

STIFEL FINANCIAL CORP
Form S-4
November 26, 2012
Table of Contents

As filed with the Securities and Exchange Commission on November 26, 2012

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM S-4
REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Stifel Financial Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

6211
(Primary Standard Industrial
Classification Code Number)
501 North Broadway

43-1273600
(I.R.S. Employer
Identification Number)

Edgar Filing: STIFEL FINANCIAL CORP - Form S-4

St. Louis, MO 63102

(314) 342-2000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

James M. Zemlyak

Senior Vice President and Chief Financial Officer

Stifel Financial Corp.

501 North Broadway

St. Louis, MO 63102

(314) 342-2000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

| | | |
|---------------------------------------|---|------------------------------------|
| James L. Nouss, Jr., Esq. | Mitchell B. Kleinman, Esq. | Mitchell S. Eitel, Esq. |
| Robert J. Endicott, Esq. | General Counsel and Executive Vice President | Sullivan & Cromwell LLP |
| Bryan Cave LLP | KBW, Inc. | 125 Broad Street |
| 211 North Broadway, Suite 3600 | 787 Seventh Avenue | New York, New York 10004 |
| St. Louis, MO 63102 | New York, New York 10019 | (212) 558-4000 |
| (314) 259-2000 | (212) 887-7777 | |

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed proxy-statement/prospectus.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Edgar Filing: STIFEL FINANCIAL CORP - Form S-4

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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 Accelerated filer
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
 If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

CALCULATION OF REGISTRATION FEE

| Title of each class of securities to be registered | Amount to be registered ⁽¹⁾ | Proposed maximum offering price per share | Proposed maximum aggregate offering price ⁽²⁾ | Amount of registration fee ⁽³⁾ |
|--|--|---|--|---|
| Common Stock, par value \$0.15 per share | 10,631,989 | N/A | \$326,003,109 | \$44,466.82 |

- (1) Represents the maximum number of shares of Stifel Financial Corp. common stock, par value \$0.15 per share, estimated to be issuable upon the completion of the merger described herein. This number is based on the number of shares of KBW, Inc. common stock outstanding (including shares representing unvested restricted stock awards and restricted stock units that are not continuing awards) and assumes the delivery of shares of Stifel common stock representing restricted stock awards, restricted stock units and other equity awards of Stifel issuable in replacement of shares of KBW common stock subject to certain restricted stock awards, restricted stock units and other equity awards, respectively, of KBW (continuing awards), net of applicable tax withholding.
- (2) Estimated solely for the purpose of calculating the registration fee required by Section 6(b) of the Securities Act and computed pursuant to Rules 457(c), 457(f)(1) and 457(f)(3) of the Securities Act. The proposed maximum aggregate offering price of the registrant's common stock was calculated based upon the market value of shares of KBW common stock (the securities to be canceled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: (i) the product of (A) \$17.130, the average of the high and low prices per share of KBW, Inc. common stock on the NYSE on November 16, 2012 and (B) 37,510,091, the maximum number of shares of KBW, Inc. common stock which may be canceled and exchanged in the merger, less (ii) the estimated aggregate amount of cash to be paid by Stifel Financial Corp. in exchange for shares of KBW, Inc. common stock, which equals \$316,544,750 (calculated as the product of (A) \$10.00, which is the amount of the cash portion of the per share merger consideration and (B) 31,654,475, the maximum number of shares of KBW, Inc. common stock which may be canceled and exchanged in the merger for a combination of cash and stock, including shares subject to those KBW restricted stock awards or restricted stock units that will vest and become exchangeable for the merger consideration, but excluding shares of KBW stock that will be exchangeable solely for Stifel common stock).
- (3) Determined in accordance with Section 6(b) of the Securities Act at a rate equal to \$ 136.40 per \$1,000,000 of the proposed maximum aggregate offering price.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION, DATED NOVEMBER 26, 2012

787 Seventh Avenue

New York, New York 10019

[], 2012

Dear Stockholder of KBW, Inc.:

You are cordially invited to attend a Special Meeting of Stockholders of KBW, Inc. (which we refer to as the Special Meeting) which will be held on [], [], 2012[2], at [] [a.m./p.m.], Eastern time. KBW, Inc. (which we refer to as KBW) has entered into a merger agreement with Stifel Financial Corp. (which we refer to as Stifel). If the merger and the other transactions contemplated by the merger agreement are approved and consummated, KBW will become a wholly-owned subsidiary of Stifel and will no longer be a publicly held corporation. The KBW board of directors, acting upon the unanimous recommendation of its committee of independent directors, has unanimously determined that the merger and the merger agreement are advisable, and are fair to, and in the best interests of, KBW and its stockholders and has approved the merger agreement and the merger. The merger requires the approval of holders of a majority of the outstanding shares of KBW common stock, par value \$0.01 per share, and we are asking you to vote to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, at the Special Meeting.

Holders of KBW common stock as of the close of business on [], 2012 will be entitled to vote at the Special Meeting. Each share of KBW common stock is entitled to one vote for each matter to be voted on at the Special Meeting. The holders of shares entitled to cast a majority of the total votes of the outstanding shares of KBW common stock on [], 2012, present in person or represented by proxy at the Special Meeting and entitled to vote, will constitute a quorum at the Special Meeting.

On [], 2012, there were [] shares of KBW common stock outstanding held by approximately [] stockholders of record. KBW does not have cumulative voting.

Upon completion of the merger, each share of KBW common stock will be converted into the right to receive a combination of (i) cash consideration of \$10.00 less any extraordinary dividend declared by KBW other than quarterly dividends consistent with past practice that are paid on or prior to December 31, 2012 (which we refer to as the cash consideration) and (ii) stock consideration of a fraction of a share of Stifel common stock equal to the exchange ratio, as described below (which we refer to as the stock consideration). The exchange ratio will depend on the average of the volume weighted average trading prices of Stifel common stock on each of the ten trading days ending on the trading day immediately prior to the closing date of the merger. If the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period is between \$29.00 and \$35.00, then current KBW stockholders will receive a number of shares of Stifel common stock equal to a fraction, the numerator of which equals \$7.50 and the denominator of which is the average of the daily volume weighted average trading prices of Stifel common stock during this valuation period, rounding the result to the nearest 1/10,000, as the stock consideration for each share of KBW common stock. If the average of the daily volume weighted average trading prices of Stifel common stock during the valuation period is less than or equal to \$29.00, then current KBW stockholders will receive 0.2586 shares of Stifel common stock as the stock consideration for each share of KBW common stock. If the average of the daily volume weighted average trading prices of Stifel common stock during the valuation period is greater than or equal to \$35.00, then current KBW stockholders will receive 0.2143 shares of Stifel common stock as the stock consideration for each share of KBW common stock. Based on the number of shares of KBW common stock and Stifel common stock outstanding as of the record date, current KBW stockholders are expected to own approximately []% of the outstanding common stock of Stifel (without giving effect to any shares of Stifel common stock held by KBW stockholders prior to the merger).

Stifel common stock is traded on the New York Stock Exchange, or the NYSE, under the symbol SF . On November 2, 2012, the last trading day before public announcement of the merger agreement, its closing stock price on the NYSE was \$31.91. Based on the volume weighted average trading price of Stifel common stock on the NYSE for the last ten trading days until November 2, 2012, the stock consideration represented \$7.36 in market value for each KBW share. On [], 2012, the record date for holders of KBW common stock to vote at the Special Meeting, the closing price for Stifel s common stock on the NYSE was \$[]. Based on the volume weighted average trading price of Stifel common stock for the last ten trading days until [], 2012, the stock consideration represented approximately \$[] in market value for each KBW share.

Edgar Filing: STIFEL FINANCIAL CORP - Form S-4

At the Special Meeting, the KBW stockholders will be asked to vote on the following proposals:

1. To adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger;
2. To approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger; and
3. To approve the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, at the time of the Special Meeting.

The KBW board of directors, acting upon the unanimous recommendation of its committee of independent directors, recommends that you vote FOR the proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, and recommends that you vote FOR the proposal to approve, by non-binding advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger and FOR the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies in favor of the adoption of the merger agreement and thereby the approval of the transactions contemplated by the merger agreement, including the merger.

Your vote is very important. Regardless of the number of shares you own or whether or not you plan to attend the Special Meeting, it is important that your shares be represented and voted. Voting instructions are inside.

The obligations of Stifel and KBW to complete the merger are subject to several conditions set forth in the merger agreement and summarized in this proxy statement/prospectus. Important information about Stifel, KBW, the Special Meeting, the merger agreement, and the merger is contained in or incorporated by reference into this proxy statement/prospectus. I urge you to read the entire document, including any documents incorporated by reference into this proxy statement/prospectus and its annexes, carefully and in their entirety. **In particular, you should carefully consider the discussion in the section entitled Risk Factors beginning on page 43 of this proxy statement/prospectus.**

KBW stockholders will have the right to demand appraisal of their shares of KBW common stock and obtain payment in cash for the fair value of their shares, but only if they perfect their appraisal rights and comply with the applicable provisions of Delaware law. A copy of the Delaware statutory provisions related to appraisal rights is attached as **Annex D** to this proxy statement/prospectus, and a summary of these provisions can be found under Proposal One: The Merger Appraisal Rights beginning on page [].

I look forward to seeing you at the Special Meeting.

Sincerely,

Thomas B. Michaud

Andrew M. Senchak

Chief Executive Officer

Chairman of the Board

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this proxy statement/prospectus or determined that this proxy statement/prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The securities to be issued in connection with the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

YOUR VOTE IS IMPORTANT.

PLEASE PROMPTLY SUBMIT YOUR PROXY BY TELEPHONE, INTERNET OR MAIL.

This proxy statement/prospectus is first being distributed to the stockholders of KBW on or about [], 2012.

Table of Contents

Sources of Additional Information

This proxy statement/prospectus incorporates important business and financial information about Stifel and KBW from documents that are not included in or delivered with this proxy statement/prospectus. Documents incorporated by reference are available from the applicable company without charge, excluding all exhibits unless the applicable company has specifically incorporated by reference an exhibit in this proxy statement/prospectus. You may obtain documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the applicable company at the following addresses and telephone numbers:

| | |
|-------------------------------|--|
| Stifel Financial Corp. | KBW, Inc. |
| Attention: Investor Relations | Attention: Alan Oshiki |
| 501 North Broadway | c/o King Worldwide Investor Relations |
| St. Louis, Missouri 63102 | 48 Wall Street, 32 nd Floor |
| (314) 342-2000 | New York, NY 10005 |
| | (866) 529-2339 |

To receive timely delivery of documents in advance of the Special Meeting, please make your request no later than [], 2012.

If you have any questions about the Special Meeting or if you need additional copies of this proxy statement/prospectus, you should contact:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
Banks & Brokers: (212) 269-5550
Toll Free: (800) 207-3158
Email: kbw@dfking.com

To receive timely delivery of additional copies of this proxy statement/prospectus in advance of the Special Meeting, please make your request no later than [], 2012.

Stifel common stock is traded on the New York Stock Exchange under the symbol SF, and KBW common stock is traded on the New York Stock Exchange under the symbol KBW.

For a more detailed description of the information incorporated by reference into this proxy statement/prospectus and how you may obtain it, see Where You Can Find More Information on page [] of this proxy statement/prospectus.

Table of Contents

KBW, Inc.

787 Seventh Avenue

New York, New York 10019

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

Date: [], 201[2]

Time: [] [a.m./p.m.], Eastern time.

Location: [[], New York, New York.]

- Purposes:**
1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of November 5, 2012 (as it may be amended from time to time, the merger agreement), among Stifel, SFKBW One, Inc. (which we refer to as Merger Sub), a wholly-owned subsidiary of Stifel, SFKBW Two, LLC (which we refer to as Successor Sub), a Delaware limited liability company, which is wholly owned by and disregarded from Stifel for U.S. federal income tax purposes, and KBW, a copy of which is attached as **Annex A** to the proxy statement/prospectus accompanying this notice, and thereby to approve the transactions contemplated by the merger agreement, including the merger of Merger Sub with and into KBW (the merger);
 2. To consider and vote on a proposal to approve, by a non-binding, advisory vote, certain compensation arrangements for KBW's named executive officers in connection with the merger; and
 3. To approve the adjournment of the Special Meeting, if necessary, for any purpose, including to solicit additional proxies if there are not sufficient votes to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, at the time of the Special Meeting.

Adjournments and Postponements: The proposal to adopt the merger agreement and thereby to approve the transactions contemplated by the merger agreement, including the merger, may be considered at the Special Meeting at the time and on the date specified above or at any time and date to which the Special Meeting may be properly adjourned or postponed.

Who Can Vote:

KBW stockholders at the close of business on [], 2012.

Who May Attend:

You are entitled to attend the Special Meeting only if you were a KBW stockholder as of the close of business on [], 2012 or hold a valid proxy for the Special Meeting. You should be prepared to present photo identification (a driver's license or passport is preferred) for admittance.

Table of Contents

In addition, if you are a stockholder of record, your name is subject to verification against the list of stockholders of record on the record date prior to being admitted to the meeting.

If you are not a stockholder of record but hold shares through a broker or nominee (i.e., in street name), you should be prepared to provide proof of beneficial ownership on the record date, such as your most recent account statement or similar evidence of ownership. If you do not provide photo identification or comply with the other procedures outlined above upon request, you will not be admitted to the Special Meeting.

The Special Meeting will begin promptly at [] [a.m./p.m.], Eastern time. Check in will begin at [] [a.m./p.m.], Eastern time, and you should allow ample time for check-in procedures.

How You Can Vote:

Your vote is very important. Whether or not you plan to attend the Special Meeting, we encourage you to read this proxy statement/prospectus and submit your proxy or voting instructions for the Special Meeting as soon as possible.

You may submit your proxy or voting instructions for the Special Meeting by completing, signing, dating and returning the proxy card or voting instruction card in the pre-addressed envelope provided, or, in most cases, by using the telephone or the Internet. For specific instructions on how to vote your shares, please refer to the section entitled "The Special Meeting" beginning on page [] of this proxy statement/prospectus and the instructions on the proxy card or voting instruction card.

Inspection of List of Stockholders of Record:

A list of the stockholders of record as of [], 2012 will be available for inspection during ordinary business hours at the office of KBW's General Counsel and Corporate Secretary, 787 Seventh Avenue, New York, New York 10019, from [], 2012 to [], 2012, as well as at the Special Meeting, for any purpose germane to the Special Meeting.

Additional Information:

Important information about Stifel, KBW, the Special Meeting, the merger and the other proposals for consideration at the Special Meeting is contained in this proxy statement/prospectus. I urge you to read the entire document, including any documents incorporated by reference into this proxy statement/prospectus and its annexes, carefully and in their entirety. In particular, you should carefully consider the discussion in the section entitled "Risk Factors" beginning on page [].

By Order of the board of directors,

Mitchell B. Kleinman

General Counsel and Corporate Secretary

[], 2012

Table of Contents

TABLE OF CONTENTS

| | |
|---|-----------|
| <u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND SPECIAL MEETING</u> | 1 |
| <u>SUMMARY</u> | 10 |
| <u>The Companies</u> | 10 |
| <u>The Merger</u> | 11 |
| <u>Effects of the Merger; Merger Consideration</u> | 12 |
| <u>Treatment of KBW Equity-Based Awards</u> | 13 |
| <u>Risk Factors</u> | 14 |
| <u>The Special Meeting; KBW Stockholders Entitled to Vote; Required Vote</u> | 14 |
| <u>Recommendation of the KBW Board of Directors and KBW's Reasons for the Merger</u> | 14 |
| <u>Opinions of KBW's Financial Advisors</u> | 15 |
| <u>No Stifel Stockholder Approval</u> | 15 |
| <u>Interests of Certain Persons in the Merger</u> | 15 |
| <u>Security Ownership by Directors and Executive Officers of KBW</u> | 16 |
| <u>Ownership of Stifel Following the Merger</u> | 16 |
| <u>Listing of Stifel Common Stock and Delisting and Deregistration of KBW Common Stock</u> | 16 |
| <u>Regulatory Approvals</u> | 16 |
| <u>Appraisal Rights</u> | 17 |
| <u>Conditions to Complete The Merger</u> | 17 |
| <u>Expected Timing of the Merger</u> | 17 |
| <u>Termination</u> | 18 |
| <u>Termination Fees</u> | 19 |
| <u>Material United States Federal Income Tax Consequences of the Merger</u> | 19 |
| <u>Accounting Treatment</u> | 20 |
| <u>Comparison of Rights of KBW Stockholders and Stifel Stockholders</u> | 20 |
| <u>STIFEL FINANCIAL CORP. SELECTED HISTORICAL FINANCIAL INFORMATION</u> | 21 |
| <u>RETROACTIVE PRESENTATION FOR STIFEL FINANCIAL CORP. CHANGE IN ACCOUNTING PRINCIPLE</u> | 23 |
| <u>KBW, INC. SELECTED HISTORICAL FINANCIAL INFORMATION</u> | 24 |
| <u>RETROACTIVE PRESENTATION FOR KBW, INC. CHANGE IN ACCOUNTING PRINCIPLE</u> | 26 |
| <u>COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA</u> | 27 |
| <u>COMPARATIVE PER SHARE MARKET PRICE DATA</u> | 28 |
| <u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u> | 30 |
| <u>STIFEL FINANCIAL CORP. NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED)</u> | 35 |
| <u>CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS</u> | 41 |
| <u>RISK FACTORS</u> | 43 |
| <u>THE SPECIAL MEETING</u> | 51 |
| <u>Date, Time and Place; Attending the Special Meeting</u> | 51 |
| <u>Matters to be Considered</u> | 51 |
| <u>Record Date; Stock Entitled to Vote</u> | 51 |
| <u>Quorum</u> | 51 |
| <u>Vote Required</u> | 52 |
| <u>Abstentions</u> | 52 |
| <u>Voting of Proxies by Holders of Record</u> | 52 |
| <u>Shares Held in Street Name</u> | 53 |
| <u>Revocability of Proxies</u> | 53 |
| <u>Independent Election Inspector</u> | 54 |
| <u>Solicitation of Proxies</u> | 54 |
| <u>PROPOSAL ONE: THE MERGER</u> | 55 |
| <u>Structure of the Merger</u> | 55 |
| <u>Background of the Merger</u> | 56 |

Table of Contents

| | |
|--|------------|
| <u>KBW's Reasons for the Merger</u> | 61 |
| <u>Recommendation of the KBW Board of Directors</u> | 63 |
| <u>Opinions of KBW's Financial Advisors</u> | 64 |
| <u>Certain KBW Unaudited Prospective Financial Information</u> | 78 |
| <u>Certain Stifel and Combined Company Unaudited Prospective Financial Information</u> | 79 |
| <u>Stifel's Reasons for the Merger</u> | 81 |
| <u>Interests of Certain Persons in the Merger</u> | 82 |
| <u>Retention and Special Awards for Non-Officer Employees</u> | 88 |
| <u>No Stifel Stockholder Approval</u> | 89 |
| <u>Stifel's Dividend Policy</u> | 89 |
| <u>Ownership of Stifel Following the Merger</u> | 89 |
| <u>Manner and Procedure for Exchanging Shares of KBW Stock</u> | 89 |
| <u>Accounting Treatment</u> | 90 |
| <u>Regulatory Approvals</u> | 90 |
| <u>Merger Expenses, Fees and Costs</u> | 91 |
| <u>Appraisal Rights</u> | 91 |
| <u>Restrictions on Sales of Shares by Certain Affiliates</u> | 95 |
| <u>Stock Exchange Listing of Stifel Stock; Delisting/De-registration of KBW Stock</u> | 95 |
| <u>THE MERGER AGREEMENT</u> | 96 |
| <u>The Merger</u> | 96 |
| <u>Closing</u> | 96 |
| <u>Effective Time</u> | 96 |
| <u>Merger Consideration</u> | 96 |
| <u>Treatment of KBW Equity-Based Awards</u> | 98 |
| <u>Conversion of Shares; Exchange of Certificates</u> | 99 |
| <u>Dividends and Distributions</u> | 99 |
| <u>Representations and Warranties</u> | 100 |
| <u>Conduct of Business Prior to Closing</u> | 101 |
| <u>Agreement to Use Reasonable Best Efforts</u> | 104 |
| <u>Tax-Free Qualification</u> | 104 |
| <u>Agreement Not to Solicit Other Offers</u> | 105 |
| <u>KBW Employee Benefits Matters</u> | 106 |
| <u>Other Covenants and Agreements</u> | 107 |
| <u>Conditions to Complete the Merger</u> | 108 |
| <u>Termination of the Merger Agreement</u> | 109 |
| <u>Effect of Termination</u> | 110 |
| <u>Expenses and Fees</u> | 111 |
| <u>Certificate of Incorporation and By-laws of the Surviving Corporation</u> | 111 |
| <u>Directors and Officers of the Surviving Corporation and Stifel</u> | 112 |
| <u>Governing Law</u> | 112 |
| <u>Specific Performance</u> | 112 |
| <u>Amendment, Waiver and Extension of the Merger Agreement</u> | 112 |
| <u>COMPARISON OF RIGHTS OF STIFEL FINANCIAL CORP. STOCKHOLDERS AND KBW, INC. STOCKHOLDERS</u> | 113 |
| <u>DESCRIPTION OF STIFEL CAPITAL STOCK</u> | 122 |
| <u>General</u> | 122 |
| <u>Preferred Stock</u> | 122 |
| <u>Common Stock</u> | 122 |
| <u>Certain Effects of Authorized but Unissued Stock</u> | 122 |
| <u>MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER</u> | 124 |

Table of Contents

| | |
|--|------------|
| <u>PROPOSAL TWO: ADVISORY VOTE ON MERGER-RELATED COMPENSATION FOR KBW S NAMED EXECUTIVE OFFICERS</u> | 129 |
| <u>Golden Parachute Compensation</u> | 129 |
| <u>Vote Required</u> | 132 |
| <u>PROPOSAL THREE: THE ADJOURNMENT</u> | 133 |
| <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u> | 134 |
| <u>OTHER MATTERS</u> | 136 |
| <u>Other Business</u> | 136 |
| <u>KBW Stockholder Proposals for 2013 Annual Meeting of Stockholders</u> | 136 |
| <u>Stifel Stockholder Proposals for 2013 Annual Meeting of Stockholders</u> | 136 |
| <u>Important Notice Regarding Availability of Proxy Materials for the Special Meeting of Stockholders to be Held on [] 2012</u> | 136 |
| <u>Stockholders Sharing an Address</u> | 136 |
| <u>Householding</u> | 137 |
| <u>Communicating with the Board of Directors</u> | 137 |
| <u>LEGAL MATTERS</u> | 137 |
| <u>EXPERTS</u> | 137 |
| <u>WHERE YOU CAN FIND MORE INFORMATION</u> | 138 |

| | |
|---------|--|
| ANNEX A | Agreement and Plan of Merger |
| ANNEX B | Opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated |
| ANNEX C | Opinion of Keefe, Bruyette & Woods, Inc. |
| ANNEX D | Section 262 of the General Corporation Law of the State of Delaware Appraisal Rights |

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER AND SPECIAL MEETING