

**DISCLOSURE BROCHURE**

**12/30/2011**

This brochure provides information about the qualifications and business practices of Stone & Youngberg LLC. This brochure focuses on our Investment Advisory Services. If you have any questions about the contents of this brochure, please contact us at the address or telephone number provided below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Stone & Youngberg LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Stone & Youngberg LLC  
One Ferry Building, Ste 275  
San Francisco, CA 94111  
415-445-2300  
[www.syllc.com](http://www.syllc.com)

**MATERIAL CHANGES**

**12/30/2011**

Since Stone & Youngberg's fiscal year ended September 30, 2011, the firm has experienced the following changes which may be considered material:

- Stone & Youngberg LLC ("S&Y") was acquired by Stifel Financial Corp. (NYSE: SF) on October 1, 2011. As a result of the acquisition, the vast majority of S&Y's advisory and brokerage operations were absorbed by and into the firm's new affiliate, Stifel, Nicolaus & Company, Incorporated ("Stifel Nicolaus"), effective November 2011. This brochure therefore reflects only those services provided to the advisory clients that remain with S&Y as of the date of this brochure.

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>ADVISORY BUSINESS.....</b>	<b>4</b>
<b>FEES AND COMPENSATION.....</b>	<b>4</b>
<b>PERFORMANCE-BASED FEES .....</b>	<b>4</b>
<b>TYPES OF CLIENTS.....</b>	<b>5</b>
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>5</b>
<b>DISCIPLINARY INFORMATION.....</b>	<b>6</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>6</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>7</b>
<b>BROKERAGE PRACTICES.....</b>	<b>7</b>
<b>REVIEW OF ACCOUNTS.....</b>	<b>8</b>
<b>CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>8</b>
<b>CUSTODY .....</b>	<b>8</b>
<b>INVESTMENT DISCRETION .....</b>	<b>8</b>
<b>VOTING CLIENT SECURITIES .....</b>	<b>8</b>
<b>FINANCIAL INFORMATION .....</b>	<b>8</b>

## EXECUTIVE SUMMARY

### About Stone & Youngberg LLC

Stone & Youngberg LLC ("S&Y") is a leading full-service brokerage, investment advisory ("Advisory"), and investment banking firm, serving investment and capital needs of individual, corporate, institutional, and municipal clients. S&Y is a member of the Financial Industry Regulatory Authority ("FINRA"), the Municipal Securities Rulemaking Board and the Securities Investor Protection Corporation ("SIPC"). S&Y is currently registered with the State of California and the SEC; however, this does not imply a certain level of skill or training. Information about our qualifications, business practices, portfolio management techniques, and affiliates is accessible via publicly available filings with the Securities and Exchange Commission ("SEC") at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and in this brochure, which is provided free of charge before or at the time we enter into an advisory agreement with you and annually thereafter.

## ADVISORY BUSINESS

S&Y is a registered Investment Adviser with the State of California and the SEC. Our firm is owned by Stifel Financial Corp., a publicly held company. As an Investment Adviser, our firm is held to the legal standards of the Investment Advisers Act of 1940 and state laws where applicable. Such standards include, but are not limited to, fair and equal treatment of Clients, full disclosure of material and potential conflicts of interest, full disclosure of any and all compensation received from Clients or third parties as a result of our relationships with Clients, Client consent prior to engaging in transactions for our own account when dealing with Clients in an Advisory capacity, reasonable basis for believing that investment recommendations are suitable and consistent with Client objectives and goals, including any restrictions placed on us, and reasonable belief that we are acting in the best interest of Clients. Additional information about our fiduciary obligations, including the policies and procedures that we undertake to fulfill those obligations, is available throughout this brochure, including under Participation or Interest in Client Transactions section of this brochure.

We offer discretionary account and/or portfolio management through our registered investment advisory representatives ("Advisors"), primarily through the Portfolio Management Group (see under Methods of Analysis, Investment Strategies and Risk of Loss). We provide advice with respect to most types of securities, including (but not limited to): individual equities, bonds, mutual funds, Exchange Traded Funds ("ETFs"), options, and alternative investments. Our Advisors combine multiple asset classes and/or sectors into a four Multi-Strategy Portfolios (Strategic Income, Moderate Growth, Opportunistic Growth and Customized Allocation) which take advantage of opportunities across markets. Strategies may be used separately or in combination. This multiple-strategy approach is designed to reduce the overall portfolio volatility through diversification and a risk-return balance to investors. To maintain this risk-return balance, we strive to control downside risk in receding markets, even though this strategy may mitigate some upside in rapidly rising markets. Our Advisors generally design Clients' portfolios with a long-term perspective and actively manage the Portfolios. Clients may impose restrictions on investing in certain securities or types of securities.

### Securities Transferred Into the Firm

Clients transferring securities into the Firm are advised that the securities will generally require liquidation prior to the implementation of the agreed upon investment strategy and allocation. The liquidations will generally commence upon, or shortly after, receipt of the assets by the Custodian and the execution of all relevant account documentation. S&Y cannot assure that the liquidating transactions will always achieve best execution. Clients may incur adverse tax consequences as a result of

these liquidations and are advised to consult with their tax advisor prior to transferring securities into the Program.

Client may specify that certain transferred securities are to be held as supervised non-discretionary assets which require client approval prior to liquidating the position.

### Assets under Management

As discussed above in the Material Changes section, S&Y's assets under management were significantly reduced as a result of the acquisition by Stifel Financial on October 1, 2011, the day after our fiscal year end and the reporting period for this brochure. In light of this material change, we are reporting assets as of a more recent date, December \_\_, 2011, which were \$50,315,023.75 across 63 discretionary accounts.

## FEES AND COMPENSATION

The minimum annual fee is \$2500 unless other accommodations are agreed upon. The annual fee charged is a percentage of the total value of investments on which advice is provided, not to exceed 3%. The initial annual fee is calculated based on the account's most recent account statement, quarterly or otherwise. For clients with multiple accounts, fees charged are based on the total value of all accounts under management and each individual account will be charged its pro-rata share. The fee is billed quarterly in advance, meaning that one fourth of the annual fee is charged each calendar quarter on the first day of each quarter. The initial quarter is prorated based on the number of calendar days from the date of the agreement to the end of the quarter. Each year thereafter, beginning with the first quarter of the next calendar year (January 1), the annual fee is calculated based on the value of investments in the account on the year-end account statement provided by the Client. In the event that the Client fails to promptly provide account statements, we may calculate the annual fee based on the most current information available.

As directed by the Client, fees may be paid either by check and processed through the Client's brokerage account following an invoice, or by debiting another non-ERISA brokerage account. An alternate billing account may be established and maintained by the Client for the sole purpose of processing fees. These fees are separate and independent from any other charges that may be imposed by the independent custodian holding the Client's assets.

With respect to assets that are held at other institutions, Clients may grant S&Y the right to deduct fees directly from their brokerage account held at the independent qualified custodian. In such cases, S&Y will determine the applicable fees, and forward the invoice to the third-party custodian. The third-party custodian does not independent verify S&Y's calculation and, as such, Clients are strongly encouraged to closely review the periodic custodial statements for a listing of the actual fees charged.

When an advisory relationship is terminated, we generally refund Clients the pro-rata amount from the time that the Advisory relationship was terminated to the last day of the quarter.

## PERFORMANCE-BASED FEES

S&Y does not charge performance-based fees.

## TYPES OF CLIENTS

The Advisory services offered in this Brochure are available to high net worth 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 our client relationships vary in scope and length of service.

### Investment Minimums

While S&Y's minimum account size preference is \$500,000, in certain cases, we may accept client accounts which do not meet this minimum as an accommodation to specific clients. In these cases, S&Y may charge advisory fees that are higher than its standard advisory fee ranges.

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

### Portfolio Management Group – “PMG”

Portfolio Managers - Dale Haithecock and Salim “Sam” Reshwan

The Portfolio Management Group (“PMG”) takes an active approach to investing that combines multiple asset classes and/or sectors into a single portfolio. This approach seeks to take advantage of opportunities across markets resulting in a consolidated portfolio with greater transparency and flexibility. This approach also seeks to improve risk management and control. As set forth above, PMG may utilize a broad spectrum of investments including (but not limited to): individual equities, bonds, mutual funds, ETFs, options, and alternative investments in an attempt to strike a favorable balance of return-seeking and risk-reducing investments in a holistically-allocated portfolio.

PMG strategies can be used separately or in combination providing diversification and a risk-return balance for clients.

The objectives of all PMG multi strategy portfolios are:

- Favorable balance of risk versus return
- Macroeconomic investment approach
- Multiple investment strategies
- Opportunistic positioning within markets
- Tax sensitivity

### Strategy Descriptions

*Opportunistic Growth* - emphasis is on capital appreciation with more exposure to equity markets. Appropriate for clients with a longer time horizon seeking growth and appreciation over preservation of capital.

*Moderate Growth* - emphasis is on capital appreciation with more exposure to fixed income (bond funds and ETFs). Appropriate for clients with a longer time horizon seeking moderate growth.

*Strategic Income* - emphasis is on dividend and income yielding equity and fixed income securities. Appropriate for clients seeking income as a component of total return.

*Customized* - emphasis is on constructing a portfolio in keeping with specific time horizons and investment goals. Appropriate for certain retirement accounts and special situations.

Strategies may be used separately or in combination. This multiple-strategy approach is designed to reduce the overall portfolio volatility through diversification and a risk-return balance to investors. To maintain this risk-return balance, we strive to control downside risk in receding

markets, even though this strategy may mitigate some upside in rapidly rising markets. Our personnel generally design Clients' portfolios with a long-term perspective and actively manage the Portfolios.

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

### Risk of Loss

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

Our personnel recommend a wide array of investments. Each investment that we recommend will be subject to general market risk, which is the risk that the security's value will decline because of downturns in the general securities markets. The following additional risks may also be applicable to our recommendations:

**Investment Company Risk:** Advisory accounts may be invested in mutual funds as well as other investment companies, including ETFs, UITs and/or closed-end funds (collectively “Investment Company/Companies”). Each Investment Company in a Portfolio may be subject to a variety of risks, depending on its investment strategies and/or securities held in its portfolio. 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). Small and medium cap companies face a greater risk of business failure, which could increase a fund's volatility. ETFs shares may trade at a market price that is above or below its net asset value. Different funds may also use investment techniques and financial instruments that may be considered aggressive, including the use of derivative transactions and short selling techniques. The performance of funds (and, therefore, the realized return) will also depend on other factors, including the success of each fund manager's style and investment strategy. Each Client that invests in a fund will also bear a proportionate share of any fees and

expenses charged by the fund – higher than expected expenses will reduce a client's realized returns.

**Foreign Securities Risk:** Advisory accounts may invest in foreign securities, directly or through Investment Companies 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 typically are subject to currency risks. All these factors could affect a fund's price and, therefore, a client's realized return on the investment.

American Depositary Receipts ("ADRs") are typically created, organized and administered by a U.S. bank. Generally, these banks charge a fee for their services (e.g., custody) and may deduct these fees from the dividends and other distributions generated from the ADR shares. In addition, banks incur expenses, such as converting foreign currency into U.S. dollars, and as a result may pass those expenses on to the ADR shareholder. These fees and expenses are in addition to any applicable fees for the specific program in which a Client is invested.

**Options Risk:** Specific market movements of an option and the underlying security cannot be predicted with certainty. An option writer receives a premium but gives up the opportunity to profit from a price increase in the underlying security above the exercise price as long as the obligation as a writer continues. An option writer also retains the risk of loss if the price of the underlying security declines. Other risks associated with writing options on securities shares include the possible inability to effect closing transactions at favorable prices and an appreciation limit on the shares set aside for settlement. Purchasing put option on securities is subject to the risk that the purchaser may lose the entire investment in the option if the purchaser fails to exercise the option within the stated time period, or is otherwise unable to exercise the option as a result of restrictions imposed by applicable regulators.

**Alternative Investments Risk:** Alternative investments, including (but not limited to) investment partnerships, may also present unique risks, such as decreased liquidity and transparency, and increased complexity. Alternative investments typically use derivative instruments (such as, options, futures or index-based instruments). The use of derivative instruments involves multiple risks, including counterparty risk (i.e., the risk that the institution on the other side of their trade will default), as well as the risk that the instrument may not work as intended due to unanticipated developments in market conditions. In addition, to the extent that the alternative investment uses commodities (or commodity-based derivatives) as part of its investment strategy, the investment return may also vary as a result of fluctuations in the demand and supply of the underlying commodities.

**Fixed Income Securities Risk:** Fixed income securities are subject to credit risk, interest rate risk and liquidity risk. Credit risk is the risk the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. Interest rate risk is the risk of losses due to changes in interest rates. In general, the prices of debt securities rise when interest rates fall, and the prices fall when interest rates rise. Liquidity risk is the risk that a particular security may be difficult to purchase or sell and that an investor may be unable to sell illiquid securities at an advantageous time or price. Investments in government-sponsored entity securities also exhibit these risks, although the degree of such risks may vary significantly among the different government-sponsored entity securities. Some securities issued or guaranteed by U.S. government agencies or instrumentalities are not backed by the full faith and credit of the U.S. and may only be supported by the right of the agency or instrumentality to borrow from the U.S. Treasury.

## DISCIPLINARY INFORMATION

1. Along with the issuer, the Castaic Lake Water Agency (the "Agency") and its entire Board of Directors, Stone & Youngberg was sued in an action contesting the validity of a certificates of participation financing issued by the Agency in 2001. The action applies to the validity of the Agency's issuance of the certificates and not Stone & Youngberg's underwriting efforts. The Los Angeles County Superior Court has recently rendered a decision in favor of the Agency on all counts. The plaintiffs have filed an appeal to the decision.
2. In December 2002, Stone & Youngberg entered into a settlement with the IRS. After reviewing eleven years of transactions, the IRS sought a settlement related to a single transaction that involved the purchase and sale of multiple escrow securities between pricing and closing. Such purchases produced economic value to the local government client, which was fully disclosed at the time of the transaction. Stone & Youngberg's settlement was on terms similar to other settlements entered into by broker-dealers over the past several years.
3. In November 2003, the firm was censured and fined by the NASD for a single violation of the NASD Rules governing the Regulatory Element of Continuing Education. In this case, a broker took a required continuing education session two weeks after the timeframe required by the NASD.
4. In June 2005, the firm was one of 20 securities firms censured and fined by the NASD for occurrences of late and/or inaccurate reporting of municipal trades to the Municipal Securities Rulemaking Board (MSRB) from January 2003 through October 2004. In settling with NASD, none of the firms either admitted or denied the allegations, but consented to the entry of NASD's findings.
5. Several investment entities filed an action in the United States District Court in San Francisco against the City of Alameda, Alameda Power & Telecom, Stone & Youngberg LLC and other entities alleging violations of law in connection with a revenue anticipation bond offering. This litigation arose following the lack of success of the underlying telecommunications venture that was to have generated the revenue for the venture. Stone & Youngberg LLC believes that in its roles as underwriter and securities broker for the offering, it acted properly and in full compliance with all applicable laws, rules and regulations. However, in order to avoid the expense and uncertainty of trial, Stone & Youngberg has settled the claims with all investors. The lawsuits have been dismissed against Stone & Youngberg LLC and the terms of the settlements are confidential.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As set forth above, our firm is dual registered as an Investment Adviser and a broker-dealer; however, we generally do not provide brokerage services to Advisory clients. In addition, as a wholly owned subsidiary of Stifel Financial, we have a number of affiliates that are registered as investment advisers or broker

dealers (or both). 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.

**Stifel Financial Corp** – Our parent company, Stifel Financial Corp., is a publicly traded company. In accordance with applicable exchange rules, our Financial Advisors are prohibited from using their discretionary authority to purchase Stifel Financial stock for the benefit of a discretionary client account. If a client determines, notwithstanding the foregoing, to require the purchase of Stifel Financial stock in the discretionary account, we may, at our *sole* option, 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.

**Stifel Nicolaus & Company, Incorporated** – Our affiliate, Stifel Nicolaus, is a registered full-service broker-dealer and a member of the FINRA and the SEC. Stifel Nicolaus is also registered as an investment adviser with the SEC and, as such, provides a broad range of advisory services to its clients. A number of our personnel, including our Advisors, also may be registered with Stifel Nicolaus, and may provide brokerage services to certain Clients of S&Y in their capacity as registered representatives of Stifel Nicolaus. Any such arrangement with Stifel Nicolaus will be separate and apart from the Client's advisory relationship with S&Y. If a Client has effects a brokerage transaction at Stifel Nicolaus, the S&Y Advisor that is the broker on such account will receive his customary share of the commissions generated in such brokerage account.

In addition, Stifel Nicolaus may also receive private placement fees, financial advisory fees and other compensation from issuers in transactions in which a Client advised by S&Y acquires securities of those issuers, to the extent permitted by law. S&Y has a Code of Ethics and procedures in place designed to prevent potential conflicts of interest caused by this arrangement.

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

Each client should note that each relationship set forth above creates a conflict of interest for our firm and/or Financial Advisors. We act as a fiduciary with respect to all Advisory services. As a fiduciary, we take reasonable steps to ensure that all material conflicts are fully disclosed to our clients. For example, we periodically review our lines of service to identify applicable risks and make appropriate disclosures to Clients in respect of those risks.

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

### **Code of Ethics**

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

reviews the Code of Ethics annually to ensure adequacy and effectiveness in complying with applicable regulations.

### **Participation or Interest in Client Transactions**

As set forth above, our personnel may, in their capacity as registered representatives of our affiliate, Stifel Nicolaus, provide brokerage services to individuals who also happen to be Clients of S&Y. Any such arrangements will be separate and apart from the Advisory relationship with S&Y; S&Y Client brokerage transactions are not effected through Stifel Nicolaus.

### **Personal Trading**

Our written supervisory procedures are designed to detect and prevent the misuse of material, non-public information by employees. Our firm and affiliates, directors, officers, stockholders, employees and members of their families may have positions in and, from time to time, buy or sell securities that we recommend to Advisory Clients. Our employees and affiliates may invest in any of our Advisory programs. We prohibit transactions in our proprietary account and the accounts of associated persons in any security that is the subject of a recommendation by any affiliated 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 our firm's proprietary account(s) and the accounts of persons who may have access to Advisory recommendations. Additionally, under FINRA Rules, Financial Advisors affiliated with Stifel Financial Corp. ("SF") are prohibited from recommending SF securities.

## **BROKERAGE PRACTICES**

We generally recommend that clients establish a custodial account with Fidelity Institutional Wealth Services, LLC ("Fidelity"). Our firm has entered into an arrangement with Fidelity whereby Fidelity charges us an asset based fee of 5 basis points (per account per year) for all client accounts held at Fidelity. Fidelity's fees in this regard are included in the Advisory fees that clients pay to S&Y; Client will not be charged any commissions or other fees by Fidelity.

Our recommendation of a custodian and brokerage firm is based on a number of factors, including the broker's execution capabilities, reputation, knowledge of (and access to) the particular market involved, whether the broker has floor broker or trader capabilities, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers, arbitrage skills, administrative ability, underwriting and provision of information on the particular security or market in which the transaction is to occur and whether the broker-dealer that is capable of providing the best execution.

From time to time, it may be beneficial to Clients to execute through a separate broker-dealer. In these instances, we may enter into prime brokerage service arrangements to be able to execute client trades for certain stock and bond transactions away from Fidelity. Additional brokerage commissions may apply in these situations.

**Research and Soft Dollar Benefits.** Except as set forth above, our firm does not receive research or other services from executing brokers.

**No Arrangements to Direct Brokerage** – We have not entered into agreements or commitments with brokers-dealers pursuant to which we have agreed to direct a specified amount of commissions to the broker-dealer in return for research service.

#### **Client-Directed Brokerage**

Clients may also elect to open their custodial account at other custodians, provided that any such custodian is a “qualified custodian” within meaning of the Investment Advisers Act of 1940. In such cases, the client (not S&Y) will be solely responsible for any custodial fees and/or transactions charges that may apply. In such cases, S&Y will effect transaction through the client-directed broker, and will not be responsible for ensuring best execution. Clients should not that transactions may not always be executed at the lowest available commission rate (when compared to Fidelity). Where the directed executing broker is not the client custodian, the custodian may require the client to establish a prime brokerage account before such client-directed brokerage transaction may be executed.

### **REVIEW OF ACCOUNTS**

#### **Account Review**

##### **Periodic Reviews**

On a monthly basis the portfolio managers review portfolio holdings, position sizes, and industry and sector exposure of the investment vehicles of the investment vehicles implementing the portfolio strategies to ensure that they are in accordance with the specific investment objectives and related restrictions. Clients are instructed to notify S&Y if they wish to make any changes to their investment strategy or restrictions.

##### **Portfolio Performance**

Clients typically receive quarterly analyses of their portfolio performance relative to comparable market indices. Performance information is verified by reviewing the performance results for consistency among similar sectors and identifying any unusual variations or inaccuracies.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

Our advisory personnel may refer clients to affiliated a firms, and may receive indirect payments as a result of such referral. To the extent applicable, any such payments will be made pursuant to an arrangement that is designed to comply with Rule 206(4)-3 of the Investment Advisers Act of 1940. Rule 206(4)-3 specifies certain standards that must be met by an investment adviser and any person who solicits any client for, or refers any client to, an investment adviser prior to the payment of a cash fee directly or indirectly, for client solicitation or referral. These requirements include, among other things, appropriate disclosures to the affected clients at the time the solicitation is made.

### **CUSTODY**

Our firm does not maintain physical custody of client assets; rather, each client’s assets (including cash and securities) are held by an independent qualified custodian. Each custodian will send monthly statements to the client that identify buys, sells, dividends, interest, deposits, and

disbursements in their accounts during the previous month, as well as itemized positions and the overall market value of the portfolio at month’s end. We encourage each client to carefully review each custodial statement and compare them to the statements received from S&Y. Each client is further encouraged to promptly contact us with any questions or concerns.

### **INVESTMENT DISCRETION**

Clients grant us discretionary authority over their accounts by signing the discretionary program’s Client Agreement. Discretionary authority is limited to voluntary corporate actions, proxy voting, selection of securities, and the number of shares to buy or sell. Clients may impose reasonable restrictions on our discretionary authority and modify existing restrictions by notifying us in writing. Such modifications are honored after being reviewed and accepted by our personnel.

### **VOTING CLIENT SECURITIES**

Clients who receive account and/or portfolio management services on a discretionary basis may appoint S&Y to vote proxies on their behalf. Clients may change their proxy voting election at any time upon written notice to us. In voting proxies, we have a fiduciary responsibility to make investment decisions that are in the best interest of Clients and vote Client securities accordingly. As required by applicable regulations, we have adopted policies and procedures to govern the proxy voting process. Our policies provide that, in general, we will vote with management on routine issues, and will vote non-routine issues in a manner calculated to maximize shareholder value. In the event of a conflict between our firm’s interests and the interests of our clients, we will contact our clients and vote at their direction.

We will provide a copy of our proxy voting policies, as well as a written summary of all votes cast in each applicable account, upon request and without charge. Affected clients may contact us at the address listed on the cover page, or by contacting their particular advisor.

### **FINANCIAL INFORMATION**

S&Y does not have any adverse financial conditions to disclose under this Item.