Stifel, Nicolaus
& Company, Incorporated

ONE FINANCIAL PLAZA
501 NORTH BROADWAY
ST. LOUIS, MISSOURI 63102-2188

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AS OF JUNE 30, 2005
(Unaudited)

STIFEL, NICOLAUS & COMPANY, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Unaudited)

June 30, 2005

ASSETS	
Cash and cash equivalents	$ 6,903,298
Cash segregated under federal and other regulations	6,490
Receivable from brokers and dealers:	
Securities failed to deliver	1,592,276
Deposits paid for securities borrowed	20,510,163
Clearing organizations	7,866,772
	29,969,211
Receivable from customers, net of allowance for doubtful receivables of $98,032	242,032,690
Securities owned, at fair value	56,708,486
Securities owned and pledged, at fair value	313,857
Memberships in exchanges	274,515
Due from affiliates	2,219,667
Loans and advances to investment executives and other employees, net of allowance for doubtful receivables from former employees of $885,726	19,371,136
Deferred tax asset	6,523,391
Other assets	27,985,537
TOTAL ASSETS	$ 392,308,278
LIABILITIES AND STOCKHOLDER'S EQUITY	
LIABILITIES:	
Drafts payable	22,140,909
Short-term borrowings from banks	16,750,000
Payable to brokers and dealers:	
Securities failed to receive	2,828,712
Deposits received for securities loaned	27,725,300
	30,554,012
Payable to customers	83,684,458
Securities sold, but not yet purchased, at fair value	42,794,652
Due to Parent Company and affiliates	11,055,312
Accrued employee compensation	19,058,148
Accounts payable and accrued expenses	19,389,896
	245,427,387
Liabilities subordinated to claims of general creditors	3,713,295
Stockholder's equity:	
Capital Stock - par value $1, authorized 30,000 shares, outstanding 1,000 shares	1,000
Additional paid-in capital	31,336,651
Retained earnings	111,829,945
TOTAL STOCKHOLDER'S EQUITY	143,167,596
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$ 392,308,278

See notes to Consolidated Statement of Financial Condition.

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION (Unaudited)
June 30, 2005

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Nature of Operations

Stifel, Nicolaus & Company, Incorporated and Subsidiaries (collectively referred to as the "Company") are principally engaged in retail brokerage, securities trading, investment banking, and related financial services throughout the United States. Although the Company has offices throughout the United States, its major geographic area of concentration is in the Midwest. The Company's principal customers are individual investors, with the remaining client base composed of corporations, municipalities and institutions.

Basis of Presentation

The consolidated financial statement includes the accounts of Stifel, Nicolaus & Company, Incorporated and its subsidiaries. All material inter-company accounts and transactions are eliminated in consolidation. The amounts included in the accompanying Consolidated Statement of Financial Condition related to the subsidiaries are immaterial. The Company is a wholly owned subsidiary of Stifel Financial Corp. (the "Parent Company").

The preparation of the consolidated financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement. Management considers its significant estimate, which is most susceptible to change, to be the accrual for litigation. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company defines cash equivalents as short-term, highly liquid investments with original maturities of 90 days or less, other than those held for sale in the ordinary course of business.

Security Transactions

Securities owned and securities sold, but not yet purchased, are carried at fair value.

Securities failed to deliver and receive represent the contract value of securities that have not been delivered or received by settlement date.

Receivable from customers includes amounts due on cash and margin transactions. The value of securities owned by customers and held as collateral for these receivables is not reflected in the Consolidated Statement of Financial Condition.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

Customer security transactions are recorded on a settlement date basis. Principal securities transactions are recorded on a trade date basis.

Securities Borrowing and Lending Activities

Securities borrowed and securities loaned are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash with the lender generally in excess of the market value of securities borrowed. With respect to securities loaned, the Company receives collateral in the form of cash in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned generally on a daily basis, with additional collateral obtained or refunded as necessary. Substantially all of these transactions are executed under master netting agreements, which give the Company right of offset in the event of counterparty default. Such receivables and payables with the same counterparty are not set off on the Company's Consolidated Statement of Financial Condition.

Loans and Advances

The Company offers transition pay, principally in the form of upfront loans, to investment executives and certain key revenue producers as part of the Company's overall growth strategy. These loans are generally forgiven over a five- to ten-year period if the individual satisfies certain conditions, usually based on continued employment and certain performance standards. If the individual leaves before the term of the loan expires or fails to meet certain performance standards, the individual is required to repay the balance. Management monitors and compares individual investment executive production to each loan issued to ensure future recoverability.

Income Taxes

The Company is included in the consolidated federal and certain state income tax returns filed by the Parent Company and its subsidiaries. The Company also files on a stand-alone basis in certain other states. The Company's portion of the consolidated current income tax liability, computed on a separate return basis pursuant to a tax sharing agreement, and the Company's stand-alone tax liability or receivable is included in the accompanying Consolidated Statement of Financial Condition.

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial reporting and income tax bases of assets and liabilities.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (continued)

Fair Value

Substantially all of the Company's financial instruments are carried at fair value or amounts that approximate fair value. Securities owned and securities sold, but not yet purchased are valued using quoted market, dealer prices. Customer receivables, primarily consisting of floating-rate loans collateralized by customer-owned securities, are charged interest at rates similar to other such loans made throughout the industry. Except for the Company's subordinated liabilities (see Note H), the Company's remaining financial instruments are generally short-term in nature, and their carrying values approximate fair value.

Recent Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards Board ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement established standards for how an issuer classifies and measures in its statement of financial condition certain financial instruments with characteristics of both liabilities and equity. In accordance with the standard, a financial instrument that embodies an obligation for the issuer is required to be classified as a liability (or an asset in some circumstances). SFAS No. 150 was effective for financial instruments entered into or modified after May 31, 2003, and for all other instruments for periods beginning after June 15, 2003. On November 7, 2003, the FASB staff issued FASB Staff Position No. 150-3 ("FSP No. 150-3"), which deferred certain provisions of SFAS No. 150. The Company has adopted the provisions of SFAS No. 150 and FSP No. 150-3. The adoption of these provisions did not have an impact on the Company's Consolidated Statement of Financial Condition.

In December 2004, FASB revised SFAS No. 123 ("SFAS 123R"), "Share-Based Payment," which requires companies to expense the estimated fair value of employee stock options and similar awards. The accounting provisions of SFAS 123R will be effective for the Parent Company for the quarter ended September 30, 2005. The Parent Company will adopt the provisions of SFAS 123R, effective July 1, 2005, using a modified prospective application. Under modified prospective application, SFAS 123R, which provides certain changes to the method for valuing stock-based compensation among other changes, will apply to new awards and to awards that are outstanding on the effective date and are subsequently modified or cancelled. Compensation expense for outstanding awards for which the requisite service had not been rendered as of the effective date will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes under SFAS 123. The Parent Company will allocate the expense to the Company, through an inter-company account (See Note K). The Parent Company is in the process of determining how the new method of valuing stock-based compensation as prescribed in SFAS 123R will be applied to valuing stock-based awards granted after the effective date and the impact such awards will have on the Company's Consolidated Statement of Financial Condition.

NOTE B — CASH SEGREGATED UNDER FEDERAL REGULATIONS

At June 30, 2005, cash of $6,490 has been segregated in a special reserve bank account for the exclusive benefit of customers pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934. The Company performs a weekly reserve calculation for proprietary accounts of introducing brokers ("PAIB"). At June 30, 2005, no deposit was required.

NOTE C — SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED

The components of securities owned and securities sold, but not yet purchased, at June 30, 2005, are as follows:

Securities, at fair value:	Owned	Sold, but not yet purchased
U.S. Government obligations	$ 1,500,718	$ 1,283,730
State and municipal bonds	12,414,529	435,346
Corporate obligations	1,674,349	2,310,709
Corporate stocks	41,432,747	38,764,867
	$57,022,343	$42,794,652

NOTE D — SHORT-TERM FINANCING

The Company's short-term financing is generally obtained through the use of bank loans and securities lending arrangements. The Company borrows from various banks on a demand basis with company-owned and customer securities pledged as collateral. Available ongoing credit arrangements with banks totaled $138,250,000 at June 30, 2005, of which $121,500,000 was unused. There are no compensating balance requirements under these arrangements. The average bank borrowing was $5,606,929 in the first half of 2005, at a weighted average interest rate of 3.09%. At June 30, 2005, the Company had a stock loan balance of $27,725,300 at an average rate of 1.13%. During the first half of 2005, the average outstanding securities lending arrangements utilized in financing activities was $52,192,792 at an average effective interest rate of 2.39%. Customer securities were utilized in these arrangements.

NOTE E — COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company enters into underwriting commitments. Settlements of transactions relating to such underwriting commitments, which were open at June 30, 2005, had no material effect on the Consolidated Statement of Financial Condition.

In connection with margin deposit requirements of The Options Clearing Corporation ("OCC"), the Company has pledged cash and customer-owned securities valued at $23,594,209. At June 30, 2005, the amounts on deposit satisfied the minimum margin deposit requirement of $21,014,928.

NOTE E — COMMITMENTS AND CONTINGENCIES (CONTINUED)

In connection with margin requirements of the National Securities Clearing Corporation, the Company had pledged $6,700,000 in cash. At June 30, 2005, the amounts on deposit satisfied the minimum margin deposit requirement of $3,285,016.

The Company also provides guarantees to securities clearing houses 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 clearing house, other members would be required to meet shortfalls. The Company's liability under these agreements is not quantifiable and may exceed the cash and securities it has posted as collateral. However, the potential requirement for the Company to make payments under these arrangements is remote. Accordingly, no liability has been recognized for these transactions.

At June 30, 2005, the future minimum rental commitments for office space and equipment with initial or remaining non-cancelable lease terms in excess of one year, some of which contain escalation clauses and renewal options, are as follows:

Year Ending June 30,	Operating Leases
2006	$ 8,978,110
2007	6,277,261
2008	5,509,985
2009	4,573,534
2010	4,061,082
Thereafter	6,358,416
	$35,758,388

The Company leases furniture and equipment, under a month-to-month lease agreement, from the Parent Company.

NOTE F — NET CAPITAL REQUIREMENTS

Stifel, Nicolaus & Company, Incorporated ("Stifel") is subject to the Uniform Net Capital Rule, Rule 15c3-1 under the Securities Exchange Act of 1934 (the "rule"), which requires the maintenance of minimum net capital, as defined. Stifel has elected to use the alternative method permitted by the rule, which currently requires maintenance of minimum net capital equal to the greater of $250,000 or 2% of aggregate debit items arising from customer transactions, as defined. The rule also provides that equity capital may not be withdrawn or cash dividends paid to affiliates if resulting net capital would be less than 5% of aggregate debit items.

At June 30, 2005, Stifel had net capital of $88,579,278, which was 33.09% of aggregate debit items and $83,226,059 in excess of minimum required net capital.

NOTE G — EMPLOYEE BENEFIT PLANS

Employees of the Company participate in the Parent Company's profit sharing 401(k) plan and Employee Stock Ownership Plan. In addition, the Company has a deferred compensation plan, a portion of which is invested in Parent Company Stock Units.

NOTE H — LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The Company has a deferred compensation plan available to Investment Executives ("I.E.s") who achieve a certain level of production whereby a certain percentage of their earnings is deferred as defined by the plan, a portion of which is deferred in the Parent Company stock units and the balance into optional investment choices. The Company purchases mutual funds to hedge its liability to I.E.s who choose to base the performance of their return on the index mutual fund options. The Company obtained approval from the New York Stock Exchange to subordinate the liability for future payments to Investment Executives for that portion of compensation not deferred in the Parent Company stock units. Beginning with deferrals made in plan year 1997, the Company issued cash subordination agreements to participants in the plan pursuant to provisions of Appendix D of Securities and Exchange Act ("SEA") Rule 15c3-1 and included in its computation of net capital the following:

Plan Year	Distribution January 31,	Amount
2000	2006	779,461
2001	2007	720,107
2002	2008	913,709
2003	2009	1,300,018
		$3,713,295

At June 30, 2005, the fair value of the liabilities subordinated to claims of general creditors using interest rates commensurate with borrowings of similar terms was $2,925,357.

NOTE I — LEGAL PROCEEDINGS

The Company is named in and subject to various proceedings and claims incidental to its securities business activities, including lawsuits, arbitration claims, and regulatory matters. While the ultimate outcome of pending litigation, claims and regulatory matters cannot be predicted with certainty, based upon information currently known, management does not believe that the resolution of such litigation and claims will have a material adverse effect on the Company's consolidated financial condition. It is reasonably possible that certain of these lawsuits and arbitrations could be resolved in the next year, and management does not believe such resolutions will result in losses materially in excess of the amounts previously provided.

NOTE J — FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK

As a carrying broker dealer, the Company clears and executes transactions for two introducing broker dealers. Pursuant to the clearing agreements, the introducing broker dealers guarantee the performance of their customers to the Company. To the extent the introducing broker dealers are unable to satisfy their obligations under the terms of the respective clearing agreements, the Company would be secondarily liable. However, the potential requirement for the Company to fulfill these obligations under these arrangements is remote. Accordingly, no liability has been recognized for these transactions.

In the normal course of business, the Company executes, settles, and finances customer and proprietary securities transactions. These activities expose the 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 settle generally three business days after trade date. Should a customer or broker fail to deliver cash or securities as agreed, the Company may be required to purchase or sell securities at unfavorable market prices.

The Company borrows and lends securities to finance transactions and facilitate the settlement process, as well as relend securities in a normal course of business, utilizing both firm proprietary positions and customer margin securities held as collateral. The Company monitors the adequacy of collateral levels on a daily basis. The Company periodically borrows from banks on a collateralized basis, utilizing firm and customer margin securities in compliance with Security and Exchange Commission ("SEC") rules. Should the counterparty fail to return customer securities pledged, the Company is subject to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls its exposure to credit risk by continually monitoring its counterparties' position, and where deemed necessary, the Company may require a deposit of additional collateral and/or a reduction or diversification of positions. The Company sells securities it does not currently own (short sales), and is obligated to subsequently purchase such securities at prevailing market prices. The Company is exposed to risk of loss if securities prices increase prior to closing the transactions. The Company controls its exposure to price risk for short sales through daily review and setting position and trading limits.

NOTE J — FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK (CONTINUED)

The Company manages its 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.

At June 30, 2005, securities, primarily from customer margin and securities borrowing transactions, of approximately $333,000,000 were available to the Company to utilize as collateral on various borrowings or other purposes. The Company had utilized a portion of these available securities as collateral for stock loans ($18,386,597), OCC margin requirements ($23,594,209), and customer short sales ($10,418,516).

Concentrations of Credit Risk

The Company maintains margin and cash security accounts for its customers located throughout the United States. The majority of the Company's customer receivables are serviced by branch locations in Missouri and Illinois.

NOTE K — RELATED PARTY TRANSACTIONS

Under an agreement, the Company provides all funding for the Parent Company's cash requirements, and accordingly, all expenditures of the Parent Company are recorded through the inter-company account. The Company leases certain furniture and equipment from the Parent Company and funds its equity incentive deferred compensation programs (See Note G) with Parent Company Stock and records these transactions through the inter-company account. In addition, the Company records the Parent Company's cash receipts through the inter-company account, which included the net proceeds of the Parent Company's $34,500,000, 9% Cumulative Trust Preferred Securities, callable no earlier than June 30, 2007 but no later than June 30, 2032, issued in April 2002. At June 30, 2005, the net payable resulting from the inter-company transactions described above was $11,055,312, and is included in the Statement of Financial Condition under the caption "Due to Parent Company and affiliates". In addition, the Parent Company's Board of Directors authorized $790,000 contribution of capital in April 2005 from the proceeds of the Parent Company's dividend income.

NOTE K — RELATED PARTY TRANSACTIONS (CONTINUED)

The Company serves as a carrying broker-dealer and clears the securities transactions on a fully disclosed basis of an affiliated company, Century Securities Associates, Inc. Under the arrangement, the Company has a PAIB agreement with the affiliated company. At June 30, 2005, the due to affiliated broker-dealer of $876,019 consisted of commissions payable net of brokerage and clearing expense, payroll, independent contractor fees, and taxes that were paid on behalf of the affiliated Company and is included in the Consolidated Statement of Financial Condition under the caption “Due to Parent Company and affiliates”.

The Company provides management services for two affiliated companies, Stifel Capco, LLC and Stifel Capco II, LLC, and receives a fee for such services. At June 30, 2005, the receivable from the affiliated companies of $1,965,867 for such services is included in the Consolidated Statement of Financial Condition under the caption “Due from affiliates”.

NOTE L — INCOME TAXES

The Company’s net deferred tax asset consists of the following temporary differences, at June 30, 2005:

Deferred compensation	$ 5,644,747
Accruals not currently deductible	1,150,398
Prepaid expenses	(271,754)
Deferred tax asset	**$ 6,523,391**

At June 30, 2005, no valuation allowance has been established against deferred tax assets, since it is more likely than not that the deferred tax asset will be realized.

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A copy of our June 30, 2005, statement of financial condition filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 is available for examination at the Chicago regional office of the Securities and Exchange Commission or at our principal office at One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102.