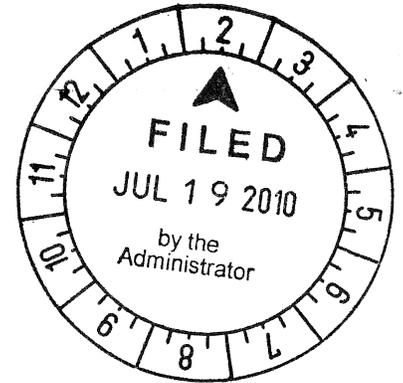


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STATE OF OKLAHOMA  
DEPARTMENT OF SECURITIES  
FIRST NATIONAL CENTER, SUITE 860  
120 NORTH ROBINSON  
OKLAHOMA CITY, OKLAHOMA 73102



**In the Matter of:**

Stifel, Nicolaus & Company, Incorporated,

Respondent.

ODS File No. 10-078

**CONSENT ORDER**

**WHEREAS**, Stifel, Nicolaus & Company, Incorporated (“Stifel”) is a broker-dealer registered under the Oklahoma Uniform Securities Act of 2004 (“Act”), 71 O.S. §§ 1-101 through 1-701 (Supp. 2009), with its home office at 501 North Broadway, St. Louis, Missouri; and

**WHEREAS**, a multistate task force led by the Enforcement Section of the Securities Division of the Missouri Secretary of State (the "Enforcement Section") conducted an investigation into Stifel’s marketing and sale of auction rate securities to investors during the period January 1, 2006, through February 14, 2008; and

**WHEREAS**, Stifel has agreed to resolve the multistate task force investigation relating to its marketing and sale of auction rate securities to investors; and

**WHEREAS**, Stifel elects to permanently waive any right to a hearing and appeal under the Act and under the Oklahoma Administrative Procedures Act, with respect to this Consent Order (the “Order”); and

**WHEREAS**, Stifel agrees that Stifel is not the prevailing party in this action and Stifel elects to specifically forever release and hold harmless the Oklahoma Department of Securities (“Department”) and its representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter; and

**WHEREAS**, Stifel agrees not to take any action or to make or permit to be made any

1 public statement creating the impression that this Order is without a factual basis. Nothing in  
2 this paragraph affects Stifel's: (a) testimonial obligations; (b) right to take legal or factual  
3 positions in defense of litigation or in defense of other legal proceedings in which the  
4 Department is not a party; or (c) right to make public statements that are factual.

5 **NOW, THEREFORE**, the Administrator of the Department ("Administrator") hereby  
6 enters this Order.

7 **I.**

8 **FINDINGS OF FACT**

9 1. Stifel admits the jurisdiction of the Department for purposes of this Order, neither  
10 admits nor denies the Findings of Fact and Conclusions of Law that follow in this Order, and  
11 consents to the entry of this Order by the Administrator.

12 2. Auction rate securities are long-term debt or equity instruments that include  
13 auction preferred shares of closed-end funds, municipal auction rate bonds, and various asset-  
14 backed auction rate bonds (collectively referred to herein as "ARS"), with variable interest rates  
15 that reset through a bidding process known as a Dutch auction.

16 3. At a Dutch auction, bidders generally state the number of ARS they wish to  
17 purchase and the minimum interest rate they are willing to accept. Bids are ranked, from lowest  
18 to highest, according to the minimum interest rate each bidder is willing to accept. The lowest  
19 interest rate required to sell all of the ARS at auction, known as the "clearing rate," becomes the  
20 rate paid to all holders of that particular security until the next auction. The process is then  
21 repeated, typically every seven, twenty-eight, or thirty-five days.

22 4. While ARS are all long-term instruments, one significant feature of ARS (which  
23 historically provided the potential for short-term liquidity) is the interest/dividend reset through  
24 periodic auctions. If an auction is successful (i.e., there are enough buyers for every ARS being  
25 offered for sale at the auction), investors are able to exit their positions at the auction. If,  
26 however, auctions "fail" (i.e., there are not enough buyers for every ARS being offered for sale),

1 investors are required to hold all or some of their ARS until the next successful auction in order  
2 to liquidate their funds.

3 5. Beginning in February 2008, the ARS market experienced widespread failed  
4 auctions.

5 6. Stifel and its securities agents (“Registered Agents”) sold ARS.

6 7. Stifel’s Registered Agents recommended ARS as safe and/or liquid investments,  
7 and compared ARS to cash alternatives, such as certificates of deposit or money market  
8 accounts.

9 8. Stifel did not formally train its Registered Agents regarding the risks and features  
10 of ARS.

11 9. A number of Registered Agents did not sufficiently understand, and therefore did  
12 not adequately communicate to retail purchasers, the risks and features of ARS.

13 **Stifel’s Failure to Supervise the Sale of ARS**

14 10. Stifel failed to reasonably supervise its Registered Agents, which is grounds to  
15 discipline Stifel under Section 1-604 of the Act and 660:11-5-42 of the Rules of the Oklahoma  
16 Securities Commission and the Administrator of the Department of Securities (“Rules”). Stifel  
17 failed to provide reasonable supervision by failing to provide pertinent information and  
18 comprehensive training to its Registered Agents and other sales and marketing staff regarding  
19 ARS and the mechanics of the auction process.

20 **II.**

21 **CONCLUSIONS OF LAW**

22 11. The Department has jurisdiction over this matter under the Act.

23 12. The Administrator finds Stifel failed to reasonably supervise its Registered  
24 Agents, and that this conduct constitutes grounds to discipline Stifel under Section 1-604 of the  
25 Act and 660:11-5-42 of the Rules.

26 13. The Administrator finds this Order and the following relief appropriate, in the

1 public interest, and consistent with the purposes intended by the Act.

2 **III.**

3 **ORDER**

4 On the basis of the Findings of Fact, Conclusions of Law, and Stifel's consent to the entry of  
5 this Order,

6 **IT IS HEREBY ORDERED:**

7 1. This Order concludes the investigation by the Administrator and any other action  
8 that the Administrator could commence under applicable Oklahoma law as it relates to Stifel,  
9 relating to the marketing and sale of auction rate securities. The Administrator shall refrain from  
10 initiating any action against Stifel based upon or related to the conduct set forth in this Order.  
11 Specifically excluded from and not covered by this paragraph are any claims by the Administrator  
12 arising from or relating to the Order provisions contained herein.

13 2. This Order is entered into solely for the purpose of resolving the multistate  
14 investigation and is not intended to be used for any other purpose.

15 3. Stifel will cease and desist from violating the Act and will comply with the Act.

16 4. In accordance with the Consent Order entered against Stifel by the Missouri  
17 Office of the Secretary of State in January of 2010, Case No. Ap-10-05 ("Missouri Order"),  
18 Stifel shall have retained, at its expense, an outside consultant ("Consultant"). The scope of  
19 Consultant's work is to conduct a review and make written recommendations concerning Stifel's  
20 supervisory and compliance policies and procedures relating to the product review of  
21 nonconventional investments and the training, marketing, and sale of nonconventional  
22 investments by Stifel and its Registered Agents throughout Stifel's retail branch office system.  
23 Stifel will receive a report prepared by the Consultant describing his or her recommendations and  
24 Stifel will provide to the Enforcement Section a copy of such report. Stifel shall have authorized  
25 the Enforcement Section to share these written reports with the Administrator pursuant to  
26

1 Missouri law, provided that such written reports are given confidential treatment and are treated  
2 as nonpublic, nondisclosable records to the extent possible under Oklahoma law.

3 5. For a period of one (1) year following the conclusion of the Consultant's work,  
4 Stifel, and its affiliates, may not employ or hire the Consultant in any capacity.

5 6. Stifel shall modify its Voluntary Offer to Repurchase Eligible Auction Rate  
6 Securities at Par dated April 9, 2009 (the "Voluntary Offer") for all Eligible Investors as  
7 described in Paragraph 7 below. For purpose of this Order, Eligible Investors shall be defined as  
8 investors who hold Eligible Accounts as that term is defined in the Voluntary Offer. Except as  
9 modified by this Order, all other terms and conditions of the Voluntary Offer shall remain in full  
10 force and effect and shall in no way be modified by this Order.

11 7. Stifel shall accelerate its repurchase of Eligible ARS from Eligible Investors who  
12 have accepted the Voluntary Offer as follows:

13 a. January 2010 Repurchase

14 Stifel shall have repurchased at par up to the greater of Twenty-Five  
15 Thousand Dollars (\$25,000) of the remaining Eligible ARS holdings or ten percent (10%)  
16 of the remaining Eligible ARS holdings plus any accrued and unpaid interest or dividend  
17 of such amount no later than January 15, 2010.

18 b. December 2010 Repurchase

19 Stifel will repurchase at par up to the greater of Twenty-Five Thousand  
20 Dollars (\$25,000) of the remaining Eligible ARS holdings or ten percent (10%) of the  
21 remaining Eligible ARS holdings plus any accrued and unpaid interest or dividend of  
22 such amount no later than December 31, 2010.

23 c. 2010 Supplemental Repurchase

24 Stifel will repurchase at par all of the Eligible ARS that remain after the  
25 December 2010 Repurchase from Eligible Investors who, as of January 1, 2009,  
26 maintained in an Eligible Account, Eligible ARS in an amount of One Hundred Fifty

1            Thousand Dollars (\$150,000) or less. Such repurchase shall be completed no later than  
2            December 31, 2010.

3            d.        2011 Repurchase

4                        Stifel will repurchase at par all of the remaining Eligible ARS holdings  
5            plus any accrued and unpaid interest. Such repurchase shall be completed no later than  
6            December 31, 2011. Stifel will make its Voluntary Offer as modified by this Order to  
7            those Eligible Investors who have not previously accepted the Voluntary Offer.

8            8.        Subject to applicable regulatory requirements and limitations, Stifel will  
9            cooperate with its bank affiliate to use its best efforts to make no-net-cost loans to Eligible  
10           Investors, provided such investors have demonstrated need for liquidity.

11           9.        In accordance with the Missouri Order, Stifel shall, within fifteen (15) days of the  
12           end of each calendar quarter following the execution of the Missouri Order, provide to the  
13           Missouri Commissioner of Securities a written report describing and updating, in detail, all  
14           repurchase/buyback, issuer redemption and investor arbitration claims related to Eligible ARS  
15           that occur or continue to occur. Where applicable and in describing repurchase, redemption and  
16           arbitration developments or occurrences, Stifel shall include investor or issuer names, states of  
17           residence and amounts of repurchases, redemptions, and/or arbitration claims/awards. The  
18           Missouri Commissioner of Securities shall be authorized to share these written reports with the  
19           Administrator pursuant to Missouri law, provided that such written reports are given confidential  
20           treatment and are treated as nonpublic, nondisclosable records to the extent possible under  
21           Oklahoma law.

22           10.       Stifel shall pay fines and/or penalties totaling Five Hundred Twenty-Five  
23           Thousand Dollars (\$525,000) to the states and other jurisdictions participating in this multistate  
24           task force as allocated by the North American Securities Administrators Association to resolve  
25           matters relating to Stifel's marketing and sale ARS in those states or other jurisdictions.

26           11.       Within ten (10) calendar days following the entry of this Order, Stifel shall pay to

1 the Oklahoma Department of Securities Investor Education Revolving Fund the sum of One  
2 Thousand Fifty Dollars (\$1,050.00), which amount constitutes Oklahoma's allocated share of the  
3 total settlement payment described in the preceding paragraph.

4 12. If Stifel defaults in any of its obligations set forth in this Order, the Administrator  
5 may vacate this Order, at his sole discretion, upon ten (10) days notice to Stifel and without  
6 opportunity for administrative hearing or may refer this matter for enforcement as provided by  
7 Oklahoma law.

8 13. This Order is not intended to indicate that Stifel or any of its affiliates or current  
9 or former employees shall be subject to any disqualifications contained in the federal securities  
10 law, the rules and regulations thereunder, the rules and regulations of self-regulatory  
11 organizations or various states' securities laws, including any disqualifications from relying upon  
12 the registration exemptions or safe harbor provisions. In addition, this Order is not intended to  
13 form the basis for any such disqualifications.

14 14. This Order may not be read to indicate that Stifel or any of its affiliates or current  
15 or former employees engaged in fraud or violated any federal or state laws, the rules and  
16 regulations thereunder, or the rules and regulations of any self-regulatory organization.

17 15. For any person or entity not a party to this Order, this Order does not limit or create  
18 any private rights or remedies against Stifel including, without limitation, the use of any e-mails or  
19 other documents of Stifel or of others for the marketing and sale of auction rate securities to  
20 investors, limit or create liability of Stifel, or limit or create defenses of Stifel to any claims.

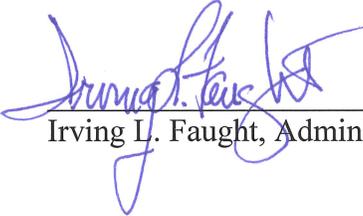
21 16. This Order shall not disqualify Stifel or any of its affiliates or current or former  
22 employees from any business that they are otherwise qualified or licensed to perform under  
23 applicable state law, or form the basis for any such disqualification.

24 17. Nothing herein shall preclude the state of Oklahoma, its departments, agencies,  
25 boards, commissions, authorities, political subdivisions and corporations (collectively, "State  
26 Entities"), other than the Department and only to the extent set forth in paragraph 1 above, and the

1 officers, agents or employees of State Entities from asserting any claims, causes of action, or  
2 applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or  
3 injunctive relief against Stifel in connection with the marketing and sale of auction rate securities at  
4 Stifel.

5 18. Stifel shall pay its own costs and attorneys' fees with respect to this matter.

6 WITNESS my Hand and the Official Seal of the Oklahoma Department of Securities this  
7 14th day of July, 2010.

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11 Irving L. Faight, Administrator  
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**CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY STIFEL**

1  
2 Stifel hereby acknowledges that it has been served with a copy of this Consent Order  
3 (“Order”), has read the same, is aware of its right to a hearing and appeal in this matter, and has  
4 waived the same.

5 Stifel admits the jurisdiction of the Department; neither admits nor denies the Findings of  
6 Fact and Conclusions of Law contained in this Order, except as to jurisdiction; and consents to entry  
7 of this Order by the Administrator as settlement of the issues contained in this Order.

8 Stifel states that no promise of any kind or nature whatsoever was made to it to induce it to  
9 enter into this Order and that it has entered into this Order voluntarily.

10 Scott B. McCuaig represents that he/she is President of Stifel,  
11 Nicolaus & Company, Incorporated, and that, as such, has been authorized by Stifel, Nicolaus &  
12 Company, Incorporated to enter into this Order for and on behalf of Stifel, Nicolaus & Company,  
13 Incorporated.

14 Stifel agrees that it shall not seek or accept, directly or indirectly, reimbursement or  
15 indemnification, including, but not limited to, payment made pursuant to any insurance policy,  
16 with regard to any administrative monetary penalty that Stifel shall pay pursuant to this Order.  
17 Stifel further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with  
18 regard to any state, federal, or local tax for any administrative monetary penalty that Stifel shall  
19 pay pursuant to this Order. Stifel understands and acknowledges that these provisions are not  
20 intended to imply that the Administrator would agree that any other amounts Stifel shall pay  
21 pursuant to this Order may be reimbursed or indemnified (whether pursuant to an insurance  
22 policy or otherwise) under applicable law or may be the basis for any tax deduction or tax credit  
23 with regard to any state, federal, or local tax.

24 Dated this 28<sup>th</sup> day of June, 2010.

25 Stifel, Nicolaus & Company, Incorporated  
26 By: Scott B. McCuaig  
Title: PRESIDENT

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STATE OF Missouri )  
city ) ss.  
County of St. Louis )

SUBSCRIBED AND SWORN TO before me by Scott B McQuay, this  
28th day of June, 2010.

Karen L. Kehrer  
Notary Public

My commission expires:

12-3-13

