

**DISCLOSURE BROCHURE**

**March 13, 2012**

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).

Stifel, Nicolaus & Company, Incorporated  
501 North Broadway  
St. Louis, Missouri 63102  
(314) 342-2000  
[www.stifel.com](http://www.stifel.com)

**MATERIAL CHANGES**

**March 13, 2012**

Since Stifel, Nicolaus & Company, Incorporated's last update on March 31, 2011, the firm has experienced the following change which may be considered material.

- The firm has entered into consent agreements with the following additional States in connection with auction rate securities: State of Ohio on April 14, 2011; and Maryland on May 13, 2011.
- Effective July 1, 2011, Stifel Financial Corp. acquired a controlling interest in MB Advisory Group, LLC, the parent company to Miller Buckfire & Co., LLC a registered broker dealer and investment advisory firm.
- As of July 5, 2011, the firm has a new affiliate, Stifel Trust Company, National Association (NA), that operates as a trust company and provides personal trust services to individuals and organizations.
- Effective as of September 1, 2011, Stifel Financial Corp. acquired Stone & Youngberg, LLC, a registered broker dealer and investment advisory firm. Substantially all of the Stone & Youngberg brokerage and investment advisory business had been transferred to Stifel Nicolaus effective October 3, 2011.
- On January 24, 2012, the firm entered into a consent order with the Missouri Securities Division to settle various allegations, including failure to adequately supervise an agent who sold unregistered securities. More detailed information about the settlement provisions are available under the section "Additional Information – Disciplinary Information" starting on page 17 of this Brochure.
- Effective as of March 1, 2012, Thomas Weisel Partners, LLC, a registered broker dealer and investment adviser and an affiliate of the firm, transferred all of its brokerage and investment advisory business to Stifel Nicolaus.

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>OUR SERVICES AS A BROKER-DEALER.....</b>	<b>4</b>
<b>OUR SERVICES AS AN INVESTMENT ADVISER .....</b>	<b>4</b>
<b>FEES AND COMPENSATION .....</b>	<b>5</b>
<b>PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>5</b>
<b>TYPES OF CLIENTS.....</b>	<b>5</b>
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>5</b>
<b>DISCIPLINARY INFORMATION.....</b>	<b>6</b>
<b>OTHER INDUSTRY ACTIVITIES AND AFFILIATIONS.....</b>	<b>8</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>8</b>
<b>BROKERAGE PRACTICES.....</b>	<b>8</b>
<b>REVIEW OF ACCOUNTS .....</b>	<b>8</b>
<b>CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>8</b>
<b>CUSTODY .....</b>	<b>8</b>
<b>INVESTMENT DISCRETION .....</b>	<b>8</b>
<b>VOTING CLIENT SECURITIES.....</b>	<b>9</b>
<b>FINANCIAL INFORMATION .....</b>	<b>9</b>

## EXECUTIVE SUMMARY

### About Stifel, Nicolaus & Company

Stifel, Nicolaus & Company, Incorporated (“Stifel”) is a leading full-service regional brokerage, investment advisory, and investment banking firm, serving 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”). As a registered investment adviser (“Investment Adviser”), Stifel completes Form ADV, which contains information about business operations, portfolio management techniques, and affiliates. This information is provided via publicly available filings with the Securities and Exchange Commission (“SEC”) at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and in this Brochure, which is provided free of charge before or at the time we enter into an advisory agreement with a client, and annually thereafter.

### Services We Provide

Stifel is registered with the SEC as a broker-dealer and Investment adviser offering both brokerage and advisory services respectively. Brokerage and advisory services are provided to individuals, institutions, pension or profit sharing plans, employee benefit plans, trusts, estates, charitable organizations, corporations, other business and government entities, educational institutions, and banks or thrift institutions (“Clients”). Financial Advisors determine services that are most appropriate for Clients based on individual investment goals and financial circumstances. We may fulfill Clients’ wealth management needs by acting as broker-dealer, Investment Adviser, or both. ***It is important to understand that brokerage services are separate and distinct from advisory services, and both that each is governed by different laws and separate contracts with Clients. While there are similarities among brokerage and advisory services, the firm’s contractual relationship with and legal duties to Clients are subject to a number of important differences depending on whether we are acting in a brokerage or Advisory capacity.*** Our brokerage and 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. The securities may be listed on an exchange, or may be sold over-the-counter. Advisory services cover 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. Unless agreed upon otherwise, Stifel or its agents maintain custody of assets. We may also, 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 such 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 a Client invests in an investment partnership in which our firm or an affiliate act as general partner, the related partnership interests are not held in Advisory portfolios.

## OUR SERVICES AS A BROKER-DEALER

Stifel’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.

## OUR SERVICES AS AN INVESTMENT ADVISER

### Our Services as an Investment Adviser

As an Investment Adviser, we offer services including financial and wealth planning, discretionary account management, non-discretionary investment advice, and assistance with the selection of securities and Investment Advisers. Advisory programs offered typically include but are not limited to identification and analysis of investment objectives and investment policy, portfolio management and recommendations, ongoing consultations, automatic sweep of cash funds into money market, monthly activity statements, quarterly performance reviews, annual capital gains and losses reports, and updates on economic and stock market conditions. The Investment Advisers recommended may include firms that are independent of Stifel (“Independent Advisers”) and firms that are related to us (“Related Advisers”). We enter into written agreements with Clients acknowledging our advisory relationship and disclosing our obligations when acting as an Investment Adviser. Information contained herein includes

information about our advisory services, personnel, fees, other business activities, financial industry affiliations, and material or potential conflicts of interest.

#### ***Financial & Wealth Planning Program***

Financial Advisors may provide Clients with personalized financial plans. At the beginning of the financial 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 ("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***

A complete description of Stifel's Investment Consulting Services is contained in a separate Disclosure Brochure, a copy of which is available upon request. We also offer wrap fee programs in which we act as sponsor and/or portfolio manager to the wrap program participants. We generally manage all wrap fee accounts and non-wrap fee accounts using the same level of care. A copy of the Wrap Fee Program Brochure is also available upon request. 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, 2011, we managed Client assets worth \$8,932,104,018 on a discretionary basis, and \$7,256,897,277 on a non-discretionary basis.

### **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 financial planning 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, financial and wealth planning 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 Financial and Wealth Planning 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, financial and wealth planning Clients are not obligated to implement their financial plans through Stifel, and may choose to implement such plans through other unaffiliated financial services companies.

#### ***Compensation for Solicitation Arrangements***

From time to time, Stifel may recommend Independent Advisers to financial and wealth planning Clients, and may be compensated by such Independent Advisers for the referrals to the extent that financial and wealth planning Clients implement the recommendations. Compensation received by Stifel from such Independent Advisers is based on a percentage of the total fees paid by a financial and wealth planning Client to the Independent Adviser for the period of time such Client remains with the Independent Adviser. Stifel has no solicitation arrangements with Related Advisers. However, Financial Advisors may have incentive to recommend Related Advisers over Independent Advisers as the receipt of additional revenues may have a positive impact on the firm.

### **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. When determining recommendations to be made as part of the financial plan, each client's specific circumstances including, for example, liquidity needs and risk tolerance, are incorporated into the process.

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 January 24, 2012, Stifel entered into a consent order with the Missouri Securities Division whereby Stifel was censured and fined. The Division found that Stifel 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 own written supervisory procedures. Stifel neither admitted nor denied the Division's findings. The consent order required Stifel 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.

2. In 2009, 2010 and 2011 Stifel entered into consent agreements with a number of state regulatory authorities regarding the sale of securities commonly known as "Auction Rate Securities" (ARS). The state regulatory authorities claimed that Stifel failed to reasonably supervise the sales of ARS by failing to provide sufficient information and training to its registered representatives and sales and marketing staff regarding ARS and the mechanics of the auction process applicable to ARS. As part of some or all of the consent agreements, Stifel agreed to pay various levels of fines to the states, to accept the regulator's censure, to cease and desist from violating securities laws and regulations, to retain at Stifel's expense a consultant to review the firm's supervisory and compliance policies and procedures relating to product review of nonconventional investments, and/or repurchase certain auction rate securities from the firm's clients. The states with which Stifel entered into agreements of consent and the amounts of the fines paid to the respective states are:

<u>STATE</u>	<u>DATE RESOLVED</u>	<u>FINE PAID</u>
VIRGINIA	09/18/09	\$ 17,500.00
MISSOURI	01/22/10	\$ 250,000.00
WASHINGTON	04/26/10	\$ 1,512.29
VERMONT	04/22/10	\$ 1,116.04
SOUTH DAKOTA	04/19/10	\$ 1,050.00
IOWA	04/19/10	\$ 2,172.71
CALIFORNIA	05/05/10	\$ 11,220.45
ALABAMA	05/13/10	\$ 1,050.00
LOUISIANA	05/25/10	\$ 1,116.04
NEBRASKA	05/10/10	\$ 1,248.13
TENNESSEE	06/16/10	\$ 3,889.80
UTAH	06/01/10	\$ 1,116.04
WEST VIRGINIA	06/28/10	\$ 1,050.00
DELAWARE	07/08/10	\$ 1,182.08
OKLAHOMA	07/14/10	\$ 1,050.00
COLORADO	08/24/10	\$ 24,720.67

KANSAS	08/19/10	\$ 13,597.95
RHODE ISLAND	08/10/10	\$ 1,050.00
US VIRGIN ISLANDS	09/14/10	\$ 1,050.00
CONNECTICUT	09/23/10	\$ 8,512.73
MAINE	09/24/10	\$ 1,116.04
MICHIGAN	09/29/10	\$ 35,788.02
ARKANSAS	10/19/10	\$ 1,314.17
NEW JERSEY	10/29/10	\$ 15,381.10
ALASKA	10/27/10	\$ 1,446.25
WISCONSIN	12/08/10	\$ 18,286.93
SOUTH CAROLINA	10/04/10	\$ 1,446.25
OREGON	02/17/11	\$ 2,502.92
MINNESOTA	01/31/11	\$ 5,805.01
NEVADA	02/03/11	\$ 17,164.21
OHIO	04/14/11	\$ 15,645.25
MARYLAND	05/13/11	\$ 16,663.56

3. 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.

4. 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.

5. On March 10, 2010, Stifel agreed to pay a \$133,000 fine to the State of Missouri and disgorgement of customer commissions in the amount of \$78,617 arising out of the State's allegations that firm failed to reasonably supervise a Missouri-registered agent with regard to transactions in certain securities accounts of three Missouri residents.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. On October 26, 2006, Stifel entered into a stipulation and consent to penalty with the New York Stock Exchange (NYSE) resolving NYSE's claim that the firm had failed to adhere to principles of good business practice by providing customers' nonpublic personal information to a third party without first entering into a contractual agreement with the third party prohibiting the third party from disclosing or using the information in noncompliance with federal and regulatory rules and regulations; that the firm had failed to preserve and maintain instant messaging communications in the required format for the required retention period; that the firm had failed to establish and maintain appropriate procedures for supervision, control and review of email communications; that the firm had failed to apply for NYSE approval of affiliated entities that engaged in securities or kindred business that were under common control by firm's parent entity; and that the firm had failed to obtain NYSE approval for one branch manager. The firm agreed to a regulatory censure and to pay a fine of \$100,000.

13. On September 2, 2005, Stifel entered into an agreement of acceptance, waiver and consent with NASD resolving NASD's claim that the firm acting in its capacity as an underwriter of municipal securities, failed to file, or cause to be filed, the required MSRB Rule G-36 forms with MSRB in a timely manner. While not admitting or denying the allegations, the firm agreed to a regulatory censure and to pay a fine of \$5,000.

14. 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.

15. On June 13, 2003, Stifel entered into a stipulation and consent to penalty with NYSE resolving NYSE's claim that the firm had failed to establish and maintain appropriate procedures for supervision and control, including follow-up and review with respect to the activities of the firm's qualifying member on the trading floor of the Exchange; the timely filing of accurate Form U-5AS and Form RE-3S with the NYSE; the failure to prevent one or more employees with inactive registrations from performing duties and functions that required registrations and failing to withhold compensation from such persons during the periods when their registrations were inactive; the failure to approve and review certain employee-related accounts held outside the firm; the failure to obtain NYSE approval for various officers and directors to be allied members; and the failure to submit to the firm's clearing agent accurate account type indicators for certain transactions; the failure to receive all commissions of the firm's floor broker; the failure of the firm to properly accrue commissions received from its floor broker; and the failure to preserve certain required books and records. The firm agreed to a regulatory censure and to pay a fine of \$50,000.

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

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

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

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

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

## **OTHER 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 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.

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 financial and wealth planning Client transactions. Clients should refer to the Advisory Consulting Services Brochure and/or Wrap Fee Program for more detailed discussion of when and how our firm may participate or have an 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. Stifel and its 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 financial and wealth planning Clients. Stifel prohibits 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. Stifel 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. Stifel maintains and regularly reviews securities holdings in its own account and accounts of persons who may have access to Client recommendations. Stifel emphasizes 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**

Stifel generally does not recommend or select brokers for financial and wealth planning only clients. 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 for a more detailed discussion of Stifel's brokerage practices with respect to Advisory Services.

## **REVIEW OF ACCOUNTS**

Accounts are reviewed by members of the Stifel Consulting Services Review Committee upon account opening. If a financial and wealth planning Client elects to implement a 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 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**

The Stifel Alliance Program ("Alliance") was referred to as the Stifel Professional Alliance Program ("SPAP") prior to January 2010. Stifel may directly or indirectly compensate individuals or companies for Client referrals by sharing a portion of the fees charged by Stifel. Stifel and/or its associated persons may pay for registration costs for Advisory Client referrals. As a result, such solicitors may have incentive to refer Clients to Stifel over other firms. 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.

## **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 financial and wealth planning Client accounts. Each financial and wealth planning 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.

#### **VOTING CLIENT SECURITIES**

Stifel does not accept proxy voting authority from financial and wealth planning Clients. 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 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.