

STIFEL FINANCIAL CORP
Form PRER14A
April 27, 2007
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act Of 1934 (Amendment No. 2)

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- | | | | |
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| <input checked="" type="checkbox"/> X | Preliminary Proxy Statement | <input type="checkbox"/> O | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input type="checkbox"/> O | Definitive Proxy Statement | | |
| <input type="checkbox"/> O | Definitive Additional Materials | | |
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Stifel Financial Corp.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

X No fee required.

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- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
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- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

STIFEL FINANCIAL CORP.

One Financial Plaza

501 North Broadway

St. Louis, Missouri 63102-2102

(314) 342-2000

St. Louis, Missouri

[], 2007

To the Stockholders of

Stifel Financial Corp.:

We cordially invite you to attend a special meeting of the stockholders of Stifel Financial Corp. The meeting will be held on [], [], 2007, [at] a.m. on the 2nd Floor, One Financial Plaza, 501 North Broadway, St Louis, Missouri. One Financial Plaza is located on the southwest corner of Washington and Broadway in downtown St. Louis.

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The purpose of the Special Meeting is to (1) approve the issuance of up to 500,000 shares of our common stock upon the exercise of warrants and up to 1,000,000 additional shares of our common stock for the payment of earn-out consideration relating to our acquisition of Ryan Beck Holdings, Inc. and (2) to approve and adopt the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) to provide incentive equity compensation to certain employees of Ryan Beck Holdings following the recent completion of our acquisition of that company. Only holders of record of our common stock at the close of business on [], 2007 will be entitled to vote. Please take the time to carefully read the description of each proposal in the attached proxy statement.

Thank you for your support.

STIFEL FINANCIAL CORP.

Ronald J. Kruszewski
Chairman of the Board and Chief Executive Officer

**This proxy statement and the accompanying proxy card are
being mailed to our stockholders beginning about [], 2007.**

**Even though you may plan to attend the meeting in person,
please mark, date, and execute the enclosed proxy and mail it promptly. A postage-paid return
envelope is enclosed for your convenience.**

STIFEL FINANCIAL CORP.

One Financial Plaza

501 North Broadway

St. Louis, Missouri 63102-2102

(314) 342-2000

NOTICE OF SPECIAL MEETING OF
THE STOCKHOLDERS OF

STIFEL FINANCIAL CORP.

TO BE HELD [], 2007

St. Louis, Missouri

[], 2007

Dear Stockholder:

A special meeting of stockholders of Stifel Financial Corp. (Stifel) will be held on the 2nd Floor, One Financial Plaza, 501 North Broadway, St. Louis, Missouri, on [], [], 2007, [at] a.m., for the following purposes:

1. To approve the issuance of (a) up to 500,000 shares of Stifel common stock issuable upon the exercise of five-year warrants issuable to the stockholders and certain former optionholders of Ryan Beck Holdings, Inc., and (b) up to 1,000,000 additional shares of Stifel common stock that may be issued and contingent earn-out payments, all pursuant to a merger agreement pursuant to which Stifel acquired Ryan Beck effective February 28, 2007;
2. To approve and adopt the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) (the Plan), to provide incentive equity compensation to certain employees of Ryan Beck; and
3. To consider and act upon such other business as may properly come before the meeting and any adjournment thereof.

The record date for the determination of stockholders entitled to receive notice of and to vote at the special meeting and any adjournment thereof has been fixed as the close of business on [], 2007. A stockholder list dated as of the record date will be available for inspection by any stockholder at our offices in St. Louis, Missouri for ten days prior to the special meeting.

We cordially invite you to attend the special meeting. Even if you plan to be present at the meeting in person, you are requested to date, sign and return the enclosed proxy card in the envelope provided so that your shares will be represented. The mailing of an executed proxy card will not affect your right to vote in person should you later decide to attend the special meeting.

By Order of the Board of Directors.

David M. Minnick, Secretary

[], 2007

St. Louis, Missouri

This proxy statement and the accompanying proxy card are
being mailed to Stifel stockholders beginning about [], 2007.

STIFEL FINANCIAL CORP.

One Financial Plaza

501 North Broadway

St. Louis, Missouri 63102-2102

PROXY STATEMENT

FOR THE

SPECIAL MEETING OF THE STOCKHOLDERS

TO BE HELD [], 2007

ONE FINANCIAL PLAZA, ST. LOUIS, MISSOURI

This proxy statement is furnished to the holders of common stock of Stifel Financial Corp. (Stifel or the Company) in connection with the solicitation of proxies for use in connection with the Special Meeting of the stockholders of Stifel common stock (the Stockholders) to be held [], 2007, and all adjournments and postponements thereof, for the purpose set forth in the accompanying Notice of Special Meeting of the Stockholders. Stifel is first mailing this proxy statement and the enclosed form of proxy to Stockholders on or about [], 2007.

Pursuant to the Merger Agreement dated January 8, 2007 (the Merger Agreement) by and among Stifel, SF RB Merger Sub, Inc., a New Jersey corporation (Merger Sub), Ryan Beck Holdings, Inc., a New Jersey corporation (Ryan Beck), and BankAtlantic Bancorp, Inc., a Florida corporation (Bancorp), Stifel acquired Ryan Beck effective February 28, 2007 by merger (the Merger). Pursuant to the Merger Agreement, we agreed to seek stockholder approval to issue five-year warrants to the stockholders and certain former optionholders of Ryan Beck who were entitled to receive a portion of the Merger consideration. The warrants will provide these holders with the right to purchase up to an aggregate of 500,000 shares of Stifel common stock at an exercise price of \$36.00 per share, and may be exercised immediately after their issuance. If Stifel does not obtain stockholder approval for the issuance of the shares issuable upon the exercise of the warrants on or prior to June 30, 2007, Stifel has agreed to pay \$20.0 million to the Ryan Beck stockholders and optionholders in lieu of issuing the warrants.

The Merger Agreement provides for certain contingent earn-out payments after closing of the Merger, based on the achievement of certain performance criteria described below. If Stifel elects to make these earn-out payments in shares instead of in cash, as provided under the Merger Agreement, we may issue shares of Stifel common stock for such earn-out payments. One earn-out payment is based on the aggregate commissionable revenues attributable to certain individuals in Ryan Beck's existing private client division during the two-year period following closing of the Merger. Stifel will pay the Ryan Beck stockholders an earn-out payment based on 30% of commissionable revenues attributable to such existing private client division employees to the extent such revenues exceed a base amount, up to a maximum payout value of \$40.0 million. Two other earn-out payments are equal to revenues attributable to certain individuals in Ryan Beck's existing investment banking

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division over each of the first two 12-month periods after closing of the Merger. Such earn-out payments will be equal to 25% of the amount by which the investment banking fees attributable to such individuals exceed \$25.0 million in each 12-month period. If the Company elects to make the earn-out payments in shares of Stifel common stock instead of in cash, such shares of Stifel common stock will be valued according to the average of the daily closing price per share for the 10 consecutive business days ending on the day prior to the last day of the applicable earn-out period. We are seeking stockholder approval for the issuance of up to 1,000,000 shares of common stock to be used to pay any such contingent earn-out amounts; if such earn-out consideration exceeds the value of 1,000,000 of our shares, then we will pay the balance of the earn-out consideration in cash or seek further stockholder approval for the issuance of additional shares at that time.

In conjunction with the execution of the Merger Agreement, Stifel also entered into a Voting Agreement effective January 8, 2006 (the Voting Agreement) with Bancorp, the Western and Southern Life Insurance Company (Western and Southern), and several other individual holders of Stifel s common stock (collectively, the Voting Agreement Stockholders), under which the Voting Agreement Stockholders agreed, among other things, to vote their shares of Stifel common stock in favor of the transactions contemplated by the Merger Agreement including, without limitation, the issuance of the warrants and the shares of Stifel common stock issuable upon exercise thereof and shares of Stifel common stock that may become issuable (and paid at the discretion of Stifel) as earn-out consideration, and such other matters regarding the Merger so as to facilitate the consummation thereof.

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Additionally, the Voting Agreement Stockholders agreed to vote their shares of Stifel common stock against any action, transaction or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement under the Merger Agreement or the Voting Agreement.

Stifel s board of directors (the Board of Directors or the Board) believes that obtaining stockholder approval for the issuance of the shares underlying the warrants and for payment of the earn-out amounts provides Stifel with greater long-term flexibility for both financial and operating performance of Stifel as a whole. Approval of the shares issuable upon exercise of the warrants or that may be issued to satisfy earn-out payments, if any, will require the vote of a majority of our stockholders excluding those who received common stock in connection with the Merger.

Summary Term Sheet for the Merger

Stifel entered into the Merger Agreement on January 8, 2007, under which Stifel agreed to acquire Ryan Beck by the merger of Ryan Beck with and into a newly formed merger subsidiary wholly owned by Stifel. The Merger was consummated on February 28, 2007. The parties to the agreement are as follows:

Stifel Financial Corp., One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102, (314) 342-2000. Stifel is a financial services and bank holding company.

SF RB Merger Sub, Inc., One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102, (314) 342-2000. Merger Sub is a shell company organized specifically for the purposes of the Merger.

BankAtlantic Bancorp, Inc., 2100 West Cypress Creek Road, Fort Lauderdale, Florida 33309, (954) 940-5000. Bancorp is a diversified financial services holding company.

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Ryan Beck Holdings, Inc., 18 Columbia Turnpike, Florham Park, New Jersey 07932, (973) 549-4000. Ryan Beck is a brokerage and financial consulting and advisory services holding company.

The consideration issued (and to be issued) in the Merger is as follows:

Initial consideration consisting of 2,467,600 shares of Stifel common stock, and cash consideration of approximately \$2.65 million, as described in more detail on page 20.

Subject to the approval of Stifel's stockholders, five-year, immediately exercisable warrants to purchase up to 500,000 shares of Stifel's common stock, at an exercise price of \$36.00 per share, as described in more detail on page 21.

Contingent payments, as follows:

A contingent payment based on the aggregate revenues attributable to certain individuals in Ryan Beck's existing private client division over the two-year period following closing, as described in more detail on page 21.

Two contingent payments based on revenues attributable to certain individuals in Ryan Beck's existing investment banking division over each of the first two 12-month periods following closing, as described in more detail on page 21.

Each of the contingent payments is payable in cash or Stifel common stock, at Stifel's sole election.

Additionally, Stifel has agreed to establish a retention program for certain employees of Ryan Beck, with 1,200,000 shares of Stifel common stock reserved for issuance under the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees).

Value of the Merger Consideration. Stifel issued 2,467,600 shares at the closing of the Merger. Utilizing a

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value of \$41.55 per share (which represents the five-day average of the closing price of our stock as reported by the NYSE commencing two days before, and ending two days after, we announced the Merger), that stock had a value of \$102.5 million. In addition, we paid approximately \$2.65 million of cash at the closing of the Merger. As discussed elsewhere in this proxy statement, we also agreed to issue five-year warrants to purchase up to 500,000 shares of our common stock at an exercise price of \$36.00 per share. Using the Black-Scholes valuation method for the warrants, which gives consideration to the price of the underlying stock at the date of grant, the exercise price of the warrant, the expected dividend yield and volatility of the underlying stock, the expected life of the warrant and the corresponding risk free interest rate, such warrants had a value of approximately \$8.5 million. Accordingly, the initial share consideration, the cash and the Black-Scholes value of the warrants totals approximately \$113.7 million. If the stockholders do not approve the issuance of the warrants, we are required to pay cash of \$20.0 million in lieu of issuing the warrants. With the additional cash payment, the aggregate Merger consideration would equal approximately \$125.2 million. If any contingent earn-out consideration is paid, the value of the Merger consideration paid to Bancorp and former optionholders of Ryan Beck will increase by the amount of such contingent consideration paid.

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Maximum Number of Shares Issuable as Merger Consideration. The maximum number of shares of Stifel common stock that Stifel estimates it will issue in connection with the transaction is 3,967,600, consisting of:

- 2,467,600 shares issued as initial share consideration at the closing of the Merger, which shares were not subject to stockholder approval;
- up to 500,000 shares issuable upon exercise of the warrants, subject to stockholder approval; and
- up to 1,000,000 shares issuable in payment for any contingent earn-out consideration, also subject to stockholder approval.

As described above, the earn-out consists of two components, one based on revenues attributable to certain individuals in Ryan Beck's existing private client division, which is capped at \$40.0 million, and one based on revenues attributable to certain individuals in Ryan Beck's existing investment banking division, which is not capped. Under the Merger Agreement, we may pay such amounts in stock, cash or any combination thereof, at our election. If we use stock to pay all or portion of any earn-out, the maximum amount of shares that we will issue will be 1,000,000 shares. If we desire to utilize all of such shares to pay any such earn-out, then to the extent that the value of any earn-out exceeds the value of 1,000,000 shares, we will pay the excess over the value of 1,000,000 shares in cash or seek stockholder approval to issue additional shares. Utilizing a value of \$41.55 per share, we could pay up to \$41.55 million of earn-out payments with our stock, if we so elect.

The parties entered into a registration rights agreement (the "Registration Rights Agreement") pursuant to the Merger Agreement, which requires Stifel to register for resale the shares issued in conjunction with the Merger on certain timetables, as described in more detail on page 22. Additionally, the Registration Rights Agreement includes a lock-up provision and standstill provisions applicable to Bancorp, as described in more detail on page 22.

The Merger Agreement includes certain non-compete and non-solicitation provisions applicable to Bancorp, as described in more detail on page 22.

Subsequent to the closing of the Merger, Stifel's Board will remain unchanged. Stifel anticipates that in conjunction with or following the annual stockholders meeting in 2007 that Ben Plotkin will be appointed to the Board. Mr. Plotkin is the Chief Executive Officer of Ryan Beck.

Stifel also entered into the Voting Agreement under which the Voting Agreement Stockholders (as defined above) agreed to vote their shares of Stifel common stock in favor of the Merger, the Merger Agreement, and related transactions, as described in more detail on page 22.

We are also seeking stockholder approval of the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) (the "Plan"), which reserves 1,200,000 shares of Stifel common stock for issuance under the Plan for incentive equity compensation to certain employees of Ryan Beck. Stifel currently anticipates that 600,000 of those shares will be issued upon the exercise of restricted stock units issued for purposes of retaining employees

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of Ryan Beck, and that 600,000 of those shares will be issued as restricted stock units in exchange for Ryan Beck appreciation units held by Ryan Beck employees under Ryan Beck's deferred compensation plans. The value of the restricted stock units so issued will be the lower of (1) \$47.65 (the closing price as of February 28, 2007, the date of closing of the Merger), or (2) the date on which we obtain stockholder approval for the Plan.

Stifel provides equity compensation to employees as an incentive to increase long-term stockholder value and to align the interests of our employees with those of our stockholders. We believe that our equity compensation programs help us to attract and retain talented and highly-skilled individuals to serve as employees. We also believe that these plans motivate high levels of performance and create incentives that reward the contributions of our employees to our success and to increased stockholder value. The Board believes these restricted stock units are a critically important part of the package of equity and cash used to provide incentives to the associates of Ryan Beck to remain with Stifel as part of our acquisition of that company.

Your vote is very important. Whether or not you plan to attend the Special Meeting, we request that you vote as soon as possible.

Whether or not you expect to be present in person at the meeting, you are requested to complete, sign, date, and return the enclosed form of proxy. If you attend the meeting, you may vote by ballot. If you do not attend the meeting, your shares of common stock can be voted only when represented by a properly executed proxy.

Any person giving such a proxy has the right to revoke it at any time before it is voted by giving written notice of revocation to the Secretary of Stifel, by duly executing and delivering a proxy bearing a later date, or by attending the Special Meeting and voting in person.

The close of business on [], 2007 has been fixed as the record date for the determination of the Stockholders entitled to vote at the Special Meeting of the Stockholders. As of the record date, approximately [] shares of Stifel common stock were outstanding and entitled to be voted at the Special Meeting. Stockholders will be entitled to cast one vote on each issue presented above for each share of Stifel common stock held of record on the record date.

The solicitation of this proxy is made by Stifel's Board. The solicitation will primarily be by mail and the expense thereof will be paid by Stifel. In addition, proxies may be solicited by telephone or facsimile by directors, officers, or regular employees of Stifel.

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ABOUT THE SPECIAL MEETING

WHY AM I RECEIVING THESE MATERIALS?

The Board is providing these proxy materials to you in connection with the solicitation of proxies for use at the Special Meeting of Stockholders to be held on [], [], 2007, [at] a.m., Central time, and at any adjournment or postponement thereof (the Special Meeting), for the purpose of considering and acting upon the matters set forth herein.

WHO IS SOLICITING MY VOTE?

Our Board of Directors is soliciting your vote at the Special Meeting.

WHAT WILL I BE VOTING ON?

You will be voting on two proposals:

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The first proposal is to approve the issuance of shares of Stifel common stock in connection with Stifel's pending acquisition of Ryan Beck Holdings, Inc. (Ryan Beck) by merger (the Merger). Stifel is seeking stockholder approval of the issuance of 500,000 shares of Stifel common stock upon the exercise of five-year, immediately exercisable warrants issued to the stockholders and optionholders of Ryan Beck who receive a portion of the consideration for the Merger. The warrants have an exercise price of \$36.00 per share. The Merger Agreement dated January 8, 2007 (the Merger Agreement) by and among Stifel, SF RB Merger Sub, Inc., a New Jersey corporation (Merger Sub), Ryan Beck and BankAtlantic Bancorp, Inc., a Florida corporation (Bancorp) provides that, if Stifel stockholder approval is not obtained for the issuance of the shares of Stifel common stock underlying the warrants on or before June 30, 2007, Stifel is obligated to pay the Ryan Beck stockholders and optionholders receiving a portion of the Merger consideration \$20.0 million in cash in lieu of issuing the warrants.

The Merger Agreement further provides for certain earn-out payments after the closing of the Merger. The Merger Agreement permits Stifel to elect to make such earn-out payments in shares of Stifel common stock instead of in cash. Stifel is therefore seeking stockholder approval to issue up to 1,000,000 shares of Stifel common stock to make such earn-out payments. To the extent that the value of such earn-out payments exceed the value of 1,000,000 shares of Stifel common stock, we will pay the balance of the earn-out payments in cash or seek further stockholder approval for the issuance of additional shares at that time.

One earn-out payment is based on the aggregate commissionable revenues attributable to certain individuals in Ryan Beck's existing private client division during the two-year period following the closing of the Merger. Stifel will pay the earn-out payment based on 30% of commissionable revenues attributable to such existing private client division employees to the extent such revenues exceed a base amount, up to a maximum payout value of \$40.0 million. Two other earn-out payments are based on revenues attributable to certain individuals in Ryan Beck's existing investment banking division over each of the first two 12-month periods after the closing of the Merger. Stifel will pay for each earn-out payment an amount equal to 25% of the amount by which the investment banking fees attributable to such individuals exceed \$25.0 million in each 12-month period. If Stifel elects to make such earn-out payments in shares of Stifel common stock instead of in cash, such shares of Stifel common stock will be valued according to the average of the daily closing price per share for the 10 consecutive business days ending on the day prior to the last day of the applicable earn-out period, and Stifel will issue a number of shares of Stifel common stock with an aggregate valuation equal to each earn-out amount (up to 1,000,000 shares, for which stockholder approval is sought by this proxy statement).

If the issuance of these shares underlying the warrants and for payment of the earn-out payments is not approved at the Special Meeting, we believe that we will lose the flexibility we need to continue to grow our business, and in turn, we believe that this may have a negative effect on our long-term success.

The issuance of the shares underlying the warrants and for payment of the earn-out payments requires the approval of a majority of Stifel's stockholders, excluding the stockholders who received share consideration in the Merger.

The second proposal is to approve and adopt the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) (the Plan), which provides incentive equity compensation to certain employees of Ryan Beck. The Plan reserves 1,200,000 shares of Stifel common stock for issuance under the Plan. Stifel currently anticipates that 600,000 of those shares will be issued upon the exercise of restricted stock units issued for purposes of retaining employees of Ryan Beck, that 600,000 of those shares will be

issued as restricted stock units in exchange for Ryan Beck appreciation units held by Ryan Beck employees under Ryan Beck's deferred compensation plans. The value of the restricted stock units so issued will be the lower of (1) \$47.65 (the closing price as of February 28, 2007, the date of closing of the Merger), or (2) the date on which we obtain stockholder approval.

In addition to the consideration to be paid to the stockholders and optionholders of Ryan Beck who are receiving a portion of the Merger consideration, Stifel has agreed to issue certain equity compensation to key associates of Ryan Beck under the Plan. If the Plan is not approved at the Special Meeting, we believe that our ability to retain these employees will be negatively affected, and in turn, we believe our long-term success may be adversely affected.

HOW MANY VOTES DO I HAVE?

You will have one vote for each proposal for every share of common stock you owned on the record date, [], 2007, and on each other proposal presented at the Special Meeting; however, because Proposal I deals with the form in which additional consideration for the Merger may be paid, holders of shares of common stock issued as consideration for the Merger are not entitled to vote in respect of Proposal I.

HOW MANY VOTES CAN BE CAST BY ALL STOCKHOLDERS?

[] for Proposal I and [] for Proposal II, consisting of one vote for each of the shares of common stock that were outstanding on the record date, less the number of shares of common stock issued as consideration for the Merger for Proposal I.

HOW MANY VOTES MUST BE PRESENT TO HOLD THE MEETING?

[] votes, which represents a majority of the votes entitled to be cast with regard to Proposal II (which is the proposal to be decided at the Special Meeting with the largest number of shares eligible to be cast). If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum. A broker non-vote occurs when a bank or broker holding shares in street name submits a proxy that states that the broker does not vote for some or all of the proposals, because the broker has not received instructions from the beneficial owners on how to vote on the proposals and does not have discretionary authority to vote in the absence of instructions.

We urge you to vote by proxy even if you plan to attend the Special Meeting so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

DOES ANY SINGLE STOCKHOLDER CONTROL AS MUCH AS 5 PERCENT OF ANY CLASS OF STIFEL'S COMMON STOCK?

As of [], 2007 there are two stockholders that beneficially own over five percent of our common stock (see page 30).

ARE THERE ANY VOTING AGREEMENTS THAT MAY AFFECT THE VOTE?

Stifel entered into a Voting Agreement effective January 8, 2006 (the "Voting Agreement") with several individual holders of Stifel's common stock (collectively, the "Voting Agreement Stockholders"), under which the Voting Agreement Stockholders agreed to vote their shares of Stifel common stock in favor of the Merger, the Merger Agreement, and the transactions contemplated thereunder including, without limitation, the issuance of the warrants and the shares of Stifel common stock issuable upon exercise thereof and shares of Stifel common stock that may become issuable (and paid in the discretion of Stifel) as earn-out consideration, and such other matters regarding the Merger so as to facilitate the consummation thereof.

WHAT ARE THE BENEFITS THAT OFFICERS AND DIRECTORS RECEIVE IN THE TRANSACTION, AND WHAT ARE THE POTENTIAL CONFLICTS OF INTEREST?

Stifel's officers and directors did not receive any direct or indirect benefit as a result of the transaction that would not be realized by holders of Stifel common stock, generally, and the Board has not identified any conflicts of interest among Stifel's officers and directors.

Stifel anticipates that sometime after the annual stockholders meeting, the Board will appoint Ben Plotkin, the chief executive officer of Ryan Beck, to the Board of Stifel. Mr. Plotkin was not a member of the executive management of Stifel when the Merger was considered, and will not be a member of the Board during the time prior to the approval of the matters that are the subject of this proxy statement. At the time such matters were considered, Mr. Plotkin was on the board of, and was the chief executive officer of, Ryan Beck.

HOW DO I VOTE?

You can vote either by proxy with or without attending the Special Meeting or in person at the

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Special Meeting.

To vote by proxy, you must either:

- ✓ If your shares are registered in your name at UMB Bank, n.a. (our transfer agent), you must fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope.

- ✓ If you hold your stock through a securities broker (that is, in street name), you must either:
 - Ø fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope,
 - Ø vote by telephone (instructions are on the proxy card), or
 - Ø vote by Internet (instructions are on the proxy card).

Our employees who participate in our employee benefit plans may vote on our Intranet or may have their proxy card mailed to them.

If you want to vote in person at the Special Meeting, and you hold your stock through a securities broker (that is, in street name), you must obtain a proxy from your broker and bring that proxy to the meeting.

CAN I CHANGE MY VOTE?

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Yes. Just send in a new proxy card with a later date, or cast a new vote by telephone, Internet or Intranet, or send a written notice of revocation to our corporate secretary at the address on the cover of this proxy statement. If you attend the Special Meeting and want to vote in person, you can request that your previously submitted proxy not be used.

WHAT IS THE VOTE REQUIRED TO APPROVE EACH PROPOSAL?

Approval of Proposal I requires the approval of a majority of total votes cast on Proposal I, excluding the votes of stockholders relating to the shares they received as consideration in the Merger, and approval and adoption of the Plan requires a majority of votes cast on Proposal II, provided that the total votes cast on such proposal represent over 50 percent of our outstanding shares entitled to vote on each such matter. Therefore, shares subject to abstention will be considered as present for quorum purposes and will have the effect of a vote against this proposal. A broker non-vote will have no effect on the proposals (except to the extent such abstentions and broker non-votes result in a failure to obtain total votes cast representing more than majority of the votes that can be cast at the Special Meeting regarding the issuance of the shares underlying the warrants and for payment of the earn-out amounts and regarding the Plan).

IF I SIGN A PROXY, HOW WILL IT BE VOTED?

All shares entitled to vote and represented by properly executed proxy cards received prior to the Special Meeting, and not revoked, will be voted at the Special Meeting in accordance with the instructions indicated on those proxy cards. If no instructions are indicated on a properly executed proxy card, the shares represented by that proxy card will be voted as recommended by the Board of Directors. As a result, your shares will be voted in favor of the Proposals.

WHEN ARE THE STOCKHOLDER PROPOSALS FOR INCLUSION IN THE PROXY STATEMENT FOR THE 2007 ANNUAL MEETING DUE?

In order to be considered for inclusion in the proxy statement for the 2007 Annual Meeting of Stockholders, stockholder proposals must have been in writing and received by December 7, 2006 by Stifel Financial Corp., One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102, Attn: Secretary.

WHEN ARE STOCKHOLDER PROPOSALS FOR PRESENTATION AT MEETINGS OF STOCKHOLDERS DUE?

If you desire to submit a proposal for consideration at a meeting of stockholders, or to nominate persons for elections as directors at any meeting duly called for the election of directors, written notice of your intent to make such proposal or nomination must be given and received by Stifel's Secretary at its principal office not later than (1) with respect to an Annual Meeting of Stockholders, 60 days prior to the anniversary date of the immediately preceding Annual Meeting, and (2) with respect to a Special Meeting of Stockholders, the close of business on the 10th day following the date on which notice of the meeting is first sent or given to stockholders. Each notice shall describe the proposal or nomination in sufficient detail for a proposal or nomination to be summarized on the agenda for the meeting and shall set forth (1) the name and address, as it appears on the books of the Company, of the stockholder who intends to make the proposal or nomination; (2) a representation that the stockholder is a holder of record of the ordinary shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present such proposal or nomination; and (3) the class and number

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of ordinary shares of the Company which are beneficially owned by such stockholder.

COULD OTHER MATTERS BE DECIDED AT THE SPECIAL MEETING?

If any other matters are properly presented for consideration at the Special Meeting, including, among other things, consideration of a motion to adjourn the Special Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the enclosed proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. Stifel does not currently anticipate that any other matters will be raised at the Special Meeting.

WHAT HAPPENS IF THE MEETING IS POSTPONED OR ADJOURNED?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting.

HOW CAN I ACCESS STIFEL'S PROXY MATERIALS AND ANNUAL REPORT ELECTRONICALLY?

This proxy statement and the 2006 annual report are available on our Internet site at www.stifel.com. Most stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail.

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PROPOSAL I.

Issuance of Additional Shares of Stifel Common Stock in Connection with Stifel's Acquisition of Ryan Beck

The Board of Directors is asking stockholders to approve the issuance of up to 1,500,000 shares of Stifel common stock in connection with the acquisition of Ryan Beck by merger. The Board of Directors approved such issuance on January 6, 2007, subject to stockholder approval.

Our Board has approved the issuance of shares underlying the warrants and for payment of the earn-out amounts and recommends that stockholders vote therefor.

Background of the Merger

On several occasions prior to September 2006, Ronald J. Kruszewski, President, CEO and Chairman of Stifel, discussed with Ben A. Plotkin, CEO and chairman of Ryan Beck, the possibility of a strategic combination or alliance involving Stifel and Ryan Beck. In each case, the contacts were preliminary, did not involve Bancorp, Ryan Beck's sole shareholder, and did not result in any negotiations regarding any significant economic terms with respect to any transaction involving either of the two companies.

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In mid-September 2006, Mr. Plotkin called Mr. Kruszewski and renewed their discussions. The two agreed to meet to discuss a potential transaction. On September 26, 2006, Mr. Kruszewski met with Mr. Plotkin at an off-site location in New Jersey to discuss the general merits of an acquisition by Stifel of Ryan Beck, including whether a combination of Stifel and Ryan would be beneficial for each their respective companies and Bancorp. Messrs. Kruszewski and Plotkin discussed their respective companies, industry trends and areas in which the two companies' businesses might be complementary. Also discussed was the importance of retaining Ryan Beck's key investment professional employees through various retention programs. The two agreed to further examine independently the benefits of such a combination.

On October 6, 2006, Mr. Plotkin circulated a draft confidentiality agreement to Mr. Kruszewski. Following conversations between the parties and respective legal counsel concerning the terms of the confidentiality agreement, it was executed on October 9, 2006 with the knowledge of Bancorp. The confidentiality agreement required each of the parties to maintain the confidentiality of nonpublic information that would be made available to the other for purposes of due diligence with respect to a potential acquisition of Ryan Beck by Stifel. Following the execution of the confidentiality agreement, the parties commenced their initial business and financial due diligence. At this time, Ryan Beck provided Stifel with access to a private online document room created to facilitate due diligence. Also, at this time discussions between Messrs. Kruszewski and Plotkin continued with respect to the various employee retention programs and post-acquisition operations.

On November 9, 2006, Mr. Kruszewski met with Alan B. Levan, the chairman of Bancorp, and Mr. Plotkin in Bancorp's offices in Miami, Florida. Mr. Kruszewski and Mr. Levan discussed valuation generally, but only in a non-specific manner, as Stifel was early in the process of its evaluation of the various potential synergies and other benefits of a transaction and the costs relating to assimilating the Ryan Beck private client, capital markets and investment banking groups. Throughout this period, Stifel met and conferred with Citigroup Global Markets Inc. (Citi), Stifel's financial advisor in connection with the proposed transaction, regarding a potential transaction with Ryan Beck, and Stifel reviewed selected materials, based on public information and information provided pursuant to the confidentiality agreement, relating to a potential strategic combination between Stifel and Ryan Beck.

On November 6, 2006, at a regularly scheduled meeting of the board of directors of Stifel, Mr. Kruszewski informed the board of the potential for entering into an acquisition agreement with Ryan Beck, but indicated that he did not know if the parties could reach an agreeable valuation.

During the last week of November and the first week of December 2006, Stifel and Bancorp discussed a summary of terms. Mr. Levan expressed interest in acquiring stock of Stifel in connection with the transaction, and the parties took note of the fact that Stifel's market price during the previous three-month period had ranged between \$30.07 and \$37.30. The parties agreed that the valuation would be based on the book value of Ryan Beck as a stand-

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alone business and would be expressed in shares of Stifel having a valuation of \$36.00 per share based on the recent historical trading price of the shares. In addition, the parties discussed potential warrant and earn-out consideration tied to the performance of each of the private client group and investment banking division of Stifel.

During the week of December 4, 2006, the parties instructed their legal counsel to commence drafting an acquisition agreement based on the summary of terms. Throughout December 2006 and in early January 2007, Stifel management and their advisors conducted due diligence of Ryan Beck, including through access to the private online data room, management meetings and site visits.

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On December 5, 2006, the Stifel Board held a regular board meeting during which the directors were provided with an update regarding the due diligence process and the information provided by Ryan Beck to date.

On December 9, 2006, pursuant to the request of Stifel, Bryan Cave LLP, Stifel's legal counsel for the transaction, provided an initial draft acquisition agreement to Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A., Bancorp's legal counsel for the transaction. From December 10, 2006 through January 8, 2007, Stifel, with the assistance of Bryan Cave and Citi, negotiated the specific terms of the Merger Agreement and the related disclosure letter. These negotiations addressed the nature of the representations and warranties to be made in respect of Ryan Beck and its business, the limitations on the conduct of Ryan Beck's between signing and closing and certain employee matters. Among the issues discussed, particular attention was given to (i) the scope, limitations and survival period of the indemnification obligations, (ii) the structure of the transaction and the mix of consideration to be delivered, (iii) certain tax issues, and (iv) the structure of the earn-out consideration and retention packages for Ryan Beck employees. During this period, in a series of telephone calls from mid-December through December 24, 2006, Messrs. Kruszewski and Levan agreed that the valuation would be based on the November 30, 2006 book value of Ryan Beck, approximately \$91.1 million, and that the number of shares would be fixed at 2,531,278 (sometimes referred to as the Initial Share Consideration), subject to the limitation that the number would not exceed 19.9% of the outstanding voting stock of Stifel. In addition, the parties agreed on the structure of the earn-out with respect to the private client group and investment banking business. The respective parties and legal counsel continued to review and negotiate the Merger Agreement.

During the course of the negotiations of the Merger Agreement, Stearns Weaver Miller indicated the desirability of obtaining an agreement from Stifel's significant stockholders (including Western and Southern, which at the time was Stifel's largest shareholder) to vote in favor of any matters relating to the Merger requiring Stifel stockholder approval. On or about January 4, 2007, Mr. Kruszewski informed representatives of Western and Southern of the potential transaction and its material terms on a confidential basis, and those representatives indicated Western and Southern would be willing to enter into such a voting agreement. Other members of the Board of Directors, including Mr. Kruszewski, also were asked to enter into such a voting agreement. The terms of the Merger Agreement and the Voting Agreement are detailed below under Terms of the Ryan Beck Acquisition beginning on page 20 of this proxy statement.

On January 6, 2007, Stifel's entire board of directors, together with its financial and legal advisors, met to review the proposed Merger and draft Merger Agreement. At the meeting, Citi provided to the Board a summary of its fairness opinion procedures, reviewed its analysis performed and delivered a verbal fairness opinion to Stifel's Board to the effect that, as of such date and based upon and subject to the assumptions, qualifications and limitations described by Citi, the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel's Board, that no cash would be substituted for the Initial Share Consideration as contemplated by the Merger Agreement) to be paid by Stifel in the Merger, was fair, from a financial point of view, to Stifel. Representatives from Bryan Cave summarized the principal terms of the Merger Agreement and the determinations to be made by the directors in the exercise of their fiduciary duties. After discussion and deliberation based upon the totality of the information presented and considered during its evaluation of the Merger and the Merger Agreement, the Board, by unanimous vote, approved the Merger Agreement and the transactions contemplated by the Merger Agreement, in substantially the form presented to the Board.

On January 8, 2007, Stifel and its wholly-owned subsidiary Merger Sub entered into the Merger Agreement with Bancorp, and its subsidiary, Ryan Beck, pursuant to which Stifel agreed to acquire Ryan Beck through the

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Merger of Ryan Beck with and into Merger Sub, with Merger Sub surviving. On the morning of January 9, 2007, Stifel issued a press release announcing the execution of the Merger Agreement. The Merger closed on February 28, 2007.

Reasons for the Merger

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On January 6, 2007, the Board unanimously adopted resolutions, determining that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, were in Stifel's best interests. The Board concluded that the Merger Agreement and the Merger were fair to Stifel's stockholders, and recommends that the holders of Stifel common stock vote for the approval of the issuance of shares of Stifel common stock upon exercise of the Warrants and as additional earn-out consideration as described in this proxy statement.

In reaching these conclusions, the Board consulted with our management and our legal and financial advisors, and considered the short-term and long-term interests and prospects of Stifel and its stockholders. In reaching the foregoing determinations, the Board considered the following material factors that it believed supported its determinations:

the strategic nature of the transaction, which would expand Stifel's broker-dealer network into the Northeast, with relatively little overlap with its current business operations;
the strong management team of Ryan Beck, and the relative fit of the cultures of Stifel and Ryan Beck;

Citi's written opinion, dated January 8, 2007, the date of the Merger Agreement, to the effect that, as of such date, and based upon and subject to the assumptions, qualifications and limitations set forth therein, the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel's Board, that no cash would be substituted for the Initial Share Consideration as contemplated by the Merger Agreement) to be paid by Stifel in the Merger was fair, from a financial point of view, to Stifel; and

the terms and conditions of the Merger Agreement. The board of directors considered in particular:

- o the indemnification available to Stifel;
- o the structure of the consideration of the transaction, including a significant component relating to the contingent performance of certain business divisions of Ryan Beck;
- o the treatment of Ryan Beck's deferred compensation plans;
- o the treatment of Ryan Beck management's change of control contracts;
- o the fact that the Merger could be consummated quickly following regulatory approval;
- o the fact that Ryan Beck was not self-clearing and that substantial benefits would accrue to Stifel by leveraging its clearing platform;
- o the positive business reputation of Ryan Beck and its lack of any material contingent liabilities; and
- o the absence of any material regulatory issues.

The Board also considered a variety of risks and other potentially negative factors concerning the Merger. These factors included the following:

the conditions to the closing of the Merger, including regulatory approval, and the negative that failure to complete the Merger might have on the trading price of Stifel's common stock and Stifel's operating results, including the expenses associated with the transaction;

Stifel's ability to retain key personnel of Ryan Beck following the closing;

the potential distraction to Stifel management in trying to integrate the operations of Ryan Beck, which may be particularly challenging given the pending acquisition of First Service Financial Company (which was

subsequently consummated in April 2007) and the recent acquisition of the capital markets business of Legg Mason at the end of 2005;

the possible disruption to Stifel's business that might result from the announcement of the Merger and the resulting distraction of the attention of Stifel's management;

the amount of stock to be held by Bancorp and the possibility that Bancorp may seek to sell such shares in the future.

The foregoing discussion of the information and factors considered by the Stifel Board is not intended to be exhaustive but, we believe, includes all material factors considered by our board of directors. Based on the factors outlined above, the Stifel Board determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are fair to and in the best interests of holders of Stifel common stock.

Opinion of Stifel's Financial Advisor

Stifel retained Citi as its exclusive financial advisor in connection with the Merger. In connection with this engagement, the board of directors of Stifel requested that Citi evaluate the fairness, from a financial point of view, to Stifel of the Merger consideration to be paid by Stifel in the Merger. On January 6, 2007, at a meeting of the Stifel board of directors held to evaluate the Merger, Citi delivered a verbal fairness opinion, which opinion was confirmed by delivery of a written opinion dated January 8, 2007, the date of the Merger Agreement, to the effect that as of the date of such opinion, and based upon and subject to the assumptions, limitations and considerations set forth in the opinion and other factors it deemed relevant, the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel's Board, that no cash would be substituted for the Initial Share Consideration as contemplated by the Merger Agreement) to be paid by Stifel in the Merger was fair, from a financial point of view, to Stifel.

The full text of Citi's written opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as Annex II to this proxy statement. **The summary of Citi's opinion set forth below is qualified in its entirety by reference to the full text of the opinion. You are urged to read Citi's opinion carefully and in its entirety.**

The Citi opinion was provided for the information of the Stifel board of directors in its evaluation of the Merger, which has been consummated, and was limited solely to the fairness from a financial point of view as of the date of the opinion of the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel's Board, that no cash would be substituted for the Initial Share Consideration as contemplated by the Merger Agreement) to be paid by Stifel in the Merger. Citi was not requested to opine as to, and its opinion does not address in any manner, Stifel's underlying business decision to proceed with or effect the Merger. Neither Citi's opinion nor its related analyses constituted a recommendation of the Merger to the Stifel board of directors. Citi makes no recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the Merger, including with respect to the Proposal I described in this proxy statement.

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In arriving at its opinion, Citi reviewed the Merger Agreement and held discussions with certain senior officers, directors and other representatives and advisors of Stifel and certain senior officers and other representatives and advisors of Ryan Beck concerning the business, operations and prospects of Stifel and Ryan Beck. Citi examined certain publicly available business and financial information relating to Stifel and Ryan Beck as well as certain financial forecasts and other information and data relating to Stifel and Ryan Beck which were provided to or discussed with Citi by the respective managements of Stifel and Ryan Beck, including adjustments to the forecasts and other information and data relating to Stifel and Ryan Beck discussed with Citi by the respective managements of Stifel and Ryan Beck, and including information relating to the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated by the managements of Stifel and Ryan Beck to result from the Merger. In addition, Citi assumed, with the consent of Stifel's Board, that there were no material undisclosed liabilities of Ryan Beck for which adequate reserves or other provisions had not been made. Citi reviewed the financial terms of the Merger as set forth in the Merger Agreement in relation to or in light of, among other things:

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- current and historical market prices and trading volumes of Stifel common stock;
 - the historical and projected earnings and other operating data of Stifel and Ryan Beck;
 - the capitalization and financial condition of Stifel and Ryan Beck; and
 - the liquidity requirements and capital resources of Ryan Beck.

Citi considered, to the extent publicly available, the financial terms of certain other transactions which Citi considered relevant in evaluating the Merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citi considered relevant in evaluating those of Stifel and Ryan Beck. Citi also evaluated certain potential pro forma financial effects of the Merger on Stifel. In addition to the foregoing, Citi conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citi deemed appropriate in arriving at its opinion.

In rendering its opinion, Citi assumed and relied, without assuming any responsibility for independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Citi and upon the assurances of the respective managements of Stifel and Ryan Beck that they were not aware of any relevant information that had been omitted or that remained undisclosed to Citi. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with Citi relating to Stifel and Ryan Beck and, in the case of certain potential pro forma financial effects of, and strategic implications and operational benefits resulting from, the Merger, relating to Stifel, Citi was advised by the respective managements of Stifel and Ryan Beck that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Stifel and Ryan Beck as to the future financial performance of Stifel and Ryan Beck, the potential strategic implications and operational benefits anticipated to result from the Merger and other matters covered thereby, and Citi assumed, with Stifel's consent, that the financial results (including the potential strategic implications and operational benefits anticipated to result from the Merger) reflected in such forecasts and other information and data will be realized in the amounts and at the times projected.

Citi assumed, with Stifel's consent, that the Merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Stifel, Ryan Beck or the contemplated benefits to Stifel of the Merger.

The Merger Agreement provides for the substitution of an amount of cash, referred to as the Substituted Cash Consideration, for a portion of the Initial Share Consideration in certain circumstances. Citi assumed, with the consent of Stifel's Board, that no Substituted Cash Consideration would be paid in connection with the Merger. Citi also assumed, with the consent of Stifel's Board, that the Merger would be treated as a tax-free reorganization for federal income tax purposes.

Citi's opinion, as set forth therein, relates to the relative values of Stifel and Ryan Beck. Citi did not express any opinion as to what the value of the Stifel common stock would be when issued pursuant to the Merger or the price at which the Stifel common stock would trade at any time. Citi did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Stifel or Ryan Beck, nor did Citi make any physical inspection of the properties or assets of Stifel or Ryan Beck. Citi expressed no view as to, and its opinion did not address, the relative merits of the Merger as compared to any alternative business strategies that might exist for Stifel or the effect of any other transaction in which Stifel might engage. Citi's opinion was necessarily based upon information available to Citi, and financial, stock market and other conditions and circumstances existing, as of the date of the opinion.

Financial Analyses of Citi

In connection with rendering its opinion, Citi made a presentation to the Stifel board of directors on January 6, 2007 with respect to the material analyses performed by Citi in evaluating the fairness to Stifel, from a financial point of view, of the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel's Board, that no Substituted Cash Consideration would be paid in connection with the Merger) to be paid by Stifel in the Merger. The following is a summary of the financial analyses contained in that presentation. **The summary includes information presented in tabular format. In order to understand fully the financial analyses used by Citi, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.**

The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to January 5, 2007, and is not necessarily indicative of current or future market conditions.

The written opinion of Citi did not reflect any development that may have occurred after the date of such opinion and prior to completion of the Merger. Stifel did not request an updated opinion from Citi in connection with the Merger.

Comparable Companies Analysis. Citi reviewed market values and trading multiples for the following publicly held companies in the brokerage, financial advisory, investment banking, investment advisory and related financial advisory services sectors and compared them with financial data for Ryan Beck:

Stifel;
 A.G. Edwards & Sons, Inc.;
 Raymond James Financial, Inc.;
 Oppenheimer & Co.;
 Sanders Morris Harris Group Inc.;
 Piper Jaffray & Co.;
 KBW, Inc.;
 Thomas Weisel Partners Group, Inc.; and
 Cowen Group, Inc.

All multiples were based on market data as of January 5, 2007. The forecasted financial information used by Citi for the selected comparable companies in the course of this analysis was based on information published by Institutional Brokers Estimate System, or IBES, as provided by Thomson Financial and IDD Information Services, or IDD. IBES contains estimated and actual earnings cash flows, dividends, sales and pre-tax income data for companies in the U.S., Europe, Asia and emerging markets. The forecasted financial information used by Citi in the course of these analyses with respect to Stifel and Ryan Beck was based on Stifel and Ryan Beck management estimates and, with respect to Stifel, do not include any compensation expenses related to Stifel's acquisition of Legg Mason's capital market business.

For each of the selected comparable companies, Citi derived and compared, among other things:

- the price as a multiple of 2006 earnings per share (2006 EPS);
- the price as a multiple of 2007 earnings per share (2007 EPS);
- the price as a multiple of book value (Book Value);
- the price as a multiple of tangible book value (Tangible Book Value);
- broker premium (defined as market capitalization less tangible book value, expressed on a per broker basis (\$ in thousands)) (Broker Premium); and
- long term earnings per share growth rate (Long Term EPS Growth Rate).

The following table sets forth the results of this analysis:

	<u>High</u>	<u>Median</u>	<u>Low</u>
Price as a multiple of 2006 EPS	23.5x	17.6x	13.5x
Price as a multiple of 2007 EPS	21.4x	15.8x	11.0x
Price as a multiple of Book Value	3.13x	2.05x	1.24x
Price as a multiple of Tangible Book Value	3.13x	2.27x	1.77x
Broker Premium (\$ in thousands)	\$623.0	\$433.7	\$147.8
Long Term EPS Growth Rate	10.0%	10.0%	5.0%

Based on this comparable company analysis and taking into consideration other performance metrics, Citi derived a reference range for the implied estimated equity value of Ryan Beck of approximately \$135.0 million to \$150.0 million. Citi calculated that this reference range would result in an implied multiple of equity value to estimated 2007 Net Income of 29.0x to 32.2x, an implied multiple of equity value to Tangible Book Value of 1.49x to 1.65x and an implied Broker Premium of \$114.0 to \$152.5 (each in thousands).

Precedent Transactions Analysis. Citi reviewed publicly available information for the following eleven merger or acquisition transactions in the brokerage, financial advisory, investment banking, investment advisory and related financial advisory services sectors publicly announced since September 28, 1999:

<u>Acquiror</u>	<u>Target</u>	<u>Date Announced</u>
UBS	McDonald (Retail Only)	9/6/2006
UBS	Piper Jaffray & Co. (Retail Only)	4/11/2006
Merrill Lynch & Co.	Advest Group, Inc. (AXA)	9/14/2005
Royal Bank of Canada	Tucker Anthony Sutro	8/1/2001
Regions Financial	Morgan Keegan	12/18/00
Royal Bank of Canada	Dain Rauscher	9/28/00
MONY	Advest	8/24/00
UBS	Paine Webber	7/12/00
First Union	First Albany	5/10/00
Paine Webber	J.C. Bradford	4/28/00
Wells Fargo	Ragen MacKenzie	9/28/99

For each selected precedent transaction, Citi derived and compared, among other things:

- the ratio of purchase price (excluding retention payments) of the acquired company based on the consideration paid in the transaction to net revenues, for the last 12-month period prior to the announcement of the transaction for which financial results were available (LTM Net Revenues);
- the ratio of purchase price (excluding retention payments) of the acquired company based on the consideration paid in the transaction to net income, for the last 12-month period prior to the announcement of the transaction for which financial results were available (LTM Net Income);
- the ratio of purchase price (excluding retention payments) of the acquired company based on the consideration paid in the transaction to net income, for the current fiscal year period during which the transaction was consummated (CFY Net Income);
- the ratio of purchase price (excluding retention payments) of the acquired company based on the consideration paid in the transaction to tangible book value (Tangible Book Value); and
- the broker premium (Broker Premium).

With respect to the financial information for the companies involved in the selected precedent transactions, Citi relied on information available in public documents, company press releases and information published by IDD.

The following table presents the results of this analysis:

	High	Median	Low
Ratio of Purchase Price to LTM Net Revenues	3.05x	1.39x	0.84x
Ratio of Purchase Price to LTM Net Income	73.4x	16.1x	6.8x
Ratio of Purchase Price to CFY Net Income	47.3x	16.9x	13.2x
Ratio of Purchase Price to Tangible Book Value	3.43x	2.90x	1.98x
Broker Premium (\$ in thousands)	\$1,014	\$564	\$288

Based upon this precedent transactions analysis and taking into consideration other performance metrics, Citi derived a reference range for the implied estimated equity value of Ryan Beck of approximately \$180.0 million to \$200.0 million. Citi calculated that this reference range would result in an implied multiple of equity value to estimated 2007 Net Income of 38.7x to 43.0x, an implied multiple of firm value to Tangible Book Value of 1.99x to 2.21x and an implied Broker Premium of \$229.6 to \$281.1 (each in thousands).

Discounted Cash Flow Analysis. Citi performed a discounted cash flow analysis to calculate the estimated present value of the after-tax free cash flows that Ryan Beck could generate from fiscal years 2007 through 2011 based on financial projections developed with and reviewed by Stifel management, both on a standalone basis and taking into account the value of synergies anticipated to result from the Merger by Stifel's management.

Citi calculated the after-tax free cash flows by calculating estimated net income of Ryan Beck for each of fiscal years 2007 through 2011, by applying a 7% compound annual growth rate to estimated revenues for Ryan Beck and a pre-tax net margin thereto, and adjusting estimated net income for estimated additional investments required. Citi calculated the terminal value of Ryan Beck by applying to Ryan Beck's fiscal year 2011 estimated net income a range of terminal multiples of 11.5x to 13.5x. The present value of the cash flows and the terminal value of Ryan Beck were calculated using discount rates ranging from 10.5% to 13.5%, which Citi viewed as appropriate based on weighted average cost of capital analysis for Ryan Beck.

Citi derived a reference range for the implied estimated equity value of Ryan Beck of approximately \$125.0 million to \$150.0 million based on the discounted cash flow analysis for Ryan Beck without taking into account synergies anticipated to result from the Merger by Stifel's management. In addition, Citi derived a reference range for the implied estimated equity value of Ryan Beck of approximately \$250.0 million to \$275.0 million based on the discounted cash flow analysis taking into account synergies anticipated to result from the Merger by Stifel's management.

Contribution Analysis. Citi reviewed certain historical and estimated future operating, financial and market information for Ryan Beck and Stifel, and the implied contribution percentages of Stifel and Ryan Beck to the combined company. The information used by Citi in the course of this analysis was based on estimates provided to Citi by the respective managements of Stifel and Ryan Beck.

Based upon the foregoing analysis, and assuming Stifel's stockholders would approve the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of the Proposal I described in this proxy statement, Citi calculated an implied Stifel contribution range in the combined company of approximately 67% to 92%, compared with an implied ownership percentage of Stifel shareholders in the pro forma entity of 81%, taking into account options, deferred compensation and assuming the issuance of 500,000 shares of Stifel common stock upon the exercise of the five-year warrants and up to \$20 million in additional shares of Stifel common stock in respect of earn-out consideration relating to Stifel's acquisition of Ryan Beck.

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The results of this analysis were based on estimates provided to Citi by the respective managements of Stifel and Ryan Beck, and are set forth below:

<u>Metric</u>	<u>Stifel Contribution</u>
Equity Revenues	71%
2007 Estimated Net Income	68%
2007 Estimated	92%
2007 Estimated (assuming anticipated annual synergies) Private Client Revenue	73%
2007 Estimated Number of Brokers	67%
2007 Estimated Relative Discounted Cash Flow	69%
Standalone	82%
Standalone (assuming anticipated annual synergies)	70%

Pro Forma Analysis. Citi also analyzed the potential pro forma effect of the Merger on the projected earnings per share, or EPS, for Stifel, based upon fiscal 2007 earnings estimates prepared by Stifel and Ryan Beck managements for Stifel and Ryan Beck, for the following two scenarios:

Stifel's stockholders approve the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of Proposal I described in this proxy statement;

Stifel's stockholders do not approve the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of Proposal I described in this proxy statement, and cash is substituted in lieu thereof.

The effect on EPS was calculated assuming the transaction closed on December 31, 2006 and using various other assumptions. Citi compared the Stifel management's estimates of standalone 2007 earnings per share of Stifel (GAAP EPS), GAAP EPS excluding the effect of amortizing intangibles and acquisition related compensation expenses for the acquisition of the Legg Mason capital markets business and the Merger (Operating EPS), and the tangible book value per share, to the estimated GAAP EPS, Operating EPS and tangible book value per share, respectively, of the combined company for both the base case which takes into account 50% of the full amount of the synergies anticipated to result from the Merger by Stifel's management (Base Case), and the run rate which takes into account the full amount of the synergies anticipated to result from the Merger by Stifel's management (Run Rate).

The following table sets forth the results of the pro forma analysis for the Base Case and the Run Rate in the case that the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of Proposal I described in this proxy statement is approved by Stifel's stockholders:

<u>Metric</u>	<u>2007 Estimated</u> Base Case	Run Rate
	<u>% Accretion/(Dilution)</u>	<u>% Accretion/(Dilution)</u>
Estimated GAAP EPS	(0.9%)	16.7%
Estimated Operating EPS	2.5%	14.6%
Tangible Book Value per Share		12.2%

The following table sets forth the results of the pro forma analysis for the Base Case and the Run Rate in the case that the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of Proposal I described in this proxy statement is not approved by Stifel's stockholders, and cash is paid in lieu thereof:

<u>Metric</u>	<u>2007 Estimated</u>	<u>Run Rate</u>
	<u>Base Case</u> <u>Pro Forma Combined</u> <u>% Accretion/(Dilution)</u>	<u>Pro Forma Combined</u> <u>% Accretion/(Dilution)</u>
Estimated GAAP EPS	(2.6%)	15.1%
Estimated Operating EPS	1.4%	13.5%
Tangible Book Value per Share		4.1%

General

Citi's opinion was provided for the information of the Stifel board of directors in its evaluation of the proposed Merger, which has been consummated, and was limited solely to the fairness to Stifel, from a financial point of view, as of the date of the opinion, of the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel's Board, that no Substituted Cash Consideration would be paid in connection with the Merger) to be paid by Stifel in the Merger. Neither Citi's opinion nor its related analyses constituted a recommendation of the Merger to the Stifel board of directors. Citi makes no recommendation to any stockholder regarding how such stockholder should vote or act on any matters relating to the Merger, including with respect to Proposal I described in this proxy statement.

The preceding discussion is a summary of the material financial analyses furnished by Citi to the Stifel board of directors, but it does not purport to be a complete description of the analyses performed by Citi or of its presentation to the Stifel board of directors. The preparation of financial analyses and fairness opinions is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Citi made no attempt to assign specific weights to particular analyses or factors considered, but rather made qualitative judgments as to the significance and relevance of all of the analyses and factors considered and determined to give its fairness opinion as described above. Accordingly, Citi believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses and of the factors considered by Citi, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Citi and its opinion. With regard to the comparable companies and precedent transactions analyses summarized above, Citi selected comparable public companies and precedent transactions on the basis of various factors, including size and similarity of the line of business of the relevant entities; however, no company utilized in these analyses is identical to Ryan Beck and no precedent transaction is identical to the Merger. As a result, these analyses are not purely mathematical, but also take into account differences in financial and operating characteristics of the subject companies and other factors that could affect the Merger, the transactions in connection with the Merger or the public trading value of the subject companies to which Ryan Beck was being compared.

In its analyses, Citi made numerous assumptions with respect to Stifel and Ryan Beck, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Stifel and Ryan Beck. Any estimates contained in Citi's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, none of Stifel, Ryan Beck, the Stifel board of directors, Citi or any other person assumes responsibility if future results or actual values differ materially from the estimates. Citi's analyses were prepared solely as part of

Citi's analysis of the fairness to Stifel, from a financial point of view, of the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel's Board, that no Substituted Cash Consideration would be paid in connection with the Merger) to be paid by Stifel in the Merger and were provided for the information of the Stifel board of directors in that connection.

Stifel retained Citi as its exclusive financial advisor in connection with the Merger, which was consummated on February 28, 2007, based on Citi's qualifications, expertise and reputation. Citi is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

Citi was not requested to, and it did not, recommend the specific consideration payable in the Merger, which consideration was determined between Stifel and Bancorp, and the decision to enter into the Merger was solely that of the Stifel board of directors. Citi's opinion and financial analyses were only one of many factors considered by the Stifel board of directors in its evaluation of the Merger and should not be viewed as determinative of the views of the Stifel board of directors or Stifel's management with respect to the Merger or the consideration to be paid by Stifel in the Merger.

Citi entered into an engagement letter with Stifel dated as of January 5, 2007, pursuant to which Stifel agreed to pay Citi (1) \$50,000 promptly following the execution of the engagement letter, (2) \$500,000 promptly upon delivery by Citi of the fairness opinion, and (3) an additional fee of \$2 million (less any amounts paid under (1) and (2)) promptly upon consummation of the Merger. Stifel also agreed to reimburse Citi for all reasonable travel and other expenses incurred by Citi in connection with performing its services, including reasonable fees and expenses of its legal counsel. In addition, Stifel also agreed to indemnify Citi and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

Citi acted as the exclusive financial advisor to Citigroup Inc. in connection with its sale of the Legg Mason capital markets business to Stifel on December 1, 2005. In connection therewith and pursuant to that certain Acquisition Agreement, dated as of September 15, 2005, as amended, between Stifel and Citigroup Inc., Stifel may owe Citigroup Inc. certain contingent earn-out payments based on the combined revenues of Stifel and Ryan Beck, subject to certain exceptions and thresholds agreed upon by Citigroup Inc. and Stifel.

In the ordinary course of business, Citi and its affiliates may actively trade or hold the securities of Stifel and Bancorp for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citi and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with Stifel, Bancorp and Ryan Beck and their respective affiliates.

Potential Dilution

As of March 1, 2007, the day following the closing of the Merger, Stifel had authorized 30,000,000 shares of common stock and 14,906,752 shares outstanding. The maximum number of shares issuable in connection with the issuance of the shares underlying the warrants and for payment of the earn-out amounts is 1,500,000 shares of common stock. This total does not include the 1,200,000 shares to be reserved for issuance under the Plan, which is also subject to stockholder approval under Proposal II, as described beginning on page 30. The issuance of the shares underlying the warrants and for payment of the earn-out amounts will result in a dilution in the ownership percentage of common stock held by current stockholders as described in the tables below.

The issuance of the shares underlying the warrants and for payment of the earn-out amounts may also result in a significant ownership position in Stifel by the former stockholders of Ryan Beck. Specifically, if all 1,500,000 shares described in this Proposal I are issued, the former stockholders of Ryan Beck will own 24.18% of the outstanding shares of Stifel common stock. Under the standstill provisions of the Registration Rights Agreement, Bancorp's ownership of shares of Stifel common stock is capped at 24.9% of the outstanding voting securities of Stifel for a period of 10 years.

The following table illustrates the potential dilutive effect of the issuance of the shares underlying the warrants and for payment of the earn-out amounts described in Proposal I, including both the dilutive effective of the shares underlying the warrants with and without the payment of any earn-out consideration:

	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Stockholders before Issuance (including 2,467,600 shares issued at closing of the Merger)	14,906,752	96.8%	14,906,752	90.9%
Shares subject to Proposal I:				
Warrants	500,000	3.2%	500,000	3.0%
Contingent earn-out	--	--	1,000,000	6.1%
Total	15,406,752	100.0%	16,406,752	100.0%

The following table illustrates the potential collective dilutive effect of each of the potential issuances of common stock (Proposal I and Proposal II, if both are approved) in connection with this proxy statement, including both the dilutive effective of the shares underlying the warrants with and without the payment of any earn-out consideration:

	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Stockholders before Issuance and Plan (including 2,467,600 shares issued at closing of the Merger)	14,906,752	89.8%	14,906,752	84.7%
Shares subject to Proposal I and II:				
Warrants	500,000	3.0%	500,000	2.8%
Contingent earn-out	--	--	1,000,000	5.7%
Shares pursuant to the Plan	1,200,000	7.2%	1,200,000	6.8%
Total	16,606,752	100.0%	17,606,752	100.0%

Terms of the Ryan Beck Acquisition

Pursuant to the Merger, Ryan Beck was merged with and into Merger Sub. Merger Sub was the surviving entity, is a wholly-owned subsidiary of Stifel. Merger Sub has subsequently changed its name to Ryan Beck Holdings, Inc. As previously discussed, the consideration issued (and to be issued) in the Merger is as follows:

As initial consideration for the Merger, Stifel (1) issued 2,467,600 shares of Stifel common stock in a private placement to Bancorp, as the sole stockholder of Ryan Beck, and to certain optionholders of Ryan Beck (as described below) and (2) cash consideration of approximately \$2.65 million. Stifel had agreed to issue 2,531,278 shares, subject to reduction so that the total number of shares was equal to approximately 19.9% of the outstanding common stock as of the date of issuance. The amount of cash substituted for each such share of Stifel common stock was equal to the average of the daily closing price of a share of Stifel common stock for the 10 consecutive business days ending on February 27, 2007, the day prior to the closing date.

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Subject to the approval of Stifel stockholders requested in this proxy, warrants to purchase up to 500,000 shares of Stifel's common stock, at an exercise price of \$36.00 per share. After their issuance, the warrants will have a term of five years and will be immediately exercisable. If Stifel does not obtain such stockholder approval on or before June 30, 2007, Stifel will pay \$20.0 million in cash to the stockholders of Ryan Beck common stock in lieu of issuing the warrants, and Stifel will have no further obligation to issue the warrants or any shares of Stifel common stock upon exercise of any such warrants.

Contingent payments, as follows:

A contingent payment based on the aggregate commissionable revenues attributable to certain individuals in Ryan Beck's existing private client division over the two-year period following

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closing. The earn-out is based on 30% of commissionable revenue attributable to specified individuals above a base commissionable revenues amount for the entire two-year earn-out period, up to a maximum payout of \$40.0 million, subject to adjustment in certain events.

Two contingent payments based on revenues attributable to certain individuals in Ryan Beck's existing investment banking division over each of the first two 12-month periods following closing. The earn-out is equal to 25% of the amount by which the investment banking fees attributed to specified individuals in Ryan Beck's investment banking division exceeds \$25.0 million in each of the two 12-month periods following closing.

Each of the contingent payments is payable in cash or Stifel common stock, at Stifel's election. Any shares of Stifel stock delivered as consideration for either of the contingent earn-outs will be valued according to the average of the daily closing price of a share of Stifel stock for the 10 cons