STIFEL FINANCIAL CORP
Form 10-Q
November 09, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2011

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File No. 001-09305

STIFEL FINANCIAL CORP.

(Exact name of registrant as specified in its charter)

DELAWARE	**43-1273600**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

501North Broadway St. Louis, Missouri	**63102**
(Address of principal executive offices)	(Zip Code)

(314) 342-2000
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: þ	Accelerated filer: o	Non-accelerated filer: o (Do not check if a smaller reporting company)	Smaller reporting company: o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes o No þ

The number of shares outstanding of the registrant's common stock, $0.15 par value per share, as of the close of business on November 1, 2011, was 53,720,016, which includes exchangeable shares of TWP Acquisition Company (Canada), Inc., a wholly owned subsidiary of the registrant. These shares are exchangeable at any time into an aggregate of 172,242 shares of common stock of the registrant; entitle the holder to dividend and other rights substantially economically equivalent to those of a share of common stock; and, through a voting trust, entitle the holder to a vote on matters presented to common shareholders.

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

STIFEL FINANCIAL CORP.
Consolidated Statements of Financial Condition

(in thousands)	September 30, 2011 (Unaudited)	December 31, 2010
Assets		
Cash and cash equivalents	$ 214,619	$ 253,529
Restricted cash	6,880	6,868
Cash segregated for regulatory purposes	26	6,023
Receivables:		
Brokerage clients, net	526,774	477,514
Brokers, dealers, and clearing organizations	235,950	247,707
Securities purchased under agreements to resell	121,004	123,617
Trading securities owned, at fair value (includes securities pledged of $354,997 and $272,172, respectively)	526,444	444,170
Available-for-sale securities, at fair value	1,312,784	1,012,714
Held-to-maturity securities, at amortized cost	159,132	52,640
Loans held for sale	114,452	86,344
Bank loans, net of allowance	568,293	389,742
Bank foreclosed assets held for sale	550	1,577
Investments	176,550	178,936
Fixed assets, net	84,643	71,498
Goodwill	309,519	301,919
Intangible assets, net	30,566	34,595
Loans and advances to financial advisors and other employees, net	170,203	181,357
Deferred tax assets, net	179,410	197,139
Other assets	204,565	145,226
Total Assets	$ 4,942,364	$ 4,213,115

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
Consolidated Statements of Financial Condition (continued)

(in thousands, except share and per share amounts)	September 30, 2011 (Unaudited)	December 31, 2010
Liabilities and Shareholders' Equity		
Short-term borrowings from banks	$ 310,600	$ 109,600
Payables:		
Brokerage clients	241,849	212,642
Brokers, dealers, and clearing organizations	143,410	114,869
Drafts	45,377	73,248
Securities sold under agreements to repurchase	52,805	109,595
Bank deposits	2,120,763	1,623,568
Trading securities sold, but not yet purchased, at fair value	272,190	200,140
Accrued compensation	159,112	234,512
Accounts payable and accrued expenses	228,235	170,382
Debenture to Stifel Financial Capital Trust II	35,000	35,000
Debenture to Stifel Financial Capital Trust III	35,000	35,000
Debenture to Stifel Financial Capital Trust IV	12,500	12,500
Other	16,815	19,935
	3,673,656	2,950,991
Liabilities subordinated to claims of general creditors	6,957	8,241
Shareholders' Equity:		
Preferred stock - $1 par value; authorized 3,000,000 shares; none issued	—	—
Exchangeable common stock - $0.15 par value; issued 172,242 and 897,618 shares, respectively	26	135
Common stock - $0.15 par value; authorized 97,000,000 shares; issued 53,547,774 and 52,822,428 shares, respectively	8,032	7,923
Additional paid-in-capital	1,065,018	1,082,788
Retained earnings	259,816	232,415
Accumulated other comprehensive income/(loss)	(7,756)	381
	1,325,136	1,323,642
Treasury stock, at cost, 2,099,972 and 2,235,473 shares, respectively	(63,020)	(69,238)
Unearned employee stock ownership plan shares, at cost, 85,417 and 122,024 shares, respectively	(365)	(521)
	1,261,751	1,253,883
Total Liabilities and Shareholders' Equity	$ 4,942,364	$ 4,213,115

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share amounts)	2011	2010	2011	2010
Revenues:				
Commissions	$ 143,243	$ 96,986	$ 437,344	$ 305,655
Principal transactions	76,650	123,194	249,250	363,537
Asset management and service fees	58,253	50,876	172,914	136,117
Investment banking	37,673	51,656	143,509	127,129
Interest	24,161	17,718	64,246	47,019
Other income	540	3,656	11,352	9,358
Total revenues	340,520	344,086	1,078,615	988,815
Interest expense	6,306	3,698	18,931	8,388
Net revenues	334,214	340,388	1,059,684	980,427
Non-interest expenses:				
Compensation and benefits	210,573	395,936	671,678	819,085
Occupancy and equipment rental	30,914	29,559	89,962	81,012
Communications and office supplies	18,838	19,877	56,198	50,220
Commissions and floor brokerage	7,400	7,972	20,943	18,988
Other operating expenses	27,466	29,600	127,321	78,168
Total non-interest expenses	295,191	482,944	966,102	1,047,473
Income/(loss) before income tax expense/(benefit)	39,023	(142,556)	93,582	(67,046)
Provision for income taxes/(benefit)	16,719	(58,220)	36,464	(27,559)
Net income/(loss)	$ 22,304	$ (84,336)	$ 57,118	$ (39,487)
Earnings per common share:				
Basic	$ 0.43	$ (1.65)	$ 1.09	$ (0.82)
Diluted (1)	$ 0.35	$ (1.65)	$ 0.90	$ (0.82)
Weighted average number of common shares outstanding:				
Basic	52,367	51,201	52,610	47,865
Diluted	63,152	61,834	63,174	55,593

(1) In accordance with Topic 260, "Earnings Per Share," earnings per diluted common share is calculated using the basic weighted average number of common shares outstanding in periods a loss is incurred.

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
Consolidated Statements of Cash Flows
(Unaudited)

(in thousands)	Nine Months Ended September 30, 2011	2010
Operating Activities:		
Net income/(loss)	$ 57,118	$ (39,487)
Adjustments to reconcile net income/(loss) to net cash used in operating activities:		
Depreciation and amortization	19,124	17,965
Amortization of loans and advances to financial advisors and other employees	42,262	35,486
Amortization of premium on available-for-sale securities	9,201	5,349
Provision for loan losses and allowance for loans and advances to financial advisors and other employees	986	(916)
Amortization of intangible assets	3,588	3,480
Deferred income taxes	23,777	(60,586)
Stock-based compensation	19,562	183,602
Excess tax benefits from stock-based compensation	(25,188)	(14,280)
Gain on the sale of investments	(60)	(1,234)
Other, net	1,156	(5,881)
Decrease/(increase) in operating assets:		
Cash segregated for regulatory purposes and restricted cash	5,985	—
Receivables:		
Brokerage clients	(49,174)	(120,389)
Brokers, dealers and clearing organizations	11,757	73,327
Securities purchased under agreements to resell	2,613	(11,221)
Trading securities owned, including those pledged	(82,274)	(176,664)
Loans originated as mortgages held for sale	(638,596)	(761,075)
Proceeds from mortgages held for sale	608,853	715,151
Loans and advances to financial advisors and other employees	(30,265)	(29,362)
Other assets	(37,058)	32,851
Increase/(decrease) in operating liabilities:		
Payables:		
Brokerage clients	29,207	3,656
Brokers, dealers and clearing organizations	(63,977)	72,098
Drafts	(27,871)	40,923
Trading securities sold, but not yet purchased	72,050	(5,983)
Other liabilities and accrued expenses	(82,110)	(3,061)
Net cash used in operating activities	$ (129,334)	$ (46,251)

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
Consolidated Statements of Cash Flows (continued)

(in thousands)	Nine Months Ended September 30, 2011	2010
Investing Activities:		
Proceeds from:		
Maturities, calls and principal paydowns on available-for sale securities	$ 535,499	$ 150,931
Maturities, calls and principal paydowns on held-to-maturity securities	800	—
Sale or maturity of investments	74,437	79,195
Sale of bank branch	—	13,905
Sale of bank foreclosed assets held for sale	808	2,096
Increase in bank loans, net	(178,275)	(27,531)
Payments for:		
Purchase of available-for-sale securities	(868,769)	(395,646)
Purchase of held-to-maturity securities	(80,115)	(42,931)
Purchase of investments	(71,991)	(98,794)
Purchase of fixed assets	(32,561)	(21,886)
Purchase of bank foreclosed assets held for sale	(225)	—
Acquisitions	—	(500)
Net cash used in investing activities	(620,392)	(341,161)
Financing Activities:		
Net proceeds from short-term borrowings from banks	201,000	116,300
Decrease in securities sold under agreements to repurchase	(56,790)	(23,588)
Increase in bank deposits, net	497,195	346,393
Increase in securities loaned	92,518	86,091
Excess tax benefits from stock-based compensation	25,188	14,280
Issuance of common stock		865
Repurchase of common stock	(48,505)	(91,769)
Reissuance of treasury stock	2,755	2,055
Extinguishment of senior notes	—	(23,000)
Payment of Federal Home Loan Bank advances	—	(2,000)
Extinguishment of subordinated debt	(1,284)	(1,840)
Net cash provided by financing activities	712,077	423,787
Effect of exchange rate changes on cash	(1,261)	8,689
(Decrease)/increase in cash and cash equivalents	(38,910)	45,064
Cash and cash equivalents at beginning of period	253,529	161,820
Cash and cash equivalents at end of period	$ 214,619	$ 206,884
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 18,880	$ 8,539
Cash paid for income taxes, net of refunds	$ 5,618	$ 51,896
Noncash investing and financing activities:		
Units, net of forfeitures	$ 119,530	$ 137,158
Issuance of common stock for acquisition of Thomas Weisel Partners Group, Inc.	$ —	$ 271,285

See accompanying Notes to Consolidated Financial Statements.

STIFEL FINANCIAL CORP.
Notes to Consolidated Financial Statements

NOTE 1 – Nature of Operations and Basis of Presentation

Nature of Operations

Stifel Financial Corp. (the “Parent”), through its wholly owned subsidiaries, principally Stifel, Nicolaus & Company, Incorporated (“Stifel Nicolaus”), Stifel Bank & Trust (“Stifel Bank”), Stifel Nicolaus Limited (“SN Ltd”), Century Securities Associates, Inc. (“CSA”), Stifel Nicolaus Canada, Inc. (“SN Canada”), Thomas Weisel Partners LLC (“TWP”), and Thomas Weisel Partners International Limited (“TWPIL”), is principally engaged in retail brokerage; securities trading; investment banking; investment advisory; retail, consumer, and commercial banking; and related financial services. Although we have offices throughout the United States, two Canadian cities, and three European cities, our major geographic area of concentration is in the Midwest and Mid-Atlantic regions, with a growing presence in the Northeast, Southeast and Western United States. Our company’s principal customers are individual investors, corporations, municipalities, and institutions.

On July 1, 2010, we acquired Thomas Weisel Partners Group, Inc. (“TWPG”), an investment bank focused principally on the growth sectors of the economy, which generates revenues from three principal sources: investment banking, brokerage, and asset management. The investment banking group is comprised of two primary categories of services: corporate finance and strategic advisory. The brokerage group provides equity sales and trading services to institutional investors and offers brokerage and advisory services to high-net-worth individuals and corporate clients. The asset management group consists of: private investment funds, public equity investment products, and distribution management. The employees of the investment banking, research, and institutional brokerage businesses of TWP, a wholly owned subsidiary of TWPG, were transitioned into Stifel Nicolaus during the third quarter of 2010. TWP remains a wholly owned broker-dealer subsidiary of the Parent.

Basis of Presentation

The consolidated financial statements include Stifel Financial Corp. and its wholly owned subsidiaries, principally Stifel Nicolaus and Stifel Bank. All material intercompany balances and transactions have been eliminated. Unless otherwise indicated, the terms “we,” “us,” “our,” or “our company” in this report refer to Stifel Financial Corp. and its wholly owned subsidiaries.

We have prepared the accompanying unaudited consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Pursuant to these rules and regulations, we have omitted certain information and footnote disclosures we normally include in our annual consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles. In management’s opinion, we have made all adjustments (consisting only of normal, recurring adjustments, except as otherwise noted) necessary to fairly present our financial position, results of operations and cash flows. Our interim period operating results do not necessarily indicate the results that may be expected for any other interim period or for the full fiscal year. These financial statements and accompanying notes should be read in conjunction with the consolidated financial statements and the notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2010 on file with the SEC.

On April 5, 2011, we effected a three-for-two stock split to shareholders of record as of March 22, 2011. All share and per share information has been retroactively adjusted to reflect the stock split.

Certain amounts from prior periods have been reclassified to conform to the current period’s presentation. The effect of these reclassifications on our company’s previously reported consolidated financial statements was not material.

There have been no material changes in our significant accounting policies, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2010.

Consolidation Policies

The consolidated financial statements include the accounts of Stifel Financial Corp. and its subsidiaries. We also have investments or interests in other entities for which we must evaluate whether to consolidate by determining whether we have a controlling financial interest or are considered to be the primary beneficiary. In determining whether to consolidate these entities or not, we determine whether the entity is a voting interest entity or a variable interest entity (“VIE”).

Voting Interest Entity. Voting interest entities are entities that have (i) total equity investment at risk sufficient to fund expected future operations independently, and (ii) equity holders who have the obligation to absorb losses or receive residual returns and the right to make decisions about the entity's activities. We consolidate voting interest entities when we determine that there is a controlling financial interest, usually ownership of all, or a majority of, the voting interest.

Variable Interest Entity. VIEs are entities that lack one or more of the characteristics of a voting interest entity. We are required to consolidate VIEs in which we are deemed to be the primary beneficiary. The primary beneficiary is defined as the entity that has a variable interest, or a combination of variable interests, that maintains control and provides benefits or will either: (i) absorb a majority of the VIEs expected losses, (ii) receive a majority of the VIEs expected returns, or (iii) both.

We determine whether we are the primary beneficiary of a VIE by first performing a qualitative analysis of the VIE's control structure, expected losses and expected residual returns. This analysis includes a review of, among other factors, the VIE's capital structure, contractual terms, which interests create or absorb variability, related party relationships, and the design of the VIE. Where qualitative analysis is not conclusive, we perform a quantitative analysis. We reassess our initial evaluation of an entity as a VIE and our initial determination of whether we are the primary beneficiary of a VIE upon the occurrence of certain reconsideration events. See Note 25 for additional information on variable interest entities.

NOTE 2 – Accounting Guidance

Recently Adopted Accounting Guidance

Allowance for Credit Losses

In July 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("Update") No. 2010-20, "Receivables (Topic 310): Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses," which requires significant new disclosures about the allowance for credit losses and the credit quality of financing receivables. The requirements are intended to enhance transparency regarding credit losses and the credit quality of loan and lease receivables. Under this guidance, allowance for credit losses and fair value are to be disclosed by portfolio segment, while credit quality information, impaired financing receivables, and nonaccrual status are to be presented by class of financing receivable. Disclosure of the nature and extent, the financial impact, and segment information of troubled debt restructurings are required. The disclosures are to be presented at the level of disaggregation that management uses when assessing and monitoring the portfolio's risk and performance. This guidance is effective for interim and annual reporting periods ending on or after December 15, 2010 (December 31, 2010 for our company). In January 2011, the FASB issued Update 2011-01, Receivables (Topic 310): Deferral of the Effective Date of Disclosures About Troubled Debt Restructurings in Update No. 2010-20," which temporarily delayed the effective date of the disclosures about troubled debt restructurings until interim and annual reporting periods beginning on or after June 15, 2011 (July 1, 2011 for our company). Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on our consolidated financial statements. See Note 8 – Bank Loans.

Fair Value of Financial Instruments

In January 2010, the FASB issued Update No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements," which amends the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance requires new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of

the transfers. Additionally, the guidance requires a rollforward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance for the disclosure on the rollforward activities for Level 3 fair value measurements became effective for us with the reporting period beginning January 1, 2011. Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on our consolidated financial statements. See Note 5 – Fair Value of Financial Instruments.

Troubled Debt Restructurings

In April 2011, the FASB issued Update No. 2011-02, "Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring," which clarifies existing guidance to provide assistance in determining whether a modification of the terms of a receivable meets the definition of a troubled debt restructuring. This guidance is effective for interim and annual reporting periods beginning on or after June 15, 2011 (July 1, 2011 for our company) and should be applied retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption (January 1, 2011 for our company). The adoption of this new guidance did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Guidance

Goodwill Impairment Testing

In September 2011, the FASB issued Update No. 2011-08 "Testing Goodwill for Impairment," which amends ASC 350 "Intangibles – Goodwill and Other." This update permits entities to make a qualitative assessment of whether it is more likely than not that a reporting unit's fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not be required to perform the two-step impairment test for that reporting unit. This update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 (January 1, 2012 for our company), with early adoption permitted. We are currently evaluating the impact the new guidance will have on our goodwill impairment testing.

Comprehensive Income

In June 2011, the FASB issued Update No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income," which allows for the presentation of total comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the guidance eliminates the option of presenting the components of other comprehensive income as part of the statement of changes in stockholders' equity. This guidance is effective for interim and annual reporting periods beginning after December 15, 2011 (January 1, 2012 for our company). While the adoption will impact where we disclose the components of other comprehensive income in our consolidated financial statements, we do not expect the adoption to have a material impact on those consolidated financial statements.

Fair Value of Financial Instruments

In May 2011, the FASB issued Update No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," which generally aligns the principals of measuring fair value and for disclosing information about fair value measurements with International Financial Reporting Standards. This guidance is effective for interim and annual reporting periods beginning after December 15, 2011 (January 1, 2012 for our company). We are currently evaluating the impact the new guidance will have on our consolidated financial statements.

Reconsideration of Effective Control for Repurchase Agreements

In April 2011, the FASB issued Update No. 2011-03, "Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements," which removes the requirement to consider whether sufficient collateral is held when determining whether to account for repurchase agreements and other agreements that both entitle and obligate the transferor to repurchase or redeem financial assets before their maturity as sales or as secured

financings. This guidance is effective for interim and annual reporting periods beginning on or after December 15, 2011 (January 1, 2012 for our company). We do not expect the adoption to have a material impact on our consolidated financial statements.

NOTE 3 – Acquisitions

Thomas Weisel Partners Group, Inc.

On July 1, 2010, we completed the purchase of all the outstanding shares of common stock of TWPG, an investment banking firm based in San Francisco, California. The purchase was completed pursuant to the merger agreement dated April 25, 2010. We issued shares of common stock, including exchangeable shares, to holders of TWPG common stock and restricted stock units to employees of TWPG as consideration for the merger. The fair value of the common stock and restricted stock units was determined using the market price of our common stock on the date of the merger. The merger furthers our company's mission of building the premier middle-market investment bank with significantly enhanced investment banking, research, and wealth management capabilities.

TWPG's results of operations have been included in our consolidated financial statements prospectively from the date of acquisition. The investment banking, research, and institutional brokerage businesses of TWPG were integrated with Stifel Nicolaus immediately after the merger; therefore, the revenues, expenses, and net income of the integrated businesses are not distinguishable within the results of our company. The following unaudited pro forma financial data assumes the acquisition had occurred at the beginning of each period presented. Pro forma results have been prepared by adjusting our historical results to include TWPG's results of operations adjusted for the following changes: amortization expense adjusted as a result of acquisition-date fair value adjustments to intangible assets; interest expense adjusted for revised debt structures; and the income tax effect of applying our statutory tax rates to TWPG's results. The unaudited pro forma results presented do not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable periods presented, nor does it indicate the results of operations in future periods. Additionally, the unaudited pro forma results do not include the impact of possible business model changes, nor does it consider any potential impacts of current market conditions or revenues, reduction of expenses, asset dispositions, or other factors. The impact of these items could alter the following pro forma results.

(in thousands)	Nine Months Ended September 30, 2010 (Unaudited)
Total net revenues	$ 1,071,055
Net loss	(107,174)
Loss per share:	
Basic	$ (2.24)
Diluted	$ (2.24)

NOTE 4 – Receivables From and Payables to Brokers, Dealers and Clearing Organizations

Amounts receivable from brokers, dealers, and clearing organizations at September 30, 2011 and December 31, 2010, included (in thousands):

	September 30, 2011	December 31, 2010
Deposits paid for securities borrowed	$ 171,033	$ 94,709
Securities failed to deliver	56,304	74,991
Receivable from clearing organizations	8,613	78,007
	$ 235,950	$ 247,707

Amounts payable to brokers, dealers, and clearing organizations at September 30, 2011 and December 31, 2010, included (in thousands):

	September 30, 2011	December 31, 2010
Deposits received from securities loaned	$ 119,533	$ 27,907
Securities failed to receive	19,355	78,499
Payable to clearing organizations	4,522	8,463
	$ 143,410	$ 114,869

Deposits paid for securities borrowed approximate the market value of the securities. Securities failed to deliver and receive represent the contract value of securities that have not been delivered or received on settlement date.

NOTE 5 – Fair Value of Financial Instruments

We measure certain financial assets and liabilities at fair value on a recurring basis, including cash equivalents, trading securities owned, available-for-sale securities, investments, trading securities sold, but not yet purchased, and derivatives.

The degree of judgment used in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Pricing observability is impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, and the characteristics specific to the transaction. Financial instruments with readily available active quoted prices for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment used in measuring fair value. Conversely, financial instruments rarely traded or not quoted will generally have less, or no, pricing observability and a higher degree of judgment used in measuring fair value.

The following is a description of the valuation techniques used to measure fair value on a recurring basis:

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less. Actively traded money market funds are measured at their net asset value, which approximates fair value, and classified as Level 1.

Financial Instruments (Trading securities and available-for-sale securities)

When available, the fair value of financial instruments are based on quoted prices in active markets and reported in Level 1. Level 1 financial instruments include highly liquid instruments with quoted prices, such as equities listed in active markets, certain corporate obligations, and U.S. treasury securities.

If quoted prices are not available, fair values are obtained from pricing services, broker quotes, or other model-based valuation techniques with observable inputs, such as the present value of estimated cash flows and reported as Level 2. The nature of these financial instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed. Level 2 financial instruments generally include U.S. government securities, mortgage-backed securities, corporate obligations infrequently traded, certain government and municipal obligations, asset-backed securities, and certain

equity securities not actively traded.

Level 3 financial instruments have little to no pricing observability as of the report date. These financial instruments do not have active two-way markets and are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation. We have identified Level 3 financial instruments to include certain corporate obligations with unobservable pricing inputs, airplane trust certificates, and certain municipal obligations, which include auction rate securities ("ARS"). Investments in certain corporate obligations, airplane trust certificates and municipal obligations with unobservable inputs are valued using management's best estimate of fair value, where the inputs require significant management judgment. ARS are valued based upon our expectations of issuer redemptions and using internal discounted cash flow models that utilize unobservable inputs.

Investments

Investments valued at fair value include ARS, investments in mutual funds, U.S. treasury securities, investments in public companies, private equity securities, partnerships, and warrants of public or private companies.

Investments in certain public companies, mutual funds and U.S. treasury securities are valued based on quoted prices in active markets and reported in Level 1. Investments in certain private equity securities and partnerships with unobservable inputs and ARS for which the market has been dislocated and largely ceased to function are reported as Level 3 assets. Investments in certain equity securities with unobservable inputs are valued using management's best estimate of fair value, where the inputs require significant management judgment. ARS are valued based upon our expectations of issuer redemptions and using internal discounted cash flow models.

Investments in partnerships and other investments include our general and limited partnership interests in investment partnerships and direct investments in non-public companies. The net assets of investment partnerships consist primarily of investments in non-marketable securities. The underlying investments held by such partnerships and direct investments in non-public companies are valued based on the estimated fair value ultimately determined by us in our capacity as general partner or investor and, in the case of an investment in an unaffiliated investment partnership, are based on financial statements prepared by an unaffiliated general partner.

Warrants are valued based upon the Black-Scholes option-pricing model that uses discount rates and stock volatility factors of comparable companies as inputs. These inputs are subject to management judgment to account for differences between the measured investment and comparable companies and are reported as Level 3 assets.

The valuation of these investments requires significant management judgment due to the absence of quoted market prices, inherent lack of liquidity, and long-term nature of these assets. As a result, these values cannot be determined with precision and the calculated fair value estimates may not be realizable in a current sale or immediate settlement of the instrument.

Derivatives

Derivatives are valued using quoted market prices when available or pricing models based on the net present value of estimated future cash flows. The valuation models used require market observable inputs, including contractual terms, market prices, yield curves, credit curves, and measures of volatility. These measurements are classified as Level 2 and are used to value interest rate swaps.

The following table summarizes the valuation of our financial instruments by pricing observability levels as of September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 16,152	$ 16,152	$ —	$ —
Trading securities owned:				
U.S. government agency securities	71,333	—	71,333	—
U.S. government securities	12,202	12,202	—	—
Corporate securities:				
Fixed income securities	264,623	61,151	202,271	1,201
Equity securities	40,886	40,515	371	—
State and municipal securities	137,400	—	137,400	—
Total trading securities owned	526,444	113,868	411,375	1,201
Available-for-sale securities:				
U.S. government securities	904	—	904	—
State and municipal securities	84,012	—	17,388	66,624
Mortgage-backed securities:				
Agency	506,767	—	506,767	—
Commercial	265,925	—	265,925	—
Non-agency	18,257	—	18,257	—
Corporate fixed income securities	409,817	301,871	95,946	12,000
Asset-backed securities	27,102	—	27,102	—
Total available-for-sale securities	1,312,784	301,871	932,289	78,624
Investments:				
Corporate equity securities	4,676	4,283	393	—
Mutual funds	33,811	33,811	—	—
Auction rate securities:				
Equity securities	64,203	—	—	64,203
Municipal securities	7,044	—	—	7,044
Other	38,816	436	777	37,603
Total investments	148,550	38,530	1,170	108,850
	$ 2,003,930	$ 470,421	$ 1,344,834	$ 188,675

The Company's investment in a senior preferred interest in Miller Buckfire & Co. LLC, which is included in investments in the consolidated statements of financial condition, is carried at cost and therefore not included in the above analysis of fair value at September 30, 2011.

	September 30, 2011			
	Total	Level 1	Level 2	Level 3
Liabilities:				
Trading securities sold, but not yet purchased:				
U.S. government securities	$ 109,568	$ 109,568	$ —	$ —
Corporate securities:				
Fixed income securities	129,226	55,375	73,851	—
Equity securities	33,071	33,032	39	—
State and municipal securities	325	—	325	—
Total trading securities sold, but not yet purchased	272,190	197,975	74,215	—
Securities sold, but not yet purchased (1)	16,815	16,815	—	—
Derivative contracts (2)	25,672	—	25,672	—
	$ 314,677	$ 214,790	$ 99,887	$ —

(1) Included in other liabilities in the consolidated statements of financial condition.
(2) Included in accounts payable and accrued expenses in the consolidated statements of financial condition.

	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash equivalents	$ 15,675	$ 15,675	$ —	$ —
Trading securities owned:				
U.S. government agency securities	86,882	—	86,882	—
U.S. government securities	9,038	9,038	—	—
Corporate securities:				
Fixed income securities	221,145	47,001	133,901	40,243
Equity securities	46,877	46,395	482	—
State and municipal securities	80,228	—	80,228	—
Total trading securities owned	444,170	102,434	301,493	40,243
Available-for-sale securities:				
U.S. government agency securities	25,030	—	25,030	—
State and municipal securities	26,343	—	14,907	11,436
Mortgage-backed securities:				
Agency	697,163	—	697,163	—
Commercial	67,996	—	67,996	—
Non-agency	29,273	—	29,273	—
Corporate fixed income securities	154,901	34,897	120,004	—
Asset-backed securities	12,008	—	12,008	—
Total available-for-sale securities	1,012,714	34,897	966,381	11,436
Investments:				
Corporate equity securities	3,335	3,335	—	—
Mutual funds	32,193	32,193	—	—
U.S. government securities	8,751	8,751	—	—
Auction rate securities:				
Equity securities	76,826	—	—	76,826
Municipal securities	6,533	—	—	6,533
Other	51,298	10,489	2,307	38,502
Total investments	178,936	54,768	2,307	121,861
	$ 1,651,495	$ 207,774	$ 1,270,181	$ 173,540
Liabilities:				
Trading securities sold, but not yet purchased:				
U.S. government securities	$ 131,561	$ 131,561	$ —	$ —
U.S. government agency securities	664	—	664	—
Corporate securities:				
Fixed income securities	61,026	18,815	37,526	4,685
Equity securities	6,800	6,780	20	—
State and municipal securities	89	—	89	—
Total trading securities sold, but not yet purchased	200,140	157,156	38,299	4,685
Securities sold, but not yet purchased (1)	19,935	19,935	—	—
Derivative contracts (2)	9,259	—	9,259	—
	$ 229,334	$ 177,091	$ 47,558	$ 4,685

(1) Included in other liabilities in the consolidated statements of financial condition.
(2) Included in accounts payable and accrued expenses in the consolidated statements of financial condition.

The following table summarizes the changes in fair value carrying values associated with Level 3 financial instruments during the three and nine months ended September 30, 2011 (in thousands):

	Three Months Ended September 30, 2011						
	Financial Assets						Financial Liabilities
	Available-for-sale				Investments		
	Corporate Fixed Income Securities (1)	State and Municipal Securities	Corporate Fixed Income Securities	Auction Rate Securities – Equity	Auction Rate Securities – Municipal	Other	Corporate Fixed Income Securities (2)
Balance at June 30, 2011	$ 18,342	$ 44,678	$ —	$ 66,616	$ 7,117	$ 38,958	$ 2,435
Unrealized gains/(losses):							
Included in changes in net assets (3)	37	—	—	162	52	(692)	—
Included in OCI (4)	—	316	—	—	—	—	—
Realized gains/(losses) (3)	(380)	43				(94)	(16)
Purchases	66	21,987	12,000	1,650	—	170	—
Sales	(16,500)	—	—	—	—	—	(2,419)
Redemptions	(112)	(400)	—	(4,225)	(125)	(739)	—
Transfers:							
Into Level 3	—	—	—	—	—	—	—
Out of Level 3	(252)	—	—	—	—	—	—
Net change	(17,141)	21,946	12,000	(2,413)	(73)	(1,355)	(2,435)
Balance at September 30, 2011	$ 1,201	$ 66,624	$ 12,000	$ 64,203	$ 7,044	$ 37,603	$ —

	Nine Months Ended September 30, 2011						
	Financial Assets						Financial Liabilities
		Available-for-sale			Investments		
	Corporate Fixed Income Securities (1)	State and Municipal Securities	Corporate Fixed Income Securities	Auction Rate Securities – Equity	Auction Rate Securities – Municipal	Other	Corporate Fixed Income Securities (2)
Balance at December 31, 2010	$ 40,243	$ 11,436	$ —	$ 76,826	$ 6,533	$ 38,502	$ 4,685
Unrealized gains/(losses):							
Included in changes in net assets (3)	(283)	—	—	452	(44)	2,872	—
Included in OCI (4)	—	2,403	—	—	—	—	—
Realized gains/(losses) (3)	356	858		—	—	(681)	(52)
Purchases	166,549	48,974	12,000	3,725	4,105	994	6,663
Sales	(198,572)	(24,126)	—	—	(2,900)		(11,296)
Redemptions	(828)	(775)	—	(16,800)	(650)	(4,324)	—
Transfers:							
Into Level 3		27,854	—	—	—	240	—
Out of Level 3	(6,264)	—	—	—	—	—	—
Net change	(39,042)	55,188	12,000	(12,623)	511	(899)	(4,685)
Balance at September 30, 2011	$ 1,201	$ 66,624	$ 12,000	$ 64,203	$ 7,044	$ 37,603	$ —

(1) Included in trading securities owned in the consolidated statements of financial condition.
(2) Included in trading securities sold, but not yet purchased in the consolidated statements of financial condition.
(3) Realized and unrealized gains/(losses) related to trading securities and investments are reported in other income in the consolidated statements of operations.
(4) Unrealized gains related to available-for-sale securities are reported in accumulated other comprehensive income/(loss) in the consolidated statements of financial condition.

The results included in the table above are only a component of the overall investment strategies of our company. The table above does not present Level 1 or Level 2 valued assets or liabilities. The changes to our company's Level 3 classified instruments were principally a result of: purchases of ARS from our customers, unrealized gains and losses, and redemptions of ARS at par during the three and nine months ended September 30, 2011. There were $0.2 million and $6.2 million of transfers from Level 3 to Level 2 during the three and nine months ended September 30, 2011, respectively, related to securities for which market trades were observed that provided transparency into the valuation of these assets. There were $28.1 million of transfers of financial assets into Level 3 during the nine months ended September 30, 2011 primarily related to municipal ARS, which we transferred from held-to-maturity to available-for-sale during the second quarter of 2011. Given that there has been no recent trade activity observed, we transferred them into available-for-sale as Level 3 assets. There were no changes in unrealized gains/(losses) recorded in earnings for the three and nine months ended September 30, 2011 relating to Level 3 assets still held at September 30, 2011.

Transfers Within the Fair Value Hierarchy

We assess our financial instruments on a quarterly basis to determine the appropriate classification within the fair value hierarchy, as defined by Topic 820. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfers of financial instruments among the levels are deemed to occur at the beginning

of the reporting period. There were $4.8 million and $29.3 million of transfers of financial assets from Level 2 to Level 1 during the three and nine months ended September 30, 2011, respectively, primarily related to tax-exempt securities and equity securities for which market trades were observed that provided transparency into the valuation of these assets. There were $5.1 million and $22.3 million of transfers of financial assets from Level 1 to Level 2 during the three and nine months ended September 30, 2011, respectively, primarily related to tax-exempt securities for which there were low volumes of recent trade activity observed.

Fair Value of Financial Instruments

The following reflects the fair value of financial instruments, as of September 30, 2011 and December 31, 2010, whether or not recognized in the consolidated statements of financial condition at fair value (in thousands).

	September 30, 2011		December 31, 2010	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Financial assets:				
Cash and cash equivalents	$ 214,619	$ 214,619	$ 253,529	$ 253,529
Restricted cash	6,880	6,880	6,868	6,868
Cash segregated for regulatory purposes	26	26	6,023	6,023
Securities purchased under agreements to resell	121,004	121,004	123,617	123,617
Trading securities owned	526,444	526,444	444,170	444,170
Available-for-sale securities	1,312,784	1,312,784	1,012,714	1,012,714
Held-to-maturity securities	159,132	157,085	52,640	52,984
Loans held for sale	114,452	114,452	86,344	86,344
Bank loans	568,293	571,716	389,742	376,176
Investments	176,550	176,550	178,936	178,936
Financial liabilities:				
Securities sold under agreements to repurchase	$ 52,805	$ 52,805	$ 109,595	$ 109,595
Non-interest-bearing deposits	21,405	21,398	8,197	7,980
Interest-bearing deposits	2,099,358	2,072,029	1,615,371	1,565,199
Trading securities sold, but not yet purchased	272,190	272,190	200,140	200,140
Securities sold, but not yet purchased (1)	16,815	16,815	19,935	19,935
Derivative contracts (2)	25,672	25,672	9,259	9,259
Liabilities subordinated to the claims of general creditors	6,957	6,617	8,241	7,739

(1) Included in other liabilities in the consolidated statements of financial condition.
(2) Included in accounts payable and accrued expenses in the consolidated statements of financial condition.

The following, as supplemented by the discussion above, describes the valuation techniques used in estimating the fair value of our financial instruments as of September 30, 2011 and December 31, 2010.

Financial Assets

Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. The carrying values at September 30, 2011 and December 31, 2010 approximate fair value.

Held-to-Maturity Securities

Securities held to maturity are recorded at amortized cost based on our company’s positive intent and ability to hold these securities to maturity. Securities held to maturity include asset-backed securities, consisting of corporate obligations, collateralized debt obligation securities and ARS. The estimated fair value, included in the above table, is determined using several factors; however, primary weight is given to discounted cash flow modeling techniques that incorporated an estimated discount rate based upon recent observable debt security issuances with similar characteristics.

The decrease in estimated fair value below the carrying amount of our asset-backed security at September 30, 2011 and December 31, 2010 is primarily due to unrealized losses that were caused by: illiquid markets for collateralized debt obligations, global disruptions in the credit markets, increased supply of collateralized debt obligation secondary market securities from distressed sellers, and difficult times in the banking sector.

Loans Held for Sale

Loans held for sale consist of fixed-rate and adjustable-rate residential real estate mortgage loans intended for sale. Loans held for sale are stated at lower of cost or fair value. Fair value is determined based on prevailing market prices for loans with similar characteristics or on sale contract prices. The carrying values at September 30, 2011 and December 31, 2010 approximate fair value.

Bank Loans

The fair values of mortgage loans and commercial loans were estimated using a discounted cash flow method, a form of the income approach. Discount rates were determined considering rates at which similar portfolios of loans would be made under current conditions and considering liquidity spreads applicable to each loan portfolio based on the secondary market.

Financial Liabilities

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase are collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. The carrying values at September 30, 2011 and December 31, 2010 approximate fair value.

Non-Interest-Bearing Demand Deposits

The fair value of non-interest-bearing demand deposits was estimated using a discounted cash flow method.

Interest-Bearing Deposits

The fair value of money market and savings accounts represents the amounts payable on demand. The fair value of other interest-bearing deposits, including certificates of deposit, was calculated by discounting the future cash flows using discount rates based on the expected current market rates for similar products with similar remaining terms.

Liabilities Subordinated to Claims of General Creditors

The fair value of subordinated debt was measured using the interest rates commensurate with borrowings of similar terms.

These fair value disclosures represent our best estimates based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected losses, current economic conditions, risk characteristics of the various instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in the above methodologies and assumptions could significantly affect the estimates.

NOTE 6 – Trading Securities Owned and Trading Securities Sold, But Not Yet Purchased

The components of trading securities owned and trading securities sold, but not yet purchased, at September 30, 2011 and December 31, 2010, are as follows (in thousands):

	September 30, 2011	December 31, 2010
Trading securities owned:		
U.S. government agency securities	$ 71,333	$ 86,882
U.S. government securities	12,202	9,038
Corporate securities:		
Fixed income securities	264,623	221,145
Equity securities	40,886	46,877
State and municipal securities	137,400	80,228
	$ 526,444	$ 444,170
Trading securities sold, but not yet purchased:		
U.S. government securities	$ 109,568	$ 131,561
U.S. government agency securities	—	664
Corporate securities:		
Fixed income securities	129,226	61,026
Equity securities	33,071	6,800
State and municipal securities	325	89
	$ 272,190	$ 200,140

At September 30, 2011 and December 31, 2010, trading securities owned in the amount of $355.0 million and $272.2 million, respectively, were pledged as collateral for our repurchase agreements and short-term borrowings.

Trading securities sold, but not yet purchased, represent obligations of our company to deliver the specified security at the contracted price, thereby creating a liability to purchase the security in the market at prevailing prices. We are obligated to acquire the securities sold short at prevailing market prices, which may exceed the amount reflected in the consolidated statements of financial condition.

NOTE 7 – Available-for-Sale and Held-to-Maturity Securities

The following tables provide a summary of the amortized cost and fair values of the available-for-sale securities and held-to-maturity securities at September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011			
	Amortized cost	Gross unrealized gains (1)	Gross unrealized losses (1)	Estimated fair value
Available-for-sale				
U.S. government securities	$ 905	$ —	$ (1)	$ 904
State and municipal securities	79,714	4,490	(192)	84,012
Mortgage-backed securities:				
Agency	495,524	12,021	(778)	506,767
Commercial	266,643	1,102	(1,820)	265,925
Non-agency	19,125	117	(985)	18,257
Corporate fixed income securities	412,433	1,834	(4,450)	409,817
Asset-backed securities	26,677	553	(128)	27,102
	$ 1,301,021	$ 20,117	$ (8,354)	$ 1,312,784
Held-to-maturity (2)				
Corporate fixed income securities	$ 55,569	$ 55	$ (2,206)	$ 53,418
Asset-backed securities	82,224	2,734	(3,235)	81,723
Municipal auction rate securities	21,339	955	(350)	21,944
	$ 159,132	$ 3,744	$ (5,791)	$ 157,085

	December 31, 2010			
	Amortized cost	Gross unrealized gains (1)	Gross unrealized losses (1)	Estimated fair value
Available-for-sale				
U.S. government securities	$ 24,972	$ 58	$ —	$ 25,030
State and municipal securities	26,678	727	(1,062)	26,343
Mortgage-backed securities:				
Agency	692,922	6,938	(2,697)	697,163
Commercial	66,912	1,212	(128)	67,996
Non-agency	29,319	744	(790)	29,273
Corporate fixed income securities	153,523	1,705	(327)	154,901
Asset-backed securities	11,331	677	—	12,008
	$ 1,005,657	$ 12,061	$ (5,004)	$ 1,012,714
Held-to-maturity (2)				
Municipal auction rate securities	$ 43,719	$ 3,803	$ (171)	$ 47,351
Asset-backed securities	8,921	198	(3,486)	5,633
	$ 52,640	$ 4,001	$ (3,657)	$ 52,984

(1) Unrealized gains/(losses) related to available-for-sale securities are reported in accumulated other comprehensive income/(loss).

(2) Held-to-maturity securities are carried in the consolidated statements of financial condition at amortized cost, and the changes in the value of these securities, other than impairment charges, are not reported on the consolidated financial statements.

For the three and nine months ended September 30, 2011, available-for-sale securities with an aggregate par value of $22.0 million and $65.1 million, respectively, were called by the issuing agencies or matured, resulting in no gains or losses recorded in the consolidated statement of operations. Additionally, for the three and nine months ended September 30, 2011, Stifel Bank received principal payments on mortgage-backed securities of $43.0 million and $164.2 million, respectively. During the three months ended September 30, 2011 unrealized losses, net of deferred tax benefits, of $3.3 million were recorded in accumulated other comprehensive income/(loss) in the consolidated statements of financial condition. During the three months ended September 30, 2010, unrealized gains, net of deferred taxes, of $0.1 million were recorded in accumulated other comprehensive income/(loss) in the consolidated statements of financial condition. During the nine months ended September 30, 2011 and 2010, unrealized gains, net of deferred taxes, of $3.3 million and $7.6 million, respectively, were recorded in accumulated other comprehensive income/(loss) in the consolidated statements of financial condition.

During the second quarter of 2011, we determined that we no longer had the intent to hold $32.9 million of held-to-maturity securities to maturity. As a result, we reclassified $27.8 million carrying value of municipal auction rate securities from held-to-maturity to available-for-sale.

During the second quarter of 2011, we reclassified $64.6 million of securities available for sale to securities held to maturity. Management determined that it has both the positive intent and ability to hold these securities to maturity. The reclassification of these securities was accounted for at fair value. On the date of transfer, the difference between the par value and the fair value of these securities resulted in a premium or discount that, under amortized cost accounting, will be amortized as a yield adjustment to interest income using the interest method. The unrealized holding gains or losses at the date of transfer will continue to be reported as a separate component of shareholders' equity in accumulated other comprehensive income/(loss), and will also be amortized over the remaining life of the securities as a yield adjustment to interest income using the interest method. There were no gains or losses recognized as a result of this transfer.

The table below summarizes the amortized cost and fair values of debt securities, by contractual maturity (in thousands). Expected maturities may differ significantly from contractual maturities, as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	September 30, 2011			
	Available-for-sale		Held-to-maturity	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
Debt securities				
Within one year	$ 30,183	$ 30,579	$ —	$ —
After one year through three years	233,280	232,661	—	—
After three years through five years	153,110	150,672	15,118	14,301
After five years through ten years	10,529	11,169	66,203	64,441
After ten years	92,627	96,754	77,811	78,343
Mortgage-backed securities				
After three years through five years	9,641	10,020	—	—
After five years through ten years	13,825	13,971	—	—
After ten years	757,826	766,958	—	—
	$ 1,301,021	$ 1,312,784	$ 159,132	$ 157,085

The carrying value of securities pledged as collateral to secure public deposits and other purposes was $498.9 million and $111.6 million at September 30, 2011 and December 31, 2010, respectively.

Certain investments in the available-for-sale portfolio at September 30, 2011, are reported in the consolidated statements of financial condition at an amount less than their amortized cost. The total fair value of these investments

at September 30, 2011, was $699.3 million, which was 53.3% of our available-for-sale investment portfolio. The amortized cost basis of these investments was $707.6 million at September 30, 2011. The declines in the available-for-sale portfolio primarily resulted from changes in interest rates and liquidity issues that have had a pervasive impact on the market.

The following table is a summary of the amount of gross unrealized losses and the estimated fair value by length of time that the available-for-sale securities have been in an unrealized loss position at September 30, 2011 (in thousands):

	Less than 12 months		12 months or more		Total	
	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value	Gross unrealized losses	Estimated fair value
Available-for-sale						
U.S. government securities	$ (1)	$ 251	$ —	$ —	$ (1)	$ 251
State and municipal securities	(192)	17,092	—	—	(192)	17,092
Mortgage-backed securities:						
Agency	(778)	202,452	—	—	(778)	202,452
Commercial	(1,820)	187,206	—	—	(1,820)	187,206
Non-agency	(475)	6,140	(510)	7,352	(985)	13,492
Corporate fixed income securities	(4,450)	263,046	—	—	(4,450)	263,046
Asset-backed securities	(128)	15,727	—	—	(128)	15,727
	$ (7,844)	$ 691,914	$ (510)	$ 7,352	$ (8,354)	$ 699,266

The gross unrealized losses on our available-for-sale securities of $8.4 million as of September 30, 2011 relate to 81 individual securities.

Other-Than-Temporary Impairment

We evaluate all securities in an unrealized loss position quarterly to assess whether the impairment is other-than-temporary. Our other-than-temporary impairment ("OTTI") assessment is a subjective process requiring the use of judgments and assumptions. Accordingly, we consider a number of qualitative and quantitative criteria in our assessment, including the extent and duration of the impairment; recent events specific to the issuer and/or industry to which the issuer belongs; the payment structure of the security; external credit ratings and the failure of the issuer to make scheduled interest or principal payments; the value of underlying collateral; and current market conditions.

If we determine that impairment on our debt securities is other-than-temporary and we have made the decision to sell the security or it is more likely than not that we will be required to sell the security prior to recovery of its amortized cost basis, we recognize the entire portion of the impairment in earnings. If we have not made a decision to sell the security and we do not expect that we will be required to sell the security prior to recovery of the amortized cost basis, we recognize only the credit component of OTTI in earnings. The remaining unrealized loss due to factors other than credit, or the non-credit component, is recorded in accumulated other comprehensive income/(loss). We determine the credit component based on the difference between the security's amortized cost basis and the present value of its expected future cash flows, discounted based on the purchase yield. The non-credit component represents the difference between the security's fair value and the present value of expected future cash flows.

Based on the evaluation, we recognized a credit-related OTTI of $1.9 million in earnings for the nine months ended September 30, 2011. If certain loss thresholds are exceeded, this bond would experience an event of default that would allow the senior class to liquidate the collateral securing this investment, which could adversely impact our valuation.

We estimate the portion of loss attributable to credit using a discounted cash flow model. Key assumptions used in estimating the expected cash flows include default rates, loss severity and prepayment rates. Assumptions used can vary widely based on the collateral underlying the securities and are influenced by factors such as collateral type, loan

interest rate, geographical location of the borrower, and borrower characteristics.

We believe the gross unrealized losses related to all other securities of $8.4 million as of September 30, 2011 are attributable to issuer specific credit spreads and changes in market interest rates and asset spreads. We therefore do not expect to incur any credit losses related to these securities. In addition, we have no intent to sell these securities with unrealized losses and it is not more likely than not that we will be required to sell these securities prior to recovery of the amortized cost. Accordingly, we have concluded that the impairment on these securities is not other-than-temporary.

NOTE 8 – Bank Loans

The following table presents the balance and associated percentage of each major loan category in our loan portfolio at September 30, 2011 and December 31, 2010 (in thousands, except percentages):

	September 30, 2011		December 31, 2010	
	Balance	Percent	Balance	Percent
Consumer (1)	$ 364,288	63.7%	$ 266,806	68.2%
Commercial and industrial	125,388	21.9	41,965	10.7
Residential real estate	53,185	9.3	49,550	12.7
Home equity lines of credit	25,386	4.4	30,966	7.9
Commercial real estate	3,306	0.6	1,637	0.4
Construction and land	514	0.1	524	0.1
	572,067	100.0%	391,448	100.0%
Unamortized loan origination costs, net of loan fees	66		392	
Loans in process	(10)		233	
Allowance for loan losses	(3,830)		(2,331)	
	$ 568,293		$ 389,742	

(1) Includes securities-based loans of $364.0 million and $266.1 million at September 30, 2011 and December 31, 2010, respectively.

Changes in the allowance for loan losses for the periods presented were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Allowance for loan losses, beginning of period	$ 3,251	$ 1,936	$ 2,331	$ 1,702
Provision for loan losses	559	(51)	1,465	216
Charge-offs:				
Residential real estate	—	(66)	—	(215)
Other	—	—	—	(2)
Total charge-offs	—	(66)	—	(217)
Recoveries	20	4	34	122
Allowance for loan losses, end of period	$ 3,830	$ 1,823	$ 3,830	$ 1,823

A loan is impaired when it is probable that interest and principal payments will not be made in accordance with the contractual terms of the loan agreement. At September 30, 2011, we had $0.9 million of nonaccrual loans that were more than 90 days past due, for which there was a specific allowance of $0.2 million. Further, we had $0.4 million in troubled debt restructurings at September 30, 2011. At December 31, 2010, we had $1.1 million of nonaccrual loans that were more than 90 days past due, for which there was a specific allowance of $0.2 million. Further, we had $0.4 million in troubled debt restructurings at December 31, 2010. The gross interest income related to impaired loans, which would have been recorded had these loans been current in accordance with their original terms, and the interest income recognized on these loans during the year, were insignificant to the consolidated financial statements.

In general, we are a secured lender. At September 30, 2011 and December 31, 2010, approximately 98.7% and 98.0% of our loan portfolio was collateralized, respectively. Collateral is required in accordance with the normal credit evaluation process based upon the creditworthiness of the customer and the credit risk associated with the particular transaction.

At September 30, 2011 and December 31, 2010, Stifel Bank had loans outstanding to its executive officers, directors, and their affiliates in the amount of $0.8 million and $0.9 million, respectively, and loans outstanding to other Stifel

Financial Corp. executive officers, directors, and their affiliates in the amount of $2.9 million and $3.5 million, respectively. Such loans and other extensions of credit were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral requirements) as those prevailing at the time for comparable transactions with other persons.

At September 30, 2011 and December 31, 2010, we had mortgage loans held for sale of $114.5 million and $86.3 million, respectively. For the three months ended September 30, 2011 and 2010, we recognized gains of $2.0 million and $2.1 million, respectively, from the sale of loans originated for sale, net of fees and costs to originate these loans. For the nine months ended September 30, 2011 and 2010, we recognized gains of $5.4 million and $4.6 million, respectively, from the sale of loans originated for sale, net of fees and costs to originate these loans.

NOTE 9 – Fixed Assets

The following is a summary of fixed assets as of September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011	December 31, 2010
Furniture and equipment	$ 142,917	$ 116,650
Building and leasehold improvements	55,413	51,046
Total	198,330	167,696
Less accumulated depreciation and amortization	(113,687)	(96,198)
	$ 84,643	$ 71,498

For the three months ended September 30, 2011 and 2010, depreciation and amortization of furniture and equipment, and leasehold improvements totaled $7.0 million and $6.4 million, respectively, and are included in occupancy and equipment rental in the consolidated statements of operations. For the nine months ended September 30, 2011 and 2010, depreciation and amortization of furniture and equipment, and leasehold improvements totaled $19.1 million and $18.0 million, respectively.

NOTE 10 – Goodwill and Intangible Assets

Goodwill impairment is tested at the reporting unit level, which is an operating segment or one level below an operating segment on an annual basis. The goodwill impairment analysis is a two-step test. The first step, used to identify potential impairment, involves comparing each reporting unit's fair value to its carrying value, including goodwill. If the fair value of a reporting unit exceeds its carrying value, applicable goodwill is considered not to be impaired. If the carrying value exceeds fair value, there is an indication of impairment and the second step is performed to measure the amount of impairment. Our annual goodwill impairment testing was completed as of July 31, 2011, with no impairment identified.

The carrying amount of goodwill and intangible assets attributable to each of our reporting units is presented in the following table (in thousands):

	December 31, 2010	Net additions	Impairment losses	September 30, 2011
Goodwill				
Global Wealth Management	$ 128,524	$ 5,410	$ —	$ 133,934
Institutional Group	173,395	2,190	—	175,585
	$ 301,919	$ 7,600	$ —	$ 309,519

	December 31, 2010	Adjustments	Amortization	September 30, 2011
Intangible assets				
Global Wealth Management	$ 21,463	$ —	$ (2,148)	$ 19,315
Institutional Group	13,132	(441)	(1,440)	11,251
	$ 34,595	$ (441)	$ (3,588)	$ 30,566

The adjustments to goodwill during the nine months ended September 30, 2011 are primarily attributable to adjustments to pre-acquisition contingencies based on facts that existed as of the acquisition date that would have affected our estimate of the acquisition date fair value.

Amortizable intangible assets consist of acquired customer relationships, trade name, non-compete agreements, and investment banking backlog that are amortized over their contractual or determined useful lives. Intangible assets subject to amortization as of September 30, 2011 and December 31, 2010 were as follows (in thousands):

	September 30, 2011		December 31, 2010	
	Gross carrying value	Accumulated Amortization	Gross carrying value	Accumulated Amortization
Customer relationships	$ 37,068	$ 13,854	$ 37,068	$ 11,015
Trade name	7,981	758	7,981	364
Non-compete agreement	2,441	2,399	2,441	2,238
Investment banking backlog	1,789	1,702	2,230	1,508
	$ 49,279	$ 18,713	$ 49,720	$ 15,125

Amortization expense related to intangible assets was $1.2 million and $2.0 million for the three months ended September 30, 2011 and 2010, respectively. Amortization expense related to intangible assets was $3.6 million and $3.5 million for the nine months ended September 30, 2011 and 2010, respectively.

The weighted-average remaining lives of the following intangible assets at September 30, 2011 are: customer relationships, 6.9 years; trade name, 13.8 years; and non-compete agreements, 0.2 years. As of September 30, 2011, we expect amortization expense in future periods to be as follows (in thousands):

Fiscal year	
Remainder of 2011	$ 1,190
2012	3,909
2013	3,482
2014	3,185
2015	2,853
Thereafter	15,947
	$ 30,566

NOTE 11 – Short-Term Borrowings

Our short-term financing is generally obtained through short-term bank line financing on a secured basis, uncommitted short-term bank line financing on an unsecured basis and securities lending arrangements. We borrow from various banks on a demand basis with company-owned and customer securities pledged as collateral. The value of customer-owned securities used as collateral is not reflected in the consolidated statements of financial condition. We maintain available ongoing credit arrangements with banks that provided a peak daily borrowing of $401.2 million during the nine months ended September 30, 2011. There are no compensating balance requirements under these arrangements.

At September 30, 2011, short-term borrowings from banks were $259.7 million at an average rate of 1.09%, which were collateralized by company-owned securities valued at $302.2 million. At December 31, 2010, short-term borrowings from banks were $109.6 million at an average rate of 1.05%, which were collateralized by company-owned securities valued at $162.6 million. The average bank borrowing was $212.4 million and $91.9 million for the three months ended September 30, 2011 and 2010, respectively, at weighted average daily interest rates of 1.15% and 1.28%, respectively. The average bank borrowing was $196.0 million and $108.3 million for the nine months ended September 30, 2011 and 2010, respectively, at weighted average daily interest rates of 1.11% and 1.09%, respectively.

At September 30, 2011 and December 31, 2010, Stifel Nicolaus had a stock loan balance of $119.5 million and $27.9 million, respectively, at weighted average daily interest rates of 0.31% and 0.26%, respectively. The average outstanding securities lending arrangements utilized in financing activities were $121.2 million and $99.5 million during the three months ended September 30, 2011 and 2010, respectively, at weighted average daily effective interest rates of 1.36% and 1.31%, respectively. The average outstanding securities lending arrangements utilized in financing activities were $113.9 million and $66.3 million during the nine months ended September 30, 2011 and 2010, respectively, at weighted average daily effective interest rates of 1.36% and 1.48%, respectively. Customer-owned securities were utilized in these arrangements.

NOTE 12 – Bank Deposits

Deposits consist of money market and savings accounts, certificates of deposit, and demand deposits. Deposits at September 30, 2011 and December 31, 2010 were as follows (in thousands):

	September 30, 2011	December 31, 2010
Money market and savings accounts	$ 2,041,669	$ 1,590,663
Demand deposits (interest-bearing)	55,125	22,031
Demand deposits (non-interest-bearing)	21,405	8,197
Certificates of deposit	2,564	2,677
	$ 2,120,763	$ 1,623,568

The weighted average interest rate on deposits was 0.2% at September 30, 2011 and December 31, 2010, respectively.

Scheduled maturities of certificates of deposit at September 30, 2011 and December 31, 2010 were as follows (in thousands):

	September 30, 2011	December 31, 2010
Certificates of deposit, less than $100:		
Within one year	$ 359	$ 198
One to three years	495	577
Over three years	181	190
	$ 1,035	$ 965
Certificates of deposit, $100 and greater:		
Within one year	$ 747	$ 692
One to three years	782	1,020
Over three years	—	—
	$ 1,529	$ 1,712
	$ 2,564	$ 2,677

At September 30, 2011 and December 31, 2010, the amount of deposits includes related party deposits, primarily brokerage customers' deposits from Stifel Nicolaus of $2.1 billion and $1.6 billion, respectively, and interest-bearing and time deposits of executive officers, directors, and their affiliates of $0.3 million and $0.4 million, respectively. Such deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates) as those prevailing at the time for comparable transactions with other persons.

NOTE 13 – Derivative Instruments and Hedging Activities

Stifel Bank uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps generally involve the exchange of fixed and variable rate interest payments between two parties, based on a common notional principal amount and maturity date with no exchange of underlying principal amounts. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for our company making fixed payments. Our policy is not to offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments recognized at fair value executed with the same counterparty under master netting arrangements.

The following table provides the notional values and fair values of our derivative instruments as of September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011				
		Asset derivatives		Liability derivatives	
	Notional Value	Balance sheet location	Positive fair value	Balance sheet location	Negative fair value
Derivatives designated as hedging instruments under Topic 815:					
Cash flow interest rate contracts	$ 786,455	Other assets	$ —	Accounts payable and accrued expenses	$ (25,672)

	December 31, 2010				
		Asset derivatives		Liability derivatives	
	Notional Value	Balance sheet location	Positive fair value	Balance sheet location	Negative fair value
Derivatives designated as hedging instruments under Topic 815:					
Cash flow interest rate contracts	$ 491,807	Other assets	$ —	Accounts payable and accrued expenses	$ (9,259)

Cash Flow Hedges

We have entered into interest rate swap agreements that effectively modify our exposure to interest rate risk by converting floating rate debt to a fixed rate debt over the next ten years. The agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of underlying principal amounts.

Any unrealized gains or losses related to cash flow hedging instruments are reclassified from accumulated other comprehensive income/(loss) into earnings in the same period or periods during which the hedged forecasted transaction affects earnings and are recorded in interest expense on the accompanying consolidated statements of operations. Adjustments related to the ineffective portion of the cash flow hedging instruments are recorded in other income or other operating expense. There was no ineffectiveness recognized during the three and nine months ended September 30, 2011.

Amounts reported in accumulated other comprehensive income/(loss) related to derivatives will be reclassified to interest expense as interest payments are made on our variable rate deposits. During the next twelve months, we estimate that $11.9 million will be reclassified as an increase to interest expense.

The following table shows the effect of our company's derivative instruments in the consolidated statements of operations for the three and nine months ended September 30, 2011 and 2010 (in thousands):

	Three Months Ended September 30, 2011				
	Loss recognized in OCI (effectiveness)	Location of loss reclassified from OCI into income	Loss reclassified from OCI into income	Location of loss recognized in OCI (ineffectiveness)	Loss recognized due to ineffectiveness
Cash flow interest rate contracts	$ 17,325	Interest expense	$ 3,510	None	$ —

	Three Months Ended September 30, 2010				
	Loss recognized in OCI (effectiveness)	Location of loss reclassified from OCI into income	Loss reclassified from OCI into income	Location of loss recognized in OCI (ineffectiveness)	Loss recognized due to ineffectiveness
Cash flow interest rate contracts	$ 4,495	Interest expense	$ 764	None	$ —

	Nine Months Ended September 30, 2011				
	Loss recognized in OCI (effectiveness)	Location of loss reclassified from OCI into income	Loss reclassified from OCI into income	Location of loss recognized in OCI (ineffectiveness)	Loss recognized due to ineffectiveness
Cash flow interest rate contracts	$ 26,972	Interest expense	$ 10,559	None	$ —

	Nine Months Ended September 30, 2010				
	Loss recognized in OCI (effectiveness)	Location of loss reclassified from OCI into income	Loss reclassified from OCI into income	Location of loss recognized in OCI (ineffectiveness)	Loss recognized due to ineffectiveness
Cash flow interest rate contracts	$ 15,172	Interest expense	$ 842	None	$ —

We maintain a risk management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings caused by interest rate volatility. Our goal is to manage sensitivity to changes in rates by hedging the maturity characteristics of Fed-funds-based affiliated deposits, thereby limiting the impact on earnings. By using derivative instruments, we are exposed to credit and market risk on those derivative positions. We manage the market risk associated with interest rate contracts by establishing and monitoring limits as to the types and degree of risk that may be undertaken. Credit risk is equal to the extent of the fair value gain in a derivative if the counterparty fails to perform. When the fair value of a derivative contract is positive, this generally indicates that the counterparty owes our company and, therefore, creates a repayment risk for our company. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, have no repayment risk. See Note 5 in the notes to our consolidated financial statements for further discussion on how we determine the fair value of our financial instruments. We minimize the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by senior management.

Credit Risk-Related Contingency Features

We have agreements with our derivative counterparties containing provisions where if we default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then we could also be declared in default on our derivative obligations.

We have agreements with certain of our derivative counterparties that contain provisions where if our shareholder's equity declines below a specified threshold or if we fail to maintain a specified minimum shareholder's equity, then we could be declared in default on our derivative obligations.

Certain of our agreements with our derivative counterparties contain provisions where if a specified event or condition occurs that materially changes our creditworthiness in an adverse manner, we may be required to fully collateralize our obligations under the derivative instrument.

Regulatory Capital-Related Contingency Features

Certain of our derivative instruments contain provisions that require us to maintain our capital adequacy requirements. If we were to lose our status as "adequately capitalized," we would be in violation of those provisions, and the counterparties of the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

As of September 30, 2011, the fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $26.9 million (termination value). We have minimum collateral posting thresholds with certain of our derivative counterparties and have posted collateral of $32.9 million against our obligations under these agreements. If we had breached any of these provisions at September 30, 2011, we would have been required to settle our obligations under the agreements at the termination value.

Counterparty Risk

In the event of counterparty default, our economic loss may be higher than the uncollateralized exposure of our derivatives if we were not able to replace the defaulted derivatives in a timely fashion. We monitor the risk that our uncollateralized exposure to each of our counterparties for interest rate swaps will increase under certain adverse market conditions by performing periodic market stress tests. These tests evaluate the potential additional uncollateralized exposure we would have to each of these derivative counterparties assuming changes in the level of market rates over a brief time period.

NOTE 14 – Commitments, Guarantees, and Contingencies

Broker-Dealer Commitments and Guarantees

In the normal course of business, we enter into underwriting commitments. Settlement of transactions relating to such underwriting commitments, which were open at September 30, 2011, had no material effect in the consolidated financial statements.

In connection with margin deposit requirements of The Options Clearing Corporation, we pledged customer-owned securities valued at $79.2 million to satisfy the minimum margin deposit requirement of $48.4 million at September

30, 2011.

In connection with margin deposit requirements of the National Securities Clearing Corporation, we deposited $26.8 million in cash at September 30, 2011, which satisfied the minimum margin deposit requirements of $19.9 million.

We also provide guarantees to securities clearinghouses and exchanges under their standard membership agreement, which requires members to guarantee the performance of other members. Under the agreement, if another member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. Our liability under these agreements is not quantifiable and may exceed the cash and securities we have posted as collateral. However, the potential requirement for us to make payments under these arrangements is considered remote. Accordingly, no liability has been recognized for these arrangements.

On December 28, 2009, we announced that Stifel Nicolaus had reached an agreement with the State of Missouri, the State of Indiana, the State of Colorado, and with an association of other State securities regulatory authorities regarding the repurchase of ARS from Eligible ARS investors. As part of the agreement, we have accelerated the previously announced repurchase plan. We have agreed to repurchase ARS from Eligible ARS investors in four phases starting in January 2010 and ending on December 31, 2011. At September 30, 2011, we estimate that our retail clients held $45.7 million par value of eligible ARS after issuer redemptions of $58.1 million par value and Stifel repurchases of $92.6 million par value.

Phases two and three of the modified ARS repurchase plan were completed during the year ended December 31, 2010, in which we repurchased ARS of $39.2 million par value. During the final phase, which will be completed by December 31, 2011, we estimate that we will repurchase ARS of $45.3 million par value. The amount estimated for repurchase represents ARS held by our clients at September 30, 2011, and assumes no issuer redemptions.

Separately, TWP has entered into Settlement and Release Agreements ("Settlement Agreements") with certain customers, whereby it will purchase up to approximately $50.0 million par value of ARS in exchange for a release from any future claims. At September 30, 2011, we estimate that TWP customers held $38.6 million par value of ARS, which may be repurchased over the next 5 years. The amount estimated for repurchase assumes no issuer redemptions.

We have recorded a liability for our estimated exposure to the repurchase plans based upon a net present value calculation, which is subject to change and future events, including redemptions. ARS redemptions have been at par, and we believe will continue to be at par over the remaining repurchase period. Future periods' results may be affected by changes in estimated redemption rates or changes in the fair value of ARS.

Other Commitments

In the ordinary course of business, Stifel Bank has commitments to extend credit in the form of commitments to originate loans, standby letters of credit, and lines of credit. See Note 19 in the notes to our consolidated financial statements for further details.

Fund Capital Commitments

At September 30, 2011, our asset management subsidiaries had commitments to invest in affiliated and unaffiliated investment partnerships of $4.1 million. These commitments are generally called as investment opportunities are identified by the underlying partnerships. These commitments may be called in full at any time.

Concentration of Credit Risk

We provide investment, capital-raising, and related services to a diverse group of domestic customers, including governments, corporations, and institutional and individual investors. Our exposure to credit risk associated with the non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be

directly impacted by volatile securities markets, credit markets, and regulatory changes. This exposure is measured on an individual customer basis and on a group basis for customers that share similar attributes. To reduce the potential for risk concentrations, counterparty credit limits have been implemented for certain products and are continually monitored in light of changing customer and market conditions. As of September 30, 2011 and December 31, 2010, we did not have significant concentrations of credit risk with any one customer or counterparty, or any group of customers or counterparties.

Note 15 – Legal Proceedings

Our company and its subsidiaries are named in and subject to various proceedings and claims arising primarily from our securities business activities, including lawsuits, arbitration claims, class actions, and regulatory matters. Some of these claims seek substantial compensatory, punitive, or indeterminate damages. Our company and its subsidiaries are also involved in other reviews, investigations, and proceedings by governmental and self-regulatory organizations regarding our business, which may result in adverse judgments, settlements, fines, penalties, injunctions, and other relief. We are contesting the allegations in these claims, and we believe that there are meritorious defenses in each of these lawsuits, arbitrations, and regulatory investigations. In view of the number and diversity of claims against the company, the number of jurisdictions in which litigation is pending, and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be.

We have established reserves for potential losses that are probable and reasonably estimable that may result from pending and potential legal actions, investigations and regulatory proceedings. In many cases, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any potential loss, particularly where proceedings may be in relatively early stages or where plaintiffs are seeking substantial or indeterminate damages. Matters frequently need to be more developed before a loss or range of loss can reasonably be estimated.

In our opinion, based on currently available information, review with outside legal counsel, and consideration of amounts provided for in our consolidated financial statements with respect to these matters, the ultimate resolution of these matters will not have a material adverse impact on our financial position. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and depending upon the level of income for such period. For matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, based on currently available information, we believe that such losses will not have a material effect on our consolidated financial statements.

SEC/Wisconsin Lawsuit

The SEC filed a civil lawsuit against our company in the United States District Court for the Eastern District of Wisconsin on August 10, 2011. The action arises out of our role in investments made by five Southeastern Wisconsin school districts (the "school districts") in transactions involving collateralized debt obligations ("CDOs"). These transactions are described in more detail below in connection with the civil lawsuit filed by the school districts. The SEC has asserted claims under Section 10b and Rule 10b-5 of the Exchange Act, Sections 17a(1), 17a(2) and 17a(3) of the Securities Act and Section 15c(1)(A) of the Exchange Act. The claims are based upon both alleged misrepresentations and omissions in connection with the sale of the CDOs to the school districts, as well as the allegedly unsuitable nature of the CDOs. On October 31, 2011, we filed a motion to dismiss the action for failure to state a claim. We believe, based upon currently available information and review with outside counsel, that we have meritorious defenses to the SEC's lawsuit and intend to vigorously defend the SEC's claims.

We were named in a civil lawsuit filed in the Circuit Court of Milwaukee, Wisconsin (the "Wisconsin State Court") on September 29, 2008. The lawsuit has been filed against our company, Stifel Nicolaus, Royal Bank of Canada Europe Ltd. ("RBC"), and certain other RBC entities (collectively the "Defendants") by the school districts and the individual trustees for other post-employment benefit ("OPEB") trusts established by those school districts (collectively the "Plaintiffs").

The suit arises out of purchases of certain CDOs by the OPEB trusts. The RBC entities structured and served as "arranger" for the CDOs. We served as the placement agent/broker in connection with the transactions. The school districts each formed trusts that made investments designed to address their OPEB liabilities. The total amount of the investments made by the OPEB trusts was $200.0 million. Since the investments were made, we believe their value has declined, resulting in a total loss for the OPEB trusts. The Plaintiffs have asserted that the school districts contributed $37.5 million to the OPEB trusts to purchase the investments. The balance of $162.5 million used to purchase the investments was borrowed by the OPEB trusts from Depfa Bank. The recourse under the loan agreements entered into by Depfa Bank is each of the OPEB trusts' respective assets and the moral obligation of each school district. The legal claims asserted include violation of the Wisconsin Securities Act, fraud, and negligence. The lawsuit seeks equitable relief, unspecified compensatory damages, treble damages, punitive damages, and attorney's fees and costs. The Plaintiffs claim that the RBC entities and our company either made misrepresentations or failed to disclose material facts in connection with the sale of the CDOs, and thus allegedly violated the Wisconsin Securities Act. We believe the Plaintiffs reviewed and understood the relevant offering materials and that the investments were suitable based upon, among other things, our receipt of written acknowledgement of risks from each of the Plaintiffs. The Wisconsin State Court denied the Defendants' motions to dismiss, and the Defendants have responded to the allegations of the Second Amended Complaint, denying the substantive allegations and asserting various affirmative defenses. Stifel Nicolaus and the RBC entities have asserted cross-claims for indemnity and contribution against each other. We believe, based upon currently available information and review with outside counsel, that we have meritorious defenses to this lawsuit, and intend to vigorously defend all of the Plaintiffs' claims.

Additionally, on July 25, 2011 we entered into a binding letter agreement to purchase, at a substantial discount, the approximately $162.5 million face value notes referenced above issued by Depfa Bank in connection with the loans made to the OPEB trusts formed by the school districts (the "Depfa notes"). We subsequently consummated such purchase on August 23, 2011 pursuant to a definitive agreement with Depfa Bank. Included in the consolidated results of operations is a provision related to the acquisition of the Depfa notes and additional estimated probable litigation-related provisions associated with the civil and regulatory investigation in connection with the OPEB matters.

TWP LLC FINRA Matter

Prior to the acquisition of TWPG, the Financial Industry Regulatory Authority ("FINRA") commenced an administrative proceeding against TWP, a wholly owned broker-dealer subsidiary of TWPG, related to a transaction undertaken by a former employee in which approximately $15.7 million of ARS were sold from a TWPG account to the accounts of three customers. FINRA has alleged that TWP violated various NASD and FINRA rules, as well as Section 10(b) of the Securities Exchange Act and Rule 10b-5. TWP has filed an answer denying the substantive allegations and asserting various affirmative defenses. TWP has repurchased the ARS at issue from the customers at par. FINRA is seeking fines and other relief against TWP and the former employee. TWP is defending the FINRA proceeding vigorously.

On November 8, 2011, the FINRA hearing panel delivered a decision that will become a final decision after 45 days and fully resolve the matter unless FINRA appeals to the National Adjudicatory Council. TWP will comply with the Order to pay a $0.2 million fine plus administrative fees and costs for failing to establish and maintain systems and procedures governing principal transactions effected by the firm.

NOTE 16 – Regulatory Capital Requirements

We operate in a highly regulated environment and are subject to capital requirements, which may limit distributions to our company from its subsidiaries. Distributions from our broker-dealer subsidiaries are subject to net capital rules. A broker-dealer that fails to comply with the SEC's Uniform Net Capital Rule (Rule 15c3-1) may be subject to disciplinary actions by the SEC and self-regulatory organizations, such as FINRA, including censures, fines, suspension, or expulsion. Stifel Nicolaus and TWP have chosen to calculate their net capital under the alternative method, which prescribes that their net capital shall not be less than the greater of $1.0 million or $250,000 (actual), respectively, or two percent of aggregate debit balances (primarily receivables from customers) computed in accordance with the SEC's Customer Protection Rule (Rule 15c3-3). CSA calculates its net capital under the aggregate indebtedness method, whereby its aggregate indebtedness may not be greater than fifteen times its net capital (as defined).

At September 30, 2011, Stifel Nicolaus had net capital of $190.2 million, which was 30.7% of aggregate debit items and $177.8 million in excess of its minimum required net capital. At September 30, 2011, CSA's and TWP's net capital exceeded the minimum net capital required under the SEC rule.

Our international subsidiaries, SN Ltd and TWPIL, are subject to the regulatory supervision and requirements of the Financial Services Authority ("FSA") in the United Kingdom. At September 30, 2011, SN Ltd's and TWPIL's capital and reserves were in excess of the financial resources requirement under the rules of the FSA.

Our Canadian subsidiary, SN Canada, is subject to the regulatory supervision and requirements of the Investment Industry Regulatory Organization of Canada ("IIROC"). At September 30, 2011, SN Canada's net capital and reserves were in excess of the financial resources requirement under the rules of the IIROC.

Our company, as a bank holding company, and Stifel Bank are subject to various regulatory capital requirements administered by the Federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on our company's and Stifel Bank's financial results. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, our company and Stifel Bank must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Our company's and Stifel Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require our company, as a bank holding company, and Stifel Bank to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and Tier 1 capital to average assets (as defined). To be categorized as "well capitalized," our company and Stifel Bank must maintain total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the tables below.

Stifel Financial Corp. – Federal Reserve Capital Amounts
September 30, 2011

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets	$ 835,120	25.3 %	$ 263,652	8.0 %	$ 329,564	10.0 %
Tier 1 capital to risk-weighted assets	831,290	25.2	131,826	4.0	197,739	6.0
Tier 1 capital to adjusted average total assets	831,290	21.1	157,597	4.0	196,997	5.0

Stifel Bank – Federal Reserve Capital Amounts
September 30, 2011

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	Amount	Ratio	Amount	Ratio
Total capital to risk-weighted assets	$ 151,114	10.2 %	$ 119,081	8.0 %	$ 148,851	10.0 %
Tier 1 capital to risk-weighted assets	147,284	9.9	59,541	4.0	89,311	6.0
Tier 1 capital to adjusted average total assets	147,284	7.2	82,274	4.0	102,842	5.0

NOTE 17 – Employee Incentive, Deferred Compensation, and Retirement Plans

We maintain several incentive stock award plans that provide for the granting of stock options, stock appreciation rights, restricted stock, performance awards, and stock units to our employees. Awards under our company's incentive stock award plans are granted at market value at the date of grant. Options expire ten years from the date of grant. The awards generally vest ratably over a three- to eight-year vesting period.

All stock-based compensation plans are administered by the Compensation Committee of the Board of Directors ("Compensation Committee"), which has the authority to interpret the plans, determine to whom awards may be granted under the plans, and determine the terms of each award. According to these plans, we are authorized to grant an additional 10.0 million shares at September 30, 2011.

Stock-based compensation expense included in compensation and benefits expense in the consolidated statements of operations for our company's incentive stock award plans was $5.8 million and $182.4 million for the three months ended September 30, 2011 and 2010, respectively. The tax benefit related to stock-based compensation recognized in shareholders' equity was $1.5 million and $1.2 million for the three months ended September 30, 2011 and 2010, respectively.

Stock-based compensation expense included in compensation and benefits expense in the consolidated statements of operations for our company's incentive stock award plans was $21.8 million and $214.2 million for the nine months ended September 30, 2011 and 2010, respectively. The tax benefit related to stock-based compensation recognized in shareholders' equity was $24.1 million and $14.3 million for the nine months ended September 30, 2011 and 2010, respectively.

Stock Options

We have substantially eliminated the use of stock options as a form of compensation. During the three and nine months ended September 30, 2011, no options were granted.

At September 30, 2011, unrecognized compensation expense related to non-vested options was immaterial. Cash proceeds from the exercise of stock options were $0.1 million and $0.7 million for the three and nine months ended September 30, 2011, respectively. Tax benefits realized from the exercise of stock options for the three and nine months ended September 30, 2011 were $0.2 million and $1.1 million, respectively. Stock Units

A stock unit represents the right to receive a share of common stock from our company at a designated time in the future without cash payment by the employee and is issued in lieu of cash incentive, principally for deferred compensation and employee retention plans. At September 30, 2011, the total number of stock units outstanding was 14.2 million, of which 3.3 million were unvested.

At September 30, 2011, there was unrecognized compensation cost for stock units of $105.4 million, which is expected to be recognized over a weighted-average period of 3.4 years.

Deferred Compensation Plans

The Stifel Nicolaus Wealth Accumulation Plan (the "SWAP Plan") is provided to certain revenue producers, officers, and key administrative employees, whereby a certain percentage of their incentive compensation is deferred as defined by the Plan into company stock units with a 25% matching contribution by our company. Participants may elect to defer up to an additional 15% of their incentive compensation with a 25% matching contribution. Units generally vest over a three- to seven-year period and are distributable upon vesting or at future specified dates. Deferred

compensation costs are amortized on a straight-line basis over the vesting period. Elective deferrals are 100% vested. As of September 30, 2011, there were 7.3 million units outstanding under the Plan.

Additionally, the SWAP Plan allows Stifel Nicolaus' financial advisors who achieve certain levels of production, the option to defer a certain percentage of their gross commissions. As stipulated by the SWAP Plan, the financial advisors have the option to: 1) defer 4% of their gross commissions into company stock units with a 25% matching contribution or 2) defer up to 2% in mutual funds, which earn a return based on the performance of index mutual funds as designated by our company or a fixed income option. The mutual fund deferral option does not include a company match. Financial advisors may elect to defer an additional 1% of gross commissions into company stock units with a 25% matching contribution. Financial advisors have no ownership in the mutual funds. Included in the investments in the consolidated statements of financial condition are investments in mutual funds of $33.8 million and $32.2 million at September 30, 2011 and December 31, 2010, respectively, that were purchased by our company to economically hedge, on an after-tax basis, its liability to the financial advisors who choose to base the performance of their return on the index mutual fund option. At September 30, 2011 and December 31, 2010, the deferred compensation liability related to the mutual fund option of $24.2 million and $23.9 million, respectively, is included in accrued compensation in the consolidated statements of financial condition.

In addition, certain financial advisors, upon joining our company, may receive company stock units in lieu of transition cash payments. Deferred compensation related to these awards generally vests over a five- to eight-year period. Deferred compensation costs are amortized on a straight-line basis over the deferral period. As of September 30, 2011, there were 6.8 million units outstanding under the two plans.

NOTE 18 – Restructuring

As a result of the merger and integration of TWPG, we incurred certain restructuring charges during the third quarter of 2010. These charges related to costs associated with contract and lease terminations, consolidation of facilities and infrastructure, and employee termination benefits, which represented one-time activities and do not represent ongoing costs to fully integrate TWPG. As of September 30, 2011, the employee termination benefits have been fully paid.

Contract termination fees are determined based on the provisions of ASC Topic 420, "Exit or Disposal Cost Obligations," which among other things, requires the recognition of a liability for contract termination under a cease-use date concept. Lease terminations represent costs associated with redundant office space disposed of as part of the restructuring plan. Payments related to terminated lease contracts (net of anticipated sublease proceeds) continue through the original terms of the leases, which run for various periods, with the longest lease term running through 2011. The restructuring charges are based on estimates that are subject to change.

The following table presents a summary of the activity with respect to the restructuring-related liabilities included in accrued compensation and accounts payable and accrued expenses in the consolidated statements of financial condition (in thousands):

Balance at December 31, 2010	$	6,295
Provision charged to operating expense		354
Cash outlays		(2,255)
Non-cash write-downs		(2,528)
Balance at September 30, 2011	$	1,866

NOTE 19 – Off-Balance Sheet Credit Risk

In the normal course of business, we execute, settle, and finance customer and proprietary securities transactions. These activities expose our company to off-balance sheet risk in the event that customers or other parties fail to satisfy their obligations.

In accordance with industry practice, securities transactions generally settle within three business days after trade date. Should a customer or broker fail to deliver cash or securities as agreed, we may be required to purchase or sell securities at unfavorable market prices.

We borrow and lend securities to facilitate the settlement process and finance transactions, utilizing customer margin securities held as collateral. We monitor the adequacy of collateral levels on a daily basis. We periodically borrow from banks on a collateralized basis, utilizing firm and customer margin securities in compliance with SEC rules. Should the counterparty fail to return customer securities pledged, we are subject to the risk of acquiring the securities at prevailing market prices in order to satisfy our customer obligations. We control our exposure to credit risk by continually monitoring our counterparties' positions, and where deemed necessary, we may require a deposit of additional collateral and/or a reduction or diversification of positions. Our company sells securities it does not currently own (short sales) and is obligated to subsequently purchase such securities at prevailing market prices. We are exposed to risk of loss if securities prices increase prior to closing the transactions. We control our exposure to price risk from short sales through daily review and setting position and trading limits.

We manage our risks associated with the aforementioned transactions through position and credit limits and the continuous monitoring of collateral. Additional collateral is required from customers and other counterparties when appropriate.

We have accepted collateral in connection with resale agreements, securities borrowed transactions, and customer margin loans. Under many agreements, we are permitted to sell or repledge these securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover short positions. At September 30, 2011, the fair value of securities accepted as collateral where we are permitted to sell or repledge the securities was $927.4 million, and the fair value of the collateral that had been sold or repledged was $52.8 million. At December 31, 2010, the fair value of securities accepted as collateral where we are permitted to sell or repledge the securities was $864.7 million, and the fair value of the collateral that had been sold or repledged was $109.6 million.

We enter into interest rate derivative contracts to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are principally used to manage differences in the amount, timing, and duration of our known or expected cash payments related to certain variable-rate affiliated deposits. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for us making fixed-rate payments. Our interest rate hedging strategies may not work in all market environments and, as a result, may not be effective in mitigating interest rate risk.

Derivatives' notional contract amounts are not reflected as assets or liabilities in the consolidated statements of financial condition. Rather, the market, or fair value, of the derivative transactions are reported in the consolidated statements of financial condition as other assets or accounts payable and accrued expenses, as applicable.

For a complete discussion of our activities related to derivative instruments, see Note 13 in the notes to our consolidated financial statements.

In the ordinary course of business, Stifel Bank has commitments to originate loans, standby letters of credit, and lines of credit. Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established by the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash commitments. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if necessary, is based on the credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate, and residential real estate.

At September 30, 2011 and December 31, 2010, Stifel Bank had outstanding commitments to originate loans aggregating $253.7 million and $107.2 million, respectively. The commitments extended over varying periods of time, with all commitments at September 30, 2011 scheduled to be disbursed in the following two months.

Through Stifel Bank, in the normal course of business, we originate residential mortgage loans and sell them to investors. We may be required to repurchase mortgage loans that have been sold to investors in the event there are breaches of certain representations and warranties contained within the sales agreements. While we have yet to repurchase a loan sold to an investor, we may be required to repurchase mortgage loans that were sold to investors in the event that there was inadequate underwriting or fraud, or in the event that the loans become delinquent shortly after they are originated. We also may be required to indemnify certain purchasers and others against losses they incur in the event of breaches of representations and warranties and in various other circumstances, and the amount of such losses could exceed the repurchase amount of the related loans. Consequently, we may be exposed to credit risk associated with sold loans.

Standby letters of credit are irrevocable conditional commitments issued by Stifel Bank to guarantee the performance of a customer to a third party. Financial standby letters of credit are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Performance standby letters of credit are issued to guarantee performance of certain customers under non-financial contractual obligations. The credit risk involved in issuing standby letters of credit is essentially the same as that involved in extending loans to customers. Should Stifel Bank be obligated to perform under the standby letters of credit, it may seek recourse from the customer for reimbursement of amounts paid. At September 30, 2011 and December 31, 2010, Stifel Bank had outstanding letters of credit totaling $9.2 million. One of the standby letters of credit has an expiration of December 16, 2013. All of the remaining standby letters of credit commitments at September 30, 2011 have expiration terms that are less than one year.

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Stifel Bank uses the same credit policies in granting lines of credit as it does for on-balance sheet instruments. At September 30, 2011 and December 31, 2010, Stifel Bank had granted unused lines of credit to commercial and consumer borrowers aggregating $98.5 million and $97.4 million, respectively.

NOTE 20 – Income Taxes

Our effective rate for the three and nine months ended September 30, 2011 was 42.8% and 39.0%, respectively, compared to 40.8% and 41.1% for the three and nine months ended September 30, 2010, respectively. The provision for income taxes for the three months ended September 30, 2011 was increased primarily as a result of adjustments to our uncertain tax positions. The provision for income taxes for the nine months ended September 30, 2011 was reduced primarily as a result of the release of the valuation allowance due to realized and unrealized capital gains, which offset previously record unrealized capital losses.

NOTE 21 – Segment Reporting

We currently operate through the following three business segments: Global Wealth Management, Institutional Group, and various corporate activities combined in the Other segment.

Our Global Wealth Management segment consists of two businesses, the Private Client Group and Stifel Bank. The Private Client Group includes branch offices and independent contractor offices of our broker-dealer subsidiaries located throughout the United States, primarily in the Midwest and Mid-Atlantic regions with a growing presence in the Northeast, Southeast, and Western United States. These branches provide securities brokerage services, including the sale of equities, mutual funds, fixed income products, and insurance, as well as offering banking products to their clients through Stifel Bank. Stifel Bank segment provides residential, consumer, and commercial lending, as well as FDIC-insured deposit accounts to customers of our broker-dealer subsidiaries and to the general public.

The Institutional Group segment includes institutional sales and trading. It provides securities brokerage, trading, and research services to institutions, with an emphasis on the sale of equity and fixed income products. This segment also includes the management of and participation in underwritings for both corporate and public finance (exclusive of sales credits generated through the private client group, which are included in the Global Wealth Management segment), merger and acquisition, and financial advisory services.

The Other segment includes certain corporate activities of our company.

Information concerning operations in these segments of business for the three and nine months ended September 30, 2011 and 2010 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net revenues: [1]				
Global Wealth Management	$ 219,498	$ 207,484	$ 683,589	$ 606,845
Institutional Group	113,259	138,043	373,168	375,937
Other	1,457	(5,139)	2,927	(2,355)
	$ 334,214	$ 340,388	$ 1,059,684	$ 980,427
Income/(loss) before income taxes:				
Global Wealth Management	$ 55,612	$ 51,707	$ 172,510	$ 131,306
Institutional Group	9,152	27,654	52,496	85,879
Other	(25,741)	(221,917)	(131,424)	(284,231)
	$ 39,023	$ (142,556)	$ 93,582	$ (67,046)

(1) No individual client accounted for more than 10 percent of total net revenues for the three and nine months ended September 30, 2011 or 2010.

The following table presents our company's total assets on a segment basis at September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011	December 31, 2010
Global Wealth Management	$ 3,658,296	$ 2,965,168
Institutional Group	1,076,051	883,235
Other	208,017	364,712
	$ 4,942,364	$ 4,213,115

We have operations in the United States, Canada, United Kingdom, and Europe. Our company's foreign operations are conducted through its wholly owned subsidiaries, SN Ltd., SN Canada, and TWPIL. Substantially all long-lived assets are located in the United States.

Net revenues, classified by the major geographic areas in which they are earned for the three and nine months ended September 30, 2011 and 2010, were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
United States	$ 324,519	$ 329,350	$	