



**FINANCIAL & WEALTH  
PLANNING SERVICES**

**SEC Number: 801-1447**

**DISCLOSURE BROCHURE**

**October 28, 2014**

This Brochure provides information about the qualifications and business practices of Stifel, Nicolaus & Company, Incorporated. This Brochure focuses on our financial and wealth planning services; we also offer advisory consulting services and 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**

Since Stifel, Nicolaus & Company, Incorporated's last update in March 2014, the firm has experienced the following change which may be considered material.

### **October 28, 2014**

- On October 21, 2014, Stifel entered into an Acceptance, Waiver and Consent ("AWC") with the Financial Industry Regulatory Authority ("FINRA"), and agreed to a censure and a fine of \$32,500 to settle allegations that the firm failed to (i) take certain actions and/or disclose certain information to FINRA or its clients relating to orders in reportable securities and (ii) maintain a supervisory system designed to achieve compliance with respect to the related laws and regulations of FINRA. On September 25, 2014, 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 \$12,500 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. On September 22, 2014, Stifel entered into an Acceptance, Waiver and Consent with Financial Industry Regulatory Authority, and agreed to a censure and fine of \$300,000 to settle allegations that the firm failed to have an adequately designed anti-money laundering program and a related supervisory system that would have detected suspicious activity in low priced securities during a time when the firm sold at least \$2.5 billion in low priced securities. Additional information about each of these matters is provided under the section "Additional Information – Disciplinary Information," starting on page 5 of the Brochure.

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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## EXECUTIVE SUMMARY

### About Stifel, Nicolaus & Company

Stifel, Nicolaus & Company, Incorporated (“Stifel”) is a leading full-service brokerage, investment advisory, and investment banking firm, serving the investment and capital needs of individual, corporate, municipal, and institutional 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 also 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 a client, and annually thereafter.

### Services We Provide

As set forth above, Stifel is registered both as a broker dealer and an investment adviser and, thus offers both brokerage and Advisory services to clients. 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, the firm’s contractual relationship with and legal duties to clients are subject to a number of important differences depending on whether Stifel is acting in a brokerage or Advisory capacity.***

## OUR SERVICES AS AN INVESTMENT ADVISER

Stifel has been a registered investment adviser with the SEC since May, 07, 1975. Our firm is owned by Stifel Financial Corp., a publicly held company. Our Advisory services include discretionary account and/or portfolio management, non-discretionary investment advice, financial and wealth 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 as well as firms that are owned by Stifel Financial Corp. We generally 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, both that are exchange-listed and 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 certain securities or types of securities. More information regarding any securities and/or services offered is available upon request. Our financial and wealth planning services are described in more detail below.

### Financial and Wealth Planning Program

Financial Advisors may provide Clients with personalized financial plans. At the beginning of the financial and wealth planning process, Clients are asked to complete a questionnaire that is used to gather information about individual financial situations, investment objectives, and risk tolerance. Based on the information provided, a comprehensive financial plan (“Stifel Nicolaus Wealth Strategist Report®”) is generated. The Wealth Strategist Report may include a net worth overview; income needs analyses, portfolio and asset allocation reviews, goal funding assessments, and general information on estate planning concepts, in each case as negotiated between the Client and the Financial Advisor. The Wealth Strategist Report may be prepared directly by the applicable Financial Advisor, or may be prepared by Stifel’s Financial & Wealth Planning Department on behalf of Financial Advisors. The Wealth Strategist Report is used to assist Clients in assessing their individual financial goals. Financial plans provided may or may not include specific investment recommendations. Clients may choose to implement their financial plans at Stifel or elsewhere. Clients who implement such recommendations at Stifel are required to enter into an Advisory agreement, and have access to a broad portfolio of insurance and investment products. In limited, pre-approved situations, Stifel has allowed Financial Advisors of Executive Tax Advisors, a wholly owned subsidiary of Stifel, to provide tax services in conjunction with financial and wealth planning services. Tax services are charged separately from financial and wealth planning services. Such services may include tax strategies, income tax preparation, as well as assistance with audits conducted by state and federal departments of revenue.

### Other Investment Advisory Services

As set forth above, we provide other investment advisory services to Clients in addition to financial planning, including discretionary account and/or portfolio management, non-discretionary investment advice, and assistance with selecting third party investment advisers. A complete description of these other services is contained in our Consulting Services Disclosure Brochure and/or our Wrap Program Disclosure Brochure, each of which is available upon request. We act as sponsor and/or portfolio manager to our wrap program participants. We generally manage all wrap fee accounts and non-wrap fee accounts using the same level of care. Our Investment Consulting Services and Wrap Fee Program Services are collectively referred to in this Brochure as “Advisory Services”.

### Assets under Management

As of December 31, 2013, we managed Client assets worth \$17,815,049,212 on a discretionary basis, and \$8,973,009,885 on a non-discretionary basis. We also advised clients with respect to an additional \$2,683,338,427 managed by unaffiliated investment advisers.

## FEES AND COMPENSATION

### How We Charge for Financial and Wealth Planning Services

Clients who receive financial and wealth planning services may be charged a flat fee up to \$10,000. The actual fee charged will be as negotiated between the Client and the Financial Advisor. A portion of the fee is paid to Financial Advisor(s) who prepared the financial plan. Clients may pay using any one of the following payment methods:

#### *Client Invoice*

Financial and wealth planning clients generally receive invoices to remit the fee payment promptly. If the fee payment is not received, Stifel reserves the right to automatically debit the Client's Advisory account (if any) to collect the amount due.

#### *Automatic Debit*

To the extent that a Client determines to retain Stifel to implement a financial plan, the related fees (if any) may be deducted from available cash or cash equivalents including money market funds in the Client's Advisory account. Clients that retain Stifel to implement plans typically grant Stifel the discretionary authority to rebalance or liquidate securities in order to generate sufficient funds to cover fees. Client statements reflect the fee payment amount.

#### *Letter of Authorization*

To the extent that a Client retains Stifel to implement a financial plan, the Client may establish a separate Stifel account from which fees will be deducted. If the designated account has insufficient funds, Stifel reserves the right to automatically debit the Advisory account to collect the amount due.

### Additional Information Relating to Fees

To the extent that a financial plan includes specific investment recommendations, Clients should consider all risks and related charges prior to any investments. As set forth above, Clients seeking financial and wealth planning services are not obligated to implement their financial plans through Stifel, and may choose to implement such plans through other unaffiliated financial services companies.

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

Stifel does not charge performance-based fees.

## TYPES OF CLIENTS

Please refer to the Executive Summary for a description of the types of clients to whom we generally provide investment advice, including financial and wealth planning services. There is no minimum account size or minimum fee requirements for financial and wealth planning services.

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

Our personnel use data and projections provided by industry software, as well as proprietary programs and processes to determine appropriate asset allocations and otherwise complete the financial and wealth planning process. Each client's specific circumstances including, for example, liquidity needs and risk tolerance, are incorporated into the process to determine the appropriate recommendations to be made as part of the financial plan.

Our personnel make a number of assumptions during the financial and wealth planning process. These assumptions may turn out to be wrong and, as a result, a Client's returns may be less than anticipated. To the extent that a financial plan includes specific investment recommendations, each investment recommended will be subject to

various risks, including the risk that the investment's value will decline because of downturns in the general securities markets. Clients should consider each investment's risks and expenses carefully before implementing any financial plan.

Clients should refer to the Advisory Consulting Services Brochure and/or the Wrap Fee Program Brochure for a more detailed discussion of Stifel's investment strategies and methods of analysis in connection with Advisory Services.

## DISCIPLINARY INFORMATION

1. On October 21, 2014, Stifel entered into an Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority ("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.

2. On September 25, 2014, Stifel entered into an Acceptance, Waiver and Consent with The NASDAQ Stock Market LLC ("Nasdaq") 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.

3. On September 22, 2014, Stifel entered into an Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority ("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 Rules 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.

4. 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 supervision of compliance with FINRA Rule 6760.

5. 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 firm consented to a regulatory censure, a fine of \$450,000 and restitution to the 59 affected customers in the amount of \$338,128.

6. 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.

7. 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.

8. 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, 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.

9. 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.

10. 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.

11. 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 4 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.

12. On May 29, 2013, Stifel entered into a settlement agreement with the Chicago Board of Options Exchange, Incorporated ("CBOE") 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.

13. 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 Trade Reporting and Compliance Engine (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.

14. 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).

15. 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.

16. 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

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

18. On September 23, 2010, Stifel entered into an agreement of acceptance, waiver, and consent with FINRA resolving FINRA's claim that, prior to its acquisition by Stifel, Ryan Beck & Co., Inc. had failed to establish an effective supervisory system and written supervisory procedures reasonably designed to ensure that discounts were correctly applied on eligible unit investment trust (UIT) purchases. FINRA alleged that Ryan Beck failed to identify and appropriately apply sales charge discounts and misstated to certain clients that discounts and breakpoint advantages had been properly applied. While not admitting or denying the allegations, the firm agreed to an undertaking by which the firm would submit to FINRA a proposed plan of how it

will identify and compensate customers who qualified for, but did not receive, the applicable UIT sales charges discount. The firm will determine the excess sales charges paid by customers and calculate monies owed, plus interest, and provide FINRA with a schedule of the same and a program of restitution.

19. 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.

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

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

22. 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.

23. 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.

24. 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.

25. 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 MRSB 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.

26. 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.

27. 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.

28. 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 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 our affiliated broker dealers. One of our affiliated investment advisers serves as fund manager to a registered investment company (mutual fund). None of these affiliates provide services to our financial planning Clients. Some of our management persons may be licensed to practice law in various states. However, neither these individuals nor Stifel provide legal services to financial planning Clients.

From time to time, Stifel has allowed Financial Advisors of Executive Tax Advisors, a wholly owned subsidiary of Stifel, to provide tax services in conjunction with financial and wealth planning services to certain Clients.

Clients should refer to the Advisory Consulting Services Brochure and/or the Wrap Fee Program Brochure for a more detailed discussion of Stifel's other industry activities and affiliations that are applicable to our Advisory Services.

## **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 Stifel's 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

We generally do not participate in the transactions of our financial and wealth planning services Clients, unless such Clients elect to implement their financial plans with us. Clients electing to implement such plans should refer to the Advisory Consulting Services Brochure and/or Wrap Fee Program (as appropriate) for more detailed discussion of our participation or interest in Advisory Client transactions.

## Personal Trading

Our written supervisory procedures are designed to detect and prevent the misuse of material, non-public information by employees. Our firm and our affiliates, directors, officers, stockholders, employees and members of their families may have positions in and, from time to time, buy or sell securities that Stifel trades in or recommends to Clients. We prohibit transactions in its own account and accounts of associated persons in any security that is the subject of a recommendation of Stifel's Research Department until the recommendation has been disseminated to Clients and a reasonable time has elapsed following the dissemination. Our directors, officers and employees may not buy or sell 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 its own account and accounts of persons who may have access to Client recommendations. We emphasize the unrestricted right of the Client to decline to implement any advice rendered. Additionally, under NYSE Rules, Financial Advisors affiliated with Stifel Financial Corp. ("SF") are prohibited from recommending SF securities except on an unsolicited basis.

## BROKERAGE PRACTICES

Our firm's principal business in terms of revenue and personnel is that of a securities broker-dealer. As a broker-dealer, we provide brokerage services by executing securities transactions per Client instructions. Advice provided to Clients is an integral part of services offered by Financial Advisors when providing brokerage services; therefore, Financial Advisors may help Clients identify investment goals, create strategies that are reasonably designed to meet those goals, and make suitable buy, hold, and sell recommendations based on risk tolerance and financial circumstances. However, investment decisions are not made on behalf of Clients and fees are not charged for any advice given when providing brokerage services. ***Absent special circumstances, Financial Advisors are not held to fiduciary standards when providing brokerage services.*** Legal obligations to disclose detailed information about the nature and scope of Stifel's business, personnel, commissions charged, material or potential conflicts of interests, and other matters, are limited when acting as a broker-dealer.

## Our Responsibilities as a Broker-Dealer

As a broker-dealer, we are 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.

## How We Charge for Brokerage Services

Clients pay commissions each time securities transactions are executed in their individual brokerage accounts.

**Broker** – Stifel acts as broker when executing securities transactions on behalf of Clients. Commissions are charged on each transaction.

**Dealer** – Stifel acts as dealer, or principal, when executing securities transactions for its own account. As dealer, Stifel operates on the opposite side of Client transactions by using its own inventory to buy securities from or sell securities to Clients. When executing dealer, or principal, trades, Stifel seeks to earn profits and therefore charges mark-ups, mark-downs, or spreads on the prices of securities in addition to regular commissions.

## Application of Brokerage Services to Financial Planning Clients

Stifel generally does not recommend or select specific brokers to clients seeking financial and wealth planning services only. To the extent that a financial and wealth planning Client determines to implement a financial plan through our firm, the Client will be required to enter into a separate agreement with Stifel covering the Advisory Services to be provided. Clients should refer to the Advisory Consulting Services Brochure and/or the Wrap Program Brochure (as appropriate) for a more detailed discussion of Stifel's brokerage practices with respect to the Advisory Services to be provided.

## REVIEW OF ACCOUNTS

Our personnel review accounts upon account opening. If a Client who has received financial and wealth planning services elects to implement the financial plan through Stifel, the applicable Financial Advisor may periodically review and update the financial plan based on changes in the Client's circumstances. Clients should refer to our Advisory Consulting Services Brochure and/or the Wrap Program Brochure (as appropriate) for more detailed discussion of Stifel's review policies with respect to Advisory Clients.

## Privacy Policy

Financial and wealth planning clients receive Stifel's privacy policy upon account opening and, if applicable, annually thereafter.

## CLIENT REFERRALS AND OTHER COMPENSATION

### Stifel Alliance Program

Under our Alliance Program ("Alliance"), we may directly or indirectly compensate individuals or companies for Client referrals by sharing a portion of the fees charged by Stifel. In certain limited circumstances, our firm may pay for registration costs of our solicitors for Advisory Clients. As a result, such solicitors may have incentive to refer Clients to Stifel over other firms. Stifel has policies and procedures to ensure that proper disclosures are provided to Clients at the time of solicitation and that all Clients sign appropriate disclosure delivery receipts.

### Other Referral Arrangements

From time to time, our Financial Advisors may recommend other registered investment advisers to financial and wealth planning

Clients, and may be compensated by such other advisers for the referrals to the extent that financial and wealth planning Clients implement those recommendations. To the extent applicable, any compensation received from such other advisers is based on a percentage of the total fees paid by a financial and wealth planning Client to the other adviser for the period of time that the Client remains with the other adviser. As of the date of this Brochure, our firm did not have any compensatory solicitation arrangements with any of our affiliated investment advisory firms. However, our Financial Advisors may nevertheless have incentive to recommend an affiliated investment adviser over an independent adviser as the receipt of additional revenues by any of the Stifel-affiliated companies may have a positive impact on our firm.

In general, we require that applicable arrangements comply with regulatory requirements applicable to soliciting 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.

#### **CUSTODY**

Stifel does not maintain custody of financial and wealth planning only client's assets; however, Stifel generally maintains custody of Advisory Client assets. Clients should refer to the Advisory Consulting Services Brochure and/or Wrap Fee Program for more detailed discussion of our firm's custodial practices.

#### **INVESTMENT DISCRETION**

Stifel does not exercise investment discretion with respect to the accounts of Client receiving financial and wealth planning services only. As set forth above, each Client is responsible for implementing the recommendations provided in a financial plan, and may elect to implement such recommendations at Stifel or at an unaffiliated financial services company. Clients that elect to implement their financial plan through Stifel should refer to our Advisory Consulting Services Brochure and/or the Wrap Program Brochure (as appropriate) for detailed discussion specific to the program(s) in which Clients will enroll.

#### **VOTING CLIENT SECURITIES**

We do not accept proxy voting authority from Clients seeking financial and wealth planning services only. To the extent that Clients elect to implement a financial plan through Stifel, Stifel may accept proxy voting responsibility depending on the type of Advisory Services provided. Clients should refer to the Advisory Consulting Services Brochure and/or the Wrap Program Brochure (as appropriate) for more detailed discussion of Stifel's proxy voting policies with respect to Advisory Clients.

#### **FINANCIAL INFORMATION**

Stifel does not have any adverse financial conditions to disclose.