



ADVISORY  
SERVICES –  
WRAP FEE  
PROGRAMS

SEC Number: 801-10746

## DISCLOSURE BROCHURE

January 9, 2017

This brochure provides information about the qualifications and business practices of Stifel, Nicolaus & Company, Incorporated and the wrap fee programs that we offer. We also offer other non-wrap programs, including advisory consulting services and financial planning services, which are covered in separate brochures. If you have any questions about the contents of this brochure, please contact us at the address or telephone number provided below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about Stifel, Nicolaus & Company, Incorporated is available on the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.

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

## MATERIAL CHANGES

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

- We have standardized our fee schedules for the Advisory Programs covered in this brochure. Each Client pays a maximum Stifel Advisory Fee of 2.5%, as defined in the Section below titled “Fees and Compensation.” Clients should note, however, that the Stifel Advisory Fee does not include any specific product fees, including fees that may be charged by third-party investment advisers with which clients may elect to invest through Stifel’s Advisory platform. *These changes will NOT result in fee increases to existing accounts.* Information on fees may be found in the section “**Fees and Compensation**” starting on page 9 of the brochure.
- We added disclosures to the section “**Additional Information on Fees and Other Compensation – Interest and Similar Compensation**,” starting on page 13 of this brochure, we added information about the compensation that we may receive from our affiliated bank with respect to credit line loans (also known as SPA Loans) that clients may take out at the affiliated bank, collateralized by the assets held in their Stifel advisory accounts. Similarly, we added disclosures about compensation we may earn with respect to un-invested cash in client accounts prior to such cash being automatically swept to the client-selected vehicle.
- We have updated the section “**Disciplinary Information**” to disclose a judgement entered against the firm by the United States District Court for the Eastern District of Wisconsin resolving a civil lawsuit filed by the SEC in 2011 in connection with the sale of synthetic collateralized debt obligations (“CDOs”) to five Wisconsin school districts in 2006. As a result of the Order, among other things, the firm was also required to pay a civil penalty of \$22.5 million. Additional information about this matter is on page 18 of the brochure.
- Effective January 1, 2017, Stifel no longer allows clients in the Horizon Program to purchase securities in syndicated offerings from Stifel. Clients that wish to participate in syndicated offerings should open a brokerage account through which to purchase securities that are part of a syndicated offering.
- Effective January 1, 2017, Washington Crossing Advisors, previously an internal unit of Stifel, became its own registered investment advisory firm and a Stifel affiliate (“WCA”). The WCA portfolio managers will continue to provide services to Stifel clients in various programs covered in this brochure, including (but not limited to) Score and Spectrum. In August 2016, we lowered the minimum investment amounts on two WCA portfolios available through the Score Programs: the new minimums on the Victory Portfolio and Blue Chip Rising Dividend Portfolio are now \$35,000 (down from the \$50,000 prior minimum requirement). The discussion of these portfolios in the section “Stifel Score Program” starting on page 5.
- In July 2016, our affiliated trust companies consolidated into two remaining entities; as a result, we deleted references to 1919 Investment Counsel & Trust Co. and the Trust Company of Sterne Agee Inc. from the section “Other Financial Industry Activities and Affiliations,” starting on page 22 of this brochure.
- In August 2016, we opened the Custom Advisory Portfolio Program (previously called the Client Directed Unified Managed Account Program) to investment by eligible clients.

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

*In lieu of providing clients with an updated Part 2A Brochure each year, we generally will provide our existing advisory clients with this summary describing the material changes occurring since the last update that was sent to all advisory clients. We will deliver the summary to existing clients generally by April 30 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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# STIFEL

## EXECUTIVE SUMMARY

### About Stifel, Nicolaus & Company, Incorporated

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

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

### Services We Provide

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

## ADVISORY BUSINESS

### Types of Advisory Services Offered By Stifel

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

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

### Assets Under Management

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

### Our Responsibilities as an Investment Adviser

As an investment adviser, we are acting as a fiduciary and are held to the legal standards set forth in the Investment Advisers Act of 1940 (the "Advisers Act"), state securities laws, and common law standards applicable to fiduciaries. Such standards include, but are not limited to, the duty to serve the best interests of Clients, the obligation to place Clients' interests before our own, full disclosure of material and potential conflicts of interest, full disclosure of all compensation received from Clients or third parties for providing investment advice or advisory services to our Clients, and 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. Additional information about our fiduciary obligations, including some of the policies and procedures that we undertake to fulfill those obligations, is available throughout this brochure, including under the section entitled "Participation or Interest in Client Transactions."

### Investment Restrictions

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

In certain Advisory programs referenced below, and as outlined in the applicable program Client agreement, in the event that mutual funds, ETFs, or categories of both are restricted, the portion of the account that would have been invested in such may be invested in cash equivalents or short-term fixed income instruments at our discretion. Investments in cash equivalents or short-term fixed income instruments pursuant to such restrictions may impact the performance of the account relative to other accounts that are fully invested in mutual funds and/or ETFs.

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

we will apply the restrictions based on our internal policies, by referencing the third-party service provider's information.

## WRAP FEE PROGRAMS OFFERED BY STIFEL

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

Throughout this brochure and depending on the type of Program referenced, the term "Portfolio Manager" shall refer to, as applicable, i) Stifel where it or your Financial Advisor, as agent for Stifel, provides discretionary portfolio management services, and/or ii) an Independent Adviser or Affiliated Adviser that provides model portfolios for your account, acts as your direct discretionary Portfolio Manager (e.g., in connection with our Solutions Program discussed below), or to whom Stifel has delegated discretionary authority as a sub-adviser (e.g., for manager-traded Portfolios in our Opportunity Program). References to the singular include the plural and vice versa.

## STIFEL SCORE PROGRAM

### About the Score Program

Our Score Program ("Score") offers model Portfolios provided by, or based on research that we obtain from, third-party investment advisers (each, an "Adviser"), which include Independent and Affiliated Advisers (collectively, "Adviser Portfolios"). Your Financial Advisor will assist you in selecting one or more Adviser Portfolio(s) from among those available in the Score Program, based on your specified investment objectives, goals, and risk tolerance. In general, the Advisers provide us their model Portfolios (and/or changes to the same) that we are responsible for implementing in your Score account. We compensate Advisers from the Advisory fees paid by Clients. The Adviser Portfolios offered in Score are detailed below.

**Washington Crossing Advisors ("WCA") is a Stifel affiliate** that uses quantitative and fundamental analysis to research asset value. WCA Portfolios available through Score include:

#### CONQUEST Portfolios

These Portfolios seek to add value by actively allocating assets among U.S. equities, bonds, commodities, and foreign assets through the use of ETFs. The CONQUEST approach aims to reduce overall risk exposure to individual issuers through diversification, to improve liquidity by utilizing highly marketable ETFs, and to maintain a portfolio of many asset classes throughout various market conditions. These Portfolios pursue additional returns by tactically tilting portfolio weights to assets expected to outperform in the coming months while reducing exposure to assets expected to underperform (i.e., tactical asset allocation). This strategy may be appropriate for investors who have conservative, balanced, moderate growth, or aggressive growth objectives. Clients may select the traditional CONQUEST Portfolios, or the CONQUEST – Sector Enhanced Portfolios in which the equity portion of the Portfolio may be focused on one or more of the Standard & Poor's® industry sectors. The minimum initial investment is \$50,000.

#### Victory Portfolio

This Portfolio seeks to invest primarily in equity securities of domestic companies deemed growing, profitable, and well-capitalized. A proprietary screening and evaluation process attempts to identify companies with positive after-tax, free cash flow, high rates of return on capital, improvements in revenue growth, and margin expansion. The Portfolio is a long-only, non-leveraged strategy that uses cash as a hedge against market and company-specific risk. This Portfolio may be appropriate for investors who

have a moderate growth investment objective. The minimum initial investment is \$35,000.

#### Blue Chip Rising Dividend Portfolio

This Portfolio seeks to access blue chip companies with rising dividends at attractive valuations, across multiple sectors. The Portfolio favors companies with strong balance sheets and consistent earnings that are capable of sustained growth of shareholder capital. This strategy may be appropriate for investors who have a moderate growth investment objective. The minimum initial investment is \$35,000.

#### Laddered Bond Portfolio

This Portfolio seeks to provide a stream of income with preservation of capital. Bonds are selected based upon fundamental evaluation of balance sheet quality, trends in cash flow, interest coverage, and liquidity. This Portfolio extends out ten years with approximately 10% of the Portfolio invested in each year. This Portfolio may be appropriate for investors who have a moderate growth investment objective. The minimum initial investment is \$200,000.

#### Dynamic Strategies Portfolios

The Dynamic Strategies Portfolios are managed using a low-turnover approach and invest in a broadly diversified global manner, primarily through ETFs and mutual funds, in an effort to gain exposure to multiple asset classes. Portfolio holdings may include domestic and foreign equities, fixed income (both corporate and government debt), and alternative investments (including commodities, REITs, currencies, and other hedged investments). Clients may select between the following Strategic and Active Portfolios, with investment objectives ranging from income to aggressive growth:

**Strategic Portfolios** – These Portfolios generally are appropriate for clients seeking tax-efficient, passive risk management with low portfolio turnover. The minimum investment amount for the Strategic Portfolios is typically \$50,000.

**Active Portfolios** – The Active Portfolios are managed with greater flexibility to respond to fundamental changes in the markets and/or the economy. The Portfolio Managers make tactical decisions aimed at anticipating and/or addressing economic trends. Volatility reduction and risk budgeting also play important roles in the investment process. Capital allocations may be adjusted as a result, or in anticipation, of changes in market conditions. These Portfolios may be appropriate for Clients with large investment portfolios who are seeking more active risk management and are willing to accept higher portfolio turnover. The minimum investment amount for the Active Portfolios is typically \$100,000.

**Choice Financial Partners, Inc., d/b/a EquityCompass Strategies ("EquityCompass") is a wholly owned subsidiary of Stifel Financial Corp.** and, therefore, our Affiliated Adviser. EquityCompass utilizes quantitative analysis of company fundamentals and market expectations of approximately 3,000 stocks to rate them in terms of quality, risk/reward potential, and timeliness. EquityCompass Portfolios available through Score include:

#### Select Quality Growth & Income Portfolio

This Portfolio seeks to invest in stocks that are above average in quality and favorable in terms of timeliness. This Portfolio is diversified across the ten Standard & Poor's® defined sectors and aimed to optimize exposure to stock selection criteria. This Portfolio may be appropriate for investors who have a moderate growth investment objective. The minimum initial investment is \$50,000.

#### Quality Dividend Portfolio

This Portfolio seeks to invest in stocks that are above average in quality and favorable in terms of timeliness, have high dividend

yield, and are subject to sector and industry constraints. Stock selections may be concentrated in a particular sector. The Portfolio is reviewed on an ongoing basis to optimize exposure to stock selection criteria. Stock positions are removed based upon sharp deteriorations in quality, dividend cuts, or becoming less favorable in quantitative models. This Portfolio may be appropriate for investors who have a moderate growth investment objective. The minimum initial investment is \$75,000.

#### *Research Opportunity Portfolio*

This Portfolio utilizes quantitative and fundamental analysis to select Stifel buy-rated stocks that are favorable in terms of timeliness. The Portfolio aims to optimize exposure to stock selection criteria. Stocks may be removed due to a Stifel downgrade to sell, or becoming less favorable in EquityCompass' quantitative models. This Portfolio is expected to have a high level of turnover. This Portfolio may be appropriate for investors who have an aggressive growth investment objective. The minimum initial investment is \$50,000.

#### *Tactical Core Equity Portfolio*

This is a multi-asset class Portfolio seeking to invest in individual U.S. equity securities, as well as traditional and inverse ETFs which may track various U.S. and international equity markets. The Portfolio may also invest in other exchange-traded vehicles that can offer beneficial diversification. Within its U.S. equity allocation, the Portfolio seeks to invest in stocks spanning across styles (Value/Growth) and size (Small-Mid-Large) classifications. The Portfolio will also engage in a tactical hedging strategy, the *EquityCompass Risk Management Strategy*, using ETFs aimed to reduce excessive portfolio volatility during periods of heightened economic and market uncertainty. This Portfolio may be appropriate for investors who have a moderately aggressive risk tolerance and five-year (or longer) investment horizon. The minimum initial investment is \$100,000.

#### *Tactical Total Core Portfolio*

This is a multi-asset class Portfolio seeking to invest in individual U.S. equity securities, as well as traditional and inverse ETFs that may track various U.S. fixed income, and international equity markets. The Portfolio may also invest in other exchange-traded vehicles that can offer beneficial diversification. Within its U.S. equity allocation, the Portfolio seeks to invest in stocks spanning across style (Value/Growth) and size (Small-Mid-Large) classifications. The Portfolio will also engage in a tactical hedging strategy, the *EquityCompass Risk Management Strategy*, using ETFs aimed to reduce excessive portfolio volatility during periods of heightened economic and market uncertainty. This Portfolio may be appropriate for investors who have a moderately aggressive risk tolerance and five-year (or longer) investment horizon. A tax-deferred version of this Portfolio is available. The minimum initial investment is \$150,000.

**Russell Investments**, incepted in 1936, has a core investment philosophy that diversification across asset classes and active management helps investors participate in potential market gains while attempting to manage risk to help them achieve their retirement goals. Russell Investments Portfolios available through Score include:

#### *Russell Model Strategy Portfolios*

These Portfolios utilize mutual funds constructed by Russell and consist of more than ten Portfolios that range in investment goals and objectives, from conservative (predominantly fixed income) to aggressive (all equity). Russell selects sub-advisors for each of their mutual funds based upon their own due diligence.

**Laffer Investments**, founded by Dr. Arthur B. Laffer, is the investment management affiliate of Laffer Associates, an institutional economic

investment research organization that provides research and consulting services to institutional clients around the world. Laffer Portfolios available through Score include:

#### *Global ETF Portfolio*

This Portfolio generally consists of eight equally weighted, country-specific ETFs. Selection of each country-specific ETF is based upon Laffer's global competitiveness ranking system, which determines which countries are best positioned for growth in the year ahead and incorporates variables such as exchange rates, changes to tax rates for dividends, individuals, and corporations. The Portfolio may allocate up to 25% in emerging market countries. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. This Portfolio may be appropriate for investors who have an aggressive growth investment objective.

### STIFEL SOLUTIONS PROGRAM

#### **About Our Solutions Program**

Our Solutions Program ("Solutions") offers discretionary account management by certain Stifel Financial Advisors who are approved to participate in the Solutions Program.

Once a Client has established his/her investment objectives, goals, risk tolerance, and an overall asset allocation, the Financial Advisor will assist the Client in selecting an appropriate strategy for all or part of the Client's asset allocation in the Solutions account. To implement a Client's investment objectives and risk tolerance, a Financial Advisor may utilize fundamental, qualitative, quantitative, and/or technical research published by Stifel or another source. Financial Advisors in Solutions may also employ short-term purchases and/or limited options trading, provided such strategies are suitable and appropriate for the Client and, as applicable, approved for the account. However, Financial Advisors' strategies will differ, and a Financial Advisor may have one or more strategies to use in managing Client accounts in Solutions. Each Client is encouraged to discuss and review with the applicable Financial Advisor how the account will be managed, as well as the specific risks applicable to the Client's Solutions account.

### STIFEL OPPORTUNITY PROGRAM

#### **About Our Opportunity Program**

In our Opportunity Program ("Opportunity"), we offer Clients access to various Independent and Affiliated Adviser Portfolios (each, a "Portfolio"). Once a Client has established his/her investment objectives, goals, risk tolerance, and an overall asset allocation, the Financial Advisor will assist the Client in selecting one or more suitable Adviser Portfolios from those selected and approved by Stifel to participate in the Opportunity Program. Each Client should carefully review each proposed Adviser's Portfolio to understand how the Client's account will be invested, as well as the risks related to each such Portfolio.

We have entered into a master agreement (or sub-advisory agreement) with each applicable Adviser pursuant to which the Adviser makes its Portfolios available to our Clients in one of two ways: a Portfolio may be traded directly by its manager (in such case, a "Manager-Traded Portfolio"), or we may retain trading responsibility over accounts in the Portfolio (in such case, a "Model-Based Traded ("MBT") Portfolio").

Manager-Traded Portfolios. The Independent or Affiliated Adviser for a Manager-Traded Portfolio assumes full discretionary portfolio

management responsibilities over each Client account invested in the Portfolio (in that capacity, an “Investment Manager”), including determining the securities to be bought or sold, implementing those decisions for the invested accounts, and for all other aspects of portfolio management for the accounts. An Investment Manager may implement trades through Stifel in our capacity as a broker-dealer, or may implement trades through another broker-dealer if the Investment Manager determines, in its sole discretion, that such other broker-dealer is providing best execution in light of all applicable circumstances. Please refer to the Section “*Fees and Compensation – Fees and Expenses Associated With “Step Out Trades” by Investment Managers*” for more information about Investment Managers’ trade-away practices.

**MBT Portfolios.** Alternatively, if you select an MBT Portfolio, the Adviser will provide us with its model Portfolio and ongoing updates to the same, which we will be responsible for implementing (in such capacity, the Adviser will be referred to as a “Model Advisor”). Therefore, with respect to MBT Portfolios, we will retain discretionary trading authority over Client accounts.

## STIFEL HORIZON PROGRAM

### About Our Horizon Program

Under the Horizon Program (“Horizon”), a Client’s Financial Advisor provides non-discretionary investment advisory services by recommending and advising on the appropriateness of specific investments for Clients in accordance with their stated investment objectives and risk tolerance. Clients are ultimately responsible for determining whether to implement a Financial Advisor’s recommendations for the account.

Depending on your investment objectives and in lieu of recommending specific investment vehicles, your Financial Advisor may assist you in selecting an independent, third-party Adviser (each, a “Dual Contract Manager”) to manage your Horizon account on a discretionary basis in accordance with your selected Portfolio. In such cases, your Financial Advisor will assist you in establishing and maintaining your relationship with the Dual Contract Manager, including executing a separate investment advisory agreement with such Dual Contract Manager. Clients should note that, in addition to the Stifel Advisory Fee, as defined below, for the services we provide, the Client shall be separately responsible for the Product Fee, as defined below, charged by the Dual Contract Manager, as well as any third-party fees or other expenses excluded from the Stifel Fee incurred by the account as a result of Client’s relationship with such Dual-Contract Manager. *In these instances, the Client has a separate and direct relationship with the Dual Contract Manager. As such, our firm does not have or exercise any authority with respect to the assets in the account, nor does Stifel provide ongoing due diligence or assessment of the Dual Contract Manager’s capabilities, performance, or services to the Client.* The Client is therefore responsible for carefully reviewing any and all information and/or material provided by the Dual Contract Manager, and for determining the appropriateness of continuing the relationship.

## STIFEL FUNDAMENTALS PROGRAM

### About Our Fundamentals Program

Under our Fundamentals Program (“Fundamentals”), Clients have access to discretionary and/or non-discretionary investment advisory and portfolio management services with a focus on mutual funds and/or ETFs. The mutual funds and ETFs available in the Fundamentals Program, whether for selection in a non-discretionary Fundamentals account or for inclusion in any of the model Portfolios offered in discretionary Fundamentals, are generally approved by Stifel’s

Traditional Products Committee (the “TPC”) or its delegates. For non-discretionary Fundamentals accounts, Financial Advisors select and recommend appropriate mutual funds and/or ETFs from the available list. For discretionary Fundamentals accounts, Stifel’s Traditional Products Research Group (the “TPRG”) is responsible for creating and selecting the available Portfolios to be offered, as well as the specific funds and ETFs to populate those Portfolios. TPRG selects specific mutual funds and ETFs from its Mutual Fund Research Recommended List (the “Mutual Fund Recommended List”) and/or the ETF Research Recommended List (the “ETF Recommended List”). The process TPRG employs for the development of the discretionary Fundamentals Portfolios is discussed in more detail below in the Section titled “Methods of Analysis, Investment Strategies, and Risk of Loss.”

### Non-Discretionary Fundamentals

Under a non-discretionary Fundamentals arrangement, Financial Advisors recommend to Clients mutual funds and/or ETFs available for purchase on our platform, consistent with the Client’s specified investment objectives, risk tolerance, and overall asset allocation in order to implement all or part of the Client’s personalized asset allocation strategy in the Fundamentals account. Clients must approve all recommendations prior to implementation, as well as any subsequent proposed changes to be implemented in their account, prior to execution.

### Discretionary Fundamentals

Under a discretionary Fundamentals arrangement, Financial Advisors assist Clients in selecting from a set of proprietary Portfolios that utilize mutual funds and/or ETFs, consistent with a Client’s specified investment objectives, risk tolerance, and overall asset allocation. Clients grant Stifel discretionary authority to invest account assets in accordance with the chosen Portfolio, and to rebalance such account assets periodically in order to implement any updates made to a Portfolio. The Portfolios listed below are available under the Discretionary Fundamentals Program **only**:

**Aggressive Growth.** This portfolio seeks to invest in primarily equity funds and may be appropriate for investors with a long-term investment horizon in pursuit of above-average capital appreciation and willing to assume a greater level of potential risk.

**Moderately Aggressive.** This portfolio seeks to invest in approximately 80% equity funds and 20% taxable, fixed income funds and may be appropriate for investors with a long-term investment horizon and seeking capital appreciation but who also desire the risk-minimizing impact of fixed income ownership.

**Municipal Moderately Aggressive.** This portfolio seeks to invest in approximately 80% equity and 20% tax-exempt fixed income funds and may be appropriate for investors with a long-term investment horizon seeking capital appreciation but who also desire the risk-minimizing impact of fixed income ownership.

**Moderate Growth.** This portfolio seeks to invest in approximately 65% equity funds and 35% fixed income funds and may be appropriate for investors who primarily seek conservative capital appreciation but also desire income generation from stock dividend and bond interest payments.

**Municipal Moderate Growth.** This portfolio seeks to invest in approximately 65% equity funds and 35% tax-exempt fixed income funds and may be appropriate for investors who primarily seek conservative capital appreciation and also desire income generation from stock dividend and bond interest payments.

**Moderate.** This portfolio seeks to invest in approximately 50% equity funds and 50% fixed income funds and may be appropriate for investors

seeking a balance between conservative capital appreciation and income generation from stock dividend and bond interest payments.

**Municipal Moderate.** This portfolio seeks to invest in approximately 50% equity funds and 50% tax-exempt fixed income funds, and may be appropriate for investors seeking a balance between conservative capital appreciation and income generation from stock dividend and bond interest payments.

**Moderately Conservative.** This portfolio seeks to invest in approximately 30% equity funds and 70% fixed income funds and may be appropriate for investors focused on above-average income generation from stock dividend and bond interest payments who also desire potential capital appreciation.

**Municipal Moderately Conservative.** This portfolio seeks to invest in approximately 30% equity funds and 70% tax-exempt fixed income funds, and may be appropriate for investors focused on above-average income generation from stock dividend and bond interest payments who also desire potential capital appreciation.

***Option of Traditional or Alternative Models.*** Each portfolio listed above is available in a traditional model (that is, one that invests solely in traditional mutual funds and/or ETFs) or an alternative model that includes an allocation to non-traditional or alternative mutual funds and/or ETFs. Alternative models differ from traditional models in that they seek an absolute return and seek to manage risk and volatility by investing in traditional and non-traditional asset classes in a less constrained manner. An alternative model may be defined by how a manager invests (that is, use of alternative strategies), as well as what they invest in (such as, for example, investing in real estate or commodities). In general, alternative mutual funds and ETFs may employ a wide variety of investment techniques, including (but not limited to) shorting of equities and credit and the use of derivatives or leverage. *Clients should carefully review the risks associated with specific alternative models being considered for investment.*

***Management of the Discretionary Fundamentals Program.*** In an effort to determine the most appropriate asset allocation for each discretionary Fundamentals Portfolio, the TPRG collaborates with a third-party vendor that provides expertise in the development of capital market assumptions and asset allocation modeling. The TPRG is also responsible for determining which mutual funds and/or ETFs from the Mutual Fund and/or ETF Recommended List(s) will be included in the discretionary Fundamentals Portfolios. The TPRG reviews funds held in discretionary Fundamentals Portfolios on an ongoing basis, and such Portfolios are adjusted when our firm no longer recommends a current Portfolio holding.

#### STIFEL CUSTOM ADVISORY PORTFOLIO PROGRAM

##### **About Our Custom Advisory Portfolio Program**

The Custom Advisory Portfolio Program offers clients investment management services utilizing various investment products within a single account. Based on a Client's specified risk tolerance, investment objectives, and overall asset allocation, Financial Advisors will recommend and assist the Client in selecting eligible investment products ("Investment Products"), which include mutual funds, ETFs, and/or Portfolios provided and advised, or managed, by an Independent or Affiliated Adviser, or Stifel ("Adviser Portfolios"), in which to invest in order to implement all or a part of the Client's asset allocation in the Custom Advisory Portfolio. Clients must approve such recommendations prior to implementation. Each Investment Product selected will be segmented to a specific portion of a Client's Custom Advisory Portfolio (each, a "Sleeve"). Any funds recommended are from a list of eligible and approved funds (determined in our sole

discretion). The available Adviser Portfolios for the Custom Advisory Portfolio Program include those available in the Score, Opportunity, and Fundamentals Programs. In addition, Clients also grant Stifel limited discretionary authority to act as overlay manager, to hire and terminate Advisers providing or managing their Portfolio for the Custom Advisory Portfolio Program, and to rebalance Client accounts, from time to time, to within a reasonable range (set by us) of the target allocation for each sleeve comprising Client's Custom Advisory Portfolio.

#### STIFEL UNISON PROGRAM

##### **About Our Unison Program**

Our Unison Program ("Unison") offers discretionary portfolio management, where Portfolios constructed of mutual funds and/or ETFs, and Portfolios and/or Strategies provided by Independent or Affiliated Advisers may be allocated to a single account. In Unison, once the Client has established his/her Client investment objectives, risk tolerance, and overall asset allocation, the Financial Advisor will assist the Client in selecting appropriate Portfolios and/or Strategies, as applicable, to implement all or part of the Client's asset allocation in the Unison account. Stifel acts as overlay manager with discretion to hire and terminate Advisers, buy and sell securities, adjust allocations, and rebalance Client accounts. The ETFs and/or mutual funds available in Unison are part of the ETF Recommended List or the Mutual Fund Recommended List, as applicable, which are limited to load-waived or no-load shares of such eligible funds. We review our choices on an ongoing basis and adjust accounts when a current Portfolio holding is no longer recommended. We consider many factors in determining an appropriate diversified allocation model for each Client, including the Client's account inception value, risk tolerance, and investment objectives.

#### STIFEL SPECTRUM PROGRAM

##### **About Our Spectrum Program**

Our Spectrum Program ("Spectrum") offers discretionary portfolio management, combining a strategic mutual fund allocation, a tactical ETF Strategy, and the EquityCompass Risk Management Strategy in a single account. Financial Advisors assist Clients in selecting from multiple strategic mutual fund and tactical ETF Portfolio combinations, consistent with the Client's specified risk tolerance, investment objectives, and overall asset allocation. For the portion of the Spectrum account invested in a strategic mutual fund Portfolio, such Portfolios are constructed by TPRG utilizing mutual funds (including alternative versions, in applicable models) that are part of the Mutual Fund Recommended List. We review our choices on an ongoing basis and adjust accounts when a current Portfolio holding is no longer recommended.

#### STIFEL INVESTMENT MANAGEMENT CONSULTING PROGRAM

##### **About Our Investment Management Consulting Program**

*This Program is only available on a limited basis.* The Investment Management Consulting ("IMC") Program offers a comprehensive and structured approach to guide Clients through investment planning and portfolio management for one or more accounts, all covered under a single IMC Client agreement. The IMC Program is available for Clients looking for bundled investment advisory, consulting, discretionary investment management, trade execution and clearing, custodial, and/or performance reporting services. The services provided generally include a review of the Client's investment objectives and goals, the development of an appropriate personalized investment strategy, and ongoing monitoring of investments. At a Client's request,



Financial Advisors may also provide investment management consulting services on assets held with a custodian other than Stifel.

### Discretionary IMC

Discretionary IMC services are provided by Independent and/or Affiliated Advisers, selected by a Client with assistance from their Financial Advisor from those available on our platform.

### Non-Discretionary IMC

Under this option, Clients receive personalized investment advice from their Financial Advisor with respect to asset allocation and/or investment strategies. Clients must approve any and all recommendations prior to implementation by their Financial Advisor.

## SEI ASSET MANAGEMENT PROGRAM

### About SEI Asset Management Program

*This Program is not open to new accounts.* Clients enrolled in the SEI Asset Management ("SEI") Program have access to the discretionary portfolio management services of SEI Asset Management Corporation, an Independent Adviser. Financial Advisors will recommend, and Clients will select, an asset allocation model managed by SEI, comprised of SEI's mutual funds, consistent with such Client's specified investment objectives, risk tolerance, and overall asset allocation. SEI utilizes multiple institutional managers as advisers to the SEI mutual funds. SEI is responsible for fund selection for its models and rebalancing of accounts. SEI Trust Company (a subsidiary of SEI Asset Management Corporation) acts as the transfer agent and custodian for each Client account that SEI manages on a discretionary basis.

### General Fee Information

Fees for the SEI Asset Management Program are set by SEI, and are not subject to Stifel's control. The fee schedule for the SEI Program is as follows:

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

Subject to Client authorization, SEI Trust Company debits Client accounts for the fee and remits a portion of the payment to Stifel on a quarterly basis.

## OTHER INFORMATION ABOUT THE PROGRAMS

Where Stifel acts as your portfolio manager, if we believe it is appropriate based upon the investment Strategy or Portfolio you have selected, we may recommend that you allocate, or we may take steps on a discretionary basis to allocate, as applicable, (i) your account assets to investments that meet a lower risk tolerance than the one applicable to the investment objectives you have indicated, and/or (ii) a portion of your assets to cash.

We enter into written agreements with Advisory clients acknowledging our Advisory relationship, disclosing our obligations when acting in an Advisory capacity, and describing the roles and responsibilities of each party (each, a "Client Advisory Agreement").

## FEES AND COMPENSATION

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

For the services provided under the applicable Client Advisory Agreement, Clients generally pay an annual asset-based Advisory Account fee at the rates set forth below (the "Advisory Account Fee," the "fee," or the "Advisory fee"). The Advisory Account Fee consists of: (i) a fee for the services provided by Stifel (referred to as the "Stifel Fee"), and if applicable, (ii) a fee for the Adviser's services with respect to each Portfolio and/or Strategy in which a Client's Advisory account is invested (the "Product Fee(s)").

#### The Stifel Fee

For the Advisory Programs described in this brochure, each Client pays an asset-based wrap fee to Stifel of up to 2.5%, which covers our administrative, account reporting, and investment advisory services, trade execution for trades through or with Stifel, compensation to the Financial Advisor, and, as applicable, custody of securities, portfolio management and clearing services. The Stifel Fee may be negotiable in our sole discretion.

#### Product Fees

For the Advisory Programs covered in this brochure which include the services of an Independent or Affiliated Adviser managing or providing Portfolios or Strategies, Clients will also be separately responsible for the Product Fees to compensate such Independent or Affiliated Adviser. Such Product Fees are generally not negotiable and are as follows:

- **Score Program:** Up to 0.50%, depending on the Portfolio.
- **Manager-Traded Portfolios:** 0.10% to 1.00%, depending on the applicable Portfolio.
- **MBT Portfolios (including those in the Custom Advisory Portfolio Program):** from 0.20% to 0.50%, depending on the applicable Portfolio.
- **Unison Program:** A 0.35% Product Fee is charged on the assets invested with each applicable Adviser.
- **Spectrum Program:** A 0.20% Product Fee is charged on the assets invested in the applicable Portfolio.
- **IMC Program:** Generally range from 0.28% to 0.65%. Certain Advisers may charge a *premium* in addition to the Product Fee set forth above. In such cases, Clients will be responsible for any premium charged, the amount of which will be disclosed to the Client prior to enrollment with the particular Adviser.

Product Fees set forth above are paid to the applicable Adviser on a quarterly basis.

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

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

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

#### ***Calculation of Advisory Account Fees***

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

However, Advisory Account Fees for the Custom Advisory Portfolio Program are bifurcated into two parts, each which is assessed separately from the other: (i) the Stifel Fee, and (ii) as applicable, the Product Fees paid directly to an Independent or Affiliated Adviser. The Stifel Fee is due quarterly in advance, while the Product Fee paid to any third-party Adviser, as applicable, is due quarterly in arrears. *Notwithstanding the two payment dates, however, each portion is calculated based on the value of the account as of the same date – the account's closing market value as of the last business day of the previous calendar quarter (or in the case of a new account, as of the previous day's closing market value).*

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

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

#### ***Fee Householding***

Each Client may request to household their Advisory accounts held at our firm (that is, combine multiple Advisory accounts for purposes of calculating the Advisory Account Fee in order to qualify for available lower fee tiers in each Program). Fee householding can result in lower overall fees to the Client if the aggregate household value is high enough to qualify for lower fee tiers in the applicable Programs. Clients can fee household Advisory accounts across multiple Programs. *Clients should note, however, that it is the Client's responsibility, not Stifel's, to determine whether Client has multiple Advisory accounts that could be householded and potentially result in lower overall fees to the Client.* Clients should contact their Financial Advisor(s) for more detailed information about fee householding Advisory Accounts.

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

Unless otherwise agreed to between Client and Stifel, the Advisory Account Fee outlined above is automatically deducted from available cash or cash equivalents, including money market funds, in the Client's Advisory account on the billing date each quarter. Clients grant us discretionary authority to rebalance or liquidate securities in order to generate sufficient funds to cover the fee, as necessary.

Subject to agreement between Client and Stifel, other permissible fee payment options may include:

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

#### ***Refund of Fees Upon Termination***

In the event of a termination, Clients generally will receive a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter of termination. Notwithstanding the foregoing, we reserve the right to retain pre-paid quarterly fees if the Client Advisory Agreement is terminated at any time within the first quarter of the first year of service.

#### ***Client-Directed Transactions and Associated Costs***

To the extent that we allow a Client to direct the purchase of securities other than mutual funds and/or ETFs in a Fundamentals account ("non-fund trades"), such non-fund trades may be implemented as non-advisory transactions that are subject to separate commissions. *As a non-advisory transaction, neither Stifel nor the Financial Advisor is acting in a fiduciary capacity when implementing and/or recommending such non-fund trades.* Securities purchased subject to a commission in a Fundamentals account will be excluded from the account value for Advisory billing purposes for a twelve-month period after purchase, *but only to the extent the securities continue to be held in the account.* Clients should consider the related transaction costs and the impact on the overall costs of holding the account.

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

### **Fees and Expenses Not Included, and Incurred in Addition to, the Advisory Account Fee**

The Advisory Account Fee does not include the fees, charges, and expenses outlined below. If applicable, you will be charged said fees, charges, and expenses in addition to the Advisory Account Fee. If the investment product is offered by a prospectus or other offering document, information about the related fees, charges, and expenses is set forth in such prospectus or other offering document.

#### *Fees and Expenses Associated With “Step-Out Trades” by Investment Managers*

Each Investment Manager (including Dual Contract Managers) that manages all or a portion of a Client’s Advisory accounts retains the authority to determine the execution venue for transactions in the Client accounts. As such, Investment Managers may determine to direct trades away from Stifel (also called “*step-out trades*”) when they conclude, in their sole discretion, that they will get best execution for a particular transaction through another broker-dealer who may or may not impose additional execution costs for the trade. This may be due to the type of securities that the Investment Manager is buying or selling, or because the Investment Manager is aggregating Stifel Client trades with other non-Stifel client accounts (as further explained below), or for some other reason determined in the sole discretion of the applicable Investment Manager.

#### *Types of Securities Traded*

Investment Managers whose Portfolios consist primarily (or substantially) of fixed income securities, foreign securities (including ADRs), ETFs, and/or small cap securities are more likely to trade away from Stifel. This means that Clients investing in such Portfolios will most likely incur execution costs (whether in the form of commissions or markup/markdowns that are built into the net price of the security) in addition to, and which will not reduce, the Advisory Account Fee. Clients should therefore take these costs into consideration when selecting and/or determining whether to remain invested in the affected Portfolios.

#### *Trade Aggregation*

Investment Managers typically manage Advisory client accounts of multiple sponsor firms using the same Portfolio(s), and may also manage other directly sourced accounts side-by-side with Advisory client accounts. In certain cases, the Investment Manager may decide to aggregate all client transactions into a block trade that is executed through a single broker-dealer, rather than separately through each participating sponsor (such as Stifel). Aggregating transactions into a single block typically enables the Investment Manager to exercise more control over the execution, including (for example) potentially avoiding an adverse effect on the price of a security that could result from simultaneously placing a series of separate, successive, and/or competing client orders.

***If additional execution costs (whether as a commission or markup or markdown) are incurred, the Client will be responsible for such execution costs in addition to the Advisory Account Fee.*** For additional information about each Investment Manager’s trade-away practices (including the related execution costs), Clients should also review each applicable Investment Manager’s Form ADV Part 2A Brochure.

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

In addition to the fees and expenses explained above, the Advisory Account Fee also does not include, but is not limited to, the following:

- Brokerage commissions, markups, markdowns, spreads, and odd-lot differentials on transactions directed by an Investment Manager and effected through or with a broker and/or dealer other than Stifel

(that is, costs relating to step-out trades or trades away from our firm).

- To the extent allowed in the account, markups and markdowns on agency trades or principal transactions effected by an Investment Manager through or with us (prices at which securities are purchased in principal transactions from other dealers and executed by us acting as agent will be computed by other dealers in the customary manner based on the prevailing inter-dealer market price).
- Any interest expense charged to the account (including, but not limited to, margin interest charged with respect to any margin loans).
- The entire public offering price (including underwriting commissions or discounts) on securities purchased from an underwriter or dealer (excluding our firm) involved in a distribution of securities.
- Exchange fees, transfer or other taxes, and other fees required by law, including (but not limited to), taxes or fees imposed by any foreign entity in connection with securities transactions in the account.
- Account, third-party administration, and/or termination fees associated with external qualified retirement plan (including IRAs).
- “Pass-through fees” charged by third parties with respect to any securities relating to the portfolio, including, but not limited to, pass-through fees charged (including any wire charges or conversion fees) in connection with ADRs by the sponsors of such ADRs as custody-related expenses.
- Wire transfer fees (including those associated with alternative investment transactions).
- Fees or expenses related to trading in foreign securities (other than commissions otherwise payable to Stifel).
- Fees, charges, or other costs and expenses related to collective investment vehicles, such as affiliated and unaffiliated closed-end funds, mutual funds, ETFs, index funds, investment trusts, REITs, or other pooled investment vehicles (including, but not limited to, annual operating expenses, portfolio management, distribution and marketing, early redemption fees, or similar fees, in each case as outlined in the individual fund prospectus).
- Any other item not specifically included in the services described in the applicable Client Advisory Agreement.

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

### **ADDITIONAL INFORMATION ON FEES AND OTHER COMPENSATION**

#### **Compensation to Financial Advisors**

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

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

Stifel, our Financial Advisors, and our affiliates may, from time to time, receive additional compensation in connection with certain types of

assets in which Clients' Advisory accounts may be invested. This compensation is in addition to the Stifel Advisory Fee that a Client pays to us for our investment advisory services. The receipt of this compensation may create an incentive to recommend investment products based on the compensation received rather than a Client's needs. Clients have the option to purchase investment products that we recommend through brokers who are not affiliated with us.

#### **Brokerage Commissions**

For all Programs, the Stifel Fee includes the costs associated with our execution services. We generally do not charge separate brokerage commissions for trades that we execute for wrap accounts in the Programs covered in this brochure, unless as specifically disclosed to the affected Client (such as in the Client Advisory Agreement, addendums thereto, or in other applicable documents). As licensed securities salespersons, 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.

#### **Compensation From Registered Funds**

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

- (i) *Networking and Omnibus Fees:* Registered Funds generally pay networking and/or omnibus fees in consideration for ancillary services provided in connection with fund positions held through us. Networking fees are generally calculated by applying the standard networking range of up to \$10 per fund account annually. Omnibus fees may range up to \$19 per fund account annually, or 0.15% of the Registered Fund assets held at Stifel.
- (ii) *12b-1 Distribution Fees ("12b-1s")* are received directly from the Registered Funds, both affiliated and non-affiliated, for distribution and shareholder services we provide in connection with the purchase and sale of mutual fund shares. The current rate of 12b-1 fees that we receive from Registered Fund companies generally ranges from 0% to 0.25% annually.
- (iii) *Revenue Sharing Compensation* is intended to compensate us for assisting with the sales and providing distribution support and ancillary services related to sales of mutual fund shares. Revenue share compensation is generally based on either the amount of sales or the value of assets our firm's Clients hold with the particular fund company. Such payments are generally made directly from the Registered Fund's distributors and not from the Registered Funds themselves. Revenue Sharing may give our firm a financial incentive to recommend particular Funds to Clients. We generally receive Revenue Sharing in connection with Registered Fund shares held in Stifel accounts (or for the benefit of Stifel Client accounts held directly with a Registered Fund company) rather than shares held at other financial institutions. While not all Registered Fund companies participate in an additional compensation arrangement with Stifel, the compensation that our firm receives may be based on either the total sales up to 0.15% of purchases, a portion of the fund assets held by Clients up to 0.10% on an annual basis, or a fixed dollar amount. This Revenue Sharing information is subject to change at our discretion. Although we seek to apply a standard payment schedule, not all Registered Fund companies approach Revenue

Sharing the same way, and some fund companies may decline to pay Revenue Sharing at the levels listed above, or at all, which may present a financial disincentive for us to promote the sale of those funds. We do not pay any portion of any Revenue Sharing received to our Financial Advisors to mitigate the potential conflicts of interest that could arise if our Financial Advisors recommended Registered Funds based on our firm's Revenue Sharing arrangements.

- (iv) *Training and Education Expense Contributions:* Registered Fund companies and/or Advisers may subsidize a portion of the cost of training and achievement seminars offered to our Financial Advisors through specialized and/or firm-wide programs and consulting training forums. These seminars are designed to provide education and training to Financial Advisors who recommend (or are considering recommending) the Registered Fund and/or Adviser's Portfolio or Strategies to Clients. The subsidies may vary, and no vendor company is required to participate in the seminars or to contribute to the costs of the seminars in order to have their products or services available on our platform. Financial Advisors do not receive a portion of these payments. However, their attendance and participation in these events, as well as the increased exposure to vendors who sponsor the events, may lead Financial Advisors to recommend the products and services of those vendors as compared to those who do not.
- (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 Registered Funds that our Financial Advisors may recommend to and/or purchase for Client accounts. These affiliates will receive management fees (or a share thereof) from the Registered Fund or the Funds' adviser, even in cases where the Registered Fund shares are purchased and held in Stifel Advisory accounts (thereby, subject to Stifel Advisory Fees). *Our firm does not directly share in any Fund management or other fees received by our affiliates for their management services to the Registered Funds.* However, as part of the affiliated group, we may receive indirect benefits from such compensation through our parent company.

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

### ***Interest and Similar Compensation***

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

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

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

### ***Float***

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

- new deposits to the account (including cash from interest and dividends paid on securities held in such account), and
- Un-invested cash in the account caused by instructions to buy and sell securities (which may, after the period described below, be automatically swept into a sweep vehicle).

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

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

From time to time, we may enter into revenue-sharing arrangements with private investment funds in which our Clients invest, or the managers or sponsors of such private 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, eligible (i.e., licensed) Financial Advisors are able to offer various insurance products to Clients. Such Financial Advisors are generally licensed as insurance agents and, as such, can effect insurance transactions for separate and customary commission compensation. We receive a portion of any

commissions that the issuing insurance company pays with respect to insurance products sold by our Financial Advisors.

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

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

### ***General Disclosure on Conflicts of Interest***

As set forth above, the additional compensation associated with the Programs and/or investments described in the preceding section, to be paid to and retained by Stifel and/or one or more of our affiliates (and which may be shared with your Financial Advisor), may present a conflict between the interests of Clients on the one hand and those of Stifel, our affiliates, and your Financial Advisor on the other. This additional compensation may provide an incentive to Stifel and/or your Financial Advisor, in exercising discretion or making recommendations for your account, to choose or recommend investments that result in higher compensation to our firm, your Financial Advisor, and/or affiliates of Stifel. For example, your Financial Advisor will receive a portion of the Advisory Account Fee that we retain after paying, as applicable, the portion due to a third-party Adviser. *As a result, our Financial Advisors may have an incentive to recommend Advisory Programs in which the fee is not shared with a third-party Adviser (e.g., Solutions Program) in order to receive a higher portion of the fee.* Additionally, for those Programs in which Stifel pays a portion of the Advisory Account Fee to third-party Advisers, which tends to be less if we trade the Portfolio internally than if it is Manager-Traded, Clients should note that their Financial Advisor may have an incentive to recommend MBT Portfolios in the applicable Programs over Manager-Traded Portfolios in order to retain a larger portion of the fee.

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

**It is important to note that** the services provided to you under the wrap fee Programs described above may be obtained on an unbundled basis and may result in overall lower costs. You could use a commission-based brokerage account instead of a fee-based investment advisory account and independently retain a third-party adviser to manage your account. In certain cases, the total charges that you may pay in Advisory fees may be higher than the commissions that could have been charged for brokerage-only services. There may also be cases where the Advisory Account Fee charged for Programs covered in this brochure may be higher than if the Client obtained the services covered by such fee separately (that is, if you paid separately advisory services, portfolio management services, trade execution, custody, and related services). You should consider the value of Advisory services provided or to be provided under each Program when evaluating fees or the appropriateness of the Advisory account in general. The combination of brokerage and Advisory services may not be available separately or may require multiple accounts and varying forms of payment. **You are responsible for determining whether a wrap fee program is appropriate for you. Therefore, you should understand the investment strategy you have selected and the amount of anticipated trading activity in assessing the overall cost of the Program.** Relative transaction infrequency could have a bearing on whether a wrap, asset-based fee account is more appropriate for you than a commission-based account.

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

We do not charge performance-based fees for our investment advisory services.

## ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

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

### Program Minimums

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

- Score Program: Between \$50,000 and \$200,000
- Unison Program: \$250,000
- Opportunity and IMC Programs: \$100,000
- Spectrum and Custom Advisory Portfolio Programs: \$50,000
- Solutions and Horizon Programs: \$25,000
- Fundamentals Program: Between \$5,000 and \$100,000

## PORTFOLIO MANAGER SELECTION AND EVALUATION

### Dual Contract Managers in Horizon Program

As set forth in the description above, as part of the Horizon Program, a Financial Advisor may recommend a Dual Contract Manager to a Client, based on the Client's goals and objectives and the third-party manager's investment philosophy and policies. If the Client approves the recommendation, the Financial Advisor will assist such Client in establishing the relationship with the Dual Contract Manager, including entering into a separate advisory agreement. Due to this separate and direct relationship with each Dual Contract Manager, the Client is responsible for carefully reviewing all information provided by the Dual Contract Manager, and for determining the advisability of continuing the relationship. We do not monitor or otherwise supervise the Dual Contract Manager's services to the Client's account.

### Advisers in All Other Programs

Our staff conducts initial due diligence with respect to Advisers providing Strategies or Portfolios for our wrap fee Programs. We also conduct ongoing due diligence with respect to third-party Advisers included on our SMA Recommended List. The SMA Recommended List contains third-party Advisers that, in the opinion of TPRG, are some of the strongest managers for the investment style represented. These initial due diligence activities are discussed below.

Except as otherwise set forth in the applicable Program description, our firm manages all other Program assets directly, rather than through Independent or Affiliated Advisers acting as Investment Manager on the accounts.

### Our Process for Selecting Independent and Affiliated Advisers

In selecting Independent and Affiliated Advisers, including those that are part of our SMA Recommended List, we seek to identify those that represent various investment strategies across several investment styles and asset classes. We generally require potential candidates for our SMA Recommended List to complete our proprietary Request for Proposal ("RFP") in which they provide information about their firm, its history and personnel, Portfolio performance, investment philosophy,

and other relevant data. We then consider and evaluate the information provided in order to determine whether an Adviser and its Strategy should become part of our SMA Recommended List. As part of the initial review, our personnel use a vendor database of research and statistics to review the annual performance and operations of Independent and/or Affiliated Advisers, and may conduct in-person or telephone meetings with potential Advisers. We seek to identify and retain Independent and Affiliated Advisers with a strong record and history of managing assets, taking into account certain factors, including, but not limited to, the investment style and philosophy, account minimum, assets under management, number of investment professionals on staff, and number of years in business.

Our firm and/or Affiliated Advisers may also serve as Investment Manager for a Program or Strategy within a Program and, in such cases, may be responsible for trading, adjusting allocations, and rebalancing Client accounts invested in such Program or Strategy, as appropriate, as well as implementing any applicable investment restrictions, and other portfolio management decisions. Subject to our fiduciary obligations, we generally select Affiliated Advisers to manage Programs and/or Strategies where the Affiliated Adviser's investment style is in line with the Program's or Strategy's objectives. It is important to note, however, that our due diligence processes for Independent Advisers may be different than for Affiliated Advisers.

Our staff conducts ongoing due diligence of Independent and Affiliated Advisers on our SMA Recommended List. These periodic due diligence and/or monitoring activities may include on-site and/or telephonic reviews with the investment and other personnel of certain Advisers. All other Advisers and fund companies (for mutual funds and ETFs on our platform) generally report performance and other events on a quarterly basis using industry sources and databases, to which we have access and review regularly. Advisers are also required to fill out an annual questionnaire reporting various items to us, including material changes that may have occurred during the prior year. Finally, we use a rating system to rate Advisers in order to assist our Financial Advisors and, thereby, their Clients in selecting an appropriate Adviser to manage (or continue to manage) a Client's assets.

### Replacing Independent and Affiliated Advisers

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

### Independent and Affiliated Adviser Performance Information

Stifel obtains performance information regarding Independent or Affiliated Advisers from a number of different sources. In addition, Affiliated and/or Independent Investment Managers may also provide performance information directly to Stifel, or directly to Clients. In such cases, the Affiliated or Independent Investment Manager is responsible for reviewing the information included in the report that they issue. Stifel does not independently verify or guarantee that performance information is accurate or complete. As a result, performance information presented to Clients may not be calculated in a uniform and consistent basis. We typically provide performance reports to Clients on a quarterly basis using performance returns calculated by our primary performance system. More detailed information regarding our performance reports, including calculation methodology, can be found below in the section titled "Performance Information."

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

### Methods of Analysis, Investment Strategies

As discussed above, Stifel's TPC is responsible for the analysis, selection and onboarding of the mutual funds and ETFs available for purchase. The TPRG is represented on the TPC and provides due diligence, as requested, in support of such fund onboarding. From time to time, select funds from the broad universe of those that are approved become part of either our Mutual Fund Recommended List or our ETF Recommended List as applicable. In selecting mutual funds and/or ETFs to be made available for purchase broadly, and in choosing those to be included on the respective Recommended List, the TPC (and, as applicable, the TPRG) consider many factors, including, but not limited to, a fund's investment objectives and style, long-term performance records, volatility and risk levels, tracking error, and annual expense ratios (i.e., costs). In constructing and monitoring the Portfolios available in the discretionary Fundamentals, Unison, and Spectrum Programs, the TPRG reviews such securities on an ongoing basis and, as applicable, adjusts such Portfolios when a current holding is downgraded or no longer recommended by our firm.

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

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

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

Clients should refer to each Program and Strategy or Portfolio description for more information (where available) on the investment

strategies and methods of analysis used in connection with such Program, Strategy, or Portfolio.

### Risk of Loss

Clients should understand that all investment strategies and the investments made when implementing those investment strategies involve risk of loss, and clients should be prepared to bear the loss of assets invested. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments fluctuates due to market conditions and other factors.

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

### Material Risks

For the Strategies and Portfolios listed or referenced above, equities, ETFs, mutual funds, options, and fixed income securities are the primary investments. Clients should always read the prospectus and other offering documents (or, in the case of an Adviser Strategy, the Adviser's Form ADV Part 2A or the Strategy Description) for a full description of risks associated with the particular investment. Clients are urged to consider all of the risks associated with the types of transactions and securities involved in the Portfolio or Strategy in which they are contemplating an investment, as listed below, as well as any potential impact that engaging in any of the below transactions may have on an account's overall performance.

The following material risks may also be applicable to Advisory accounts invested in the Programs covered in this brochure:

**Management Style Risks:** As set forth above, a number of our Programs, including (but not limited to) Score, Opportunity, Unison, Spectrum, Custom Advisory Portfolio, IMC, and Horizon, are, or may be, managed or advised by Independent or Affiliated Advisers. In general, we select Advisers based on, among other things, their management style and performance track record. However, an Adviser's past performance is not a guarantee of its future results; as such, its investment strategies may fail to produce the intended results.

**Model-Based Trading Risks:** As set forth above, our firm is responsible for trading certain Portfolios or Strategies provided to us by Independent or Affiliated Advisers, in the applicable Programs in this brochure. When such Portfolios or Strategies are provided by the Adviser, we attempt to match the holdings, and to enter trades within the timeline and/or in the lots as may be directed by the Adviser; however, there may be times when we are unable to execute trades in the allocations or at the prices deemed ideal by the Adviser. There may also be times when we are entirely unable to implement a recommendation due to restrictions applicable to us in our capacity as a broker-dealer. For example, we may not be able to purchase a security recommended by a Adviser because the security is the subject of a research report by one of our firm's research analysts, or because our firm is involved in investment banking activities with the issuer of the security. Additionally, there may be times when we receive trade instructions from more than one third-party Adviser for the same security during the same day. Because our firm's policy is to execute trades as promptly as possible after receipt from an Adviser, and, to the extent possible, in the order received, we will not always be in a position to aggregate trades from multiple third-party Advisers into a single block, which may get better execution. As a result, different Client accounts in MBT Strategies, Score Portfolios, and/or other Programs may receive different intra-day prices even where such



accounts have traded in the same security for the day. There may also be times when we are obligated to purchase a security for an MBT Strategy on the same day that we are selling the security for another MBT Strategy or other Program. Finally, Advisers that provide Strategies and/or Portfolios to us for implementation generally also provide the same Strategies and/or Portfolios to multiple other sponsor firms, or manage the client accounts of other sponsor firms enrolled in such Strategies and/or Portfolios directly. Therefore, when Advisers communicate changes to such Strategies and/or Portfolios to our firm, such changes are also disseminated to multiple sponsor firms, each of whom will likely attempt to implement such changes as soon as they are received, which will generally result in increased demand for the specific securities covered by such Strategies and/or Portfolios, which generally will increase the price at which each such security may be bought (or decrease the sale price, as the case may be). Clients should note that this may, in turn, adversely affect the performance of their accounts. Based on all of the foregoing, Clients investing in Strategies and/or Portfolios that we trade based on third-party Adviser recommendations should understand that the performance returns achieved by their accounts may differ (at times significantly) from the performance of the Strategy or Portfolio as reported by its Adviser.

**Investment Company Securities Risks:** A number of Strategies/Portfolios covered in this brochure are heavily invested in mutual funds. In addition, Advisory accounts may invest in other investment vehicles, including ETFs, UITs, and/or closed-end funds. Each fund in a Strategy/Portfolio may be subject to a variety of risks, depending on its investment strategies and/or the securities held by the fund. For example, mutual funds that primarily hold a portfolio of small capitalization companies will be subject to small capitalization risks, which may include increased volatility and decreased liquidity (relative to large capitalization companies).

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

**Fixed Income Securities Risks:** Fixed income securities are subject to credit risk, interest rate risk, and liquidity risk. Credit risk is the risk the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. Interest rate risk is the risk of losses due to changes in interest rates. In general, the prices of debt securities rise when interest rates fall, and the prices fall when interest rates rise. Duration measures the change in the price of a fixed income security based on the increase or decrease in overall interest rates. Bonds with higher duration carry more risks and have higher price volatility than bonds with lower duration. Therefore, if interest rates are very low at the time of purchase of the bonds, when interest rates eventually do rise, the price of such lower interest rate bonds will decrease, and anyone needing to sell such bonds at that time, rather than holding them to maturity, could realize a loss. High-yield debt securities (junk bonds) generally are more sensitive to interest rates. Such securities are also highly subject to liquidity risk. Liquidity risk is the risk that a particular security may be difficult to purchase or sell and that an investor may be unable to sell illiquid securities at an advantageous time or price. There are also special tax considerations associated with investing in high-yield securities structured as zero coupon or pay-in-kind securities. Municipal bonds are also subject to state-specific risks, such as changes

in the issuing state's credit rating, as well as the risk that legislative changes may affect the tax status of such bonds. Municipal bonds may also have a call feature, entitling the issuer to redeem the bond prior to maturity. A callable security's duration, or sensitivity to interest rate changes, decreases when rates fall and increases when rates rise because issuers are likely to call the bond only if the rates are low. Investors in callable bonds are therefore subject to reinvestment risk – that is, the risk that they will need to reinvest their proceeds at lower rates. Investments in government-sponsored entity securities also exhibit these risks, although the degree of such risks may vary significantly among the different government-sponsored entity securities. Some securities issued or guaranteed by U.S. government agencies or instrumentalities are not backed by the full faith and credit of the U.S. and may only be supported by the right of the agency or instrumentality to borrow from the U.S. Treasury.

**Derivatives Risks:** A number of Strategies/Portfolios covered in this brochure may engage in derivative transactions, including, but not limited to, options and futures, for any purpose consistent with the Strategy and/or the Client's investment objective. 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. A Strategy may also use derivative instruments to obtain market exposure (that is, for speculative purposes rather than hedging). A Strategy may establish a position in the derivatives market 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. Strategies or other accounts in various Programs may also engage in 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:** Some Strategies may invest in alternative investments. Alternative investments, including (but not limited to) investment partnerships, alternative mutual funds, non-traditional ETFs, managed futures, and/or real estate (related) investments may also present unique risks, such as decreased liquidity and transparency and increased complexity. Alternative investments typically use derivative instruments (such as options, futures, or index-based instruments) and/or leveraging strategies. The use of derivative instruments involves multiple risks as discussed in more detail above. In addition, to the extent that the alternative investment uses commodities (or commodity-based derivatives) as part of its investment strategy, the investment return may also vary as a result of fluctuations in the supply and demand of the underlying commodities. Real estate-related investments will be subject to risks generally related to real estate, including risks specific to geographic areas in which the underlying investments were made. Certain alternative investments may be less tax efficient than others.

Additional risks may include style-specific risk, speculative investment risk, concentration risk, correlation risk, credit risk and lower-quality



debt securities risk, equity securities risk, financial services companies' risk, interest rate risk, non-diversification risk, small- and mid-cap company risk, and special risks of mutual funds and/or ETFs, among others.

**Tax-Exempt Securities Risks:** Certain Portfolios or Strategies may seek to invest in tax-exempt securities, including (but not limited to) municipal bonds as well as tax-exempt mutual funds and ETFs. In order to attempt to pay interest that is exempt from federal or state and local income tax, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed to shareholders to be taxable. In addition, income from one or more municipal bonds held in the Portfolio could be declared taxable because of unfavorable changes in tax or other laws, adverse interpretations by the Internal Revenue Service ("IRS"), state, or other tax authorities, or noncompliant conduct of a bond issuer. Changes or proposed changes in federal or state income tax or other laws may also cause the prices of tax-exempt securities to fall. Finally, income from certain municipal bonds may be subject to the alternative minimum tax ("AMT") and/or state and local taxes, based on the investor's state of residence.

**Foreign Securities Risks:** Advisory accounts may invest in foreign securities, directly or through funds that hold a portfolio of foreign securities. Foreign securities can be more volatile than domestic (U.S.) securities. Securities markets of other countries are generally smaller than U.S. securities markets. Many foreign securities may also be less liquid than U.S. securities, and are typically subject to currency risk. 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. As set forth elsewhere in this brochure and/or in the Client agreement, such taxes and charges are in addition to (i.e., are not included in) a Client's account fees. All these factors could affect a client's realized return on the investment.

**Frequent Trading and High Portfolio Turnover Rate Risk:** The turnover rate within certain discretionary Advisory accounts may be significant. In connection with Strategies run by Investment Managers that engage in step-out trades, frequent trades may result in high transactions costs, including substantial brokerage commissions, fees, and other transaction costs. In addition, frequent trading (whether or not through step-out trades) is likely to result in short-term capital gains tax treatment. As a result, high turnover and frequent trading in an Advisory account could have an adverse effect on the cost and therefore the return on the Advisory account.

**Infrequent Trading/Low Portfolio Turnover Rate Risk:** Certain Strategies (such as fixed income Strategies) and/or accounts in the Programs covered in this brochure may trade infrequently and experience low (in some cases extremely low) turnover. As set forth elsewhere in this brochure, wrap fees charged are intended to cover various services, including trade execution. We generally assume regular trading when setting the levels of wrap fees that may be charged with respect to the Programs covered in this brochure. If a specific Client experiences low turnover in the Client's wrap account, the Client may not realize the full benefit of the wrap fee paid with respect to such wrap account. Clients are encouraged to discuss the expected and/or historical level of trading with their Financial Advisor when evaluating the cost of a proposed or existing wrap account.

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

**Dependence on Key Personnel:** Some of the Portfolios and/or Strategies covered in this brochure 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 an applicable Strategy or Portfolio to effectively implement its investment program and, as a result, adversely impact the performance of the Advisory accounts enrolled in such Portfolio or Strategy.

## CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

We typically provide information about a Client's financial condition, investment needs, and/or investment restrictions to Advisers serving as Investment Managers on Client accounts. We may also provide annual updates (if any) to the information, or more often as available from the Client. We and/or the Financial Advisor (not the Investment Manager) are responsible for collecting data about Client investment goals and objectives and determining whether a particular Program and/or Strategy is appropriate for the Client based on the stated goals and objectives.

We generally do not provide Client information to Advisers providing model Strategies to our firm under MBT arrangements. In MBT arrangements, our firm (not the Strategy Adviser) is responsible for the various aspects of the account's portfolio management.

## CLIENT CONTACT WITH PORTFOLIO MANAGERS

We strongly encourage Clients to communicate with their Financial Advisor, rather than the Adviser of the Strategy in which the Client is invested. However, Financial Advisors generally review with the Client the available Strategies, as well as other information relating to the Adviser for such Strategy, and typically obtain Client consent prior to enrolling a Client in a Program or Strategy. The information provided to each Client may include, where applicable, an Investment Manager's Form ADV Part 2A, which includes its name and contact information. In such cases, therefore, Clients have the option of contacting an Investment Manager directly. However, the foregoing does not apply to MBT Strategies, because the information provided to Clients with respect to a Strategy generally will not include the Strategy Adviser's Form ADV. Clients utilizing a Dual Contract Manager in the Horizon Program are direct clients of such Investment Manager and, therefore, are encouraged to have direct contact with their Investment Manager.

## ADDITIONAL INFORMATION

### DISCIPLINARY INFORMATION

1. On December 6, 2016, a final judgment ("Judgment") was entered against Stifel by the United States District Court for the Eastern District of Wisconsin (Civil Action No. 2:11-cv-00755) resolving a civil lawsuit filed by the SEC in 2011 involving violations of several antifraud provisions of the federal securities laws in connection with the sale of synthetic collateralized debt obligations ("CDOs") to five Wisconsin school districts in 2006.

As a result of the Order, Stifel is required to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) and 17(a)(3) of the Securities Act, and Stifel and a former employee are jointly liable to pay disgorgement and prejudgment interest of \$2.44 million. Stifel was also required to pay a civil penalty of \$22.5 million. The Judgment also required Stifel to

distribute \$12.5 million of the ordered disgorgement and civil penalty to the school districts involved in this matter.

the firm consented to a censure and to pay \$2.9 million in restitution to the eligible customers.

2. On April 8, 2016, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm used permissible customer-owned securities as collateral for bank loans procured by the firm. However, on several occasions over a period of years, prior to performing its customer reserve calculation, Stifel substituted those loans with loans secured with firm-owned collateral. The substitution thereby reduced the amount that Stifel was required to deposit into the Customer Reserve Account. FINRA found the practice to be a violation of applicable rules, including Section 15(c) of the Securities Exchange Act of 1934 and Rule 15c3-3(e)(2) thereunder. Throughout the relevant period, the firm had sufficient resources to fund the Customer Reserve Account even if the substitutions had not occurred. While not admitting or denying the allegations, the firm consented to a censure and fine of \$750,000.
3. On March 24, 2016, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm executed transactions in a municipal security in an amount that was below the minimum denomination of the issue. The conduct described was deemed to constitute a violation of applicable rules. While not admitting or denying these allegations, the firm agreed to a censure and a fine of \$25,000.
4. On March 3, 2016, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm, among other things, (i) traded ahead of certain customer orders, (ii) failed to mark proprietary orders with required notations, (iii) failed to yield priority, parity, and/or precedence in connection with customer trades submitted with proprietary orders, (iv) failed to disclose required information in writing to affected customers, and (v) failed to reasonably supervise and implement adequate controls in connection with these trades. These allegations were considered to be violations of New York Stock Exchange ("NYSE") Rules 90, 92, 410(b), and 2010 as well as Section 11(a) of the Exchange Act. While not admitting or denying the allegations, the firm consented to a censure and fine of \$275,000.
5. On January 5, 2016, Stifel, along with one of its employees, entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that Stifel and the employee (i) failed to adequately supervise the written communication of a registered institutional salesperson who circulated communications about companies that were subject to Stifel research, and (ii) failed to implement a supervisory system designed to supervise the distribution, approval, and maintenance of research reports and institutional sales material. These allegations were considered violations of various NASD Rules (including, but not limited to Rule 2711(a)(9), 2210(d)(1), and 3010). While not admitting or denying the allegations, the firm consented to a censure and fine of \$200,000.
6. On October 27, 2015, Stifel was one of many firms to enter into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm (i) disadvantaged certain customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge, but were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees, and (ii) failed to establish and maintain a supervisory system and procedures to ensure that eligible customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. These allegations were considered to be violations of NASD Rule 3010 and FINRA Rules 3110 and 2010. While not admitting or denying the allegations,
7. On June 18, 2015, Stifel, together with 39 other financial service firms, consented to the entry of a Cease and Desist Order by the Securities and Exchange Commission ("SEC") following voluntary participation in the SEC's Municipalities Continuing Disclosure Cooperative Initiative ("MCDC"). The SEC alleged that each participating firm generally violated federal securities laws and regulations (including certain anti-fraud provisions thereof) in connection with municipal securities offerings in which the firm (i) acted as either senior or sole underwriter and in which the offering documents contained false or misleading statements by the issuer about the issuer's prior compliance with certain federal securities laws or regulations, (ii) failed to conduct adequate due diligence about the issuer in connection with such offerings, and (iii) as a result, failed to form a reasonable basis for believing the truthfulness of the statements made by the issuers in the offerings, in each case as required by applicable securities laws and regulations. While not admitting or denying the allegations, Stifel consented to a fine of \$500,000 and to retain a consultant to conduct a review of its policies and procedures relating to municipal securities underwriting due diligence.
8. On June 10, 2015, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that (i) the firm failed to report the correct symbol indicating whether a transaction was buy, sell, or cross and inaccurately appended a price override modifier to 50,076 last sale reports of transactions that were reported to the FINRA/NASDAQ Trade Reporting Facility, and (ii) the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws and regulations as well as FINRA rules concerning trade reporting. These allegations were considered to be violations of FINRA Rule 7230A(d)(6), FINRA Rule 2010, and NASD Rule 3110. While not admitting or denying the allegations, the firm consented to censure and a fine of \$40,000.
9. On June 8, 2015, Stifel entered into a settlement agreement with the Chicago Board of Options Exchange, Incorporated to settle allegations that the firm failed to register individuals, by the required deadline, who were otherwise required to register as proprietary trader principals. While not admitting or denying the allegations, the firm agreed to censure and a fine of \$35,000.
10. 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.
11. On December 23, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm (i) failed to execute orders fully and promptly, and (ii) failed to use reasonable diligence to ascertain the best inter-dealer market and to buy or sell in such market so that the resultant price to its customer

was as favorable as possible under prevailing market conditions. In addition, FINRA also alleged that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations and/or the Rules of FINRA. These allegations were considered to be violations of FINRA Rules 5320 and 2010 and NASD Rules 2320 and 3010. While not admitting or denying the allegations, the firm agreed to a censure and a fine of \$55,000.

12. 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.
13. On October 21, 2014, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that the firm (i) failed to report to the FINRA/NASDAQ Trade Reporting Facility the capacity in which the firm executed certain transactions in Reportable Securities, (ii) failed to disclose to its customers the correct reported trade price in certain transactions and its correct capacity in each transaction, (iii) incorrectly included an average price disclosure in certain transactions, (iv) inaccurately disclosed the commission or commission equivalent in certain transactions, and (v) accepted a short sale in an equity security for its own account without: (1) borrowing the security, or entering into a bona-fide arrangement to borrow the security; or (2) having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and (3) documenting compliance with Rule 203(b)(1) of Regulation SHO. In addition, FINRA also alleged that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the above-noted issues. These allegations were considered to be violations of FINRA Rule 7230A, SEC Rule 10b-10, Rule 203(b)(1) of Regulation SHO, SEC Rule 605 of Regulation NMS, NASD Rule 3010, and FINRA Rule 2010, respectively. While not admitting or denying the allegations, the firm agreed to a censure and a fine of \$32,500.
14. 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.
15. 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.

16. 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.
17. 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.
18. 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.
19. 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.
20. 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.

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.

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

22. 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.

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

24. 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.

25. 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

26. 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).

27. 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.

28. 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

29. 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.
30. 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.

31. 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.
32. 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.
33. 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.
34. 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.
35. 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.
36. 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.
37. 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.

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

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As set forth above, our firm is dual registered as an investment adviser and a broker-dealer, and is also a licensed insurance agency with various states. We have a number of affiliates that are registered as investment advisers or broker-dealers (or both). In addition to being registered representatives of Stifel, some of our management persons may be registered representatives of these affiliated broker-dealers. In addition, some of our management persons may be licensed to practice law in various states. These individuals do not provide legal services to Advisory Clients. Our parent company, Stifel Financial Corp., is a publicly traded company. In accordance with applicable exchange rules, our Financial Advisors are prohibited from soliciting or recommending Clients, and/or using their discretionary authority, to purchase our parent company stock (ticker: 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 Advisers and Broker-Dealers** – We have a number of arrangements with our Affiliated Advisers and broker-dealers applicable to Clients enrolled in our Programs. For example, as set forth above, our Affiliated Adviser, Choice Financial Partners, Inc. d/b/a EquityCompass, provides the EquityCompass Strategies used in the Score, Unison and Spectrum Programs, and WCA provides various Score and Spectrum Portfolios. Clients should note that our Financial Advisors may have an incentive to recommend Portfolios provided by an Affiliated Adviser rather than an Independent Adviser since any fees received by an Affiliated Adviser remain within the Stifel umbrella. To mitigate this risk, we do not pay our Financial Advisors on the basis of recommendations of Affiliated Advisers or other affiliated products. However, as a result of such affiliations, our Financial Advisors may develop close personal relationships with employees and associated persons of our Affiliated Advisers and, as a result, may have an incentive to recommend such Affiliated Advisers over Independent Advisers.

We pay Independent and Affiliated Advisers a portion of the Advisory fees paid by Clients. Our affiliates, Ziegler Capital Management, LLC

("Ziegler"); Sagewood Asset Management LLC ("Sagewood"), a wholly owned subsidiary of Ziegler; Thomas Weisel Capital Management LLC; 19/19 Investment Counsel; EquityCompass; and WCA may serve as Investment Manager and/or Model Adviser to Advisory Client accounts and receive a percentage of the Advisory Account Fee in the same range as Independent Advisers. Also, the Product Fee to utilize the services and/or Portfolios of Affiliated Advisers is comparable to the Product Fee associated with Independent Advisers. Nevertheless, we may be deemed to have an incentive to recommend an Affiliated Adviser.

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 any of our discretionary Advisory Programs covered in this brochure. We receive a share of the fees and/or charges paid by Century clients in connection with the services that we provide.

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

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

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

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

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

**Limited Partnerships** – Our firm may, directly or through an affiliate, act as general partner to various investment partnerships. These investment partnerships may be offered to brokerage clients, some of whom may also be Advisory Clients. 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. If for any reason an exception is granted for an Advisory Client to purchase and/or hold such partnership interests in their Advisory account, Stifel will charge a fee that may be separate and in addition to any fees charged by the underlying funds held in the account.

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

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

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

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

### Code of Ethics

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

### Participation or Interest in Client Transactions

Advisory transactions are typically executed on an agency basis. However, our firm may trade with Clients and seek to earn a profit for its own account (such trades generally are referred to as "principal transactions"). Principal transactions are executed at prices and commission rates that we believe are competitive and in accordance with industry practice. Although we may be able to provide a more favorable price to a Client if we purchase from or sell to our inventory of securities, we generally are not able to engage in such transactions with Advisory Clients due to regulatory requirements, which require written disclosure and prior written consent on a trade-by-trade basis. However, if the account is managed by an Independent Adviser who is directing the trade, we may, as broker, trade from our inventory without having to obtain written Client consent for the transaction. In addition, we do not permit Advisory accounts to purchase securities in syndicated offerings from our firm.

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. Notwithstanding the foregoing, we will not seek to obtain Client consent in cases where, consistent with applicable laws, an Independent Adviser is directing the transaction and, therefore, our firm (or representatives) did not recommend or otherwise direct the trade.

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

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

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

### **Personal Trading**

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

## **BROKERAGE PRACTICES**

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

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

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

As a broker-dealer, Stifel is held to the legal standards of the Securities Act of 1933, the Securities Exchange Act of 1934, FINRA rules, and

state laws where applicable. Such standards include fair dealings with clients, reasonable and fair execution prices in light of prevailing market conditions, reasonable commissions and other charges, and reasonable basis for believing that securities recommendations are suitable.

Brokerage clients pay commission charges on a per transaction basis for securities execution services in their brokerage accounts. As set forth elsewhere in this brochure, with limited exceptions, Advisory clients enrolled in the Programs above generally pay a wrap fee that covers Stifel's advisory custodial, execution, and administrative services, as well as other applicable advisory and portfolio management services by Advisers. See "Fees and Compensation" for more details about the wrap fee.

### **Execution of Transactions**

As set forth above, we or an Investment Manager may effect transactions through our firm in our capacity as a broker-dealer, or may effect transactions through other broker-dealers when we or an Investment Manager believes, in our or their sole discretion, that such broker-dealer may provide better execution than would be the case if Stifel executed the transaction, pursuant to applicable regulations. Such regulations generally require Stifel and each Investment Manager to take into account and consider, when determining an execution venue for Client trades, the execution costs (if any) that participating Clients will incur in connection with the proposed trade as well as speed and certainty of execution, price and size improvement, and overall execution quality. As set forth above, the executing broker for a step-out trade may impose a commission or a markup or markdown (that is, the execution costs are embedded in the price of the security) on the trade, while in other cases, a step-out trade may be executed without any additional execution costs. *If additional execution costs (whether as a commission or markup or markdown) are incurred, the Client will be responsible for such execution costs in addition to the Advisory Fee.*

We maintain a list of Investment Managers that have informed Stifel that they traded away from Stifel during the prior year; the list is typically updated no later than the end of April in the following year. The information provided is based solely upon the information provided to Stifel by each such Investment Manager; Stifel does not independently verify the information, and as a result, neither Stifel nor any of its associates can make any representations as to the accuracy of any such information. Clients may request a copy of the list at any time, without charge, from the Financial Advisor(s).

*Clients should note that Stifel does not monitor, review, or evaluate whether an Investment Manager is complying with its best execution obligations to Stifel wrap Clients; it is the sole responsibility of Independent and Affiliated Investment Managers to meet best execution obligations for Clients. Each Client should therefore review the manager's Form ADV Part 2A Brochure, inquire about the Investment Manager's trading practices, and consider that information carefully before selecting an Investment Manager. In particular, the Client should carefully consider any additional trading costs the Client may incur in selecting a new Investment Manager or choosing to stay invested with their current Investment Manager.*

Orders for most Advisory Programs are routed for agency execution. Where permissible by applicable law (for example, in our Opportunity Program where an Independent Adviser is directing the trade), we may act as broker for the transaction and, at the same time, purchase and/or sell securities for a Client transaction from our inventory. Consistent with applicable regulations, such inventory trades are not considered "principal transactions" to the extent that an Investment Manager (not Stifel) determines that purchasing the securities from Stifel inventory is in the underlying Clients' best interest.



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

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

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

In connection with the handling of block orders, 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 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.

#### **Directed Brokerage**

Unless agreed upon otherwise, we execute all Advisory transactions through our firm. Some Independent or Affiliated Advisers acting as Investment Manager may require Clients to direct brokerage. When Clients direct brokerage away from Stifel, it generally will result in higher costs. The wrap fee for Advisory services do not cover, and Clients are responsible for, brokerage commissions, markups, markdowns, and/or other costs associated with transactions effected through or with third-party broker-dealer firms.

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

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

#### **Trade Error Correction**

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

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

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

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

Our firm may also use research obtained from other financial institutions, including our affiliate, KBW, as well as from other affiliated or unaffiliated broker-dealers and/or investment advisers. In general, we seek third-party research that is in-depth fundamental corporate research to assist in providing Advisory services to Clients.

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

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

### **Margin**

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

*individual accounts does not exceed interest expenses on the loan plus fees incurred as a result of depositing the proceeds of the loan.*

### **Credit Line Loans**

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

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

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

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

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

### **CASH SWEEP OPTIONS**

We offer one or more sweep options for the available cash balances in Client accounts, depending on the type of account that a Client has or is establishing (i.e., retirement versus non-retirement). Clients should review the Sections "The Stifel Cash Investment Service" and "Disclosure Documents for Automatic Cash Investment or Sweep Fund

Choices,” of the brokerage account agreement and disclosure booklet (the “Brokerage Account Agreement”) for the terms, conditions, and other important information relating to the applicable sweep options, including a discussion of the various conflicts that we may have in connection with such options as well as how we seek to mitigate such conflicts. Clients may access the Brokerage Account Agreement, as amended from time to time, under the “Important Disclosures” section of [www.stifel.com](http://www.stifel.com), or may request a copy from their Financial Advisor.

## REVIEW OF ACCOUNTS

### Account Review

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

### Portfolio Performance

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

### Performance Information

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

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

Clients may notice a difference in the ending market values displayed on the quarter-end custodial statements issued by our firm versus our performance reports for the same account. Performance reports generally include any income that is earned (accrued) but not yet posted to Client accounts. Custodial statements also include accrued income, but the calculation may not match the calculation used for performance

reporting purposes. Clients should contact their Financial Advisors if they have any questions relating to figures shown on their performance reports.

### Transaction Statements

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

With respect to those accounts for which our firms acts as custodian, we provide such Clients 1099 statements for the previous tax year. 1099 statements include both reportable and non-reportable information, cost basis for securities that have been sold, and additional information to assist with tax preparation.

### Transaction Confirmations

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

## CLIENT REFERRALS AND OTHER COMPENSATION

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

Our firm may enter into solicitation arrangements with one or more of our Affiliated Advisers, for us to act as solicitor for the Affiliated Adviser and/or the Affiliated Adviser to act as solicitor for our firm. In either case, the solicited clients should be aware that our Financial Advisors may have an incentive to recommend Affiliated Advisers over

Independent Advisers, as the Affiliated Adviser's receipt of additional revenues for portfolio management services not otherwise available with the Financial Advisor may have a positive impact on our affiliated group. Similarly, our Affiliated Adviser may have an incentive to recommend our firm over other financial institutions. As of the date of this brochure, our firm had entered into solicitation arrangements with the following Affiliated Advisers in which we have agreed to act as solicitor: Ziegler, Sagewood, and 1919 Investment Counsel.

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

#### Stifel Alliance Program

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

#### Compensation for Client Referrals

Our firm and/or Financial Advisors may be compensated by third-party advisers for Client referrals to such third-party investment advisers. 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. To the extent that such arrangements affect Clients' Advisory accounts, the Financial Advisor's brochure supplement generally will include a discussion of the applicable referral arrangements (if any).

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

#### Other Compensation

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

### CUSTODY

Unless agreed upon otherwise, we maintain custody of Client assets. We have adopted policies and procedures that are designed to mitigate risks involved in being a self-custodial firm in an effort to ensure that our clients' 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 designed to

safeguard clients' assets held at our firm. Our firm also undergoes an annual surprise audit by an independent registered accounting firm, which audit is designed to verify the Clients' assets. At the conclusion of the annual surprise audit, the independent auditor files a report with the SEC attesting to, among other things, our compliance with regulatory requirements.

Certain of our affiliates may also serve as qualified custodians of our Client assets. In such cases, consistent with applicable regulations, we generally receive a report issued by an independent registered public accountant relating to the affiliate's internal controls in connection with its custody services.

### VOTING CLIENT SECURITIES

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

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

We do not provide any form of assistance in the proxy voting process to, nor do we accept proxy voting authority from, clients who receive account and/or advisory services on a non-discretionary basis. Such clients generally will receive proxy materials directly from the issuer's transfer agent and are responsible for voting their own proxies. If a Client's Horizon account is managed by a Dual Contract Manager, the Dual Contract Manager may or may not vote proxies for Client's account. Clients should carefully review the separate agreement with the Dual Contract Manager to determine its proxy voting policies. If a Dual Contract Manager does not vote proxies on behalf of its clients, Client will be responsible for voting proxies in the account.

Investment Managers typically vote proxies held in Client accounts enrolled in their applicable Strategies, provided that the Client has elected to grant the Investment Manager proxy voting authority. To the extent applicable, each Client enrolled in a Strategy managed directly by the third-party Adviser receives a copy of the Investment Manager's proxy voting policy as part of the account opening process. Clients should carefully review each such proxy voting policy to ensure a good understanding of the process and the related risks prior to granting proxy voting authority to the Investment Manager.

### FINANCIAL INFORMATION

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

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

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

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

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

***Discretionary Investment Management Services*** – We offer and provide discretionary ERISA fiduciary investment advisory services through a variety of Programs covered in this brochure. These Programs are as follows: Score, Solutions, Opportunity, Custom Advisory Portfolio, Unison, and Spectrum. Depending on the Program, discretionary portfolio management services may be provided directly through a Stifel Financial Advisor, by our home office personnel, or we may provide the Plan access to an Independent or Affiliated Adviser that provides such discretionary investment management services.

***Non-Discretionary Advisory Services*** – We also offer and provide non-discretionary investment advisory services through our non-discretionary Fundamentals Program and the Horizon Program, as detailed above. Non-discretionary investment advisory services are provided directly by your Financial Advisor

More detailed information about these services and Programs is provided in, and each Plan Client should review, the section above entitled “Services, Fees and Compensation - *Wrap Fee Programs Offered by Stifel*.”

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

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

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

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

### **Accounts Managed by Third-Party Managers**

Plan accounts enrolled in our Opportunity, IMC Program, and/or Horizon Program may utilize the services of an Independent Adviser (which, for purposes of this section, will encompass Investment Managers and Dual Contract Managers, as defined above) that is engaged to provide discretionary investment management services to

the Plan. As the Independent Adviser for the Plan, such Independent Adviser is a fiduciary to the Plan for purposes of both the Advisers Act and ERISA. For our Opportunity Program, the Independent Adviser’s direct compensation is bundled into the fee set forth in the applicable Advisory agreement with Stifel; in our Horizon Program, the Independent Adviser’s fee is in addition to the Horizon fee. In addition to the management fee, an Independent Adviser may also receive indirect compensation, often referred to as “soft dollars” or other benefits, from other brokerage firms with which the Independent Adviser executes trades for its client accounts. These benefits may or may not relate to trades effected for the Plan account. Plan Clients should refer to the applicable Independent Adviser’s separate Rule 408(b)(2) disclosure statement or Form ADV Part 2A for information about whether or not the Independent Adviser receives soft dollars or similar benefits and, if so, the specific benefits received.