharing") from mutual fund distributors. Revenue Sharing with a particular mutual fund company is generally based on either the amount of sales or the value of assets Stifel Clients hold with the mutual fund company. Because Revenue Sharing is intended to compensate our firm for ancillary services in connection with effecting sales of mutual fund shares, we require that such payments be made directly from mutual fund distributors; not from mutual fund companies themselves. Revenue Sharing gives Stifel a financial incentive

to recommend particular mutual funds to Clients. *We generally receive Revenue Sharing in connection with mutual funds in Stifel accounts, excluding accounts that are held at other financial institutions. Revenue Sharing is not rebated to Clients and is not paid to Financial Advisors. While not all mutual fund companies participate in Revenue Sharing 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 mutual fund assets held by Clients up to 0.25% on an annual basis, or a fixed dollar amount.* Although we seek to apply a standard payment schedule, it is recognized that not all mutual fund companies approach Revenue Sharing the same way, and some mutual fund companies may decline to pay Revenue Sharing exactly at the levels listed above, or at all, which may present a financial disincentive for us to promote the sale of those mutual funds. This Revenue Sharing information is current as of the date of this Brochure and is subject to change at our discretion. Updated and current Revenue Sharing arrangements are available at [www.stifel.com](http://www.stifel.com).

### **Training and Education Expense Contributions**

Mutual fund companies may subsidize a portion of the cost of training and achievement seminars offered to Financial Advisors through specialized firm-wide programs and consulting training forums. These seminars are designed to provide education and training to Financial Advisors who regularly solicit Clients to participate in a particular mutual fund platform. The subsidies may vary among mutual fund companies, and no mutual fund company is required to participate in the seminars or to contribute to the costs of the seminars in order to have their funds distributed through our platform. Financial Advisors do not receive a portion of these payments.

### **Unit Investment Trust ("UIT") Fees and Compensation**

Investors should consider all risks and charges prior to any UIT transaction. Clients who own UITs may incur certain internal expenses charged directly by the UIT. These expenses are separate and in addition to fees charged for Advisory services. Internal expenses are described in each UIT prospectus. The prospectus contains important information about the UIT being offered and should be reviewed carefully before investing. UITs are sold by prospectus only. Most UIT sponsors make additional payments to firms, including our firm, for selling their UITs. These payments are typically calculated as a percentage of the total volume of sales of the sponsor's UITs made by the firm in a brokerage capacity during the UIT's initial offering period. That percentage typically increases as higher sales volume levels are achieved. Detailed descriptions of the terms of these additional payment programs are provided in each UIT's prospectus. UIT sponsors may also pay Stifel fixed amounts for marketing, promotional or related expenses intended to result in additional sales of a sponsor's products, or to defray a portion of the costs incurred to facilitate UIT sales, such as the costs of developing or purchasing UIT trading systems. Payment rates and total payment amounts vary from sponsor to sponsor. These payments are made by the UIT sponsor and not out of UIT assets. These amounts are not paid to Financial Advisor or branch offices.

### **Exchange Traded Fund ("ETF") Fees and Compensation**

Investors should consider all risks and charges prior to any ETF transaction. Clients who own ETFs may incur certain internal expenses charged directly by the ETF. These expenses are separate and in addition to fees charged by Stifel for Advisory services. Internal expenses are described in each ETF prospectus. The prospectus contains important information about the ETF being offered and should be reviewed carefully before investing. ETFs are sold by prospectus only.

## **Non-Cash Compensation**

Financial Advisors may receive non-cash compensation from mutual fund companies, Independent Managers, Affiliated Managers, insurance vendors, and sponsors of products that we distribute in the form of occasional gifts, meals, tickets, and/or other forms of entertainment.

## **PERFORMANCE-BASED FEES**

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.

Please refer to the Program descriptions for requirements, such as minimum account size, for opening or maintaining an account.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

A Financial Advisor may recommend a third-party manager to Clients in the Horizon Program. Any such recommendation will be based on the Client's goals and objectives, and the third-party manager's investment philosophy and policies. The Client (not Stifel) is responsible for implementing any recommendation with respect to third-party managers for the Horizon Program.

Our staff conduct initial and on-going due diligence with respect to any Manager with whom we have a sub-advisory arrangement. Except as otherwise set forth in the Program description, our firm manages all other Program assets directly, rather than through Independent or Affiliated Managers.

### **Selecting Independent and Affiliated Managers**

In selecting Managers, we identify Independent and Affiliated Managers who represent various investment strategies across several investment styles and asset classes. We generally require potential Managers to complete a comprehensive and detailed initial due diligence survey. Our personnel use a database of research and statistics to review the annual performance and operations of each Independent and Affiliated Manager. We may also perform on-site meetings with new Managers. We seek to identify and retain Independent and Affiliated Managers who have demonstrated an ability to successfully manage assets, taking into account the investment style and philosophy, geographic location, account minimum, assets under management, number of investment professionals on staff, and number of years in business. Our firm and/or Affiliated Managers may also serve as portfolio manager to a Program responsible for making the buy and sell decisions for the assets in the Program. Subject to our fiduciary obligations, we generally select Affiliate Advisers to manage Programs and/or Portfolio where the Affiliated Manager's investment strategy is in line with the Program's or Portfolio's strategy and objectives. Clients should note that our Financial Advisor may have an interest in recommending a Portfolio that is internally managed and/or managed by an Affiliated Manager.

Our staff conducts on-going due diligence on each Manager including, from time to time, on-site and/or telephonic reviews with the Manager's investment and other personnel. Our staff evaluates Manager performance on a quarterly basis using industry sources, as well as using a proprietary rating system to determine whether each Manager should continue to participate in the Program.

### **Replacing Independent and Affiliated Managers**

We may consider replacing Independent and Affiliated Managers if there are substantial changes in their investment style that prove to be inconsistent with the style, philosophy, and policies upon which they were hired. Additionally, we may consider replacing Independent and Affiliated Managers who have invested in prohibited securities, experienced material changes in their business structure, and/or failed to abide by Client objectives and/or restrictions, maintain accurate Client account statements, abide by the terms or conditions of the sub-advisory agreement or any amendments thereto, or demonstrate prolonged acceptable performance.

### **Relationships with Independent and Affiliated Managers**

Our firm enters into sub-advisory agreements with Independent and Affiliated Managers and compensates them directly out of fees paid by Advisory Clients. Except in very limited circumstances, Independent and Affiliated Managers execute all brokerage transactions through Stifel. It is the responsibility of each Independent and Affiliated Manager to monitor the securities in Client accounts for consistency with the investment style and criteria established.

### **Performance Information**

We provide performance reports to Clients on a quarterly basis, calculated using the Modified Dietz method. The Modified Dietz method calculates investment returns using a time-weighted method that identifies and accounts for random cash flows in the account. Our personnel review the performance reports to determine and/or verify its accuracy or its compliance with presentation standards. In addition, Affiliated and/or Independent Managers may also provide performance information directly to Clients. In such cases, the Affiliated or Independent Manager is responsible for reviewing the information included in the report. As a result, performance information presented to Clients may not be calculated on a uniform and consistent basis.

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

Clients should refer to each Program and Portfolio description above for a detailed discussion of the investment strategies and methods of analysis used in connection with such Portfolio or Program.

### **Risk of Loss**

In general, each Program and/or Portfolio 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 or Portfolio in which the Client is enrolled, and the investments held in the Client's Advisory account. Each investment in an Advisory account is subject to general market risk, which is the risk that the security's value will decline because of downturns in the general securities markets. Depending on market conditions, the value of an investment at the end of an investment period may be less than its initial value, and the Client could lose money.

The following additional risks may also be applicable to Advisory accounts in the Programs covered in this Brochure:

**Research Sources Risk:** Our Score Program relies heavily on outside Research Sources. We attempt to match the holdings in the Portfolio accounts to the Research Source to which such Portfolio is tied. However, from time to time, our holdings may fail to directly correlate to the applicable Research Source and, as such, the performance of the Portfolio may differ from the related

Research Source. Moreover, a Research Source's investment strategy may fail to achieve the desired results and, therefore, the performance of the Portfolio accounts may suffer. In implementing changes from Research Sources, we may cause relatively large investments or redemptions in funds held in Client accounts. These large transactions may adversely affect the performance of the funds in which Clients are invested. We may, but are not required, to take measures to minimize the impact of such transactions to the extent consistent with the applicable Client investment objectives as well as the objectives of the other Clients in the Portfolio.

**Management Risk:** As set forth above, a number of our Programs, including (but not limited to) Opportunity, SSMAP and Horizon, are managed by Independent or Affiliated Managers. In addition, depending on the type of Advisory service provided, Financial Advisors may also recommend other Investment Advisers to manage Client assets. In general, we select Investment Advisers based on, among other things, their management style and prior performance. However, an Investment Adviser's prior performance is not a guarantee of its future results. As such, its investment strategies may fail to produce the intended results.

**Manager Selection Risk:** We and/or Affiliated Managers may act as portfolio manager for a number of Programs/Portfolios covered by this Brochure. We generally select and/or recommend Managers based on, among other things, the Manager's prior risk-adjusted performance and expertise (including how the Manager's investment strategies and policies correlate to the Program/Portfolio's stated objectives and strategies). However, personnel may give great weight to our relationship with a proposed Manager in making the selection rather than relying solely in performance or expertise. In addition, as set forth above, a Financial Advisor's Payout Rate varies depending on the Program and/or Portfolio in which a Client is invested, and certain Affiliated Manager may pay referral fees to FA for recommending their strategies or Portfolios. As such, Financial Advisors may also have an incentive in recommending a Portfolio that is internally managed and/or managed by an Affiliated Manager.

**Diversification Risk:** Portfolios in the SEI and Saratoga Programs invest primarily in mutual funds managed by their affiliated companies. As a result, clients in these Programs may not access to as wide a variety of management styles as Clients in our other Programs.

**Investment Company Securities Risk:** A number of Portfolios covered in this Brochure are heavily invested in mutual funds. In addition, Advisory accounts may invest in other investment companies, including ETFs, UITs and/or closed-end funds. Each fund in a Portfolio may be subject to a variety of risks, depending on its investment strategies and/or the securities held in 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). ETFs shares may trade at a market price that is above or below its net asset value. Various funds may also use investment techniques and financial instruments that may be considered aggressive, including the use of derivative transactions and short selling techniques. The performance of funds (and, therefore, the realized return) will also depend on other factors, including the success of each fund manager's style and investment strategy. Each Client that invests in a fund will also bear a proportionate share of any fees and expenses charged by the fund – higher than expected expenses will reduce a client's realized returns.

**Foreign Securities Risk:** Advisory accounts may invest in 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. All these factors could affect a client's realized return on the investment.

**Fixed Income Securities Risk:** 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. 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. 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.

**Alternative Investments Risk:** Alternative investments, including (but not limited to) investment partnerships, 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). The use of derivative instruments involves multiple risks, including counterparty risk (i.e., the risk that the institution on the other side of their trade will default), as well as the risk that the instrument may not work as intended due to unanticipated developments in market conditions. 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 demand and supply of the underlying commodities.

#### CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

We typically provide information relating to Client financial condition, investment needs and/or investment restrictions to Independent and Affiliated Managers. We typically provide annual updates (if any) to the information, or more often as available from the Client. We and/or the Financial Advisor (not the Independent or Affiliated Manager) are responsible for collecting data about Client investment goals and objectives, and determining whether a particular Program and/or Portfolio is appropriate for the Client based on the stated goals and objectives.

#### CLIENT CONTACT WITH PORTFOLIO MANAGERS

We strongly encourage Clients to communicate with their Financial Advisor, rather than the Independent or Affiliated Manager of the Portfolio in which a Client is enrolled. However, Financial Advisors generally review with the Client the available Portfolios as well as the Independent or Affiliated Managers (if any) managing such Portfolios, and obtain Client consent prior to enrolling a Client in a Program or Portfolio. The information provided to each Client includes, among other things, the applicable Manager's name and contact information. As such, Clients have the option of contacting a Manager directly.

#### ADDITIONAL INFORMATION

## DISCIPLINARY INFORMATION

1. 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>DATE RESOLVED</u>	<u>FINE PAID</u>
VIRGINIA	09/18/09	\$ 17,500.00
MISSOURI	01/22/10	\$ 250,000.00
WASHINGTON	04/26/10	\$ 1,512.29
VERMONT	04/22/10	\$ 1,116.04
SOUTH DAKOTA	04/19/10	\$ 1,050.00
IOWA	04/19/10	\$ 2,172.71
CALIFORNIA	05/05/10	\$ 11,220.45
ALABAMA	05/13/10	\$ 1,050.00
LOUISIANA	05/25/10	\$ 1,116.04
NEBRASKA	05/10/10	\$ 1,248.13
TENNESSEE	06/16/10	\$ 3,889.80
UTAH	06/01/10	\$ 1,116.04
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
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
SOUTH CAROLINA	10/04/10	\$ 1,446.25
OREGON	02/17/11	\$ 2,502.92
MINNESOTA	01/31/11	\$ 5,805.01
NEVADA	02/03/11	\$ 17,164.21

2. 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 the Order Audit Trail System (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 admitting the allegations, the firm agreed to a regulatory censure and to pay a \$32,500 fine.

3. 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 unit investment trust (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 same and a program of restitution.

4. 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 firm failed to reasonably supervise a Missouri-registered agent with regard to transactions in certain securities accounts of three Missouri residents.

5. 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 (NMC) 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.

6. 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 (NMS) 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. On October 26, 2006, Stifel entered into a stipulation and consent to penalty with the New York Stock Exchange (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 email 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.

12. On September 2, 2005, Stifel entered into an agreement of acceptance, waiver and consent with NASD resolving NASD'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. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a fine of \$5,000.

13. On January 28, 2005, the firm entered into an agreement of acceptance, waiver and consent with NASD resolving NASD's claim that from January through March, 2002, the firm 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; and that the firm transmitted a limited number of orders to the OATS system that contained improperly formatted, inaccurate or incomplete data or, on some occasions, the correct order receipt time. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a fine of \$20,000.

14. On June 13, 2003, Stifel entered into a stipulation and consent to penalty with NYSE resolving NYSE's claim that the firm had failed to establish and maintain appropriate procedures for supervision and control, including follow-up and review with respect to the activities of the firm's qualifying member on the trading floor of the Exchange; the timely filing of accurate Form U-5AS and Form RE-3S with the NYSE; the failure to prevent one or more employees with inactive registrations from performing duties and functions that required registrations and failing to withhold compensation from such persons during the periods

when their registrations were inactive; the failure to approve and review certain employee-related accounts held outside the firm; the failure to obtain NYSE approval for various officers and directors to be allied members; and the failure to submit to the firm's clearing agent accurate account type indicators for certain transactions; the failure to receive all commissions of the firm's floor broker; the failure of the firm to properly accrue commissions received from its floor broker; and the failure to preserve certain required books and records. The firm agreed to a regulatory censure and to pay a fine of \$50,000.

15. On September 10, 2002, Stifel entered into an agreement of acceptance, waiver and consent with NASD resolving NASD's claim that during the period October 2 - 30, 2000, the firm failed to display immediately 55 customer limit orders in NASDAQ SECs in its public quotation when such order was at a price that would have improved the firm's bid offer in each such SEC; or when the order was priced equal to the firm's bid/offer and the national best bid/offer for each such SEC and 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. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a \$10,000 fine.

16. On or about May 16, 2002, Stifel agreed to the payment of \$12,250 each to two individuals who had complained to the Indiana Securities Division regarding the alleged failure of the firm to reasonably supervise its agents, engage in honest and ethical business transactions, and make suitable trades and recommendations.

17. On February 13, 2002, Stifel entered into an agreement of acceptance, waiver and consent with NASD resolving NASD's claims that the firm's supervisory system did not provide for supervision reasonably designed to comply with regulatory requirements. The firm agreed to revise its supervisory procedures with respect to NASD's concerns and to pay fines of \$10,000 for backing away and \$5,000 for supervisory procedure violation.

18. On August 22, 2001, Stifel entered into an agreement of acceptance, waiver and consent with NASD resolving NASD's claim that during a routine NASD examination, inconsistencies in reporting non-mandatory FIPS securities were discovered due to a clerical error for a very limited period. The firm agreed to pay a \$125,000 fine.

19. On March 20, 2001, Stifel entered into an agreement of acceptance, waiver and consent with NASD resolving NASD's claim that the firm failed to supervise two registered representatives in connection with the sale of Class B mutual fund shares. The firm agreed to a regulatory censure, a total fine of \$41,000, as well as an undertaking of offers to 44 customers identified as Class B share purchases from the registered representatives.

#### **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. 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. As set forth above, our affiliate, Choice Financial Partners, Inc. provides the EquityCompass Strategies used in some of the Score Portfolios. Clients should note that our Financial Advisors may have an incentive to recommend Portfolios using Research Sources provided by an affiliate, rather than those provided by unaffiliated entities. We pay for Research Sources from the Advisory fees received from Clients, even where such Research Sources are affiliated entities. In addition, our affiliate, Missouri Valley Partners, Inc., may serve as portfolio manager or sub-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. 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.

***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 commission 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.

***Limited Partnerships*** – As discussed in the Executive Summary, our firm and/or affiliates may act as general partner to various investment partnerships in which Advisory Clients may be invested. Clients that invest in any such partnership are required to hold their limited partnership interests in their brokerage accounts. As such, these Clients are not charged Advisory fees with respect to the holdings, but may be charged transaction-specific brokerage commissions. As with other pooled investment vehicles, each such investment partnership charges its own fees and expenses.

***TW Small Cap Growth Fund*** – From time to time, Client assets may be invested in shares of a mutual fund managed by our affiliate, TW Asset Management LLC. Our Financial Advisors may also recommend this fund to non-discretionary clients, or may purchase shares of the fund in a discretionary Client account. The fund charges its own fees and expenses.

***Stifel/Comerica Bank & Trust Alliance*** – As set forth above, this affiliate may serve as trustee to Advisory Clients enrolled in Programs covered by this Brochure. Clients who use this affiliate will be responsible for any customary banking fees that are charged with respect to bank deposit accounts.

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. For example, we periodically review our lines of service to identify applicable risks and make appropriate disclosures to Clients in respect of those risks.

## 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. A copy of the Advisory Code of Ethics is available to any Client upon request. Set forth in the Advisory 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 access to 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 reviews the Code of Ethics annually 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 only. However, our firm may trade with Clients and seek to earn a profit for its own account (“Principal Transactions”). Such transactions are executed at prices and commission rates which we believe are competitive and in accordance with industry practice. We do not typically engage in Principal Transactions with Advisory Clients; however, in limited circumstances, Principal Transactions may occur in Advisory accounts if we have provided written disclosure and obtained prior written Client consent on a trade-by-trade basis. Generally, no underwritings may be sold to Advisory Clients if Stifel is a member of the underwriting syndicate or selling group, unless the Client has specifically consented to the trade. Depending upon the Advisory Program, Clients may or may not incur commissions on these transactions. Principal Transactions are disclosed as such on trade confirmations sent to Clients after trade execution. 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.

### Personal Trading

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. Our employees and affiliates may invest in any Advisory Programs that we offer. 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 proprietary account and accounts of persons who may have access to Advisory recommendations. We emphasize the unrestricted right of the Client to decline to implement any advice rendered. Additionally, under NYSE Rules, Financial Advisors affiliated with Stifel Financial Corp.

("SF") are prohibited from recommending SF securities except on an unsolicited basis.

## BROKERAGE PRACTICES

### About our Broker-Dealer

Stifel's principal business in terms of revenue and personnel is that of a securities broker-dealer. As a broker-dealer, our firm provides brokerage services by executing securities transactions per Client instructions. Advice provided to Clients is an integral part of services offered by Financial Advisors when providing brokerage services; therefore, Financial Advisors who are acting in a brokerage capacity may help Clients identify investment goals, create strategies that are reasonably designed to meet those goals, and make suitable buy, hold, and sell recommendations based on risk tolerance and financial circumstances. However, investment decisions are not made on behalf of Clients and fees are not charged for any 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 Stifel's 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. As set forth elsewhere in this Brochure, Advisory clients enrolled in the Programs covered in this Brochure pay a fee that covers Advisory and brokerage execution services. See "Additional Information about Fees and Expenses" for more details about Advisory fees.

### Execution of Transactions

We evaluate speed and certainty of execution, price and size improvement, and overall execution quality when determining the best way to execute Client orders. Where permissible by applicable law, and after complying with applicable regulatory requirements, orders for most Advisory Programs are routed for agency execution in order to comply with Principal Trade restrictions. Where a Client account is managed by an Independent or Affiliated Manager, it is that Independent or Affiliated Manager's sole responsibility to meet best execution obligations for Clients of Advisory accounts. Clients should review each Independent and Affiliated Manager's trading and execution practices carefully. We do not analyze or evaluate whether Independent and Affiliated Managers are meeting best execution obligations on trades executed for Client accounts, even where our firm recommended the Independent or Affiliated Manager. We use automated systems to route and execute orders for the purchase and sale of securities for all Advisory accounts, unless directed by Clients to do otherwise. Orders are generally routed to an execution center that is believed to provide the best execution. Certain large orders that require special handling may be routed to a market center for execution via telephone. 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. With regard to equity securities, we monitor the performance of competing market centers and routes orders to those that consistently complete transactions timely and at a reasonable cost and that guarantee executions at the national best bid or offer. On a fully disclosed basis, we execute load-waived mutual fund transactions through National Securities Clearing

Corporation ("NSCC"). No-load mutual fund transactions are executed through NSCC or TD Waterhouse Institutional Services. ETF transactions are generally executed through the American, Midwest, or New York Stock Exchange. Whenever possible, orders are routed to market centers that offer opportunities for price improvement through automated systems.

### 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. At this time, we have determined not to direct order flow for Advisory Programs to specific destinations in exchange for payment. Orders may be routed to electronic communication networks ("ECNs") or similar enterprises in which our firm 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. Due to our firm's ownership interest, indirect compensation may be received from ECNs if orders for Advisory Programs are directed to such trading networks. Clients do not pay additional fees directly to Stifel for such arrangements, but our firm does receive cash payments from certain market centers in exchange for routing orders.

### Aggregation of Trades in Advisory Portfolios

Trades of multiple Client accounts are executed on an agency basis and aggregated ("Block Trade") where possible and when advantageous to Clients. Block Trading allows us to execute equity trades in a timely, equitable manner. 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. We attempt to fill all orders placed on the same day in the same 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 adopted by the Independent and Affiliated Manager. In certain cases, Independent and Affiliated Managers 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. We invest cash in money market funds for future purchases and rebalance Portfolios when appropriate.

### Research and Other Soft Dollar Benefits

As set forth above, our Financial Advisors and Clients have access to research published by Stifel's research analysts ("Stifel Research"), as the primary source of research. As a result, subject to certain exceptions, our firm expects all Financial Advisors and other product areas to incorporate insights and economic perspectives of Stifel Research, where appropriate, into their products and services. ***As a result, Clients should be aware that Stifel and its affiliates may have conflicts of interest in connection with recommendations made based on Stifel Research.*** In addition, our firm and affiliates may (i) have long or short positions, (ii) deal as principal or agent, in relevant securities, or (iii) provide Advisory or other services to issuers of relevant securities or to companies connected with issuers covered in research reports issued by Stifel Research. Compensation received by our research analysts 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 various business areas.

We also obtain and use independent third-party research in providing Advisory services. 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 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.

#### Directed Brokerage

Unless agreed upon otherwise, we execute all Advisory transactions are executed through our firm. Some Independent or Affiliated Managers acting as portfolio manager may require Clients to direct brokerage. By directing brokerage, we may be unable to achieve most favorable execution of Client transactions and this practice may result in higher costs to Clients. Fees for Advisory services do not cover and Clients are responsible for brokerage commissions, mark-ups, mark-downs and/or other costs associated with transactions effected through or with other broker-dealer firms.

#### Margin

Clients may choose to employ margin strategies in eligible non-retirement, non-custodial accounts. This use of leverage, or investing with borrowed funds, is generally not recommended or permitted in Advisory Programs; however, may be approved on an exception basis when requested specifically by individual Clients, or for use in specialized strategies. Employing margin strategies in Advisory accounts is a more aggressive, higher risk approach to pursuing investment objectives. Clients should carefully consider whether the additional risks are affordable prior to employing margin strategies due to the potential to experience significantly greater losses than if not employing margin strategies. The risks associated with investing, as well as costs, may be increased when employing margin strategies, and depending upon the return achieved, may make investment objectives more difficult to realize. Clients pay interest to Stifel on the outstanding loan balance of their original margin loan. Fees are calculated as a percentage of assets under management; 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 our firm, our Financial Advisors, and Independent or Affiliated Managers. 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 fee. The decision to leverage Advisory accounts is the sole decision of Clients and should only be made if 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. Specifically, 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 may 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. Certain eligibility requirements must be met and documentation must be completed prior to using leverage in Advisory accounts. Specifically, Clients are required to execute separate margin agreements.

#### 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, Stifel Bank & Trust ("Stifel Bank") 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 Stifel Bank. 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 Stifel Bank in its sole discretion). Clients pay interest to Stifel Bank on Credit Line Loans. 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 Stifel Bank are demand loans and subject to collateral maintenance requirements. Stifel Bank may demand repayment at any time. If the required collateral value is not maintained, Stifel Bank 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 account 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 Stifel Bank 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. ***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, Stifel and 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 Nicolaus Loan Disclosure Statement available upon request.***

## REVIEW OF ACCOUNTS

### Account Review

Accounts are reviewed by members of our Consulting Services Review Committee upon account opening. Thereafter, Financial Advisors perform account reviews regularly.

### Portfolio Performance

Clients receive quarterly analyses of their account performance relative to comparable market indices. Performance information is verified by our Consulting Services Operations staff by reviewing the performance results for consistency among similar sectors and identifying any unusual variations or inaccuracies. Independent and Affiliated Managers may also provide quarterly performance reports directly to Clients.

### Market Overview

Clients receive quarterly analyses of prevailing market conditions for the previous fiscal quarter prepared by our firm or a Manager.

### Transaction Statements

Clients receive monthly 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.

### Realized Gain/Loss Summary

Clients receive annual listings of all closed transactions in their accounts during each calendar year, as well as the offsetting cost of each transaction providing realized gains/losses for each closing transaction.

### Year-end Tax Report

Clients receive comprehensive 1099 statements by February 15th 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 may elect to receive trade confirmations immediately upon execution in their accounts or defer confirmations until the end of each quarter. 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.

### Mutual Fund Prospectus

Clients receive a current prospectus for each mutual fund, ETF, and UIT purchased.

## CLIENT REFERRALS AND OTHER COMPENSATION

### Stifel Alliance Program

The Stifel Alliance Program ("Alliance") was referred to as the Stifel Professional Alliance Program ("SPAP") prior to January 2010. We may directly or indirectly compensate individuals or companies for Client referrals by sharing a portion of the fees charged by our firm. We and/or our associated persons may pay for registration costs for Advisory Client referrals. As a result, such solicitors may have incentive to refer Clients to Stifel over other firms. We have policies and procedures to ensure that proper disclosures are provided to Clients at the time of solicitation and that all Clients sign appropriate disclosure delivery receipts.

### Brokerage for Client Referrals

Our firm and/or Financial Advisors may be compensated by third-party advisers or Independent Managers for Client referrals in Horizon and

other Programs. 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 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. In general, we require that applicable arrangements comply with regulatory requirements applicable to soliciting arrangements, including, but not limited to, disclosure requirements to Clients at the time of the referral. We generally do not have solicitation arrangements with Affiliated Managers. However, Financial Advisors may nevertheless have an incentive to recommend Affiliated Managers over Independent Managers as the Affiliated Manager'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.

### Other Compensation

Clients should 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.

## VOTING CLIENT SECURITIES

Clients who receive account and/or portfolio management services on a discretionary basis may appoint Stifel 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 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. Our proxy voting policies and procedures are provided to Clients at the time of entry into an Advisory agreement, and are also available upon request.

We do not accept proxy voting authority from clients who receive account and/or portfolio management 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. Our personnel generally do not provide any form of assistance in the proxy voting process.

## FINANCIAL INFORMATION

We do not have any adverse financial conditions to disclose under this Item.