

## DISCLOSURE BROCHURE

March 29, 2018

This brochure provides information about the qualifications and business practices of Stifel, Nicolaus & Company, Incorporated. This brochure focuses on our Advisory Consulting Services; we also offer wrap fee programs, which are covered in a separate brochure. If you have any questions about the contents of this brochure, please contact us at the address or telephone number provided below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about Stifel, Nicolaus & Company, Incorporated is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.

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## MATERIAL CHANGES

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

- We made various updates in the section “*Fees and Compensation*” as follows:
  - We clarified our process for liquidations in the event an account does not have sufficient cash to pay for advisory fees, under the subsection “*Deduction of Advisory Account Fees*.” A similar process is generally used in the event liquidations are required to satisfy a maintenance call in connection with a margin loan by our firm, or a securities-based loan taken out from our affiliated bank.
  - We enhanced the discussion of the indirect compensation that we receive from funds in connection with client investments in our advisory accounts. This compensation includes, but is not limited to, 12b-1 distribution fees, omnibus and/or networking fees, marketing support and revenue share payments, and training and education expense contributions. In general, to the extent received, we rebate any 12b-1 fees attributable to periods when an account is enrolled in our fee-based advisory programs, and we rebate omnibus and networking fees attributable to retirement accounts enrolled in our advisory program. Please refer to the discussion under the subsection “*Compensation From Funds and Other Collective Investment Vehicles*” for additional information about these payments, and our processes relating to such payments.
  - We enhanced the discussion of the conflicts to which we are subject in connection with the various indirect compensation that we receive from other parties in connection with our client assets. For example, in the discussion of “*Interest and Similar Compensation*,” we noted that any payments received by our Financial Advisors in connection with securities-based loans taken out by our clients from our affiliated bank, and collateralized by assets held in the clients’ advisory accounts, presents a material conflict of interest for us and the Financial Advisor. Please refer to the discussion under “*General Disclosure of Conflicts of Interest*” for additional information of the various conflicts that we face in connection with our indirect compensation arrangements. Additional conflict of interest information is also provided under the “*Margin*” and “*Credit Line Loans*” in the “*Brokerage Practices*” section of the brochure. Clients that engage in margin transactions (including using advisory assets to cross-collateralize margin loans) and/or securities-based lending with our affiliated bank should note that when we are obligated to liquidate any collateral assets to satisfy a maintenance call, we are acting solely in our capacity as a custodian or broker-dealer, and not as a fiduciary to the client or the client’s assets.
- We added a new risk disclosure to the section “*Methods of Analysis, Investment Strategies, and Risk of Loss*” relating to cases where our firm (including our Financial Advisors) take a significant position in an issuer’s securities (e.g., owning more than 5% of the total outstanding shares), which may affect the liquidity of such position in our client accounts.
- The section “*Disciplinary Information*” has updates relating to the following events:
 

*On January 26, 2018, Stifel entered into a Letter of Acceptance, Waiver, and Consent (“AWC”) with FINRA to settle allegations that the firm (i) traded ahead of certain customer orders at prices that would have satisfied the customer orders;(ii) did not maintain adequate supervisory controls that were reasonably designed to achieve compliance with FINRA Rule 5320 and Supplementary Material .02 of FINRA Rule 5320; and failed to report an information barrier identifier with its order audit trail system (OATS) submission for certain orders. These allegations were considered to be violations of FINRA Rules 2010, 3110, 7440(b)(19), and NASD Rule 3010. While not admitting or denying the allegations, the firm consented to a censure, monetary fine of \$37,500, plus interest of \$318.25, restitution payments to affected investors, and an undertaking to revise its written supervisory procedures relating to Rule 5320 and Supplementary Material .02 of FINRA to settle these allegations.*

*On January 26, 2018, Stifel entered into an AWC with FINRA to settle allegations that the firm failed to report to the Trade Reporting and Compliance Engine (“TRACE”) transactions in TRACE-eligible securitized products within the time required by FINRA Rule 6730. While not admitting or denying these allegations, the firm agreed to a censure and a fine of \$17,500.*

*In June 2017, Stifel entered into an Acceptance, Waiver, and Consent with FINRA to settle allegations that Stifel did not provide timely disclosures to a municipal issuer in connection with its role as placement agent in a placement of bonds issued by the municipal issuer in accordance with interpretive guidance issued by the Municipal Securities Rulemaking Board (“MSRB”) regarding MSRB Rule G-23. In May 2012, Stifel recommended that the issuer do a placement, in lieu of a public offering, in order to save on debt service costs. The issuer accepted Stifel’s recommendation and agreed that Stifel would serve as placement agent. However, Stifel did not provide the disclosures regarding its role in a timely manner. As a result, the firm was alleged to have violated MSRB Rule G-23 by serving as both financial advisor and placement agent on the same issue. While not admitting or denying the allegations, Stifel agreed to a regulatory censure and a monetary fine of \$125,000.*

- We updated our ERISA Rule 408(b)(2) Disclosure Information for Qualified Retirement Plans, which is attached to our brochure. Clients who are qualified retirement plans should pay particular attention to this disclosure.

*Instead of providing an updated brochure each year to Clients, we generally provide this summary of material changes by April 30 of each year. Because it is a summary, it does not contain all of the updates that were made to the brochure. Please read the full brochure, which is available to Clients at no charge on our website at [www.stifel.com](http://www.stifel.com) under the section “Important Disclosures, or by contacting your Financial Advisor. Capitalized terms used in this section have the meanings assigned to them in the main body of this brochure.*

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## EXECUTIVE SUMMARY

### About Stifel, Nicolaus & Company, Incorporated

Stifel, Nicolaus & Company, Incorporated (“Stifel”) is a broker-dealer that has been registered with the SEC since 1936 and an investment adviser that has been 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”), broker-dealer, and investment banking firm, serving the investment and capital needs of clients. Stifel is a member of the Financial Industry Regulatory Authority (“FINRA”), the Securities Investor Protection Corporation (“SIPC”) and various exchanges. Information about Stifel’s qualifications, business practices, portfolio management techniques, and affiliates is accessible on our website at [www.stifel.com](http://www.stifel.com) as well as 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. References to the singular throughout this brochure include the plural and vice versa. Capitalized terms shall have the meanings assigned to them in this brochure.

### Services We Provide

We offer both Advisory and brokerage services to our Clients. For more information about our brokerage business, please refer to the “Brokerage Practices” section of this brochure. ***It is important to understand that brokerage services are separate and distinct from Advisory services, and 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, asset allocation and related 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., or one of its subsidiaries (“Affiliated Advisers”). We enter into written advisory agreements (each, an “Advisory Agreement”) with Clients acknowledging our Advisory relationship and disclosing our obligations when acting in an Advisory capacity. We provide Advisory services to a variety of Clients, including individuals, corporations and other businesses, pension or profit sharing plans, employee benefit plans, trusts, estates, charitable organizations, state and municipal government entities, private funds, educational institutions, insurance companies, and banks

or thrift institutions (“Clients”). We generally provide Advisory services through our investment advisory representatives (“Financial Advisors”), who determine the services that are most appropriate for Clients based on each Client’s stated 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, state, and local government issuers, whether trading on an exchange or over-the-counter. In addition to stocks and fixed income securities, we may also invest Client assets in other types of investments, such as rights and warrants, securities, options, certificates of deposit, mutual funds and other open and closed-end funds, exchange traded products (“ETPs”), including exchange traded funds (“ETFs”), unit investment trusts (“UITs”), real estate investment trusts (“REITs”), American Depositary Receipts (“ADRs”), foreign ordinary shares, and publicly traded master limited partnerships (“MLPs”), private investment vehicles (including, but not limited to, hedge funds and private equity funds), and other investments deemed appropriate for our Clients.

Throughout this brochure and depending on the type of program referenced, the term “Portfolio Manager” shall refer to, as applicable, a) Stifel where it or your Financial Advisor, as agent for Stifel, provides discretionary portfolio management services and/or b) an Independent Adviser or Affiliated Adviser that provides discretionary portfolio management services, including those to whom Stifel has delegated discretionary authority as a sub-adviser.

### Assets Under Management

As of December 31, 2017, we had approximately \$41,115,911,401 of Client assets that were managed on a discretionary basis and \$29,891,687,525 in non-discretionary assets.

### Our Responsibilities as an Investment Adviser

When serving as an investment adviser to Clients in our Advisory programs (“Programs”), we are acting as a fiduciary held to the legal standards set forth in the Investment Advisers Act of 1940 (the “Advisers Act”), certain state 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 above 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, to obtain Client consent prior to engaging in transactions for our own account when dealing with Clients in an Advisory capacity, 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 our 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, Clients with accounts in discretionary Programs or specific portfolios within those Programs (“Portfolios”) may impose restrictions on investing in specific securities or certain types of securities for such accounts by making such requests to us in writing. If we determine that the restrictions are reasonable and accept them, we and/or the Adviser you have selected will be responsible for implementing, and managing the account, consistent with such restrictions imposed by Client. It is important that Clients understand that, if such restrictions are approved and imposed on an account, the account’s performance may differ (even significantly) from the performance of other accounts, managed by the same Financial Advisor, without similar restrictions. Clients may request in writing that specific mutual funds or ETFs not be purchased in a discretionary Advisory account; however, we cannot accommodate requests to restrict the underlying securities that may be purchased or sold by mutual funds, ETFs, private funds, or other collective investment vehicles in Advisory accounts.

In the discretionary Advisory Programs and as outlined in the applicable Advisory Agreement(s), 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 based on social consciousness) 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 to an account over which our firm or an Adviser has discretion, we will apply the restrictions based on our internal policies, by referencing the third-party service provider’s information.

## ADVISORY PROGRAMS OFFERED AT STIFEL

### WRAP FEE PROGRAMS

As set forth on the cover page, we offer various Advisory Programs to our Clients, including “wrap fee” Programs for which we are the sponsor and, in certain programs, both the sponsor of the Program and portfolio manager for portfolios within the Program (each, a “Portfolio” and collectively, “Portfolios”). A “wrap fee” is an annual fee paid by the Client that is intended to cover applicable services to the account, including investment advice and, where applicable, may include portfolio management, trade execution, clearing, settlements, custody, administrative, and account reporting services provided by Stifel, as well as investment advice and/or portfolio management services provided by an Adviser to the Portfolio. To the extent that portfolio management or similar services are provided by Advisers, Stifel pays portion of the wrap fee paid by

the Client to such Advisers for their services – please refer to the section “*Fees and Compensation*” below for additional details about these our wrap fees (also called Advisory Account Fees). We generally manage accounts enrolled in wrap fee Programs with the same level of care as non-wrap fee Advisory accounts.

The wrap fee Programs that we offer include the Opportunity, Select Manager, Score, Spectrum, and Investment Management Consulting Programs, whereby an affiliated or unaffiliated investment adviser acts as your discretionary portfolio manager, or provides their model Portfolio to us for our implementation. Stifel also offers discretionary investment advisory services through the Solutions, Select APM and Fundamentals. Our non-discretionary investment advisory wrap fee Programs include the Horizon, Select Advisor Programs, and Connect Program (where Stifel recommends an Adviser with which you enter into a separate advisory agreement). Finally, under the Custom Advisory Portfolio Program, our firm retains limited discretionary trading authority over applicable client accounts whose Portfolios may be a combination of any of internal and/or external model Portfolios, mutual funds and/or ETFs.

Each of these wrap fee Programs is further described in the Stifel Wrap Fee Programs Brochure and/or Select Programs Brochure, each of which is available to you, for free, upon request.

## OTHER ADVISORY PROGRAMS

We also offer Advisory services to Clients under a number of non-wrap fee Programs set forth below. Clients may select from the following other Advisory Programs as appropriate for their needs:

### STIFEL VANTAGE PROGRAM

#### About our Stifel Vantage Program

Our Vantage Program (“Vantage”) offers discretionary account management by certain Stifel Financial Advisors (in that capacity, “Vantage Managers”) who meet the Vantage certification requirements.

Once a Client has established his/her investment objectives, goals, risk tolerance, and an overall asset allocation, the Vantage Manager will assist the Client in selecting an appropriate strategy for all or part of the Client’s asset allocation in the Vantage account. To implement a Client’s investment objectives and risk tolerance, a Vantage Manager may utilize fundamental, qualitative, quantitative and/or technical research published by Stifel or another source. Vantage Managers 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. Accounts in the Vantage Program may differ, depending on client objectives, and Vantage Managers may utilize multiple strategies and/or customize a strategy to fit particular Client accounts. Each Client is encouraged to discuss and review with the applicable Vantage Manager how the account will be managed and the

types of investments to be made, as well as the specific risks applicable to the Client's Vantage account. Subject to such limitations as we may impose from time to time, Vantage Managers invest in various kinds of equity and fixed income securities. As with our other discretionary Programs, Clients may impose reasonable restrictions on investing in specific securities or certain types of securities.

#### **Vantage Commission Schedule**

Clients in the Vantage Program pay transaction-based charges (commissions) for the services provided by their Financial Advisor. Commissions are charged based on our standard commission schedule (subject to negotiation in certain circumstances) for brokerage transactions.

#### **Conflicts of Interest**

*It is important to understand that, due to the commission-based fee structure described in the preceding section, Stifel and/or your Financial Advisors has a conflict of interest with respect to transactions implemented in any Vantage Program account due to the fact that the Financial Advisor's compensation rises as more transactions are implemented in the account (conversely, the Financial Advisor is not paid if no transactions are implemented in the account). Clients should consider carefully whether the Vantage Program is suitable for their investment objectives, risk tolerance, time horizon and investment experience. While we do not consider the appropriateness of the Vantage Program for a Client solely based on a comparison to wrap-fee programs, the Vantage Program may not be suitable for Clients with a projected high level of trading activity where the commission and transaction costs are expected to exceed those that would otherwise be charged under a discretionary wrap fee-based Program. We highly encourage Clients to review all available options at Stifel with their Financial Advisor(s).*

### **STIFEL SUMMIT PROGRAM**

#### **About our Stifel Summit Program**

Our Summit Program ("Summit") allows Stifel Financial Advisors the ability to serve Clients who are seeking investment advice for assets held at a custodian other than Stifel. Clients that may benefit from a Summit relationship include (but are not limited to): municipalities, endowments, foundations, corporations, high net worth individuals, and sponsors and/or trustees of qualified retirement plans subject to the Employee Retirement Income Security Act ("ERISA").

Non-discretionary investment services offered may include, for example: assisting Clients in the preparation of an investment policy statement; analysis of asset allocation and style consistency; advice regarding use of third-party investment managers; evaluation of investment risk and performance; and recommendations on the purchase and sale of individual investment vehicles including stocks, bonds, mutual funds, UITs, ETFs, closed-end funds, options, alternative investments, and/or insurance products. Our Financial Advisors provide investment advice to Clients in accordance with each Client's

investment objectives, risk tolerance, time horizon, and investment experience as communicated to the Financial Advisor through applicable account documents. In each case, Clients are solely responsible for implementing any non-discretionary advice provided by the Financial Advisor(s). From time to time, we may approve arrangements under which our Financial Advisors provide discretionary investment management services with respect to Client assets held at other financial institutions through the Summit Program. In such event, the Client (not Stifel or the Financial Advisor) determines the specific qualified independent custodian to be used. While our Financial Advisors may direct the trades, Client's independent qualified custodian or other broker-dealers will provide all brokerage execution and clearing services relating to such trades. The Client (not Stifel) is solely responsible for all brokerage and custodial charges imposed by Client's independent qualified custodian.

*Clients who elect to hold their assets at other institutions should be aware that we also offer other Programs through which Clients pay a wrap fee for investment management, execution (to the extent trades are executed through Stifel), clearing, and custodial services. These wrap fee Programs may be a cheaper alternative to Clients than using the Summit Program on a discretionary basis; we highly encourage Clients to review all available options with their Financial Advisor(s).*

#### **Summit Fee Schedule**

Our fee for services provided under the Summit Program may be at the annual rate of up to 1.35% of the total value of investments on which advice is provided, subject to a minimum annual fee of \$5,000 (which minimum may be waived at our sole discretion). Clients may be able to negotiate lower fees with their Financial Advisor. In certain circumstances, the Financial Advisor may negotiate a flat dollar fee arrangement with the Client, which may in quarterly, semi-annual or annual installments.

The initial fee is calculated based on the *account's most recent account statement*, quarterly or otherwise. The fee is billed quarterly, typically in advance although some relationships may bill in arrears.

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

*This program is available on a very limited basis. Clients participating in the Morningstar® Managed Portfolios<sup>SM</sup> Program (the "Morningstar Program") will enter into an agreement with both Stifel and Morningstar Investment Services, Inc. ("MIS"), an independent SEC-registered investment adviser. Each Client enrolled in the Morningstar Program gives MIS discretionary authority to manage the Client's assets in such Program. Under the arrangement, our Financial Advisors provide non-discretionary services to the Client, which typically include assisting the Client in completing a questionnaire and other applicable account opening forms, determining suitability, meeting with the Client at least annually to obtain any changes*

in the Client's financial situation, and acting as liaison between MIS and the Client.

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

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

#### **MIS Fee**

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

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

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

#### **Stifel Fee**

As set forth above, in addition the MIS Fees, each Client in the Morningstar Program will also pay our firm a fee for the non-discretionary services provided by our Financial Advisor. The fee schedule for the Morningstar Program is as follows:

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

Clients may be able to negotiate lower fees with their Financial Advisor.

Each Client will grant to MIS (not Stifel) the authority to deduct the Program Fee out of Client's custodial account. The Program Fee generally covers the costs associated with middle-office services such as a trading infrastructure and client accounting and reporting. The Program Fee does not include fees/commissions associated with executing brokerage

transactions (including clearing fees) nor the internal expenses of mutual funds or exchange traded funds. Clients may also incur certain charges by the independent custodian or clearing firm (or its affiliates) related to retirement plan accounts such as IRAs. Clients are solely responsible for paying any such fees, which the custodian or clearing firm typically will charge directly against the Client's account held at such firm. Such fees and expenses are in addition to the above-mentioned Program Fee.

### **MANAGEMENT AND ADVISORY SERVICES TO PRIVATE FUNDS**

Our firm serves as investment adviser to a series of private investment funds called the Cardinal Advisor Series Funds ("CAS Funds"). For all CAS Funds except the CAS Multi-Manager International Equity Fund (the "CAS Multi-Manager Fund"), we have delegated our investment discretion and portfolio management responsibilities to unaffiliated asset managers (the "CAS Managers"). Further information on the process for selecting and evaluating CAS Managers can be found in the "Portfolio Manager Selection and Evaluation" section of this brochure. For the CAS Multi-Manager Fund, we invest the fund's assets in other CAS Funds as well as certain other products.

Our firm also serves as investment adviser to other private investment funds ("Other Private Funds" and together with the CAS Funds, the "Private Funds"), each of which invests in underlying private funds, including hedge funds and private equity funds ("Underlying Funds") managed by unaffiliated investment advisers. Further information on the process for selecting the Underlying Funds for these Other Private Funds can be found in the "Portfolio Manager Selection and Evaluation" section of this brochure.

In each such case, the applicable Financial Advisor will consider a Client's eligibility to invest in the Private Funds based on a review of the Client's stated investment objectives, goals, and limitations, and a comparison of the same to the Private Fund's stated objectives and other limitations. At a minimum, investors in each Private Fund must be "accredited investors" within meaning of the federal securities laws; provided, however, that depending on the requirements of the Underlying Fund(s) in which a particular Private Fund invests, we may require that Clients seeking to invest in that Private Fund meet the "qualified purchaser" standard of the federal securities laws. Interested Clients should refer to the applicable Private Fund's offering documents for a discussion of the definition of these investor standards.

Each Private Fund's investment objectives are set forth in its offering documents; a Client that invests in a Private Fund may not impose restrictions on the investments to be made by such Private Fund.

Please refer to the section "Fees and Compensation – Private Fund Management Fee" below for a discussion of our remuneration in connection with the Private Funds.



## FEES AND COMPENSATION

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

Except with respect to the Vantage Program and certain Private Funds as discussed below, Clients generally pay an annual Advisory fee based on a percentage of assets (the “Advisory Account Fee,” the “fee,” or the “Advisory fee”). The actual fee paid for an Advisory account is set forth on the fee schedule(s) that is part of the Advisory Agreement between Stifel and the Client for that account. The rates set forth in these brochures with respect to each Advisory Program represent the maximum recommended rate that may be charged for the Program. Actual fees charged for accounts in a Program may be negotiated or discounted in Stifel’s sole discretion, and therefore, the fee schedules may differ from those outlined in this brochure. 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 the asset class to which each Portfolio is attributable. 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 a limited number of Clients, depending on their individual circumstances. There are also other fee schedules that may apply to certain strategies in the Programs referenced above.

Any increase in the Advisory Account Fee will be agreed upon between Client and Stifel, in writing or, if allowable under the applicable Advisory Agreement with the Client, upon prior written notice to Client. We may, however, determine to lower any portion of the Advisory Account Fee at any time, without notice to the affected Client(s).

### Calculation and Deduction of Advisory Account Fees

The Advisory Account Fee is generally due quarterly, in either advance or arrears, depending on the Program and the specific Advisory Agreement with the Client. The initial Advisory Account Fee for an account is charged in full as of the effective date (as defined in the Advisory Agreement) of the Advisory relationship relating to that account, in each case 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 payment, the period for which the Advisory Account Fee relates is the effective date through the last day of the calendar quarter in which the account is opened and is prorated accordingly. Thereafter, the Advisory Account Fee is based on the account’s closing market value on the last business day of the previous calendar quarter. The Advisory Account Fee is due on the business day following the assessment day.

In valuing assets in all Client accounts held at our firm, 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 entities holding assets and/or accounts that are part of a Client’s Advisory relationship with us (such as, for example, administrators or other service providers to hedge funds or other private funds in which our clients are investors or other brokerage firms, banks or other entities serving as qualified custodians of our client assets). 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. Once the Advisory Account Fee we do not adjust it for fluctuations in value during the quarter due to market conditions. However, *with respect to accounts held in custody at Stifel*, we will charge a prorated fee on additional contributions made during a quarter and/or issue a rebate to the Client for withdrawals from the Client account, to the extent such additions or withdrawals are valued at more than \$25,000 and would generate a pro-rated quarterly fee of more than \$25. In each case, the fee addition and/or rebate will be calculated based on the number of calendar days remaining in the quarter. We may, in our sole discretion, make changes to these thresholds at any time, without notice to Clients.

*You are responsible for monitoring your account(s) to minimize transfers that would increase applicable fees or otherwise result in increased charges. In certain limited circumstances (such as with respect to accounts subject to a flat-fee arrangement, or accounts held with other custodians, etc.), we will neither charge a prorated fee on intra-quarter contributions nor provide a rebate on intra-quarter withdrawals from the Account.*

Any increase in the negotiated fee will be agreed upon, in writing; provided, however, that we may provide you with prior written notice in any instance where a fee is being changed (including an increase).

### Fee Householding

In certain cases, you may be able to household your eligible fee-based Advisory accounts *held at our firm* (that is, combine multiple eligible Advisory accounts for purposes of calculating the Advisory Account Fee in order to qualify for available lower fee tiers in each Program). You can fee household eligible Advisory accounts across multiple Programs. 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. *You should note, however, that in cases where your assets are held with other custodians, due to expected lag times in receiving account information for billing purposes from such unaffiliated custodians, it may be impracticable to household these accounts with accounts held at Stifel. You should also note that it is your responsibility, not Stifel’s, to determine whether you have multiple eligible Advisory accounts that could be combined into a fee household and potentially result in lower overall fees to you.* You should contact your Financial Advisor(s) for more detailed information about householding fee-based Advisory accounts, including whether your accounts are eligible to be grouped into a fee household for this purpose.

### Assets Held With Other Custodians

For the Summit and Morningstar Programs covered in this brochure, your assets are held with other custodians that you select, most of which are independent of our firm. Similarly,

you may elect to hold your assets for accounts enrolled in our wrap-fee Advisory Programs at other custodial firms. We generally require that such other custodian be “qualified” within meaning of the Advisers Act.

In cases where your assets are held by other custodians, the other custodian determines the value of your account assets, and our firm uses the values provided by the custodian to determine the dollar value of the Advisory Account Fees that you owe in accordance the Advisory Agreement. In cases where assets are held by other custodians, we will require you provide us with duplicate copies of account/custodial statements (preferably directly from the custodian). We do not independently verify the values in such account/custodial statements. ***You should understand that we reserve the right to terminate the agreement if you consistently fail to promptly provide us with updated account statements on which to base our fees.***

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

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

For Programs where we receive an asset-based fee, Advisory fees will be deducted according to our Advisory Agreement with you. Permissible fee payment options may include:

- ***Letter of Authorization (“LOA”):*** Pursuant to an LOA the Advisory fee may be deducted from a separate Stifel account on the billing date each quarter. If the designated account has insufficient funds, we reserve the right to automatically debit the Advisory account to collect the amount due.
- ***Client Invoice:*** In certain cases, you may select the option of receiving an invoice on the billing date each quarter and agrees 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.

In certain instances, your custodian may calculate and remit the fee to us, based on the fee terms set forth in our Advisory Agreement with you.

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

***You should refer to the Wrap Fee Brochure and/or the Select Program Brochure for a discussion of how the wrap fees for the Advisory Programs covered in such brochures are charged and deducted.***

#### **Refund of Fees upon Termination**

- (i) **Accounts Billed in Advance:** 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 Advisory Agreement is terminated at any time within the first quarter of the first year of service (for example, where a Client opens an Advisory account, executes multiple trades at no transaction costs, then seeks to close the Advisory account before the end of the calendar quarter).
- (ii) **Accounts Billed in Arrears:** Because fees are billed in arrears, no refunds are necessary when a Client terminates an account; however, a Client will be billed for any earned but unpaid fees as of the termination date.

***Compensation in Connection With the Termination of a Client’s Account Relationship With Stifel.*** Although we do not charge additional fees in connection with the termination of a Client’s Advisory Agreement, if a Client elects to distribute or transfer all of the assets to an account at another financial institution, the Client will be charged a \$100 fee.

#### **Exclusions from Advisory Fees**

##### ***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), or other assets that are deemed ineligible for the Program in which the account is enrolled but are permitted to be held in the account as an accommodation to the Client), 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.

##### **Transaction-Based Charges (Commissions)**

Clients in the Programs included in this brochure pay transaction based commissions either to (i) Stifel (in the case of the Vantage Program) in lieu of an annual fee for all transactions executed through Stifel, or (ii) the separate custodian holding the Client’s

assets or other executing broker-dealer effecting transactions for the Client account. Where Stifel is providing trade execution services, Clients should refer to the “Brokerage Practices” section for more details about Stifel’s execution services.

### **Additional Fees and Expenses**

In addition to the fees and expenses explained above, which are not part of the Advisory Account Fee (or, for the Vantage Program, the transaction-specific commissions), Clients in each Program will be separately responsible for:

- All account fees, costs, and expenses, including (but not limited to) brokerage, execution, custody, and/or account maintenance fees charged by Client's custodian or other party in connection with maintaining Client's assets outside of Stifel;
- Unless specified otherwise in the applicable Advisory Agreement, any and all fees and expenses relating to any third-party manager managing any part of Client's account (whether or not such third-party manager was recommended by our Financial Advisor(s)).
- Brokerage commissions, markups, markdowns, spreads, and odd-lot differentials on transactions effected through or with a broker and/or dealer other than Stifel (that is, costs relating to trades away from our firm).
- To the extent allowed in the account, markups and markdowns on agency cross trades or principal transactions effected by any 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 (or to related accounts in connection with the account's assets), including, but not limited to, margin interest charged with respect to any direct or cross-collateralized 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 plans (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 closed-end funds, mutual funds, ETFs, index funds, investment trusts, REITs, or other investment vehicles, such as private funds (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, private offering memorandum, or similar document).
- Any other costs associated with products or services not specifically included in the services described in the applicable Advisory Agreement.

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

### ***Private Fund Management Fees***

We generally receive a management or advisory fee from each Private Fund based on the net asset value of such Private Fund, as described in its offering documents. Each investor is responsible for its pro rata share of the fee. The management fee is deducted and paid quarterly, in advance or in arrears, as specified in each Private Fund's offering documents. The amount of the management fee varies by Private Fund and may also vary by class of interest within a particular Private Fund. Additionally, in our capacity as investment adviser to the Private Funds, we may (in our sole discretion) waive, rebate, reduce, or calculate differently all or a portion of the management fee attributable to any investor in a Private Fund, particularly for investors that hold such Private Fund shares in accounts enrolled in our Advisory Programs. If a Client invests in a Private Fund as part of any of our other Advisory Programs (e.g., the Horizon Program or other wrap fee Programs), either (i) the Private Fund position is excluded from the billable value of the Advisory account, or (ii) the Private Fund position is included in the billable value of the account; however, as an investor in the Private Fund, the Client will pay no management fee or a reduced management fee intended to approximate the annual fee rate payable by the Private Fund to the Fund Manager for its services. **Because Advisory Account Fees are negotiable between Stifel and the applicable Client, to the extent that a Client does not pay Private Fund-level fees but instead pays an Advisory Account Fee attributable to the Private Fund's shares held in the Client's Advisory account, the Client may pay more or less than other investors in the Private Fund for Stifel's services to such Private Fund.**

### **Compensation to Financial Advisors**

We remit a percentage (“Payout Rate”) of the Advisory Account Fees or, if applicable, commissions that we receive from Clients, after deducting applicable Product Fees and/or other related expenses, to our Financial Advisors. Payout Rates generally range from 25% to 50%; the applicable percentage paid to your Financial Advisor will depend on your Financial Advisor's employment agreements and arrangements with us, and the total amount of revenue your Financial Advisor generates from all clients (including brokerage clients). This percentage may be

increased prospectively, depending on the total revenue the Financial Advisor has generated.

Some Financial Advisor are eligible for special incentive compensation and other benefits based on client assets (including assets held in Advisory accounts) and the total revenue generated (including the Advisory Account Fees and other applicable compensation). These incentives and benefits can be in the form of recruitment and/or retention bonuses, and forgivable loans. These incentives and benefits generally increase as a Financial Advisor brings more client assets to Stifel, and generates more revenue.

Financial Advisors are also eligible to receive other benefits based on the revenue the Financial Advisor generates from sales of products and/or services to clients (including Advisory services). These benefits include recognition levels that confer a variety of benefits, conferences (e.g., for education, networking, training, and personal and professional development), and other noncash compensation that generally increase in value as the revenue the Financial Advisor generates increases. Such benefits also include equity awards from our parent company, Stifel Financial Corp. and payments that can be in the form of repayable or forgivable loans (e.g., for retention purposes or to assist an advisor to grow his or her securities practice). These benefits create an incentive for a Financial Advisor to recommend certain transactions, products and services over others in order to obtain the benefits.

Some of our Financial Advisors also serve as branch managers or in other positions with supervisory responsibility over other Financial Advisors in the branches in which they are located. In such cases, we also compensate them for their supervisory activities based on revenues generated by Financial Advisors in the branch office. When a supervisor is compensated based on sales of the person he or she is supervising, the supervisor has an incentive to allow and/or encourage the supervised person to recommend investments that generate greater compensation for the supervised person and, thereby, the supervisor. The particular compensation arrangements between a Financial Advisor and his or her branch manager also can create incentives for the Financial Advisor to recommend transactions, investment products and services that generate greater amounts of revenue for us, the branch manager and the Financial Advisor.

In general, Clients should note that their Financial Advisor's compensation creates a potential material conflict of interest for such Financial Advisor to provide Clients with recommendations that result in his or her receipt of greater compensation and benefits.

#### **Certain Compensation in Addition to the Advisory Fee or Direct Commissions**

Stifel, our Financial Advisors, and affiliates may, from time to time, receive additional compensation from third parties in connection with certain types of assets in which your accounts are invested, as discussed in more detail below. To the extent received in connection with Advisory accounts, this compensation is in addition to the Advisory fee or other applicable compensation that you pay to us for our Advisory services. **The receipt of such additional compensation**

**presents a conflict of interest for us as it creates an incentive for our Financial Advisors to recommend investment products based on the compensation received rather than solely based on your investment needs. You have the option to purchase investment products that we recommend through brokers who are not affiliated with us.**

#### ***Compensation From Funds and Collective Investment Vehicles***

You will incur direct fees (e.g., management fees) and expenses for investments in mutual funds, ETFs, closed-end funds, UITs, money market funds, and other collective investment vehicles (collectively, referred to as Funds or Collective Investment Vehicles). Such fees and expenses are included in the price of a Fund's shares and are described in the Fund's prospectus or other offering document. Depending on the type of share class, interest, or CUSIP that you hold, the applicable Fund or its affiliates may make certain payments to us in connection with your investment in the product. For example, with respect to the Vantage Program, when you purchase shares of a Fund, such shares are typically in a class that is subject to a front-end sales load that is deducted from your investment. The Fund pays us all or part of this sales load (as a commission) to compensate us for our selling activities with respect to the transaction. Additionally, as set forth above, such shares are also subject to annual fund operating expenses for which you are responsible as an investor in the Fund; Funds will typically pay a portion of such fees to us for the life of your investment in the Fund as follows:

(i) *Omnibus Fees:* A number of Funds compensate us for providing record-keeping and related services associated with Fund shares held in client accounts (both brokerage and Advisory). Our firm processes some fund transactions with Fund families on an "omnibus" basis, which means we consolidate our clients' trades into one daily trade with the Fund, and therefore maintain all pertinent individual shareholder information for the Fund. The compensation for these services is commonly referred to as "omnibus fees." Not all Fund companies pay sub-accounting fees, and the sub-accounting fees that we receive vary by Fund company. Any sub-accounting payments made to our firm are paid from investor assets in the Funds, but in some cases may be subsidized in part by affiliates or the distributor of the Funds. To the extent received, we generally receive omnibus fees with respect to all share classes of the Fund held by our clients, including (for example), shares held in our Vantage Program and our Wrap Programs. We do not require our Financial Advisors to recommend Funds providing sub-accounting compensation; additionally, to mitigate the conflict as to share class recommendations, we do not share any omnibus fees received from Funds with our Financial Advisors.

(ii) *Networking Fees.* Fund families that are not traded omnibus are traded on a networked basis, which means our firm submits a separate trade for each individual client to the Fund and therefore maintains certain elements of the shareholder information. Such Funds may compensate us for providing these services, which would otherwise be

required to be provided by the Fund. Not all Fund companies pay networking fees, and networking fees that we receive vary by Fund company. Any networking fees that Fund companies pay to us are deducted from the Fund manager's assets, but in some cases may be subsidized in part by affiliates or the distributor of the Funds. As with omnibus fees, to the extent received, we will receive networking fees in connection with all shares of the applicable Fund held in all Client accounts. We do not require our Financial Advisors to recommend Funds providing sub-accounting compensation; additionally, to mitigate the conflict as to share class recommendations, we do not share any networking fees received from Funds with our Financial Advisors.

(iii) *12b-1 Distribution Fees ("12b-1s")*. These fees may be paid by Funds to compensate us for providing distribution-related, administrative, and informational services, as applicable, associated with each Fund. Service fees are included in the "annual operating expenses" or "expense ratio" charged and reported by each Fund, and such amounts are deducted directly from the Funds automatically. Clients should note that we typically receive 12b-1 fees in connection with Fund shares held in our Vantage Program. Additionally, as a commission-based Program and unlike our wrap fee based programs where we rebate any such fees received to the Client, we pay a portion of the 12b-1 fees received in connection with Vantage Program accounts to the Financial Advisor in accordance with the applicable Payout Rate for such Financial Advisor. This creates an incentive for Financial Advisors to purchase Fund shares through the Vantage Program, since they will receive a share of the up-front sales load as well as any ongoing 12b-1 fees received by the firm in connection with such shares. *To the extent that Fund shares purchased through the Vantage Program are not held for a considerable length of time, the affected Client will incur higher expenses than a similarly situated Client that purchases an "advisory" share class with no front-end load through one of our wrap fee programs.*

(iv) *Marketing Support and Revenue-Sharing Payments*. We receive compensation from Funds for providing ongoing marketing, training, and education to our Financial Advisors with respect to the Fund sponsor and its products. To the extent received, these revenue-sharing payments are in addition to any fees and other charges that we may earn directly from the Advisory Clients (including, but not limited to, any sales load received from the Fund, or Advisory Account Fees that we may charge the Clients in fee-based Programs in connection with the investment). Revenue Sharing is generally paid from a Fund manager's assets and does not directly reduce the amount invested by an investor, but is ultimately a cost borne by investors. Not all Fund companies pay revenue sharing, and revenue sharing that is paid by a particular Fund company varies. Revenue sharing payments are subject to volume discounting, such that as total assets placed by our clients at a Fund company increase, the basis points paid for those assets will decrease. Additionally, some Fund families may make fixed payments in addition to the above

payments or instead of those payments. We do not require our Financial Advisors to recommend Funds providing revenue sharing, nor do our Financial Advisors directly share in any of the revenue sharing payments.

(v) *Training and Education Expense Contributions*:

Investment companies and/or their affiliates 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 product 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. A Financial Advisor's attendance and participation in these events, as well as the increased exposure to vendors who sponsor the events, may lead the Financial Advisor to recommend the products and services of those vendors as compared to those who do not.

(vi) *Fees Received By Our Affiliates*: Some of our affiliates may serve as investment adviser or model providers, or provide other services to various Fund or other Collective Investment Vehicles that are made available on our Advisory platform. Our Financial Advisors may recommend to and/or purchase any of these products to or for Client accounts. If our affiliate is associated with a product that is purchased in a Client's Advisory account, the affiliate generally will receive fees (or a share thereof) from the product, its sponsor or other related person, even where the product is otherwise subject to a sales load that will be paid over to us or if the account in which the product is held is subject to Stifel Advisory Account Fees. *Our firm does not directly share in any the fees received by our affiliates for their services to such funds.* However, as part of the affiliated group, we may receive indirect benefits from such compensation through our parent company. We may limit the purchase of such products in some of our Programs at any time, in our sole discretion. If allowed in an eligible Program, we rebate the value representing the pro-rated fee or other compensation received by our Affiliated Adviser in connection with investment products held in *Client retirement accounts*. We may also, in our sole discretion, decide to provide similar rebates to non-retirement accounts in certain (but not necessarily all) Programs. However, we generally will **not** provide rebates for products held by non-retirement accounts in our non-discretionary Programs. Clients entitled to a rebate should note, however, that such rebates are determined retroactively, based on the value of the product (e.g., fund shares) in the Client account as of a pre-determined date (typically, at month-end), and are paid a quarter or more in arrears (without interest). Moreover, our process only reviews whether an affiliated product is held in Advisory accounts as of the beginning of the month and, thereafter, assumes that each such product is held (or not held) in the account(s) for the remainder of the month. *As such, an eligible Advisory account that purchases an*

*affiliated product in the middle of the month will **not** receive any rebate for that month and, similarly, an eligible Advisory account that sells an affiliated product in the middle of the month will receive a rebate for the entire month even though the position was only held for part of the month.*

Funds generally are sold by prospectus only. The prospectus contains important information about the specific fund being offered and should be reviewed carefully before investing. Although paid by a fund company (or its distributor or other affiliated person), any compensation set forth above that we receive from funds is derived, directly or indirectly, from fees that the investors pays to the fund. The amount of compensation received will vary depending on our arrangement with the applicable fund company. Each fund's prospectus typically describes the amount of compensation to be paid for specified services provided to its shareholders. If such payments are received in connection with shares held in Advisory accounts, the fund companies will continue to pay us for such shares for the duration of the Advisory arrangement and, in some circumstances, may extend payments beyond the termination of the Advisory Agreements if Clients continue to hold fund shares through brokerage accounts held at Stifel. A listing of the types and ranges of compensation that we receive from various fund companies is available at under the Important Disclosures section of [www.stifel.com](http://www.stifel.com). We highly encourage all Clients to review this information carefully. *As set forth above, to the extent we receive additional compensation discussed above from funds relating to shares held in an Advisory account, we generally will rebate any omnibus, networking, and/or revenue share payments received to retirement accounts. For all other additional compensation, unless specifically stated above in the discussion of the type of compensation, we retain any such compensation received and do not rebate any portion thereof to the Clients. For cases where we rebate all or a portion of the compensation to the Client, such rebates are provided only to the extent the compensation is attributable to the period after the effective date of the Advisory arrangement for the account. Furthermore, we reserve the right to offset from the rebated amount, the value of our actual costs to provide the services to the accounts for which we are being paid by the applicable fund.*

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

To the extent that the automatic sweep option for available cash in a Client's taxable 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.

As discussed elsewhere in this brochure, we do not allow Advisory accounts to use margin except in limited circumstances. With respect to any such margin transactions, Clients that are specifically approved to engage in such margin 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 fees (or commissions) 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.

Finally, to the extent that a Client uses Advisory assets as collateral for loans taken from our affiliated bank ("Credit Line Loans"), we typically (but not always) receive a fee (expressed as a percentage of the outstanding loan balance) from the affiliated bank for the duration of the loan. We pay a portion of any such fees received to the Financial Advisor. These payments present a material conflict of interest for us as they create a financial incentive for the Financial Advisor to recommend such Credit Line Loans on the basis of the additional compensation to be received. Additional information about Credit Line Loans is provided under the section "Brokerage Practices" below.

#### **Float**

As set out in the section "Cash Sweep Program" below, if we serve as custodian of a Client account, uninvested cash in the account is generally swept in accordance with the option selected by the Client. However, as part of our custody services, we retain a proportionate share of any interest earned on aggregate cash balances held in any Advisory accounts that are awaiting investment (including funds from transfers into the account and assets pending distribution from the account). Such retained interest is generally at Federal Funds rates. Our potential receipt of float income creates a material conflict of interest when we and/or our Financial Advisors provide Clients with a recommendation because funding of an Advisory account may result in additional compensation for us depending on the timing of the transfer of assets to the account. For example, if we receive the cash after the close of business on a day in which the NYSE was open, we may earn interest or receive other benefits through the end of the second following Business Day.

#### **Revenue Sharing and Other Compensation Arrangements With Other Private Investment Funds or Their Sponsors**

We may allow certain Financial Advisors to recommend investments in approved private investment funds with respect to accounts invested in certain Advisory Programs. From time to time, we may enter into revenue-sharing and other compensation arrangements with such private investment funds (the managers or sponsors of such private investment funds) with respect to our Clients' investments in such private investment funds. For example, we may enter into placement agent agreements pursuant to which our firm and our Financial Advisors receive up-front and/or ongoing placement fees from funds, their agents, or affiliates as compensation for recommending and/or selling shares or interests in the fund to our clients. In certain cases, the fees that we receive from such private investment funds may be in addition to, and in other cases, in lieu of, the Advisory Account Fee (or other direct commissions) otherwise chargeable with respect to the investment. To the extent that we receive placement fees and/or have a revenue-sharing or other compensation arrangement with respect to private investment fund shares or interests purchased in an Advisory account, the

affected Client will typically receive, at or prior to the time the investment is made, disclosures relating to the fees and compensation that our firm will receive in connection with the investment (including, to the extent applicable, any ongoing payments to be received in connection with the investment). These arrangements create a conflict of interest because they may give a Financial Advisor an economic incentive to recommend private investment funds for which we receive a placement fee over other products. Clients should carefully consider such arrangements in determining whether to implement a Financial Advisor's recommendations relating to private investment funds.

#### **Insurance Commissions**

In addition to being a dual registrant, our firm is also licensed as an insurance agency with various states. Some of our Financial Advisors are licensed as insurance agents and, in such capacity, are able to offer various insurance products to Clients and can effect the resulting insurance transactions for separate and customary commission compensation. Clients that determine to purchase insurance products offered by our Financial Advisors should note that such insurance products will *not* be held in our Advisory accounts, and will *not* be part of the Advisory arrangement between Stifel and such Client. Our firm receives a portion of any commissions that the issuing insurance company pays with respect to insurance products sold by our Financial Advisors.

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

Subject to the firm's policies, Financial Advisors may receive non-cash compensation in the form of occasional gifts, meals, tickets, and/or other forms of entertainment from third parties, including (but not limited to) mutual fund companies (or their agents and/or their affiliates), Advisers, insurance vendors, and/or sponsors of products that we make available to our clients for purchase.

#### **General Disclosure about 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 your interests on the one hand and the Financial Advisor's on the other. This additional compensation provides an incentive to us, in exercising discretion or making recommendations for your account, to choose or recommend investments that result in higher compensation to our firm, Financial Advisor, and/or our affiliates. For example, for some of our wrap Programs, the Financial Advisor receives a portion of the fee that we retain after paying, as applicable, the Adviser or Research Source its portion of the Advisory fee. *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 we pay a portion of the Advisory Account Fee to Advisers, which tends to be less if we trade the Portfolio internally than if it is traded directly by the Adviser, Financial Advisor may have an incentive to recommend Portfolios that we trade over those that are traded directly by the Adviser, or Portfolios where the fee to the

Adviser is low, in order to retain a larger portion of the fee. Finally, even where you are not charged a separate Advisory Account Fee or direct commission in connection with an investment with respect to which Stifel has a compensation arrangement with the product sponsor, a Financial Advisor may still have an incentive to recommend the investment if the compensation received from the product sponsor is higher than the Advisory Account Fee or direct commission that would otherwise have been charged in connection with the investment.

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 some of our Programs described above may be obtained on an unbundled basis and may result in overall lower costs. You could use a non-discretionary commission-based brokerage account instead of a fee-based investment advisory account, or a discretionary commission-based Advisory account. For example, if you selected a regular brokerage account, we would not provide any investment advisory or portfolio management services and would earn commissions (and their equivalents) for effecting transactions that you have specifically approved. As set forth above in the discussion of the Vantage Program, your Financial Advisor has complete discretion over the transactions in the Vantage account, including the frequency and amount of such transactions. If your Financial Advisor placed few transactions for your brokerage account, the revenue from your brokerage account would be less profitable to Stifel than the amounts it retains from the Advisory fee. Similarly, if you retain the ultimate decision-making authority over your account, as is the case with a regular brokerage account, you can control the volume and frequency of trades (and, therefore, the related transaction costs) for your account. For all these reasons, it is important that you understand that Stifel and your Financial Advisor have a financial incentive to recommend an Advisory Program to you over other Programs or services. **You are responsible for determining whether an Advisory Program, including the transaction-based discretionary Program (i.e., Vantage), is appropriate for you. In that regard, you should understand the investment strategy you have selected, the types of investments to be made, and the amount of anticipated trading activity in assessing the overall cost of the Program.** Relative transaction infrequency could have a bearing on whether an asset-based fee account or a discretionary commission-based account is more appropriate for you than a non-discretionary commission-based account.

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

Stifel does not charge performance-based fees.



## ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Our Advisory services are available to a variety of Clients, including 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 or Portfolio within a Program.

Private Funds for which our firm serves as investment adviser are available only to investors that meet the qualification standards set forth in each Fund's offering documents.

### Program Minimums

The following minimum account sizes are generally required to open an account in the Programs outlined in this brochure. Specific minimums may vary depending on the investment strategy that you select; exceptions to the stated minimums can be granted in our discretion.

- Vantage Program: \$50,000
- Summit Program: \$1,000,000
- Morningstar® Managed Portfolios<sup>sm</sup> Program: minimums are determined by MIS, and range from \$40,000 to \$1,000,000, depending on the type of portfolio. There are also subsequent investment minimums for each of the strategies that are determined at MIS' sole discretion.

As set forth elsewhere in this brochure, we offer a number of wrap fee Advisory programs; the account minimums for these Advisory programs are set forth in the applicable brochure.

*You should contact your Financial Advisor for more information on account and investment minimums.*

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

### Methods of Analysis, Investment Strategies

Our Traditional Products Working Group (the "TPWG") is responsible for the analysis, selection and onboarding of the mutual funds, ETFs and Advisers (including their specific Portfolios) to be made available on our platform. Stifel's Traditional Products Research Group (the "TPRG") is represented on the TPWG and provides due diligence, as requested, in support of such onboarding considerations. In selecting mutual funds and/or ETFs to be made available for purchase broadly, the TPWG considers 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). From time to time, select mutual funds, ETF, and/or Portfolios from the broad universe of those that are approved become part of our Mutual Fund Recommended List, ETF Recommended List and/or SMA Recommended List as applicable. The Recommended Lists contain products that, in the opinion of our due diligence staff, are among the strongest offerings of their product type available at Stifel. Additional information about factors considered in selecting Advisers, Portfolios or other investments to be

including on the Stifel Recommended Lists is provided under the section "*Portfolio Management Selection and Evaluation*" in our Wrap Fee Brochure.

In determining the appropriate allocations for our Client accounts and in the cases where a Financial Advisor is directing and/or recommending specific investments, our Financial Advisors 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, our internal product specialists and/or from other 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. Additional information about the various research sources that our Financial Advisors may use in connection with Advisory accounts is provided below under the section "*Brokerage Practices – Research and Other Benefits*." Our Financial Advisors use any and/or a combination of fundamental, technical, quantitative, and statistical tools and valuation methodologies. The use of these different methodologies may result in technical or quantitative research recommendations that 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 may 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 typically combine strategic asset allocation and periodic rebalancing to grow and/or preserve principal. Financial Advisors generally assist Clients in designing investment portfolios with a long-term perspective, and periodically rebalance (or recommend rebalancing) the investment portfolios to manage risk, as they deem appropriate.

**Portfolio Manager Selection and Evaluation.** With respect to the CAS Funds, investment managers that are identified as being potential CAS Managers undergo a due diligence process that includes using proprietary and non-proprietary analyses and data



to evaluate certain qualitative and quantitative factors such as the investment manager's efficacy in implementing the strategy and achieving the strategy's objective, staff turnover, and historical performance relative to applicable benchmarks and peer groups. Our analyses also include reviews of third-party information. No single factor is determinative and the particular factors considered may vary among investment managers.

CAS Managers and their respective investment strategies are thereafter reviewed at least quarterly based on various quantitative and qualitative factors, including performance, adherence to investment strategies and investment objectives, and material business changes, to determine whether they continue to remain suitable to sub-advise the CAS Funds. Stifel may classify a CAS Manager a "SELL" for a variety of reasons, including, but not limited to, a departure from its investment discipline or stated investment guidelines, or prolonged periods of lagging performance. Stifel may also terminate a CAS Manager as set forth in the sub-investment management agreement between Stifel and a CAS Manager.

Stifel invests the investable assets of the CAS Multi-Manager Fund in certain other CAS Funds and other products in such a manner as to seek to achieve its investment objective.

The Other Private Funds invest in Underlying Funds managed by unaffiliated investment managers. The Underlying Funds and their managers go through an initial due diligence process that includes reviewing certain quantitative and qualitative factors. Among other things, applicable personnel review the Underlying Fund's performance history and relative performance, service provider relationships and regulatory filings as well as constituent documents and offering documents. The factors considered may vary among the Underlying Funds.

From time to time in connection with the Other Private Funds, our personnel review, among other things, Underlying Fund performance, financial results and assets; the review may be conducted quarterly (such as where the Underlying Fund is a hedge fund) or semi-annually (such as where the Underlying Fund is a private equity fund). Ongoing review of each Underlying Fund may also include in-person meetings with its investment advisor, typically every two to four years, unless circumstances warrant a more frequent or less frequent visits. Depending on its investment objective, our personnel may recommend replacing an Underlying Fund in a particular Other Private Fund based on a variety of reasons, including, but not limited to, personnel or ownership changes at the Underlying Fund's investment adviser, or prolonged periods of lagging performance. We do not verify, or engage a third party to verify, performance data provided by the Underlying Funds, however do review that data for reasonableness by comparing it to the Underlying Funds' audited financial statements.

#### **Risk of Loss**

You should understand that all investment strategies and the investments made when implementing those investment strategies involve risk of loss and you 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. Past performance of Advisory accounts is not indicative of future performance.

Our personnel may recommend a wide array of investments. In general, each Program and/or Portfolio covers a wide range of securities. As such, the specific type(s) of risks that you will be exposed to will vary depending on the particular Program and/or Portfolio in which you are enrolled, as well as the investments held in your Advisory account. We do not offer any guarantees that any of the investment recommendations made with respect to our Programs will be profitable. Moreover, you should note that past performance is not a guarantee of future results.

#### **Material Risks**

For the Programs listed above, equities, ETFs, mutual funds, options and fixed income securities are typically the primary investments. You should always read the prospectus or other offering documents (and, in the case of a recommendation to invest with an Adviser, the Adviser's Form ADV Part 2A) for a full description of risks associated with the particular investment. You are urged to consider all of the risks associated with the types of transactions and securities being considered for an investment, as well as any potential impact that engaging in any of the transactions may have on an account's overall performance.

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

**Management Style Risks:** A number of our Advisory Programs, including (but not limited to) Score, Opportunity, Spectrum, Custom Advisory Portfolio, IMC, and Connect, are, or may be, managed or advised by Independent or Affiliated Advisers. In general, we consider an Adviser's performance track record, among other things, during the selection process. 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.

**Investment Company Securities Risks:** Our Financial Advisors may recommend an investment in mutual funds, ETFs, UITs, and/or closed-end funds. Each fund in a Client's account may be subject to a variety of risks, depending on its investment strategies and/or the securities held. 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). Each of these funds is subject to internal fees, which affect the fund's net asset value and reduce the return that a Client will realize with respect to the investment.

**Exchange Traded Product Risks:** Exchange Traded Products (ETPs) are types of securities that derive their value from a basket of securities such as stocks, bonds, commodities or indices, and trade intra-day on a national securities exchange. Generally, ETPs take the form of ETFs or Exchange Traded Notes (ETNs). ETFs are discussed above under Investment Company Securities; ETNs are senior unsecured debt obligations

of an issuer, typically a bank or another financial institution; however, ETNs are not categorized as typical fixed income products.

A number of Portfolios in our Programs may invest in non-traditional ETPs. Non-traditional ETPs employ sophisticated financial strategies and instruments, such as leverage, futures, and derivatives, in pursuit of their investment objectives. Leveraged and inverse ETPs are considered risky. The use of leverage and inverse strategies by a fund increases the risk to the fund and magnifies gains or losses on the investment. You could incur significant losses even if the long-term performance of the underlying index showed a gain. Typically, these products have one-day investment objectives, and investors should monitor such funds on a daily basis. Non-traditional ETPs are generally categorized as leveraged, inverse, or leveraged-inverse:

- *Leveraged* - Uses financial derivatives and debt to multiply the returns of an underlying index, commodity, currency, or basket of assets. Leveraged ETPs may include the terms “double,” “ultra,” “triple,” or similar language in their security name/description.
- *Inverse* - Uses various derivatives to seek to profit from the decline in the value of an underlying index, commodity, currency, or basket of assets; used typically to hedge exposure to downward markets. Inverse ETPs may include the term “contra,” “short,” or similar language in their security name/description.
- *Leveraged-Inverse* - Uses swaps, futures contracts, options, and other derivative instruments to seek to achieve a return that is a multiple of the opposite performance of the underlying benchmark or index. Leveraged-inverse ETPs may include a combination of leveraged and inverse terms, such as “ultra short,” in their security name/description.

Non-traditional ETPs are complex products that have the potential for significant loss of principal and are not appropriate for all investors. Investors should consider their financial ability to afford the potential for a significant loss. These products seek investment results for a single day only. The effect of compounding and market volatility could have a significant impact upon the investment returns. Investors may lose a significant amount of principal rapidly in these securities. Non-traditional ETPs may be volatile under certain market conditions. Investors holding non-traditional ETPs over longer periods of time should monitor those positions closely due to the risk of volatility. Non-traditional ETPs are focused on daily investment returns, and their performance over longer periods of time can differ significantly from their stated daily objective. Investors may incur a significant loss even if the index shows a gain over the long term. Non-traditional ETPs use a variety of derivative products in order to seek their performance objectives. The use of leverage in ETPs can magnify any price movements, resulting in high volatility and potentially significant loss of principal. Non-traditional ETPs may suffer losses even though the benchmark currency, commodity, or index has increased in value. Investment returns of non-traditional ETPs may not correlate to price movements in the benchmark currency, commodity, or index the ETP seeks to track. Some non-traditional ETPs may have a low trading volume, which could

impact an investor's ability to sell shares quickly. Non-traditional ETPs may be less tax efficient than other ETPs. As with any potential investment, an investor should consult with his or her tax advisor and carefully read the prospectus to understand the tax consequences of non-traditional ETPs.

**Fixed Income Securities Risks:** A number of Portfolios and/or Financial Advisors may invest in a variety of fixed income securities. 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 risk measures the change in the price of a fixed income security based on the increase or decrease in the 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:** Depending on the Clients' risk tolerance, investment objectives and other applicable factors, our Financial Advisors may recommend derivative transactions, including, but not limited to, hedge funds, options and managed futures products for any purpose consistent with the Portfolio 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 Portfolio or other accounts in a Program may also use derivative instruments to obtain market exposure (that is, for speculative purposes rather than hedging). A Portfolio or other accounts in a Program may establish a position in the derivatives market may be used as a substitute for buying, selling, or holding certain securities. The use of derivative transactions is a highly specialized activity that involves investment techniques and risks that may be more heightened than those associated with ordinary portfolio securities transactions. A Portfolio or other accounts in a Program 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:** A number of Portfolios and/or Financial Advisors may invest in a variety of alternative investments. Alternative investments, including (but not limited to) the Private Fund or other hedge funds or private equity funds, alternative mutual funds, non-traditional ETFs, managed futures products, 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. Each alternative investment is typically subject to internal fees (including, but not limited to, management and/or performance fees), which affect the product's net asset value and reduce the return that a Client will realize with respect to the investment.

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:** Our Financial Advisors may recommend tax-exempt securities, including (but not limited to)

municipal bonds as well as tax-exempt mutual funds and ETFs. In order to attempt to pay interest that is exempt from federal or state and local income tax, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed to shareholders to be taxable. In addition, income from one or more municipal bonds held 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. In addition, as discussed in more detail under the section "*Cash Sweep Options*" below, idle cash in Advisory accounts held at Stifel (including Advisory accounts invested in "tax-exempt" Portfolios) is typically swept into one of our insured bank cash sweep programs. Any interest earned by the Client in respect of such cash balances will not be exempt from taxes.

**Foreign Securities Risks:** From time to time, we may recommend or may invest Client assets 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 risks. Some foreign securities also may be subject to taxes and other charges imposed by the issuer's country of residence or citizenship. Certain foreign securities may be subject to additional costs. As set forth elsewhere in this brochure and/or in the Advisory Agreement, such taxes and charges are in addition to (i.e., are not included in) Stifel's fees or commissions due from the Client. 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 in this brochure (specifically, in the Vantage Program) may be significant. Frequent trades may result in high transactions costs, including substantial commissions, fees, and other transaction costs. In addition, frequent trading 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.

**Diversification Risk:** Certain Strategies or Portfolios within Stifel's Advisory Programs may have concentration in specific asset classes, sectors, or individual securities, which could result in increased exposure to the risks that can be attributed to those specific investments. Additionally, certain Portfolios may invest in a specific investment style. As a result, clients in these Portfolios may not have access to as wide a variety of management styles as clients in other portfolios. Clients may be invested in Portfolios that are primarily implemented using mutual funds and other funds that are managed by their affiliated companies, which may cause clients invested in these portfolios

to only have access to the management style of the specific funds used to implement the Portfolio or Strategy.

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

***Risks Relating to the Use of Third-Party Managers:*** Our selection of managers is inherently based on subjective criteria with the result that the true performance and abilities of any particular manager may be difficult to assess. The historical performance of a manager is not indicative of its future performance, which can vary considerably. We do not have a role in the day-to-day management of the investments managed by third-party managers (such as certain of the CAS Funds). Consequently, the performance of such investments is substantially dependent on the skill and acumen of key employees of the managers. If such employees cease to participate in the manager's business, the manager's ability to select attractive investments and manage its portfolio could be impaired.

We rely to a great extent on information provided by the managers and may have limited access to other information regarding the managers' portfolios and operations. There is a risk that a manager may knowingly, negligently or otherwise withhold or misrepresent information, including instances of fraud or similar activities. We are not able to guarantee that its ongoing monitoring would detect instances of fraudulent or similar activity. In addition, managers may have similar or divergent investment views and strategies. Consequently, a Client whose assets are managed by more than one manager may at times hold economically offsetting positions in its overall portfolio, and could indirectly incur transaction costs without accomplishing any net investment result, or may compete with its own accounts for the same positions in one or more markets. Where managers hold similar views or employ similar trading strategies, a Client's overall portfolio may hold large positions in a relatively limited number of the same or similar investments. Greater concentration of positions across multiple managers will increase the adverse effect of any unfavorable conditions in the market, sector, or industry in which the positions are concentrated.

***Risks Relating to Investments in the Private Funds:*** The following is a summary of the principal risks that apply to investments in the Private Funds and does not attempt to identify every potential risk associated with a particular investment strategy or Private Fund.

Additional information about applicable risks is set forth in each Private Fund's prospectus, private placement memorandum, or other offering document or disclosure document (collectively, "risk disclosures") provided in connection with an investment in such Private Fund. Clients are encouraged to read those risk disclosures carefully. This information is qualified in its entirety

by reference to the respective risk disclosures and in the event of any conflict or inconsistency, Clients should rely on the respective risk disclosures.

- (i) ***Regulatory Environment.*** Interests in the Private Funds generally are not registered under federal or state securities laws, nor are they subject to regulation by the SEC or other regulators. In addition, when investing in the Private Funds, Clients may not be protected by federal or state securities laws, other than certain anti-fraud provisions of those laws. Notwithstanding the foregoing, there is increased regulatory scrutiny of the private investment fund industry in general. Any future changes in the regulations applicable to the private investment fund industry could have a material adverse impact on the performance of the Private Funds' investments.
- (ii) ***Concentration Risk.*** Certain Private Funds may not establish concentration limits with respect to particular securities, industries, or sectors. Consequently, a Private Fund may be relatively concentrated in a particular security, industry or sector and unfavorable conditions affecting any such security, industry or sector could have a material adverse effect on the Private Fund's overall financial condition.
- (iii) ***Investment Strategy Risk.*** Depending on their investment strategies, certain Private Funds may engage or invest in highly leveraged transactions, short sales, derivatives, commodities, or volatile or speculative instruments, and may concentrate their investments in a limited number of securities or other interests, including securities that are not publicly registered, listed or publicly traded, which may serve to make an investment in such Private Funds highly speculative and risky. Before investing in a Private Fund, Clients should understand the attendant risks of its investment strategy.
- (iv) ***Lack of Liquidity.*** Interests in the Private Funds are generally illiquid. No market may exist for the Private Funds' interests, and substantial restrictions may exist with respect to their transferability and resale. The securities and other interests in which a Private Fund invests similarly may be illiquid. As a result, Clients should be prepared to bear the financial risks of investing in a Private Fund for a significant period of time, and understand that they may not be able to withdraw assets whenever they wish to do so.
- (v) ***Lack of Transparency.*** Private Fund investors generally receive periodic reports from the Fund or its manager. However, a Private Fund may not always provide all the information that clients request because certain information may be considered proprietary or otherwise confidential. This lack of information may make it more difficult for Clients to evaluate the risks of a continued investment in the Private Fund.
- (vi) ***Ability to Meet Investment Objectives.*** Our firm is not responsible for the investment decisions of the third-party managers that are hired to manage the Private Funds and/or

any such Private Fund's underlying investments, as such, we cannot guarantee that the investment objectives of any particular Private Fund will be achieved.

**Issuer Concentration Risk:** From time to time, a Financial Advisor (or a Portfolio) may take a significant position in a particular issuer; for example, a particular Financial Advisor's Clients may, in the aggregate, own more than 5% of an issuer's outstanding stock. Even where such position is spread among a number of Client accounts, the affected Clients will be more exposed to the issuer's specific risk than where our firm's aggregate position in the issuer is insignificant and/or immaterial. Such large positions may also affect the liquidity of the investment because we may not be able to completely liquidate within the timeline or at a desired price if we own more than the typical daily trading volume. We are required by applicable regulations to disclose ownership of more than 5% of the total outstanding shares of certain equity securities held in our discretionary accounts. There are no similar disclosure requirements to the extent the positions are held in non-discretionary Client accounts. Clients are therefore encouraged to discuss these risks with their Financial Advisor when considering the Financial Advisor's investment recommendations.

## DISCIPLINARY INFORMATION

1. On January 26, 2018, Stifel entered into a Letter of Acceptance, Waiver, and Consent ("AWC") with FINRA to settle allegations that the firm (i) traded ahead of certain customer orders at prices that would have satisfied the customer orders; (ii) did not maintain adequate supervisory controls that were reasonably designed to achieve compliance with FINRA Rule 5320 and Supplementary Material .02 of FINRA Rule 5320; and failed to report an information barrier identifier with its order audit trail system (OATS) submission for certain orders. These allegations were considered to be violations of FINRA Rules 2010, 3110, 7440(b)(19), and NASD Rule 3010. While not admitting or denying the allegations, the firm consented to a censure, monetary fine of \$37,500, plus interest of \$318.25, restitution payments to affected investors, and an undertaking to revise its written supervisory procedures relating to Rule 5320 and Supplementary Material .02 of FINRA to settle these allegations.
2. On January 26, 2018, Stifel entered into an AWC with FINRA to settle allegations that the firm failed to report to the Trade Reporting and Compliance Engine ("TRACE") transactions in TRACE-eligible securitized products within the time required by FINRA Rule 6730. While not admitting or denying these allegations, the firm agreed to a censure and a fine of \$17,500.
3. In June 2017, Stifel entered into an AWC with FINRA to settle allegations that Stifel did not provide timely disclosures to a municipal issuer in connection with its role as placement agent in a placement of bonds issued by the municipal issuer in accordance with interpretive guidance issued by the Municipal Securities Rulemaking Board ("MSRB") regarding MSRB Rule G-23. In May 2012, Stifel recommended that the issuer do a placement, in lieu of a public offering, in order to save on debt service costs. The issuer accepted Stifel's recommendation and agreed that Stifel would serve as placement agent. However, Stifel did not provide the disclosures regarding its role in a timely manner. As a result, the firm was alleged to have violated MSRB Rule G-23 by serving as both financial advisor and placement agent on the same issue. While not admitting or denying the allegations, Stifel agreed to a regulatory censure and a monetary fine of \$125,000.
4. In March 2017, Stifel consented to the entry of a Cease and Desist Order ("Order") by the SEC in which Stifel was found to have violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by failing to adopt or implement adequate policies and procedures to track and disclose the trading away practices of certain Investment Managers in several of Stifel's discretionary wrap fee programs, including information about additional costs incurred by clients as a result of the Investment Manager's use of another broker to execute transactions away from Stifel. Stifel neither admitted nor denied the findings contained in the Order, except those related to jurisdiction and the subject matter of the proceeding. Stifel made several undertakings enumerated in the Order related to the trading away practices of third-party managers, including a review and update of its policies and procedures, providing information to financial advisors and clients, and training financial advisors. Stifel was ordered to pay a civil penalty of \$300,000 and ordered to cease and desist from violating Section 206(4) and Rule 206(4)-7 thereunder.
5. On January 4, 2017, an Administrative Consent Order ("Order") was entered against Stifel and a former registered representative associated with Stifel by the Securities Division of the Mississippi Secretary of State ("Division") resolving an investigation into certain activities occurring in two branch offices during the period of September 2000 through November 2013. Without admitting or denying the findings in the Order, Stifel agreed to the entry of the Order directing Stifel to cease and desist from violating Rule 5.15 of the Mississippi Securities Act of 2010, a books and records rule, and to pay the Division \$49,500 on its behalf as well as \$500 on behalf of the former registered representative.
6. 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 \$2.5million. Stifel was also required

to pay a civil penalty of \$22 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.

7. On April 8, 2016, Stifel entered into an AWC 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.
8. On March 24, 2016, Stifel entered into an AWC 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.
9. On March 3, 2016, Stifel entered into an AWC 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.
10. On January 5, 2016, Stifel, along with one of its employees, entered into an AWC 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.
11. On October 27, 2015, Stifel was one of many firms to enter into an AWC 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, the firm consented to a censure and to pay \$2.9 million in restitution to the eligible customers.
12. On June 18, 2015, Stifel, together with 39 other financial services firms, consented to the entry of a Cease and Desist Order by the 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.
13. On June 10, 2015, Stifel entered into an AWC 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.
14. 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.

15. On March 4, 2015, Stifel entered into an AWC 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.
16. On December 23, 2014, Stifel entered into an AWC 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 customers 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.
17. 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.
18. On October 21, 2014, Stifel entered into an AWC 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.
19. On September 25, 2014, Stifel entered into an AWC 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.
20. On September 22, 2014, Stifel entered into an AWC 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.
21. On February 27, 2014, Stifel entered into an AWC with FINRA to settle allegations that the firm failed to report 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.
22. On January 9, 2014, Stifel entered into an AWC 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.

23. 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.

24. On December 20, 2013, Stifel entered into an AWC 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.

25. On September 27, 2013, Stifel entered into an AWC 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.

26. On August 6, 2013, Stifel entered into an AWC 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.

27. On August 6, 2013, Stifel entered into an AWC 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.

28. Stifel entered into an AWC 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.

29. 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.



30. On September 28, 2012, Stifel entered into an AWC with FINRA to settle allegations that the firm failed to report TRACE 29451 transactions in TRACE-eligible debt securities within 15 minutes of the time of execution, in violation of FINRA Rule 6730(A) and Rule 2010. While not admitting or denying the allegations, the firm agreed to pay a fine of \$5,000.
31. On March 26, 2012, Stifel entered into an AWC 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).
32. 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.
33. 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:

STATE	DATE RESOLVED	FINE PAID
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
U.S. 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

34. On October 27, 2010, Stifel entered into an AWC 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.

35. On September 23, 2010, Stifel entered into an AWC 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.
36. 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.
37. On April 6, 2009, Stifel entered into an AWC 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.

## **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 also 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. Similarly, some of our management persons may be management persons of our affiliates, including Affiliated Advisers. Finally, some of our management persons may be licensed to practice law in various states. These individuals do not provide legal services to Clients. Our parent company, Stifel Financial Corp., is a publicly traded company ticker: SF). We generally prohibit our

Financial Advisors from purchasing our parent company securities in Client’s Advisory accounts.

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 investment advisers and broker-dealers that are applicable to Clients enrolled in our Advisory Programs. As of the date of this brochure, our Affiliated Advisers included Ziegler Capital Management, LLC (“Ziegler”), 1919 Investment Counsel, EquityCompass, and WCA. A more detailed discussion of these affiliates and related Programs is included in our Wrap Fee Program Brochure. Clients enrolled in any of these Programs should note that we have a material conflict of interest when our Financial Advisor recommend Affiliated Advisers since any fees received by our Affiliated Advisers remain within the Stifel umbrella and may have a positive impact on the performance of our parent company stock (of which the Financial Advisor is likely a shareholder). Moreover, 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. To mitigate this risk, we do not pay our Financial Advisors on the basis of recommendations of Affiliated Advisers or products. In addition, we pay our Affiliated Advisers in the same range as unaffiliated Advisers (that is, the costs to utilize the services and/or Portfolios of Affiliated Advisers are comparable to the costs associated with Independent Advisers).

We also serve as clearing broker and custodian to accounts sourced by our affiliate, Century Securities Associates (“Century”), and make a wide range of Advisory services and support resources available for the use of Century clients. We may also provide portfolio management services to some of these clients to the extent they are enrolled in any Program or Portfolio over which we have discretion. We receive a share of the fees and/or commissions paid by Century clients in connection with the services that we provide.

***Affiliated Trust Companies*** – Our 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 managing agent, these trust affiliates may open an Advisory account with us. In such cases, the fees charged by our affiliate are structured in a manner that is consistent with applicable fiduciary principles.

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

***Affiliated Mutual Funds and Other Products*** – From time to time, our Financial Advisor may recommend that Client assets

be invested in shares of mutual funds managed or sub-advised by our Affiliated Advisers. Our Affiliated Advisers either receive a management fee from the mutual fund, or receive compensation from such products (or the issuer or other related person of the affiliated product) as remuneration for the services provided that is based on client assets invested in the product, including investments made through our Advisory Programs. Similarly, a number of our affiliates (including Affiliated Advisers) may also receive licensing and other fees from ETFs in connection with which the affiliate provides the constituent index or other services. Such licensing and other fees depend on the amount of assets invested in the ETF and the amounts of shares outstanding, including (but not limited to) investments made, and shares held, through our Advisory Programs. Our affiliates may also issue or otherwise be associated with various other products, including brokered certificates of deposits, UITs and other products. Our Financial Advisors may recommend any of these products to our Clients and/or an Affiliated Adviser may purchase one or more of these affiliated products in a Portfolio made available in our Advisory Programs. **We have a conflict of interest when our Financial Advisors recommend or purchase affiliated products to Clients since, to the extent any an affiliate receives any additional compensation in connection with any such products, the compensation received ultimately has a positive impact on the performance of our parent company stock (of which the Financial Advisor is likely a shareholder).** To mitigate such conflicts, we may limit the purchase of such products in Programs where we as a firm (or our Financial Advisor) have investment discretion. For Programs where we do not have discretion (and, therefore, affiliated products are allowed), we rebate the value representing the pro-rated fee or other compensation received (if any) by an Affiliated Adviser in connection with affiliated products held in retirement accounts. We may also, in our sole discretion, decide to provide similar rebates to non-retirement accounts in certain Programs. However, we generally will **not** provide rebates for affiliated products held by non-retirement accounts in our non-discretionary Programs. Clients entitled to a rebate should note, however, that we determine such rebates retroactively, based on the value of the product (e.g., fund shares) in the Client account as of a pre-determined date (typically, at month-end), and are paid a quarter or more in arrears (without interest). Moreover, our process only reviews whether an affiliated product is held in Advisory accounts as of the beginning of the month and, thereafter, assumes that each such product is held (or not held) in the account(s) for the remainder of the month. As such, an eligible Advisory account that purchases an affiliated product in the middle of the month will **not** receive any rebate for that month and, similarly, an eligible Advisory account that sells an affiliated product in the middle of the month will receive a rebate for the entire month even though the position was only held for part of the month. Notwithstanding, some of the affiliated products may not have any imbedded fees that we can rebate back to the Client even where such products are held in our Advisory accounts; Clients should carefully consider any and all disclosures provided in connection with transactions in such products.

***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. In addition, from time to time, 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. Furthermore, as set forth under the section “Credit Line Loans” below, SB&T may compensate us in connection with Credit Line Loans that Clients hold at SB&T (based on the outstanding balance). 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. Finally, SB&T may, from time to time, issue brokered certificate of deposits which we may determine to make available for purchase by our clients.

***Affiliated Private Funds*** – As discussed in the section “Management and Advisory Services to Private Funds,” our firm may, directly or through an affiliate, act as a general partner or otherwise provide investment advisory services to various Affiliated Private Funds. These Affiliated Private Funds are offered to eligible investors, some of whom may also have Advisory accounts with us. Solicitation activities for Affiliated Private Fund securities are typically made via an offering memorandum, circular or prospectus and may only be made to clients for whom such investments are deemed suitable. Regardless of whether such funds are Affiliated Private Funds or not affiliated with us, investors will indirectly incur various fees and expenses as described in the offering documents for the applicable fund. With limited exceptions, Clients that invest in Affiliated Private Funds at Stifel are required to hold such securities in brokerage accounts. To the extent that Affiliated Private Fund interests are held in brokerage accounts, these clients are not charged Advisory Account Fees with respect to the holdings. In certain circumstances, we may allow investors to purchase and/or hold the Private Fund interests in their Advisory account. If an exception is granted for a Client to purchase and/or hold such Affiliated Private Fund shares in an Advisory account, depending on the particular Affiliated Private Fund and/or the specific class, series or type of interest held, Stifel may charge an Advisory Account Fee with respect to the securities in the Advisory account, which Advisory Account Fee is in lieu of the Affiliated Private Fund’s direct management fees (but in addition to any fees charged by any underlying funds which the Affiliated Private Fund invests), or the management fee or placement fee may be waived or reduced, OR (ii) the value of such securities will be excluded from the Advisory Account Fee billing. Stifel generally does not allow any such Affiliated Private Fund shares to be purchased subject to commissions through the Vantage Program.

***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 agents of the affiliate and will receive a portion of the insurance commissions paid.

\* \* \* \*

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 Stifel Financial Corp.'s Code of Ethics Policy, 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**

To the extent we provide execution services for an Advisory account, the related transactions are typically executed on an agency basis. However, our firm may trade with Clients and seek to earn a profit for its own account (such trades generally are referred to as "principal transactions"). Principal transactions are executed at prices and commission rates which we believe are competitive and in accordance with industry practice. Although we may be able to provide a more favorable price to a Client if we purchase from or sell to our inventory of securities, we generally are not able to engage in such transactions with Advisory accounts due to regulatory requirements, which require written disclosure and 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 Client consent for the transaction. We generally do not permit Advisory accounts to purchase securities in syndicated offerings from our firm or our affiliates, except in limited circumstances that comply with applicable regulations.

When permitted by applicable law and firm policy, we may and may cause Client accounts to engage in cross and agency cross transactions. A cross transaction occurs when we cause a Client account to buy securities from, or sell securities to, another

Client, and our firm does not receive a commission from the transaction. We may (but are under no obligation to) cause Client accounts to engage in cross transactions. An agency cross transaction occurs when our firm acts as broker for a Client account on one side of the transaction and a brokerage account or another Client account on the other side of the transaction in connection with the purchase or sale of securities by the Client account, and our firm receives a commission from the transaction. We will have a potentially conflicting division of loyalties and responsibilities to the parties to cross and agency-cross transactions, including with respect to a decision to enter into such transaction as well as with respect to valuation, pricing and other terms. We have adopted policies and procedures in relation to such transactions and conflicts. However, there can be no assurance that such transactions will be effected in the manner that is most favorable to a Client account that is a party to any such transaction. Cross transactions may disproportionately benefit some Client accounts relative to other Client accounts due to the relative amount of market savings obtained by the client accounts. Cross or agency cross transactions are effected in accordance with fiduciary requirements and applicable law (which may include providing disclosure and obtaining client consent). To the extent such consent is provided in advance of the cross or agency cross transactions, Clients may revoke the consent at any time by written notice to Stifel or their Financial Advisor, and any such revocation will be effective once we have received and have had a reasonable time to act on it.

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 accounts of the securities (i.e., in the secondary market) causes the price of those securities to rise. In general, our policies prohibit Stifel personnel from sharing information relating to investments made for Client accounts with affiliates or other parties, unless such parties need to know such information in order to provide services to any affected client accounts and such disclosure is permitted by law. 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 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. We do not solicit such information from any affiliate and do not otherwise solicit such information.

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 and do not otherwise solicit such information.

### **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 accounts. 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. Clients with accounts in the Vantage Program set forth in this brochure pay commission charges on a per transaction basis for the Advisory services provided by the Financial Advisor; however, unlike regular brokerage accounts, Financial Advisors exercise discretion over Vantage accounts. Clients in all other Programs on the Stifel Advisory Platform do not pay direct commission charges to Stifel because (i) they either pay a wrap fee that covers execution, settlement and clearing services by Century and Stifel, or (ii) they hold their accounts with another financial institution and only receive investment consulting services with respect to those assets. See "Fees and Compensation" for more details about Advisory Account Fees, including wrap fees for Programs that are covered in the Wrap Fee Brochure.

### **Execution of Transactions**

For Client accounts held at Stifel, we typically execute trades for accounts to the extent we and/or Stifel have trading discretion. We also self-execute if Investment Managers direct trades to our firm. Where we are executing trades, we may determine to effect transactions through other broker dealers if we determine, in light of all applicable factors, that executing through the other broker-dealer would provide better execution than would be the case if we self-executed. Investment Managers in the following wrap Programs have discretion to effect trades on behalf of Clients through broker-dealers other than Stifel: Opportunity, Connect, Select Manager, IMC Programs and certain Score Portfolios. An Investment Manager in these Programs may trade away if it determines, in its sole discretion, such trades would be in the best interests of its clients, such as to satisfy its best execution obligations. Clients in these Programs pay fees to Stifel and, as applicable, the Investment Manager for services, which include costs related to transactions in Client accounts effected through Stifel. However, for all transactions executed through other broker-dealers, Clients will likely, but will not necessarily, incur additional costs, such as commissions or markups/markdowns embedded in the price of the security that are **in addition to, and not included in**, the wrap fee. As such, Clients are separately responsible for any execution costs incurred in connection with such trades. These additional costs are not reflected on client account statements; however, if the

Investment Manager has provided the appropriate information to Stifel regarding such trades and the related additional costs, the information will be indicated on client trade confirmations, or on Client quarterly transaction confirmation reports provided to those Clients who have elected to suppress immediate trade confirmations.<sup>1</sup>

As Advisers, Investment Managers have a fiduciary obligation to act in the best interests of their advisory clients and are therefore required to seek to obtain “best execution” in effecting trades on behalf of such clients. Under the Advisers Act, “best execution” generally means executing transactions in a manner such that the client’s total cost or proceeds are the most favorable under the circumstances. Although it is important for Investment Managers to seek the best price for a security in the marketplace and minimize unnecessary brokerage costs in satisfying its obligations, these are not the only factors used to determine whether the Investment Manager has satisfied its obligations. It is not an obligation to get the lowest possible commission cost, or to solicit competitive bids for each transaction, but rather, the Investment Manager should determine whether the transaction represents the best qualitative execution for its clients. In selecting a broker-dealer, Investment Managers should consider the full range and quality of services offered by the broker-dealer, including the value of the research provided (if any), execution capability, commission rate charged, the broker-dealer’s financial responsibility, and its responsiveness. *It is also important to note that Stifel does not monitor, review, or otherwise evaluate whether an Investment Manager is satisfying its best execution obligations to clients.*

**Types of Securities Traded.** Investment Managers whose Portfolios consist primarily (or substantially) of fixed income securities, foreign securities (including ADRs or ordinary shares), ETFs, and/or small-cap securities are generally more likely to trade away from Stifel. This means that Clients investing in such Portfolios are more likely to incur execution costs in addition to the wrap fee paid to Stifel. Clients should, therefore, take these costs into consideration when selecting and/or deciding to remain invested in the affected Portfolios.

**Trade Aggregation.** Investment Managers typically manage wrap client accounts for multiple firms using the same strategy, and may also manage other directly sourced accounts side-by-side with wrap Client accounts. In certain cases, an Investment Manager may decide to aggregate transactions for clients in its Portfolios into a block trade executed through one broker-dealer, rather than separately through each participating firm (such as Stifel). Aggregating transactions into a single block may enable the Investment Manager to obtain a better price or additional investment opportunities for its clients, as well as allow 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 number of separate, successive, and/or competing client orders.

**Investment Managers’ Historical Trading Away Practices.** We maintain a list of Investment Managers with trading discretion over Client accounts that have notified us that they traded away from our firm during the previous year – the list is typically available no earlier than the second quarter of the following year. The list includes the names of the applicable Portfolios, information about the trade-away practices of the Investment Manager for a particular Portfolio, and the average associated costs (if any) during the applicable year. The information is provided to existing investors in the affected Portfolios, as well as to new Clients seeking to enroll into each affected Portfolio after such information is available. However, the information contained in the list is based solely upon information provided to us by each Investment Manager; we do not independently verify such information. As a result, Stifel does not make any representations as to the accuracy of the information presented. The information in the list regarding an Investment Manager’s prior trade-away practices is not a guarantee that a particular Investment Manager will exercise or repeat the same practices in the future and/or with the same frequency. It is possible that Investment Managers could trade away more or less frequently, or at a higher or lower commission rate, fee, or other expenses, resulting in greater or lesser costs than those indicated. Individual Clients enrolled in the Portfolios noted may experience different results. Similarly, it is possible that an Investment Manager that has not previously, or recently, traded away from Stifel will do so in the future.

*Additional information about an Investment Manager’s brokerage practices, including the factors that the Investment Manager considers in satisfying its best execution obligations, which may vary according to the type(s) of securities traded, is contained in each Investment Manager’s Form ADV Part 2A Brochure. Clients investing in our separately-managed account programs should review each applicable Investment Manager’s trading away practices before selecting, or while reviewing, the Investment Manager’s Portfolios.*

Orders for most Advisory Programs are routed for agency execution. We do not impose commissions (including markups or markdowns) on transactions that we execute for fee-based Advisory accounts (note that commissions, markups/markdowns will be imposed on Vantage account trades); however, as agency transactions, the broker on the other side of the transaction may charge a mark-up or mark-down that may be equal to, or greater, than any mark-up or mark-down Stifel would have charged if trade was executed in a principal capacity). Where permissible by applicable law (for example, in the Opportunity Program where an Adviser is directing the trade), Stifel may act as broker for the transaction and, at the same time, purchase and/or sell securities for a Client transaction from Stifel’s inventory. Consistent with applicable regulations, such inventory trades are not considered “principal transactions” to the extent that an Investment Manager (not Century or Stifel) determines that purchasing the securities from Stifel inventory is in the underlying Clients’ best interest.

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<sup>1</sup> All other information shown does not reflect any additional execution costs resulting from trades executed through other broker-dealers.

On the execution end, Advisory account orders are generally treated with the same priority and procedural flow as non-advisory brokerage trades (except, such orders are not routed to Stifel market makers and may be done as a block order, which may have different rules and priorities). Stifel generally uses 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. Stifel uses a reasonable diligence to ascertain the best markets for a security 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. Stifel regularly monitors 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, Stifel monitors the performance of competing market centers and generally routes 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. Stifel executes 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 accounts in a discretionary Program held at our firm for execution in a single transaction (“block trades”). However, Clients in our Vantage Program should be aware that we do not require our Vantage Financial Advisors to aggregate orders for Client accounts into block trades. As a result, Clients with accounts managed by the same Vantage Manager (including, for example, in the same Vantage Portfolio) may receive different execution prices even when trading in the same security on the same day. When used, block trading generally allows us to execute equity trades in a timely, equitable manner. The related transaction costs are shared equally at an average price per share and on a pro rata basis between all accounts included in the block trade. Orders that cannot be filled in the same block trade or at the same average price are assigned to accounts in a manner that ensures no bias towards any Client. This practice does not ordinarily affect or otherwise reduce fees, commissions, or other costs charged to Clients for these transactions, but may provide price improvement. A partial fill of a block trade may be allocated among Client accounts randomly, pro rata, or by some other equitable procedure. In certain cases, Advisers on our Advisory platform 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 for accounts held at our firm, our firm may engage in hedging, offsetting, liquidating, facilitating, or positioning transactions (“risk-mitigating transactions”) that may occur at the same time or in

advance of a client order, and these activities may have impact on market prices. Beyond these risk-mitigating transactions, our firm and/or affiliates will refrain from any conduct that could disadvantage or harm the execution of client orders or that would place our financial interests ahead of clients.

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

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

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

We do not assess the reasonableness of commissions and other charges assessed by third-party brokers mandated by the Client. When securities can be traded in more than one marketplace, Client’s independent custodian or clearing firm will generally use its discretion in selecting the market in which such orders are entered. Each affected Client should be aware that the clearing firm may receive remuneration, compensation or other consideration for directing orders to particular broker-dealers or market centers for execution (i.e., payment for order flow) and that Stifel generally does not participate in such arrangements.

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

Payment for order flow is defined as any monetary payment, service, property, or benefit that results from remuneration, compensation, or consideration to a broker-dealer from another broker-dealer in return for routing customer orders to that broker-dealer. While Stifel does not receive payment for order flow from other broker-dealers, Stifel does receive certain

rebates for routing orders to the exchanges that execute such orders. The rebate varies on the order type.

### **Trade Error Correction**

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

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

### **Research and Other 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. We do not use commission dollars from Advisory Program accounts to pay for research, but generally pay for such research using hard dollars or obtain such research pursuant to reciprocal research providing agreements with the providing firm. However, our Financial Advisors may obtain research from firms that make such research available because the firm provides also other products and services to us (for example, an Adviser on an Affiliate's platform may make its research reports available to our Advisors). Clients should be aware that our receipt of these 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 the research provider firms (or by their affiliates). Our personnel generally do not recommend products based on the value of research services received directly from a 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**

We do not allow the use of margin in Advisory accounts except in limited cases. For those Clients that are specifically permitted, the use of margin strategies will be limited to eligible non-retirement Advisory accounts at Stifel. Notwithstanding the foregoing, we generally allow Clients to use the assets held in their Advisory accounts as collateral for margin debits held in non-Advisory accounts. *The use of leverage, or investing with borrowed funds, is generally not recommended in Advisory programs;* however, it may be approved on an exception basis when specifically requested by individual Clients, or for use in specialized strategies. Certain eligibility requirements must be met and documentation 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, even in cases where a Client has granted investment discretion to these persons or entities). 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, Advisory Account 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, the Advisory Account 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 Account 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. A number of the risks discussed above apply, even in cases where the margin debit is held in a non-Advisory account, and Advisory assets are being used to cross-collateralize the loan. **Finally, to the extent that a maintenance call is triggered in connection with a margined account and we are forced to sell any assets used as collateral for the margin loan, we will act solely in our capacity as a registered broker-dealer (and not as an investment adviser or other fiduciary), even where such collateral is held in an Advisory account. Moreover, if selling such assets, we will seek to maximize our interest, and will not prioritize a Client's interest.** *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 (a) purchase, carry, or trade in securities, (b) repay or retire any indebtedness incurred to purchase, carry, or trade in securities, or (c) repay or retire any debt to (or otherwise purchase any product or service from or any security or other asset issued by) 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 and Clients are not permitted to withdraw funds or other assets unless sufficient amounts of collateral remain to continue supporting the Credit Line Loans (as determined by SB&T in its sole discretion). Although Clients are required to satisfy such collateral requirements, they may terminate their Advisory relationship with Stifel, at which time these funds or assets will be maintained in a brokerage account at Stifel. 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 typically demand loans that are 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. Clients 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. Because SB&T assigns different release rates to different asset types, in some cases, Clients may also be able to satisfy such requirements by selling securities with a low release rate, and investing and/or holding the proceeds in assets that have a higher release rate for the loan. In each case, 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 the account's investment strategy and may result in adverse tax consequences.

As set forth above, SB&T typically pays us a fee (up to 0.25%) of the outstanding Credit Line Loan balance, a portion of which is paid to your Financial Advisor. SB&T may also make additional de minimis payments to Stifel service personnel that provide administrative assistance during the Credit Line Loan applicable process. These payments are in addition to any Advisory Account Fees charged with respect to (or direct commission charged with respect to any transactions relating to) the Advisory assets used to collateralize the Credit Line Loan. As such, these payments present a material conflict of interest for us in that they create a financial incentive for your Stifel Financial Advisor to make recommendations based on the additional compensation to be received rather than solely based on your financial needs. For example, a Financial Advisor may recommend that you open a Credit Line Loan rather than withdraw money from your Advisory accounts in order to retain the Advisory Account Fee or commissions that such assets are otherwise generating, and to receive the additional compensation from SB&T with respect to any outstanding Credit Line Loan balance that you maintain. Similarly, a Financial Advisor may recommend the continued maintenance of such Credit Line Loan to retain such payments. Finally a Financial Advisor may recommend that you invest or hold your Advisory account assets in positions that have been assigned high release rates by SB&T for the Credit Line Loan (but which positions ultimately generate low investment returns for your Advisory account) in order to avoid maintenance calls on the Credit Line Loan which would require loan repayment and/or the liquidation of Advisory assets. Depending on your specific circumstances, including the intended use of the proceeds from the Credit Line Loan and the return on your Advisory account, over the long-term, it may cost you more to take out the Credit Line Loan than if you had withdrawn the money from your Advisory account. Clients are therefore encouraged to carefully consider the total cost of taking out any Credit Line Loan, and any additional compensation that the Financial Advisor will receive, when determining to take out and/or maintain Credit Line Loans. **Finally, to the extent that a maintenance call is triggered in connection with Credit Line Loan and we are forced to sell any assets used as collateral for such Credit Line Loan, we will act solely in our capacity as a broker-dealer (and not as an investment adviser or other fiduciary), even where such collateral is held in an Advisory account. Moreover, if selling such assets, we will seek to maximize our interest (and/or those of SB&T), and will not prioritize a Client's interest.**

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

*None of the firm, SB&T, or 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.*

## Mortgage Lending

Mortgage loans are originated by SB&T, Equal Housing Lender, NMLS# 375103. Your Stifel Financial Advisor, however, does not offer residential mortgage products and is unable to accept any residential mortgage loan applications or to offer or negotiate terms of any such loan. We may compensate your Financial Advisor in connection with the origination of any mortgage loan, where permissible by law.

## 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 is establishing (i.e., retirement versus non-retirement). Clients should review the sections “The Stifel Automatic Cash Investment Service” and “Disclosure Documents for Automatic Cash Investment” of the Stifel 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

Depending on the Advisory Program, Clients may receive quarterly analyses of their portfolio performance relative to comparable market indices or other benchmarks. Performance information is verified by our staff by reviewing the performance results for consistency among similar Portfolios and identifying any unusual variations and/or material inaccuracies (as defined by us). If a Client is enrolled in a Program with respect to which we provide such reports, we may allow such Client, in certain limited circumstances, to waive receipt of periodic performance reports from Stifel.

### Performance Information

As set forth above, we may 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 Clients’ accounts include privately issued alternative investments, we rely on values provided by the management, administrators, and sponsors of each such investment and may, as a result of delays in getting information from such parties, use estimated values in reporting the performance of such investments. ***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.

***With limited exceptions, Stifel generally does not provide performance reports for accounts in the Summit or Morningstar Programs.***

### 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 other custodians will receive statements from their applicable custodian based on the custodian’s own delivery schedule.

### **Realized Gain/Loss Summary**

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

### **Year-End Tax Report**

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

### **Transaction Confirmations**

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.

### **Performance Information for External Managers**

CAS Fund investors will receive the respective fund's unaudited monthly statements from the fund's administrator, and schedule K-1s and audited financial statements at the end of each fiscal year.

Other Private Funds will provide investors with the respective fund's unaudited statements on a monthly or quarterly basis, and schedule K-1s and audited financial statements at the end of each fiscal year.

## **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 Advisory 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 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 referring clients to such third-party investment advisers. Compensation received in such arrangements is generally based on a percentage of the total fees paid by each Client to the third-party adviser, typically for the duration of such Client's arrangement with the third-party investment 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 certain Advisers may provide to our firm and Financial Advisors.

## **CUSTODY**

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

As set forth above under "Brokerage Practices – Execution and/or Custody through Unaffiliated Firms," Clients in certain Programs offered through this brochure may elect to have their assets maintained by an independent qualified custodian.

## **INVESTMENT DISCRETION**

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

## **VOTING CLIENT SECURITIES**

Clients who receive 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

revoke this grant of authority 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 generally do not vote any proxies for Clients whose custodial accounts are held by third-party custodians.

## **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 "*Advisory Programs Offered at 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 generally do not allow ERISA Plan accounts in our Vantage Program. Plans seeking discretionary services from us should talk to their Financial Advisor about the various wrap fee Program that we offer, the majority of which offer discretionary investment services, and are discussed in detail in our Wrap Disclosure Brochure.

**Non-Discretionary Advisory Services** – We also offer and provide non-discretionary investment advisory and ERISA fiduciary services through our Summit Program as detailed above. Non-discretionary services for this Program are provided directly by your Financial Advisor. More detailed information about the Summit Program is provided in, and each Plan Client should review the sections above entitled “Advisory Programs Offered at Stifel,” and “Fees and Compensation.”

#### **Our status**

For a description of Stifel’s status under the Advisers Act and under ERISA, please refer to the section “*Code of Ethics*” in the Brochure and the section entitled “ERISA” in the applicable Advisory Agreement.

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

**Advisory fees.** 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. We typically do not receive indirect compensation in connection with Plan assets in our Summit Program. For information about the manner in which these fees are paid, please see the section “*Deduction of Advisory Account Fees*” of this brochure and the section entitled “Fees and Billing” in the applicable Advisory Agreement.

**Private Fund Fees.** In limited circumstances and in connection with certain Plan investments in private funds (including, but not limited to, hedge funds and private equity funds), we may receive placement fees or other compensation indirectly from a private fund and/or its related persons in lieu of advisory fees paid directly by the Plan with respect to such investment. Where applicable, such placement fees or other compensation are disclosed in the subscription documents or other documents you execute in connection with the Plan’s investment in the private fund. See the section of this brochure entitled “*Revenue-Sharing and Other Compensation Arrangements With Private Investment Funds or Their Sponsors*” for more information.

**Trade Errors.** 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.

**ADR Pass-Through Fees.** 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).

**Compensation From Funds and Other Collective Investment Vehicles.** For a description of the credits you may be eligible for in connection with investments in Funds and other Collective

Investment Vehicles that pay Stifel Rule 12b-1 and other types of compensation, please see the section entitled “*Compensation From Funds and Other Collective Investment Vehicles*” above.

**Sweep.** See the **sections** “The Stifel Automatic Cash Investment Service” and “Disclosure Documents for Automatic Cash Investment” of Brokerage Account Agreement for information about sweep services and benefits that Stifel and our affiliates may receive in connection with deposits made through the sweep program for Plan Client Accounts.

**Float.** In general, under ERISA a service provider such as a custodian may retain the benefit of the use of any funds on hand which are incidental to the normal operation of the plan, and which constitute earnings on funds that are (i) awaiting investment or (ii) transferred to a disbursement account for distribution from the plan. The DOL has issued guidance that requires financial institutions to make specific disclosures to employee benefit plans, such as the Plan, regarding the circumstances under which the institution has use of, or may derive benefit from, un-invested cash pending investment or distribution (“float”). As discussed in the section of this brochure entitled “*Additional Information on Fees and Other Compensation*”, if Stifel serves as custodian of a Plan Client account, as part of our custody services to the Plan Client, we retain a proportionate share of any interest earned on aggregate cash balances held in Advisory accounts that are awaiting investment (including funds from transfers into the account and assets pending distribution from the account). Float may be earned by Stifel (or an affiliate) until investment or disbursement instructions have been received and the transactions have been executed and settled against the Plan Client account. In general, the amount of float earned is equivalent to the effective Federal Funds rate on the date earned.

**Training and Education Expense Contributions.** For information about payments we receive from investment companies and/or their affiliates in connection with training and achievement seminars offered to our Financial Advisors, please see the section in this brochure entitled “*Training and Education Expense Contributions*”. Sponsorship amounts generally do not vary by vendor and cannot be reasonably allocated to any particular Plan Client. For example, over the past three years the amount that each participating vendor has contributed to sponsoring a training or education event has generally ranged between \$5,000 and \$10,000, depending on the type of event; Stifel generally hosts approximately 2 to 3 of these internal training or education events per year. Additionally, the amount that each participating vendor has contributed toward sponsoring the Stifel annual conference has averaged approximately \$25,000.

**Non-Cash Compensation.** Please see the section of this brochure entitled “*Non-Cash Compensation*” for information about certain gifts and gratuities we may receive. Based on historic trends, we do not expect to receive non-cash compensation in excess of the de minimis threshold under DOL regulations with respect to a Plan Client.

**Termination fees.** See the section above entitled “*Compensation in Connection With the Termination of a*

*Client's Account Relationship With Stifel*" for information about fees that may apply if you transfer assets in your Account upon termination of your Advisory Agreement.

Plans are directed to the section "*Fees and Compensation*" in the brochure for additional details about the various other types of indirect compensation that we may receive in connection with Plan assets and, to the extent applicable, the steps that we take to mitigate the conflicts that may be raised by the receipt of such indirect compensation.

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

Plan accounts enrolled in our Opportunity, IMC, Connect and/or Select Managers Programs may utilize the services of an Adviser (which, for purposes of this section, will encompass Investment Managers and Connect Advisers, as defined above) that is engaged to provide discretionary investment management services to the Plan. As the Adviser for the Plan, such Adviser is a fiduciary to the Plan for purposes of ERISA and a registered investment adviser for purposes of the Advisers Act. For our Opportunity Program, the Adviser's direct compensation is part of the total fee that the client pays under the applicable Advisory Agreement with Stifel; in our Connect Program, the Connect Adviser's fee is separate from (and in addition to) the Stifel fee. In addition to the management fee, an Adviser may also receive indirect compensation, often referred to as "soft dollars" or other benefits, from other brokerage firms with which the 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 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.