



**ADVISORY CONSULTING  
SERVICES**

**SEC Number: 801-10746**

**DISCLOSURE BROCHURE**

**March 31, 2015**

This brochure provides information about the qualifications and business practices of Stifel, Nicolaus & Company, Incorporated. This brochure focuses on our Advisory Consulting Services; we also offer financial planning services and the wrap fee programs, each of which is covered in a separate brochure. If you have any questions about the contents of this Brochure, please contact us at the address or telephone number provided below. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission 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

March 31, 2014

Since Stifel, Nicolaus & Company, Incorporated's last update in November 2014, the firm has experienced the following changes which may be considered material:

- Effective as of November 10, 2014, our parent company, Stifel Financial Corporation, acquired 1919 Investment Counsel, LLC, an investment adviser registered with the Securities and Exchange Commission, and 1919 Investment Counsel & Trust Co., NA, a nationally chartered trust company. In addition to being our affiliate, 1919 Investment Counsel also serves as a portfolio manager and third-party adviser to certain client accounts in our Opportunity Program, which Program is covered in our Wrap Fee Disclosure Brochure. Similarly, certain of our Advisory Clients may receive trust services, and maintain their custodial accounts with 1919 Investment Counsel & Trust Co. More details about our relationships with these affiliates, as well as our other affiliates that also may provide services to our Advisory Clients, are provided under the Section "*Other Financial Industry Activities and Affiliations*" starting on page 16 of the Brochure.
- We consolidated the disclosures relating to the various types of compensation that we may receive from mutual funds, exchange traded funds and/or closed end funds in which certain of our Clients may be invested. This discussion is generally found under the Under the Section "*Fees and Compensation*," starting on page 8 of the Brochure.
- Under the Section "*Methods of Analysis, Investment Strategies, and Risk of Loss*," starting on page 10 of the Brochure, we added a new risk disclosure: *Dependence on Key Personnel Risk*, which discloses that certain of our programs and/or portfolios within programs may rely heavily on certain key personnel. We also made a number of edits and enhancements to the existing risk disclosures.
- On March 4 2015, Stifel entered into an Acceptance, Waiver and Consent with The NASDAQ Stock Market LLC, and agreed to a censure and to pay a fine of \$15,000 to settle allegations that the firm violated Rule 604 of Regulations NMS for failing to immediately display certain customer limit orders in NASDAQ securities in the firm's public quotations, and Rule 3010 and 2010A for failing to maintain a supervisory system designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASDAQ concerning limit order displays. On December 23, 2014, Stifel entered into an Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority (FINRA) and agreed to a censure and a fine of \$55,000 to settle allegations that the firm failed to (i) execute orders fully and promptly, (ii) use reasonable diligence to ascertain the best inter-dealer market and to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, and (iii) maintain a supervisory system designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of FINRA. Additional information about each of these matters is provided under the Section "*Disciplinary Information*," starting on page 12 of the Brochure.
- Under the Section "*Code of Ethics, Participation or Interest in Client*

*Transactions, and Personal Trading”* starting on page 17 of the Brochure, we enhanced the discussion of the possible conflicts of interest that our firm and/or our Financial Advisors may face, from time to time, in connection with providing Advisory services to clients. These include, for example, conflicts when our Financial Advisors recommend securities that are part of a syndicated offering by our firm, or conflicts that may arise when our Financial Advisors are prohibited by firm policy from effecting trades in certain securities due to the fact that a different unit or department in our firm has material non-public information about the issuer of such securities.

- Under the Section “*Client Referrals and Compensation*” starting on page 23 of the Brochure, we disclosed the current referral arrangements that we have with our affiliates relating to our Advisory services. Each Client that is affected by any such referral arrangements receives disclosures about the arrangements, as well as the compensation that our firm and/or the affiliate may receive in connection with the referral.

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

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

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## EXECUTIVE SUMMARY

### About Stifel, Nicolaus & Company, Incorporated

Stifel, Nicolaus & Company, Incorporated (“Stifel”) is a leading full-service 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 Securities and Exchange Commission (“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 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 an investment adviser and broker-dealer offering both Advisory and brokerage services, respectively. For more information about our brokerage business, please refer to the Brokerage Practices section of this Brochure. *It is important to understand that brokerage services are separate and distinct from Advisory services, and that each is governed by different laws and separate contracts with clients. While there are similarities among brokerage and Advisory services, our firm’s contractual relationship with and legal duties to clients are subject to a number of important differences, depending on whether we are acting in a brokerage or Advisory capacity.* 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 accounts unless specifically agreed upon with the Client, in which case Stifel will charge a fee that is separate and in addition to any fees charged by the underlying funds held in the account.

## ADVISORY BUSINESS

### About our Investment Adviser

Stifel has been a registered investment adviser with the SEC since May 7, 1975. Our firm is owned by Stifel Financial Corp., a publicly held company whose common stock sells under the symbol (“SF”). 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 Advisers”) as well as firms that are owned by our parent company, Stifel Financial Corp. (“Affiliated Advisers”). We enter into written agreements with Clients acknowledging our Advisory relationship and disclosing our obligations when acting in an Advisory capacity. We provide Advisory services to individuals, corporations, institutions, pension or profit sharing plans, employee benefit plans, trusts, estates, charitable organizations, other business and government entities, educational institutions, and banks or

thrift institutions (“Clients”). We generally provide Advisory services through our registered investment advisory representatives (“Financial Advisors”), who determine the services that are most appropriate for Clients based on each Client’s individual investment goals and financial circumstances. We may fulfill a Client’s wealth management needs by acting as broker-dealer, investment adviser, or both. Our Advisory services cover most types of debt and equity or equity-related securities of domestic and foreign companies, as well as national and local government issuers, whether trading on an exchange or over-the-counter. We may also invest Client assets in rights and warrants, securities, options, certificates of deposit, 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 and other securities. Subject to review for reasonableness, Clients may impose restrictions on investing in specific securities or certain types of securities. More information regarding any securities and/or services offered is available upon request. Information about our consulting services is contained herein.

### Wrap Fee Programs

As set forth on the cover page, we offer other Advisory services, including financial planning and wrap fee programs, which are not covered in this brochure. We offer various wrap fee programs, as sponsor and/or portfolio manager, and receive a fee for our advisory services. Clients enrolled in such wrap fee programs generally pay one all-inclusive fee that is not based on transactions in the account. The wrap fee program brochure contains more detailed discussion of these wrap programs as well as the related fees, and is available upon request. We generally manage accounts enrolled in wrap fee programs with the same level of care as we manage non-wrap fee program accounts.

### Assets Under Management

As of December 31, 2014, we managed Client assets worth \$21,533,572,732 on a discretionary basis, and advised on \$10,369,900,308 on a non-discretionary basis. We also advised clients with respect to an additional \$2,817,013,738 managed by unaffiliated investment advisers.

### 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 fiduciary relationships with Clients, obtaining Client consent prior to engaging in transactions for our own account when dealing with Clients in an Advisory capacity, having a reasonable basis for believing that our investment recommendations are suitable and consistent with Client’s objectives and goals, including any restrictions placed on the account, and having a 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.

## STIFEL VANTAGE PROGRAM

### About our Stifel Vantage Program

Under our Vantage Program (“Vantage”), our Financial Advisors provide discretionary account management services to Clients, and are compensated for their services on the basis of transactions effected in the account (that is, clients pay commissions for trades implemented in the account). In order to qualify for the Vantage Program, prospective Financial Advisors must meet certain criteria established by our firm, including, but not limited to, prior approval from their Branch Manager and Compliance Department. Clients wishing to enroll in the Vantage Program must grant their Vantage Financial Advisor(s) full discretionary authority to execute transactions in the account. Vantage Financial Advisors then make discretionary buy and sell decisions for a Client based upon the Client’s investment objectives, risk tolerance, time horizon, and investment experience. Securities purchased for Clients in the Vantage Program may include (but are not limited to) common and preferred stocks, corporate bonds, municipal bonds, treasury and agency issues, options (subject to a separate options agreement signed by Client and approved by Stifel), mutual funds, ETFs, and UITs. As with our other discretionary programs, Clients may impose reasonable restrictions on investing in specific securities or certain types of securities. The minimum initial investment is \$50,000, which can be waived at our sole discretion.

### Vantage Commission Schedule

As set forth above, Clients in the Vantage program pay transaction-based charges (commissions) for the services provided by their Financial Advisor. Commissions are charged based on our standard commission schedule (subject to negotiation) for brokerage transactions. Our standard commission schedule is provided to Clients upon account opening and is applicable to all transactions executed in the Vantage account. Clients may terminate an Advisory relationship upon written notice to Stifel or by submitting Automated Customer Account Transfer (ACAT) paperwork. Upon receipt of written termination notice, we will, at the Client’s direction, either liquidate the account or transfer the assets to another account held at Stifel or to an account held at a custodian of the Client’s choice.

In addition to the commissions, Vantage clients are also responsible for any “pass through fees” by third-parties with respect to any securities in a Client’s portfolio. Pass-through-fees are typically charged in connection with American Depositary Receipts (ADRs) by the sponsors of such ADRs as custody-related expenses. Stifel will forward all pass-through-fees received from Clients with respect to ADRs to the Depository Trust Company (or such other applicable central securities depository). Vantage Clients that invest in foreign ordinary shares also will be responsible for any commissions, clearing charges, custodial fees, wire charges or other applicable charges by any financial institution (other than our firm) that participates in effecting the transaction(s).

## STIFEL SUMMIT PROGRAM

### About our Stifel Summit Program

Our Summit Program (“Summit”) offers typically non-discretionary investment advice to Clients, including sponsors and/or trustees of qualified retirement plan subject to the Employee Retirement Income Security Act (ERISA) with respect to assets held at other financial institutions. Non-discretionary investment services offered may include, for example, assisting plan Clients with the selection of independent investment managers to manage the assets of the plan and/or offering advice as to the appropriateness of individual investments, including stocks, bonds, mutual funds, UITs, ETFs, closed-end funds, options,

alternative investments, and/or insurance products. Our Financial Advisors provide investment advice to the plan Client in accordance with the Client’s objectives as communicated to the Financial Advisor, typically through an investment policy statement or other applicable documents. In each case, Clients are solely responsible for implementing any non-discretionary advice provided by the Financial Advisor(s). The minimum initial investment is \$1,000,000, which can be waived at our discretion.

From time to time, Financial Advisors may provide discretionary investment management services with respect to Client assets held at other financial institutions through the Summit Program. In such event, the Client (not Stifel or the Financial Advisor) determines the specific qualified independent custodian to be used. Client’s independent qualified custodian also will provide all brokerage execution services relating to transactions in the Client’s held-away account. The Client (not Stifel) is solely responsible for all brokerage and custodial charges imposed by Client’s independent qualified custodian. *Clients who elect to hold their discretionary-managed assets at other institutions should be aware that we also offer other programs through which Clients pay one all-inclusive fee for discretionary management, brokerage, and custodial services. These programs may be a cheaper alternative to Clients than using the Summit Program; we highly encourage Clients to review all available options with their Financial Advisor(s).*

### Summit Fee Schedule

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

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

In certain circumstances, the Financial Advisor may negotiate a one-time flat dollar fee arrangement with the Client.

The initial annual fee is calculated based on the *account’s most recent account statement*, quarterly or otherwise. The fee is billed *quarterly in advance*, meaning that one-fourth of the annual fee is charged each calendar quarter on the first day of each quarter. The initial quarter is prorated based on the number of calendar days from the date of the agreement to the end of the quarter. Thereafter, the fee is calculated based on the value of investments in the Client’s custodial account, in each case based on the most recent accounts/custodial statement provided by Client to our firm (including the Financial Advisor). We generally require Clients to provide us with duplicate copies of account/custodial statements for held-away accounts. *Clients in the Summit Program should understand that we reserve the right to terminate the agreement if Client consistently fails to promptly provide us with updated account statements on which to base our fees.*

At Client’s option, Client may direct us to deduct the fees from Client’s other non-ERISA account held at our firm (if any), or Client may elect to pay by check upon receipt of each invoice. Alternatively, Client may direct Client’s independent qualified custodian or administrator to calculate the fee, and to pay such fee directly to us on a quarterly basis. Clients that elect to have

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

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

Clients may terminate the Summit account with notice to us and/or our Financial Advisor. When an account is terminated, we generally refund Clients the pro-rata amount from the time that the Summit account was terminated to the last day of the quarter. However, we reserve the right to retain the pre-paid fee in the event that the agreement is terminated in the first quarter of the first year of service.

## STIFEL GUIDEPOST PROGRAM

### About our Stifel Guidepost Program

Under our Guidepost Program, Clients have access to non-discretionary investment advisory services offered to participants of employer-sponsored, participant-directed retirement plans (e.g., 401(k) plans). In this regard, our Financial Advisors typically review the available investment options of the applicable employer-sponsored plan(s) and recommend written allocation strategies to the participant Client. After recommending an initial allocation strategy, Financial Advisors may continue to provide advice on a regular basis if current information has been made available. Clients are solely responsible for implementing any advice provided by their Financial Advisor(s), and providing our firm with current information relating to their account and situation (including, quarterly or more frequent custodial statements showing the then-current value of their accounts).

### Guidepost Fee Schedule

The minimum annual fee for the Guidepost Program is \$200, which may be waived in our sole discretion. The annual fee typically is charged as a percentage of the total value of investments on which advice is provided, not to exceed 2.5%.

The initial annual fee is calculated based on the *account's most recent account statement*, quarterly or otherwise. The fee is billed *quarterly in advance*, meaning that one-fourth of the annual fee is charged each calendar quarter on the first day of each quarter. The initial quarter is prorated based on the number of calendar days from the date of the agreement to the end of the quarter. Thereafter, the fee is calculated based on the value of investments in the Client's custodial account, in each case based on the most recent accounts/custodial statement provided by Client to our firm (including the Financial Advisor). We generally require Clients to provide us with duplicate copies of account/custodial statements for held-away accounts. *Clients in the Guidepost Program should understand that we reserve the right to terminate the agreement if Client consistently fails to promptly provide us with updated account statements on which to base our fees.*

At Client's option, Client may direct us to deduct the fees from Client's other non-ERISA account held at our firm (if any), or Client may elect to pay by check upon receipt of each invoice.

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

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

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

Clients may terminate the Guidepost arrangement with notice to us (including the Financial Advisor). Because fees are billed in arrears, no refunds are necessary when a Client terminates an account; *however, a Client will be billed for any earned but unpaid fees as of the termination date.*

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

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

### Investment Minimums

The initial investment minimums are set by MIS and vary based on the specific portfolio as follows: Mutual Fund Strategies - \$50,000; Enhanced Portfolio Service - \$1,000,000; Individual 401(k) Account - \$40,000; Select Stock Basket Custom Strategy - \$250,000; Select Stock Basket Strategist Strategy - \$100,000; ETF Strategy - \$100,000. The required subsequent investment minimum for each of the Mutual Fund Strategies, Enhanced

Portfolio Service and Individual 401(k) Account is \$500 for regular accounts, and \$250 for IRAs. At MIS' sole discretion, an initial or subsequent investment of less than the above stated minimums may be allowed.

#### **Morningstar® Managed Portfolios<sup>sm</sup> Fee Schedule**

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

##### *MIS Fee*

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

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

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

##### *Stifel Fee*

As set forth above, in addition the MIS Fees, each Client in the Morningstar Program will also pay our firm a fee for the non-discretionary services provided by our Financial Advisor. Our portion of the fees for account in the Morningstar Program are as follows (subject to negotiation):

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

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

## **OTHER ADVISORY SERVICES**

Our Financial Advisors may also provide other Advisory services outside of the programs listed above, including as a manager and/or sub-adviser to pooled investment vehicles, such as private equity funds or fund of funds. In each such case, the applicable Financial Advisors' advice to each such Client will vary based on the Client's stated investment objectives, goals, and limitations. Similarly, fees will vary as negotiated between the parties and set forth in the applicable agreement. As of the date of Brochure, our firm served as investment manager and/or general partner to the following private investment funds:

- Distressed Opportunities Fund LLC
- Distressed Opportunities Fund II LLC
- EI Fund I LLC
- EI Fund II LLC
- International Value Investments LLC
- KC Partners Investment Fund
- MP Concentration Fund I
- Real Assets LLC
- Real Estate Recovery Fund
- Value Real Estate Investments LLC
- LEG II LLC

## **SERVICES, FEES AND COMPENSATION**

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

Please refer to each Program description for corresponding fee/compensation schedules, including the frequency with which such fees/compensation is charged. Fee/compensation 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.

### **Fee-Based Programs**

For the fee-based Programs covered in this Brochure (Summit, Guidepost, Morningstar Program), Client assets in each such Program are held with an independent custodian selected by the Client. Client's independent Custodian determines the value of Client's assets held in the applicable account, and our firm uses the custodial values to determine the dollar value of the fees owed in accordance the negotiated fee rate(s).

Clients generally can select from any of the following payment options, depending on the type of Program selected:

### *Letter of Authorization*

The Advisory fee 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.

**Other** — Clients should review each applicable Program description for other available options (if any) in how the fee may be paid.



## Fee Exclusions

Our Advisory fees do not include any of the following fees or charges:

- All account fees, costs, and expenses, including (but not limited to) brokerage, execution, custody, and/or account maintenance fees charged by Client's independent Custodian or by any independent broker-dealer through whom Client executes account transactions.
- To the extent applicable, any and all fees and expenses relating to any third-party manager managing any part of Client's account (whether or not such third-party manager was recommended by our Financial Advisor(s)).
- All fees and expenses relating to investment products purchased for Client's account (including, but not limited to, the annual operating expenses of any mutual funds, exchange traded funds (ETFs), closed-end funds, or private funds purchased for the account).
- To the extent applicable, any and all fees and expenses relating to Clients maintaining an external qualified retirement plan account, including any third-party administration fees.
- Any other fees and expenses not directly incurred by us or our Financial Advisor, and any fees and expenses not within our firm's control.

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

## Refund of Fees Upon Termination

To the extent that a Client is billed in advance for services provided in connection with a Program offered in this Brochure, in the event of a termination, Clients generally will receive a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter of termination. Notwithstanding the foregoing, we reserve the right to retain pre-paid quarterly fees if the agreement is terminated at any time within the first quarter of the first year of service.

## Brokerage Commissions

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

## Compensation to Financial Advisors

We remit a percentage ("Payout Rate") of the fees and, if applicable, commissions that we receive from Clients, after paying out applicable third-party Adviser fees, to our Financial Advisors. Payout Rates generally 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 our Financial Advisors are compensated. As licensed securities salespersons ("Registered Representatives"), Financial Advisors may effect securities transactions for commissions, generally in connection with brokerage accounts. 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. *Advisory accounts pay ongoing fees rather than transaction-specific commissions. 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 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.

## Fees and Compensation From Registered Funds

Clients should consider all risks and charges prior to investing in any mutual fund, ETF, closed-end fund, or unit investment trust (UIT) (collectively, "Registered Funds"). Clients who own Registered Funds typically incur certain internal expenses charged directly by the Registered Fund company. These expenses are separate and in addition to fees charged for our Advisory services. Internal expenses are described in each Registered Fund prospectus. The types of fees and compensation that we may receive from Registered Fund companies include (but may not be limited to):

- (i) *Networking Fees* in consideration for ancillary services provided in connection with fund positions held in accounts at our firm (such as in Vantage accounts). Networking fees are generally calculated by applying the standard networking range of up to \$10 per fund account annually.
- (ii) *12b-1 Distribution Fees ("12b-1s")* that may be paid from fund companies to Financial Advisors via our firm as a conduit. 12b-1 fees may be in excess of the amount that would qualify as "no-load." We receive 12b-1 compensation from non-affiliated as well as affiliated Registered Fund companies. Such 12b-1 fees are intended to compensate us for effecting purchases of the Registered Fund shares or for other services ancillary thereto. The current rate of 12b-1 fees that we receive from Registered Fund companies generally ranges from 0% to 0.25% annually.
- (iii) *Revenue Sharing Compensation* – revenue sharing with a particular fund company is generally based on either the amount of sales or the value of assets our firm's Clients hold with the particular fund company. Because Revenue Sharing is intended to compensate our firm for ancillary services in connection with effecting sales of fund shares, we require that such payments be made directly from the Registered Fund's distributors; not from the Registered Funds themselves. Revenue Sharing gives our firm a financial incentive to recommend particular funds to Clients. *We generally receive Revenue Sharing in connection with funds held in accounts at our firm, rather than accounts that are held at other financial institutions (such as Summit, Guidepost or Morningstar accounts). For those accounts with respect to which we receive revenue share, the revenue sharing compensation generally is not rebated to Clients (except with respect to accounts subject to ERISA) and is not paid to Financial Advisors. While not all 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 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 fund companies approach Revenue Sharing the same way, and some 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 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/disclosures/ERISA](http://www.stifel.com/disclosures/ERISA).

- (iv) *Training and Education Expense Contributions* – Registered Fund companies may subsidize a portion of the cost of training and achievement seminars offered to our 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 fund platform. The subsidies may vary among Registered Fund companies, and no Registered 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.
- (v) *Fund Management Fees Received By Our Affiliates* – As set forth above, some of our affiliates also may serve as investment adviser and/or model providers to various funds which our Financial Advisors may recommend to and/or purchase for, Client accounts. These affiliates will receive management fees (or a share thereof) from the fund or the funds' adviser. *Our firm does not directly share in any such management or other fees received by such affiliates for their management services to the funds.* However, as part of the affiliated group, we may receive indirect benefits from such compensation through our parent company.

Registered Funds generally are sold by prospectus only. The prospectus contains important information about the specific Registered Fund being offered and should be reviewed carefully before investing. Although paid directly by a Registered Fund company, the compensation that we receive from funds set forth above generally is derived from fees that the Client pays to the Registered Fund. The amount of compensation received will vary depending on our arrangement with the applicable Registered Fund company. Each Registered Fund's prospectus generally describes the amount of compensation to be paid for specified services provided to its shareholders. In general, the Fund companies will continue to pay us for the duration of the Advisory agreements and, in some circumstances, may extend payments beyond the termination of the agreements if Clients continue to hold Registered Fund shares through brokerage accounts held at Stifel. A listing of the types and ranges of compensation that we receive from various Registered Fund companies is available at [www.stifel.com/disclosures/ERISA](http://www.stifel.com/disclosures/ERISA). We highly encourage all Clients to review this information carefully.

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

As set forth in more detail under the Section "*Cash Sweep Programs*" below, we retain a portion of the fees that we receive from participating banks in our IBP Program. In addition, to the extent that a Client uses margin in connection with an Advisory account, we charge interest with respect to the amount borrowed by such Client through the margin arrangement. *We do not reduce our fees by the value of any interest or similar payments that we receive from Clients in this regard.* The portion that we retain with respect to the IBP Program is intended to reimburse for the costs that we incur in connection with such IBP Program. However, from time to time, we may retain more or less than the actual costs incurred. With respect to margin transactions, each Client that engages in such transactions should note that we charge interest on the amount borrowed and, if the proceeds are used to purchase securities in the Advisory account, our Advisory fees for the account are based on the market value of the account without regard to the amount borrowed. Each Client is strongly advised to carefully review the impact (including the long-term effects) that each of these practices will have on their overall account.

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

From time to time, we may enter into revenue-sharing arrangements with private funds in which our Clients invest, or the managers or sponsors of such private funds. In limited circumstances, our firm and/or our Financial Advisors may also receive placement fees or commissions from a private fund or its sponsor as compensation for recommending and/or selling the private fund to Clients. To the extent that we receive placement fees and/or have a revenue-sharing arrangement with any private fund in which Client assets are invested, the Client will typically receive, at or prior to the time the investment is made, disclosures relating to the fees and compensation that our firm and/or the Financial Advisor will receive in respect of the investment (including, to the extent applicable, any ongoing payments). Clients should carefully consider such arrangements in determining whether to implement a Financial Advisor's recommendations relating to private funds.

#### **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.

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

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

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

Stifel does not charge performance-based fees.

### **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 specific Program descriptions for applicable requirements, such as minimum account size, for opening or maintaining an account.

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

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

In general, our Advisory services combine strategic asset allocation and periodic rebalancing to grow and/or preserve principal. Our personnel generally design Clients' portfolios with a long-term perspective, and periodically rebalance the portfolios to manage risk.

In determining the appropriate allocations and/or investments for our Client accounts, our Financial Advisors use information obtained from various sources including financial publications, inspections of corporate activities, company press releases,

research material prepared by affiliates and/or third parties, rating or timing services, regulatory and self-regulatory reports, and other public sources. In addition, our personnel also use research provided by our Research Department and/or from third-party independent sources relating to a broad range of research and information about the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and tax law interpretations, political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and other information which may affect the economy or securities prices. The research used may be in the form of written reports, telephone contacts, and personal meetings with research analysts, economists, government representatives, and corporate and industry spokespersons. Our personnel use any and/or a combination of fundamental, technical, quantitative, and statistical tools and valuation methodologies. As a result of these different methodologies, technical or quantitative research recommendations may differ from, or be inconsistent with, fundamental opinions for the same security. We also use computer technology in our investment analysis and to create asset allocation recommendations.

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

#### **Risk of Loss**

Our personnel make a number of assumptions during the Advisory process, including when determining an appropriate asset allocation for each Client and/or recommending investments or outside managers. These assumptions may be wrong, and as a result, a Client's projected returns may be less than we anticipated.

Our personnel recommend a wide array of investments. The types of risks that each Client will be exposed to will vary depending on the particular Program or strategy in which the Client is enrolled, and the investments held in the Client's Advisory account. Each investment that we recommend will be 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 a Client could lose money.* The following additional risks may also be applicable to our recommendations:

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

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

The performance of funds (and, therefore, the 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 returns. Each Client should review the prospectus and consider the ETF's investment objectives, risks, charges, and expenses carefully before investing.

**Fixed Income Securities Risks:** Fixed income securities are subject to credit risk, interest rate risk, and liquidity risk. Credit risk is the risk the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. Interest rate risk is the risk of losses due to changes in interest rates. In general, the prices of debt securities rise when interest rates fall, and the prices fall when interest rates rise. In addition, duration risk measures a debt security's price sensitivity to interest rate changes. Bonds with higher duration carry more risks and have higher price volatility than bonds with lower duration. Therefore, if interest rates are very low at the time of purchase of the bonds, when interest rates eventually do rise, the price of such lower interest rate bonds will decrease, and anyone needing to sell such bonds at that time, rather than holding them to maturity, could realize a loss. High-yield debt securities (junk bonds) generally are more sensitive to interest rates. Such securities are also highly subject to liquidity risk. Liquidity risk is the risk that a particular security may be difficult to purchase or sell and that an investor may be unable to sell illiquid securities at an advantageous time or price. There are also special tax considerations associated with investing in high-yield securities structured as zero coupon or pay-in-kind securities. Municipal bonds are also subject to state-specific risks, such as changes in the issuing state's credit rating, as well as the risk that legislative changes may affect the taxable status of such bonds. Municipal bonds may also have a call feature, entitling the issuer to redeem the bond prior to maturity. A callable security's duration, or sensitivity to interest rate changes, decreases when rates fall and increases when rates rise because issuers are likely to call the bond only if the rates are low. Investors in callable bonds are therefore subject to re-investment risk – that they will need to re-invest their proceeds at lower rates. Investments in government-sponsored entity securities also exhibit these risks, although the degree of such risks may vary significantly among the different government-sponsored entity securities. Some securities issued or guaranteed by U.S. government agencies or instrumentalities are not backed by the full faith and credit of the U.S. and may only be supported by the right of the agency or instrumentality to borrow from the U.S. Treasury. In general, each Client is urged to carefully consider the risks associated with the specific type of debt securities in which a Strategy or a Financial Advisor intends to invest prior to selecting such portfolio and/or accepting a recommendation.

**Third-Party Adviser Management Style Risks:** Our Financial Advisors may recommend other investment advisers to manage Client assets held at other institutions. In general, we select Advisers to recommend based on, among other things, their management style and prior performance. However, an Adviser's prior performance is not a guarantee of its future results; as such, its investment strategies may fail to produce the intended results. Clients should carefully review each third-party adviser's Form ADV Part 2A prior to investing with such third-party adviser to ensure that they understand the adviser's management style, as well as the related risks of investing in such adviser's strategies.

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

**Alternative Investments Risks:** Alternative investments, including (but not limited to) investment partnerships, alternative mutual funds, non-traditional ETFs, managed futures, and/or real estate (related) investments may also present unique risks, such as decreased liquidity and transparency and increased complexity. Alternative investments typically use derivative instruments (such as options, futures, or index-based instruments) and/or leveraging strategies. The use of derivative instruments involves multiple risks, 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. Real estate-related investments will be subject to the risks generally relating to real estate, including risks that may be specific to the geographic areas in which the underlying investments were made. Certain alternative investments may be less tax efficient than others. *As with any potential investment, the Client should consult with a tax advisor as to the relevant tax consequences.*

Additional risks may include adverse market condition risks, investment strategy risk, aggressive investment techniques risk, concentration risk, correlation risk, credit risk and lower-quality debt securities risk, energy risk, equity securities risk, financial services companies' risk, interest rate risk, non-diversification risk, small- and mid-cap company risk, tracking error risk, and special risks of mutual funds and/or ETFs, among others. Each Client should carefully review the product's offering document to understand the applicable risks.

**Tax-Exempt Securities Risks:** Our Financial Advisors may recommend tax-exempt securities, including (but not limited to) municipal bonds as well as tax-exempt mutual funds and ETFs. In order to attempt to pay interest that is exempt from federal or state and local income tax, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed to shareholders to be taxable. In addition, income from one or more

municipal bonds held by the portfolio could be declared taxable because of unfavorable changes in tax or other laws, adverse interpretations by the Internal Revenue Service (IRS) or state tax or other authorities, or noncompliant conduct of a bond issuer. Changes or proposed changes in federal or state income tax or other laws also may cause the prices of tax-exempt securities to fall. Finally, income from certain municipal bonds may be subject to the alternative minimum tax (AMT) and/or state and local taxes, based on the investor's state of residence. Clients should carefully review the terms of the bonds (or in the case of the recommendation of a third-party bond manager to manage Client's account, such bond manager's strategy) to understand the related risks.

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

**Dependence on Key Personnel:** In certain situations, we may rely heavily on certain key personnel of our firm, our affiliates, and/or the personnel of certain Advisers available on our platform. The departure of any such key personnel or their inability to fulfill their duties may adversely affect the ability of affected Client accounts, including our firm's ability to effectively implement the investment program communicated to the Client in respect of such accounts and, as a result, adversely impact the performance of the accounts.

## DISCIPLINARY INFORMATION

1. On March 4, 2015, Stifel entered into an Acceptance, Waiver, and Consent with The NASDAQ Stock Market LLC to settle allegations that the firm failed to immediately display certain customer limit orders in NASDAQ securities in the firm's public quotation, when (i) the order price was equal to or would have improved the firm's bid or offer and/or the national best bid or offer for such security, and (ii) the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each such security. In addition, The NASDAQ also alleged that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASDAQ concerning limit order display. These allegations were considered to be violations of Rule 604 of Regulation NMS and NASDAQ Rules 3010 and 2010A. While not admitting or denying the allegations, the firm consented to a censure and a fine of \$15,000.

2. On December 23, 2014, Stifel entered into an Acceptance, Waiver, and Consent with the FINRA to settle allegations that the firm (i) failed to execute orders fully and promptly, and (ii) failed to use reasonable diligence to ascertain the best inter-dealer market and to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. In addition, FINRA also alleged that the firm's supervisory system did not provide for supervision

reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of FINRA. These allegations were considered to be violations of FINRA Rules 5320 and 2010 & NASD Rules 2320 and 3010. While not admitting or denying the allegations, the firm agreed to a censure and a fine of \$55,000.

3. On November 3, 2014, the SEC issued a Cease-and-Desist Order and entered into a settlement agreement with Stifel to settle allegations that Stifel executed a transaction in the Puerto Rico bonds with a customer in the amount below the \$100,000 minimum denomination of the issue. The conduct described was deemed to constitute a violation of MSRB Rule G-15(f). While not admitting or denying these allegations, the firm agreed to a censure and a fine of \$60,000.

4. On October 21, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm, (i) failed to report to the FINRA/NASDAQ Trade Reporting Facility, the capacity in which the firm executed certain transactions in Reportable Securities, (ii) failed to disclose to its customers the correct reported trade price in certain transactions, and its correct capacity in each transaction, (iii) incorrectly included an average price disclosure in certain transactions, (iv) inaccurately disclosed the commission or commission equivalent in certain transactions, (v) accepted a short sale in an equity security for its own account, without (1) borrowing the security, or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and (3) documenting compliance with Rule 203(b)(1) of Regulation SHO. In addition, FINRA also alleged that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the above-noted issues. These allegations were considered to be violations of FINRA Rule 7230A, SEC Rule 10b-10, Rule 203(b)(1) of Regulation SHO, SEC Rule 605 of Regulation NMS, NASD Rule 3010, and FINRA Rule 2010, respectively. While not admitting or denying the allegations, the firm agreed to a censure and a fine of \$32,500.

5. On September 25, 2014, Stifel entered into an Acceptance, Waiver, and Consent with The NASDAQ Stock Market LLC to settle allegations that the firm failed to immediately display certain customer limit orders in NASDAQ securities in the firm's public quotation, when (i) the order price was equal to or would have improved the firm's bid or offer and/or the national best bid or offer for such security, and (ii) the size of the order represented more than a de minimis change in relation to the size associated with the firm's bid or offer in each such security. The conduct described was deemed to constitute a violation of Rule 604 of Regulation NMS. While not admitting or denying the allegations, the firm consented to a censure and a fine of \$12,500.

6. On September 22, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations on two separate items. The first, that the firm failed to establish and implement an anti-money laundering ("AML") program reasonably designed to detect and cause the reporting of certain suspicious activity during a period when the firm executed for its customers unsolicited purchases and sales of at least 2.5 billion shares of low-priced securities ("penny stocks") which generated at least \$320 million in proceeds. As a result, the firm was deemed to have violated NASD Rule 3011(a) and FINRA Rule 3310(a). The second allegation was that the firm failed to establish, maintain, and enforce a supervisory system reasonably designed to ensure compliance with Section 5 of the Securities Act of 1933 and the applicable rules and regulations with respect to the distribution of unregistered and non-exempt securities. As a result, the firm was deemed to have violated NASD Rule 3010 and FINRA Rule 2010. While not admitting or denying the allegations, the firm consented to a censure and a fine of \$300,000.

7. On February 27, 2014, Stifel entered into an Acceptance, Waiver and Consent with FINRA to settle allegations that the firm failed to report Trade Reporting and Compliance Engine (TRACE) transactions in

TRACE-eligible debt securities for agency bond new issue offerings during the period May 10, 2011 through September 30, 2011. While not admitting or denying the allegations, the firm agreed to (i) a censure, (ii) a fine of \$22,500, and (iii) revise the firm's written supervisory procedures relating to supervision of compliance with FINRA Rule 6760.

8. On January 9, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that, among other things, (i) the firm allowed certain of its registered representatives to recommend nontraditional ETFs to customers without such representatives conducting adequate due diligence on the recommended products, (ii) the firm did not provide adequate formal training to its representatives or their supervisors regarding nontraditional ETFs before permitting such persons to recommend and/or supervise the sale of nontraditional ETFs to customers, and (iii) the firm failed to establish and maintain a supervisory system of controls, including written procedures specifically tailored to address the unique features and risks associated with nontraditional ETFs, or one that was reasonably designed to ensure that the sale of such nontraditional ETFs complied with applicable securities laws and regulations. The firm consented to a regulatory censure, a fine of \$450,000, and restitution to the 59 affected customers in the amount of \$338,128.

9. On December 23, 2013, Stifel and one of its representatives entered into a Stipulation and Consent Agreement with the State of Florida Office of Financial Regulation to settle allegations that the Stifel representative engaged in investment advisory business within the State of Florida without due registration as an investment advisory representative. Stifel agreed to an administrative fine of \$15,000. For its part, the State of Florida approved the individual's investment advisory representative registration.

10. On December 20, 2013, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations that, among other things, (i) the firm accepted and held customer market orders, (ii) traded for its own account at prices that would have satisfied the customer market orders, (iii) failed to immediately execute the customer market orders up to the size and at the same price at which it traded for its own account or at a better price, and (iv) failed to execute orders fully and promptly and, in addition, some of the instances resulted in prices to the customers that were not as favorable as possible under prevailing market conditions. The firm consented to a censure and fine of \$80,000.00 and to pay restitution of \$4,416.74 to the affected customers.

11. On September 27, 2013, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations relating to a Trading and Market Making Surveillance Examination for trades dated in 2010 – specifically, that (i) the firm reported inaccurate information on customer confirmations relating to distinguishing compensation from handling fees, failing to include market maker disclosure, and incorrectly including average price disclosure, (ii) the firm made available a report on the covered orders in national market system securities that included incorrect information regarding the size of orders, classification of orders in incorrect size buckets, (iii) the firm's written supervisory procedures failed to provide adequate written supervisory procedures relating to supervisory systems, procedures and qualifications, short sale transactions, backing away and multiple quotations, information barriers, and minimum quotation requirements, and (iv) the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning

order handling, anti-intimidation coordination, soft dollar accounts and trading, Order Audit Trail System (OATS) reporting, books and records, and monitoring electronic communications. These allegations were considered to be violations of SEC Rule 10b-10, SEC Rule 605 of Regulation NMS, NASD Rule 3010, and FINRA Rule 2010, respectively. While not admitting or denying the allegations, the firm agreed to a regulatory censure and a fine of \$20,000. The firm also agreed to revise its written supervisory procedures.

12. On August 6, 2013, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm failed to properly indicate whether certain orders were buy, short sales, or long sales and, further, failed indicate the correct capacity of certain orders into the NASDAQ/SingleBook System, in violation of NASDAQ Rules 4755 and 4611(a)(6), respectively. While not admitting or denying the allegations, the firm agreed to a regulatory censure and an aggregate fine of \$10,000.

13. On August 6, 2013, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations relating to three separate reviews from 2008, 2009, and 2010 regarding fair pricing of fixed income securities – specifically, that (i) for certain of those periods, the firm failed to buy or sell corporate bonds at a fair price, (ii) the firm bought or sold municipal securities for its own account and/or sold municipal securities to a customer at an aggregate price that was not fair and reasonable, and (iii) the firm failed to use reasonable diligence to ascertain the best inter-dealer market price for certain identified transactions and/or to buy and sell in such market such that the price to its customers was as favorable as possible under prevailing market conditions. These allegations were considered to be violations of FINRA Rule 2010, NASD Rules 2110, 2320, 2440, Interpretive Materials -2440-1 and -2440-2, and MSRB Rules G-17 and G-30(A). To settle each of these separate allegations, the firm agreed to be censured and fined \$92,500 in the aggregate, and to pay restitution to clients of \$53,485.96 (of which \$36,762.73 had already been paid by the firm, of its own accord, to the affected clients) plus interest.

14. Stifel entered into a letter of Acceptance, Waiver, and Consent dated 8/6/2013 for violations of SEC, FINRA, and NASD rules. The allegations were the result of 4 separate reviews FINRA conducted during 2008 and 2009 involving OATS reporting, market order timeliness, and market making. Without admitting or denying the findings, the firm consented to the described sanctions and was censured, and fined \$52,500 for the violations found during the four separate reviews. The firm also agreed to revise its written supervisory procedures and to pay restitution in the amount of \$1,791.33 to its customers.

15. On May 29, 2013, Stifel entered into a settlement agreement with the Chicago Board of Options Exchange, Incorporated to settle allegations that the firm failed to register individuals that were otherwise required to register as proprietary trader principals by the required deadline. While not admitting or denying the allegations, the firm agreed to a regulatory censure and a fine of \$5,000.

16. On September 28, 2012, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm failed to report TRACE 29451 transactions in TRACE-eligible debt securities within 15 minutes of the time of execution, in violation of FINRA Rule 6730(A) and Rule 2010. While not admitting or denying the allegations, the firm agreed to pay a fine of \$5,000.

17. On March 26, 2012, Stifel entered into a Letter of Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm failed to adequately supervise a former Missouri agent who sold unregistered securities, and failed to detect or respond adequately to warning signs and/or evidence that should have alerted the firm to the agent's misconduct. Stifel neither admitted nor denied FINRA's findings. The firm consented to findings, a censure, and agreed to pay a regulatory fine

of \$350,000 and restitution in an amount not to exceed \$250,000 plus interest to customers affected by the agent's misconduct (subject to various other procedural requirements).

18. On January 24, 2012, Stifel entered into a consent order with the Missouri Securities Division to settle allegations that the firm failed to supervise a former Missouri agent who sold unregistered securities, failed to disclose material facts, made material misstatements, and who engaged in an act, practice, or course of business that operated as a fraud or deceit. The Division further found that Stifel failed to make, maintain, and preserve records as required under the Securities and Exchange Act and Stifel's written supervisory procedures. Stifel neither admitted nor denied the Division's findings. The firm consented to findings, a censure, and agreed to pay \$531,385 in restitution and interest to investors, \$500,000 to the Missouri Secretary of State's Investor Education and Protection Fund, and \$70,000 as costs of the Division's investigation. In addition, Stifel is required to retain an outside consultant to review and report to Stifel concerning certain of the firm's policies and procedures. The report will be made available to the Division.

19. 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
NORTH DAKOTA	04/12/10	\$ 1,050.00
INDIANA	04/14/10	\$ 173,323.36
SOUTH DAKOTA	04/19/10	\$ 1,050.00
IOWA	04/19/10	\$ 2,172.71
VERMONT	04/22/10	\$ 1,116.04
WASHINGTON	04/26/10	\$ 1,512.29
KENTUCKY	04/27/10	\$ 7,984.40
MONTANA	05/04/10	\$ 1,050.00
CALIFORNIA	05/05/10	\$ 11,220.45
NEBRASKA	05/10/10	\$ 1,248.13
ALABAMA	05/13/10	\$ 1,050.00
MISSISSIPPI	05/18/10	\$ 2,833.13
LOUISIANA	05/25/10	\$ 1,116.04
UTAH	06/01/10	\$ 1,116.04
TENNESSEE	06/16/10	\$ 3,889.80

PUERTO RICO	06/23/10	\$ 1,050.00
WEST VIRGINIA	06/28/10	\$ 1,050.00
DELAWARE	07/08/10	\$ 1,182.08
OKLAHOMA	07/14/10	\$ 1,050.00
COLORADO	08/24/10	\$ 24,720.67
KANSAS	08/19/10	\$ 13,597.95
RHODE ISLAND	08/10/10	\$ 1,050.00
US VIRGIN ISLANDS	09/14/10	\$ 1,050.00
CONNECTICUT	09/23/10	\$ 8,512.73
MAINE	09/24/10	\$ 1,116.04
MICHIGAN	09/29/10	\$ 35,788.02
SOUTH CAROLINA	10/04/10	\$ 1,446.25
ARKANSAS	10/19/10	\$ 1,314.17
NEW JERSEY	10/29/10	\$ 15,381.10
ALASKA	10/27/10	\$ 1,446.25
WISCONSIN	12/08/10	\$ 18,286.93
OREGON	02/17/11	\$ 2,502.92
MINNESOTA	01/31/11	\$ 5,805.01
NEVADA	02/03/11	\$ 17,164.21
OHIO	04/14/11	\$ 15,645.25
MARYLAND	05/13/11	\$ 16,663.56
FLORIDA	04/23/12	\$ 29,617.71
GEORGIA	05/01/12	\$ 2,040.63
PENNSYLVANIA	08/10/12	\$ 9,450.00
ILLINOIS	08/29/12	\$ 32,619.00

20. On October 27, 2010, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that Stifel failed to buy or sell corporate bonds at a price that was fair, taking into account all relevant circumstances; that the firm transmitted reportable order events to OATS that were rejected by OATS for repairable context or syntax errors that went uncorrected by the firm; that the firm incorrectly reported principal trade transactions as "agent" or "riskless principal" trades; and that the firm failed to report correctly the first leg of riskless principal transactions as "principal." While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a \$32,500 fine.

21. On September 23, 2010, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that, prior to its acquisition by Stifel, Ryan Beck & Co., Inc. had failed to establish an effective supervisory system and written supervisory procedures reasonably designed to ensure that discounts were correctly applied on eligible UIT purchases. FINRA alleged that Ryan Beck failed to identify and appropriately apply sales charge discounts and misstated to certain clients that discounts and breakpoint advantages had been properly applied. While not admitting or denying the allegations, the firm agreed to an undertaking by which the firm would submit to FINRA a proposed plan of how it will identify and compensate customers who qualified for, but did not receive, the applicable UIT sales charges discount. The firm will determine the excess sales charges paid by customers and calculate monies owed, plus interest, and provide FINRA with a schedule of the same and a program of restitution.

22. On March 10, 2010, Stifel agreed to pay a \$133,000 fine to the State of Missouri and disgorgement of customer commissions in the amount of

\$78,617 arising out of the State's allegations that the firm failed to reasonably supervise a Missouri-registered agent with regard to transactions in certain securities accounts of three Missouri residents.

23. On April 6, 2009, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that the firm had failed to report to NASDAQ Market Center last sale reports of transactions in designated securities and failed to report to NMC the second leg of "riskless principal" transactions. While not admitting or denying the allegations, the firm agreed to pay a fine of \$5,000.

24. On September 18, 2007, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that the firm failed to make available a report on the covered orders in National Market Securities that it received for execution from any person. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a fine of \$7,500.

25. 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.

26. 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.

27. 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.

28. 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.

29. 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 e-mail communications; that the firm had failed to apply for NYSE approval of affiliated entities that engaged in securities or kindred business that were under common control by firm's parent entity; and that the firm had failed to obtain NYSE approval for one branch manager. The firm agreed to a regulatory censure and to pay a fine of \$100,000.

30. 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 MRSB 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.

31. 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.

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

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

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

***Affiliated Investment Advisers and Broker-Dealers*** – We have a number of arrangements with our affiliated investment advisers and broker-dealers that are applicable to Clients primarily enrolled in our wrap programs (which are covered in a separate brochure). For example, our affiliate, Choice Financial Partners, Inc., provides the EquityCompass Strategies used in our Score and Spectrum Programs. We also use our internal unit, Washington Crossing Advisors, to manage various portfolios in our Score and Spectrum Programs. Clients enrolled in any

of these programs should note that our Financial Advisors may have an incentive to recommend portfolios using these affiliates rather than unaffiliated entities since, to the extent any the portfolio management portion of the fees go to an affiliate, such funds remain within the Stifel Financial Corp. umbrella. To mitigate this risk, we do not pay our Financial Advisors on the basis of recommendations of affiliated advisers or products. However, our Financial Advisors may develop close personal relationships with employees and associated persons of our affiliated advisers as a result of being affiliated and, as a result, may have an incentive to recommend such affiliated Advisers over unaffiliated ones.

Our affiliates, Ziegler Capital Management, LLC, Thomas Weisel Capital Management LLC, 1919 Investment Counsel, and Montibus Capital Management LLC, all serve portfolio manager to a number of wrap client accounts. As with all other sub-Advisers, we pay our affiliates out of the Advisory fee that we receive from Clients, in the same range as unaffiliated Advisers. Our wrap fees for Client accounts with respect to which an affiliate is also a service provider are comparable to Client accounts with unaffiliated service providers. Nevertheless, we may be deemed to have an incentive to recommend an affiliated Adviser and/or internal or affiliated Research Sources.

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

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

***Keefe, Bruyette & Woods (KBW)*** – Our Financial Advisors may, from time to time, use research provided by our affiliate, KBW, in connection with the services provided to Clients with Advisory accounts. Clients are not charged for the value of such research; Stifel does not use KBW to execute client trades or otherwise provide services to Client accounts.

***Affiliated Mutual Funds*** – From time to time, Client assets may be invested in shares of mutual funds managed by our affiliates. As of the date of this brochure, affiliated mutual funds directly managed by our Affiliated Advisers include Montibus Small Cap Growth Fund, The Quality Dividend Fund, Ziegler Capital Management Strategic Income Fund, 1919 Financial Services Fund, 1919 Maryland Tax-Free Income Fund, 1919 Socially Responsive Balanced Fund, and 1919 Variable Socially Responsive Balanced Fund. Additional products may be introduced in the future. In each case, these affiliated advisers receive management fees for their services to the funds. Our affiliates also may serve as sub-adviser and/or provide the investment model used by the fund's named investment adviser to manage the various other mutual funds. For these services, the affiliates generally will receive a fee from the fund's investment adviser (typically a share of the applicable fund's management fee). Our Financial Advisors may also recommend any of these funds to non-discretionary clients, or may purchase shares of these funds in discretionary Client accounts, provided, however,



that the fund shares may not be purchased on behalf of any account that is subject to, or covered by, ERISA provisions. As set forth above, all affiliated funds charge their own fees and expenses, including management fees that are paid (in whole or in part) to our affiliates. *Clients should note that with limited exceptions, we do not reduce our advisory fees by the value of any internal fund expenses that may be paid to/received by the affiliate.*

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

**Stifel Bank & Trust ("SB&T")** – To the extent that our firm has custody of Client's account, SB&T typically is the first bank into which idle cash swept from eligible Client accounts is deposited as part of our IBP Program discussed in more detail below. In addition, from time to time, Advisory Clients may also have a direct relationship with SB&T through deposit and other bank accounts held with our banking affiliate. Clients with personal deposit accounts with the affiliate other than through the IBP Program will be responsible for any customary banking fees that are charged with respect to bank deposit accounts.

**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. With limited exceptions, 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.

**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.

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

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

disclosed to our Clients. For example, we periodically review our lines of service to identify applicable risks and make disclosures to Clients (as and when deemed appropriate) about 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. However, our firm may trade with Clients and seek to earn a profit for its own account (such trades generally are referred to as "principal transactions"). Principal transactions are executed at prices and commission rates which we believe are competitive and in accordance with industry practice. Although we may be able to provide a more favorable price to a Client if we purchase from or sell to our inventory of securities, we generally are not able to engage in such transactions with Advisory Clients due to regulatory requirements, which require written disclosure and prior written consent on a trade-by-trade basis. We generally do not permit Advisory accounts in Programs covered in this Brochure to participate in syndicated offerings where our firm is a member of the underwriting syndicate or selling group.

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

Certain of our Financial Advisors may recommend securities of issuers that our firm has otherwise sponsored or promoted (including initial public offerings and other syndicated offerings). Generally Client transactions in such offerings are required to be made on a non-discretionary basis, meaning that a client specifically must consent to the transaction, and may be required to complete certain other documents prior to effecting the transaction. As associated persons of a registered broker-dealer, our Financial Advisors generally are prohibited from participating in these offerings. However, some of our affiliates may, for their own accounts or for accounts of their clients, take substantial positions in such securities. In such cases, the affiliate may indirectly benefit from our Financial Advisor's investment recommendations if (for example) the later purchase by our Advisory client accounts of the securities causes the price of those securities to rise. Neither Stifel nor, generally, its affiliates share information relating to investments made for client accounts. To the extent that associated persons obtain

information relating to investments by Stifel and/or an affiliate, such associated persons are prohibited from (i) passing such information to any other person who does not need to know the information in order to perform required duties, and (ii) using such information to benefit Financial Advisor or client.

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

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

#### **Personal Trading**

Our employees and affiliates may invest in any Advisory Programs that we offer. Our written supervisory procedures are designed to detect and prevent the misuse of material, non-public information by employees. Our firm and affiliates, directors, officers, stockholders, employees, and members of their families may have positions in and, from time to time, buy or sell securities that we recommend to Advisory Clients. We prohibit transactions in our firm account(s) and accounts of associated persons in any security that is the subject of a recommendation of our Research department until the recommendation has been disseminated to Clients and a reasonable time has elapsed following the dissemination. Our directors, officers, and employees are prohibited from buying or selling securities for their personal accounts if the decision to do so is substantially derived, in whole or in part, by reason of their employment, unless the information is also available to the investing public or through reasonable inquiry. We maintain and regularly review securities holdings in the accounts of persons who may have access to Advisory recommendations.

Finally, under NYSE Rules and as discussed in more detail under the Section "*Other Financial Industry Activities and Affiliations*," our Financial Advisors are prohibited from recommending our parent company stock (SF) to Clients; in limited circumstances, Clients may be allowed to purchase SF in their Advisory accounts on an unsolicited basis. As set forth elsewhere in this Brochure, Stifel generally excludes the value of any SF shares held in Advisory Client accounts at Stifel from the billable value of the account.

### **BROKERAGE PRACTICES**

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

Our firm's principal business in terms of revenue and personnel is that of a securities broker-dealer. As a broker-dealer, we execute securities transactions per Client instructions. As an integral part of the services offered, when providing brokerage services, Financial Advisors may assist Clients in identifying investment goals, creating strategies that are reasonably designed to meet those goals, and making suitable buy, hold, and sell recommendations based on risk tolerance and financial

circumstances. However, Financial Advisors do not make investment decisions on behalf of Clients and do not charge any fees for any incidental advice given when providing brokerage services. *Absent special circumstances, Financial Advisors are not held to fiduciary standards when providing brokerage services.* Legal obligations to disclose detailed information about the nature and scope of our business, personnel, commissions charged, material or potential conflicts of interests, and other matters, are limited when acting as a broker-dealer.

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

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

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

#### **Execution of Transactions**

We typically self-execute transactions for Advisory accounts held at our firm (e.g., Vantage accounts), subject to our best execution obligations under applicable regulations. When determining the best way to execute Client orders, we evaluate speed and certainty of execution, price and size improvement, and overall execution quality. Orders for most Advisory Programs held at our firm are routed for agency execution.

On the execution end, orders for Advisory Client account held at our firm generally are treated with the same priority and procedural flow as non-advisory brokerage trades. We generally 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 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 or other electronic means. We regularly monitor existing and potential execution venues and may route orders in exchange-listed or over-the-counter ("OTC") securities to other venues if it is believed that such routing is consistent with best execution principles. For equity securities, we monitor the performance of competing market centers and generally route orders to those that consistently complete transactions timely and at a reasonable cost and which guarantee executions at the national best bid or offer. We execute load-waived mutual fund transactions on a fully disclosed basis 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.

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

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

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

Unless we are informed in writing ("opt out"), we will conclude that clients with account held at our firm understand that we may engage in risk-mitigating transactions in connection with client orders and will conclude that clients have given us (including our affiliates) consent to handle block transactions as described above. Clients can contact their Financial Advisor for instructions on how to opt out.

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

Unless agreed upon otherwise, we execute all Advisory transactions for accounts held at our firm.

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

We do not assess the reasonableness of commissions and other charges assessed by third-party brokers mandated by the Client. When securities can be traded in more than one marketplace, Client's independent

custodian or clearing firm will generally use its discretion in selecting the market in which such orders are entered. Each affected Client should be aware that the clearing firm may receive remuneration, compensation or other consideration for directing orders to particular broker-dealers or market centers for execution (i.e., payment for order flow) and that Stifel generally does not participate in such arrangements.

### **Payment for Order Flow**

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

### **Trade Error Correction**

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

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

### **Research and Other Soft Dollar Benefits**

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

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

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

### Margin

Clients may choose to employ margin strategies in eligible non-retirement, non-custodial accounts. *The use of leverage, or investing with borrowed funds, is generally not recommended in Advisory programs;* however, it may be approved on an exception basis when specifically requested by individual Clients, or for use in specialized strategies. Certain eligibility requirements must be met and documentation must be completed prior to using leverage in Advisory accounts. Specifically, Clients are required to execute separate margin agreements. Only Clients can authorize the use of leverage in an Advisory account (that is, neither our firm nor our Financial Advisors can use discretion to set up a margin arrangement or privileges for a Client's Advisory account). In making the decision to set up margin privileges for an Advisory account, it is important Clients understand the risks associated with employing margin strategies, the impact the use of borrowed funds may have on Advisory accounts, and how investment objectives may be negatively affected. Employing margin in Advisory accounts is a more aggressive, higher risk approach to pursuing investment objectives. Clients should carefully consider whether the additional risks are appropriate prior to employing margin strategies due to the increased potential for significantly greater losses associated with using margin strategies. The use of margin also involves higher costs; Clients pay interest to our firm on the outstanding loan balance of their original margin loan. Furthermore, fees are calculated as a percentage of total assets in the account; therefore, employing margin strategies to buy securities in Advisory accounts generally increases the amount of, but not the percentage of, fees. *This results in additional compensation to us. The amount of the margin loan is not deducted from the total value of the investments when determining account value for purposes of calculating the advisory fee.* As a result, Clients may lose more than their original investments. Likewise, a

positive or negative performance, net of interest charges and fees, is magnified. Gains or losses are greater than would be the case in accounts that do not employ margin strategies. *Clients generally will not benefit from employing margin strategies if the performance of individual accounts does not exceed interest expenses on the loan plus fees incurred as a result of depositing the proceeds of the loan.*

### Credit Lines

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

### Defaults

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

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

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

### CASH SWEEP PROGRAM

This section contains important information relating to our automatic deposit – or "sweep" – feature for available cash

balances in certain Advisory account(s), as discussed in more detail below.

As additional cash is deposited into eligible Advisory accounts or as cash is raised in the account through liquidations, dividend or interest deposits, or other intra-account cash activities, these funds are deposited through our Insured Bank Deposit Program (the “IBP Program”) into interest-bearing deposit accounts at one or more participating banks on a priority list. The priority list is set forth in the *Insured Bank Deposit Program Terms and Conditions*, which can be accessed on our website at [www.stifel.com](http://www.stifel.com) or obtained from your Financial Advisor. Our affiliated bank, Stifel Bank & Trust (“SB&T”) is typically the first bank into which Advisory account funds will be deposited.

Deposit accounts at the participating banks are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 for each insurable capacity at each bank (i.e., individual, trust, etc.) and they are **not** eligible for protection by the Securities Investor Protection Corporation (“SIPC”). Under the IBP Program, funds are swept into deposit accounts at up to 10 or more participating banks and, upon deposit, become eligible for FDIC deposit insurance coverage up to \$2.5 million (\$5 million for joint accounts of two or more), subject to applicable limitations.

#### **Covered Advisory Programs**

The IBP Program applies to accounts whose underlying assets are held at Stifel and, therefore, affects the Vantage Program, which is covered in this Brochure. It also affects the following other Programs which are covered in our Wrap Fee Program Brochure: Score, Opportunity, IMC, Solutions, Fundamentals, Horizon, Unison, and Spectrum.

#### **Interest Rate Earned on Deposit Accounts in the IBP Program**

The interest rate earned on deposit accounts in the IBP Program will depend on, among other things, the amount of cash held in the deposit account(s). All deposit accounts held at any of the participating banks utilize the same interest rate tiers and will receive the same rate of interest.

The annual percentage yields (“APY”) for the corresponding interest rate tiers described below have been in effect since October 17, 2011. Current rates, *which may change daily*, and additional information is available at [www.stifel.com](http://www.stifel.com) under the Section Important Disclosures / Money Market Disclosure.

TIER	HOUSEHOLD BALANCE	APY
1	\$0 TO \$99,999	0.01%
2	\$100,000 TO \$499,999	0.01%
3	\$500,000 TO \$999,999	0.01%
4	\$1,000,000 OR MORE	0.03%

**Determining the Household Balance** – A Client may link one or more Advisory accounts to *other* Advisory accounts and/or brokerage accounts *held by members of the Client’s household*, as defined below, to determine the applicable interest rate tier. The aggregate balance of all “linked” accounts is what is referred to in these materials as the “Household Balance.” Only accounts held at Stifel with an identical address that are currently linked for purposes of account statements are eligible to be linked for Household Balance purposes. In general, Clients with greater Household Balances receive a higher interest rate than Clients with lower Household Balances. For Clients that have opted to household their accounts for this purpose, we determine each Client’s Household Balance each month. The previous month’s Household

Balance determines a Client’s eligibility for a particular interest rate tier. *Advisory accounts opened intra-month are initially assigned an interest rate tier 3 until the Household Balance is determined.* Clients are strongly encouraged to contact their Financial Advisor to determine whether their accounts are eligible to be linked for purposes of determining the Household Balance, or to make any changes to the accounts that are deemed linked for this purpose.

**How the Interest Rate Is Determined** – We periodically negotiate with the participating banks to set the rate(s) that each bank will pay based on prevailing business and economic conditions. Each participating bank pays Stifel a fee equal to a negotiated percentage of the average daily deposit balance in the deposit accounts at the bank. The actual fee paid will vary depending on a number of economic and other factors, but could potentially be as much as 1.20% annually on some of the deposit accounts (depending on several economic factors). The fees may also vary from bank to bank. Stifel pays a portion of the fee that it receives from the banks to the independent administrator of the IBP Program for its services, and retains a portion as reimbursement for other costs associated with offering the IBP Program to Clients. The remainder is paid to the Client whose funds are deposited to the participating bank(s).

**The Amount We Retain as Our Fees Will Impact the Interest Rate(s) Earned** – Since the interest rate earned on funds in the deposit accounts is determined first by our agreement with the participating banks with respect to the amount of fee that each bank will pay, and then by the portion that we retain as our fees (including the amount that we pay to the administrator), *our fees will partially impact the interest rate that Clients will earn on deposit accounts in the IBP Program.* As set forth above, the portion of the fee that we retain is intended to reimburse us for the costs that we incur in connection with offering the IBP Program. However, from time to time, we may receive more or less than the actual costs that we incur with respect to the IBP Program.

**Participation in the IBP Program Will Not affect Client’s Advisory Fees** – The amounts that we retain in connection with the IBP Program will not reduce or otherwise affect the Advisory fees that a Client is obligated to pay in connection with any Advisory account. There are no other charges, fees, or commissions imposed on Advisory accounts with respect to the IBP Program.

**Benefits to Stifel Financial Advisors.** Under the IBP Program as currently structured, our Financial Advisors *may* be entitled to receive a portion of the fees paid that are retained by the participating banks. However, the Financial Advisors do not currently share in any of the fees received in connection with the Program.

**Benefits to Stifel Bank & Trust.** The IBP Program also provides financial benefits to our affiliate, SB&T, a participating bank and is typically the first bank to which deposits from Advisory accounts are swept. Deposit accounts at SB&T provide it with a stable source of funds, which SB&T will use to support its lending activities. As with other depository institutions, SB&T’s profitability is determined in large part by the difference between the interest paid and other costs incurred by it on its deposit accounts, and the interest or other income it earns on loans, investments, and other assets. As noted above, the participating banks, including SB&T, may pay lower than prevailing market rates on deposit accounts. Therefore, we expect that SB&T’s participation in the Program will increase its deposits, and

consequently, its overall profitability (as will be the case of all of the Banks).

In general, we may be deemed to have a conflict of interest regarding Clients’ participation in the IBP Program due to the portion of fees that we retain from the participating banks, as well as the increased profitability we expect SB&T to achieve through its role as one of the participating banks.

**Other Important Factors Relating to the IBP Program**

- *Client Relationship With the Banks* – Clients will **not** have a direct account relationship with any of the participating banks as a result of the IBP Program. We act as each Client’s agent in establishing a deposit account with the applicable bank(s) and for ongoing maintenance of the account. Deposit account ownership will be evidenced by a book entry on the account records of each participating bank and by records that we maintain as each Client’s custodian. No evidence of ownership, such as a passbook or certificate, will be issued to any Client.
- *FDIC Insurance Coverage and Limitation* – Each Client’s deposit accounts with any participating bank will be aggregated for purposes of determining the FDIC coverage limit. If a Client has more than one account at a participating bank (for example, through the IBP Program, and separately through a personal account at the bank), the aggregate amount deposited at the bank may exceed the amount covered by FDIC insurance (currently \$250,000 per insurable capacity). *Each Client is responsible for monitoring the total amount of deposits that the Client has with the banks to determine the extent of FDIC deposit insurance coverage available to you.*
- *Deposit Accounts Are Not Eligible for SIPC Protection* – Stifel is a member of SIPC, which provides protection for securities in Client accounts up to \$500,000, including \$250,000 for free cash balances, in the unlikely event that Stifel fails financially. The SIPC protection limits apply in aggregate to all securities accounts that a Client holds in a particular legal capacity. As set forth above, cash deposited into the deposit accounts at the participating banks will be eligible for FDIC insurance coverage; however, these funds will not be covered by SIPC protection. In contrast, the money funds are covered by SIPC protection; however, they are not bank deposits, are not FDIC-insured, are not bank-guaranteed, and may therefore lose value.
- *Funds Swept to the Covered Money Funds Before the Effective Date* – Cash that was invested in money funds prior to October 1, 2012 will remain invested in such funds, until the money is needed to pay for new securities or to satisfy other debits from the Advisory accounts (e.g., to pay for Advisory fees or other withdrawals).
- *Tax Impact* – Interest earned in the deposit accounts will be taxed as ordinary income, and will be shown on the Form 1099 that is sent to each Client each year.

**Alternatives to the IBP Program as a Sweep Investment (“Opting Out”)**

We offer sweep features as a service to our Advisory Clients. We may change or discontinue the IBP Program or specific options in such Program or other alternatives that we offer at any time, and those changes may not necessarily benefit Clients.

Clients that wish to “opt out” of the IBP Program may select a tax-exempt money fund as their sweep option. Available tax-exempt funds are listed in the table below. The tax-exempt funds generally available are listed in the table below, although certain restrictions may apply based on account type. State-specific municipal funds are intended for residents of those states only. For more complete information about any

of the offered tax-exempt money funds, including their related charges and expenses, please contact a Financial Advisor for a prospectus or go to [www.stifel.com](http://www.stifel.com) under the Section Important Disclosures / Money Market Disclosure. Clients should read each tax-exempt money fund’s prospectus carefully. We will not charge Clients that elect to opt out of the IBP Program any additional fees for opting out.

AVAILABLE TAX-EXEMPT MONEY FUNDS		
DREYFUS GENERAL MUNICIPAL MONEY MARKET CLASS B		
DREYFUS GENERAL CALIFORNIA MUNICIPAL MONEY MARKET FUND CLASS B		
DREYFUS GENERAL NEW YORK MUNICIPAL MONEY MARKET FUND CLASS B		
DREYFUS NEW JERSEY MUNICIPAL MONEY MARKET FUND, INC.		

Clients that elect to opt out of the IBP Program should understand that, unlike deposit accounts in the IBP Program, investments in money funds are **not guaranteed or insured** by the FDIC or any other government agency. Although money funds seek to preserve a net asset value of \$1.00 per share, there is no guarantee that this will occur, and any money fund may end up losing value.

**Excluded Accounts** – The IBP Program is available for all types of accounts in the Vantage Program or other account covered by this Brochure that is held at Stifel, **EXCEPT** for ERISA plan accounts; IRA accounts (including traditional IRAs, Roth IRAs, Simplified Employee Pension (SEP) IRAs, and Savings Incentive Match Plans for Employees (SIMPLE) IRAs); and accounts held by for-profit enterprises (such as corporations, partnerships, limited liability companies, business trusts, or other organizations) (collectively, “**Excluded Accounts**”). Should the IBP Program be elected as the applicable cash sweep option prior to enrolling in any Advisory Program, and the account is otherwise an Excluded Account as set forth above, then Stifel may change the Excluded Account’s cash sweep option to a money market fund as follows:

Account Type	Fund Name	Symbol
ERISA plan accounts, SEP IRAs and SIMPLE IRAs	Dreyfus Treasury Prime Cash Management Institutional Shares	DIRXX - DTP
Other IRA accounts	General Treasury Prime	GTBXX - GTP

**By executing the Client Agreement, each Client opening an account that is an Excluded Account as defined above will be deemed to have specifically authorized Stifel to change the cash sweep option for the Excluded Account from the IBP Program to the applicable money fund set forth above.**

Please contact a Financial Advisor for further details and additional information, including how to obtain a prospectus, for any of the available money funds.



## REVIEW OF ACCOUNTS

### Account Review

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

### Portfolio Performance and Market Overview

Clients with accounts held at Stifel generally receive quarterly analyses of their portfolio performance relative to comparable market indices, as well as analyses of prevailing market conditions for the previous fiscal quarter. Performance information is verified by Stifel's Consulting Services Operations staff by reviewing the performance results for consistency among similar sectors and identifying any unusual variations or inaccuracies. We may also provide quarterly performance reports directly to Clients. In certain limited circumstances, Clients may be allowed to waive receipt of periodic performance reports from Stifel.

Our primary system calculates total performance returns (after deduction of actual trading expenses) using a daily calculation methodology that adjusts for random cash flows in the account as of the applicable date. In certain limited cases, we may calculate Client account performance using one of our secondary performance systems. Our secondary performance systems generally calculate performance returns using the Modified Dietz Method, which is a time-weighted method that also identifies and accounts for random cash flows in the account. If the date of a cash flow is not known, we will assume a mid-month date for cash flows. Regardless of the system from which performance is calculated, our personnel review the performance returns to determine and/or verify their accuracy or compliance with presentation standards.

We rely on publicly recorded information, use various vendor systems, and/or rely on valuations provided by third-party custodians holding assets and/or accounts that are part of a Client's advisory relationship with us in determining the values used in our performance reports. If Clients' accounts include privately issued alternative investments, we rely on values provided by the management, administrators, and sponsors of each such investment and may, as a result of delays in getting information from such parties, use estimated values in reporting the performance of such investments. Clients may notice a difference in the ending market values displayed on the quarter-end custodial statements issued by our firm versus our performance reports for the same account. Performance reports generally include any income that is earned (accrued) but not yet posted to Client accounts. Custodial statements also include accrued income, but the calculation may not match the calculation used for performance reporting purposes. Clients should contact their Financial Advisors if they have any questions relating to figures shown on their performance reports

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

### Transaction Statements

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

### Realized Gain/Loss Summary

Custodial statements from Stifel include annual listings of all closed transactions in their accounts during each calendar year, as well as the offsetting cost of each transaction and, thus, the realized gains/losses for each closing transaction.

### Year-End Tax Report

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

### Transaction Confirmations

Discretionary accounts trading through Stifel 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.

### Registered Fund Prospectuses and Other Communication

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

### 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.

## CLIENT REFERRALS AND OTHER COMPENSATION

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

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

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

#### **Stifel Alliance Program**

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

#### **Compensation for Client Referrals**

Our firm and/or Financial Advisors may be compensated by third-party Advisers for Client referrals. Compensation received in such arrangements may be based on a percentage of the total fees paid by each Client to the third-party Adviser for the period of time each Client remains with the third-party 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. Clients should refer to their Financial Advisor’s supplement for a discussion of the referral arrangements (if any) applicable to such Financial Advisor.

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

#### **Other Compensation**

As set forth above under “Additional Information on Fees and Compensation,” we may receive Revenue Sharing from private fund sponsors or managers to whom we refer Clients for investments. We may similarly receive payments from mutual funds in which Clients invests; Clients should refer to the Section “*Additional Information on Fees and Compensation*” above for a more detailed discussion about such other payments. Clients should also refer to the “Brokerage Practices” section above for a discussion of research services that our firm may receive for recommending certain products to our Clients.

### **CUSTODY**

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

As set forth above under “BROKERAGE PRACTICES - Execution and/or Custody Through Unaffiliated Firms,” Clients in certain programs offered through this Brochure may elect to have their assets maintained by an independent qualified custodian.

### **INVESTMENT DISCRETION**

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

### **VOTING CLIENT SECURITIES**

Clients who receive 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. In such cases, we may forward the proxies to the Client for voting.

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

We do not accept proxy voting authority from clients who receive account and/or advisory services on a non-discretionary basis. Such clients generally will receive proxy materials directly from the issuer’s transfer agent, and are responsible for voting their own proxies. We also do not vote any proxies for Clients whose custodial accounts are held by third-party custodians. Our personnel generally do not provide any form of assistance in the proxy voting process.

### **FINANCIAL INFORMATION**

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



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

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

### **General Description of Status and Services Provided by Stifel to the Plan**

As set forth above in the section “Services, Fees and Compensation” of this Brochure, we offer and provide a variety of investment advisory programs that are intended to assist responsible Plan fiduciaries with their prudent investment duties under ERISA. A thorough description of the services provided to a specific Plan is set forth in the applicable Advisory agreement, and may include advisory services, investment management services, trading services, and/or custody services, as well as participant education and guidance.

***Discretionary Investment Management Services*** - We offer and provide discretionary ERISA fiduciary investment advisory services through the Vantage Program covered in this Brochure. Discretionary investment management services through this Program are provided directly through a Stifel Financial Advisor. Each Plan Client should review the Program description as set forth in the section “Services, Fees and Compensation” above in this Brochure.

***Non-Discretionary Advisory Services*** – We also offer and provide non-discretionary ERISA fiduciary and investment advisory services through our Summit Program which is covered in this Brochure. Non-discretionary investment advisory services for this Program are also provided through a Financial Advisor as our registered representative and investment advisory representative. More detailed information about the Summit Program is provided in the section “Services, Fees and Compensation” of this Brochure.

### **General Description of Compensation Paid to Stifel**

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

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

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