

CYANOTECH CORP  
Form DEF 14A  
July 18, 2006  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement  
 o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 x Definitive Proxy Statement  
 o Definitive Additional Materials  
 o Soliciting Material Pursuant to §240.14a-12

## Cyanotech Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.  
 o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- o Fee paid previously with preliminary materials.  
 o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
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| (1) | Amount Previously Paid:                       |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party:                                 |
| (4) | Date Filed:                                   |



**CYANOTECH CORPORATION**

**73-4460 Queen Kaahumanu Hwy., Suite 102**

**Kailua Kona, HI 96740**

**(808) 326-1353**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To be held Thursday, August 24, 2006 at 7:00 P.M. Hawaii Standard Time**

To Our Stockholders:

You are cordially invited to attend the 2006 Annual Meeting of Stockholders (the Annual Meeting ) of Cyanotech Corporation, a Nevada corporation ( Cyanotech or the Company ) to be held on Thursday, August 24, 2006 at 7:00 P.M., Hawaii Standard Time, at the Renaissance Iikai Waikiki Hotel, 1777 Ala Moana Blvd., Honolulu, Hawaii, for the following purposes:

1. To elect six directors to serve until the next Annual Meeting or until their successors are elected and qualified;
2. To ratify the selection of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending March 31, 2007; and
3. To transact other business as may properly come before the meeting or any adjournment thereof.

These matters are more fully described in the Proxy Statement accompanying this notice.

In addition to the formal items of business, Cyanotech will review the major developments and accomplishments of fiscal 2006 and answer appropriate questions that you may have about Cyanotech and its activities.

The Board of Directors has fixed the close of business on June 26, 2006 as the record date (the Record Date ) for Stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournment thereof. The stock transfer books will not be closed between the Record Date and Annual Meeting. Only stockholders of record at the Record Date are entitled to notice of and to vote at the Annual Meeting; however, all stockholders are cordially invited to attend the meeting.

**It is important that your shares be represented at the meeting. Please sign, date and return the enclosed proxy card in the enclosed envelope, even if you plan to attend the meeting. If you do attend the meeting, you may personally vote, which will revoke your signed proxy. You may also revoke your proxy at any time before the meeting by following the instructions in the Proxy Statement.**

Thank you for your ongoing support and continued interest in Cyanotech. We look forward to seeing you at the meeting.

By Order of the Board of Directors  
William R. Maris  
Secretary

Kailua-Kona, Hawaii  
July 18, 2006

**Stockholders Should Read the Entire Proxy Statement Carefully Prior to Returning Their Proxies**

**PROXY STATEMENT**

**FOR**

**ANNUAL MEETING OF STOCKHOLDERS OF CYANOTECH CORPORATION**

**To Be Held Thursday, August 24, 2006**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of CYANOTECH CORPORATION (the Company or Cyanotech ) of proxies to be voted at the 2006 Annual Meeting of Stockholders (the Annual Meeting ) which will be held at 7:00 p.m., Hawaii Standard Time, on Thursday, August 24, 2006 at 7:00 P.M., Hawaii Standard Time, at the Renaissance Ilikai Waikiki Hotel, 1777 Ala Moana Blvd., Honolulu, Hawaii, or at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and the proxy card are to be first mailed to stockholders on or about July 18, 2006.

The Company s principal executive offices are located at 73-4460 Queen Kaahumanu Highway, Suite 102, Kailua Kona, HI 96740.

**VOTING RIGHTS AND SOLICITATION**

The enclosed proxy is being solicited on behalf of the Board of Directors of Cyanotech for use at the Annual Meeting.

The close of business on June 26, 2006 is the record date for stockholders entitled to notice of and to vote at the Annual Meeting. All holders of the Company s Common Stock outstanding on the record date are entitled to vote at the Annual Meeting. Each stockholder has one vote for each share so held. At June 26, 2006, Cyanotech had 20,928,265 shares of Common Stock, \$.005 par value per share, issued and outstanding. The presence in person or by proxy of the holders of record of a majority of the voting power of the outstanding shares entitled to vote constitutes a quorum. Directors are elected by a plurality of votes cast. For approval of all other matters to be voted on: when a quorum is present a matter is approved if the number of votes cast in favor of the action exceeds the number of votes cast in opposition to the action. Abstentions are counted only for purposes of determining whether a quorum is present. On all proposals a broker who holds shares in the name of a stockholder is entitled to vote these shares even if the broker receives no instructions from the stockholder. Broker non-votes are not treated as votes cast but are counted in determining the existence of a quorum.

Shares represented by proxies in the accompanying form which are properly executed and returned to Cyanotech will be voted at the Annual Meeting in accordance with the stockholder s instructions contained therein. In the absence of contrary instructions, shares represented by such proxies will be voted: a) **FOR** the election of each of the directors as described herein under Proposal One Election of Directors ; b) **FOR** ratification of the selection of the independent registered public accounting firm as described herein under Proposal Two Ratification of Selection of Independent Registered Public Accounting Firm. Management does not know of any matters to be presented at this Annual Meeting other than those set forth in this Proxy Statement and in the Notice accompanying this Proxy Statement. If other matters should properly come before the meeting, the proxy holders will vote on such matters in accordance with their best judgment.

The entire cost of soliciting the proxies will be borne by Cyanotech. Proxies will be solicited principally through the use of the mails, but, if deemed desirable, may be solicited personally or by telephone, e-mail, facsimile or letter by officers and regular Cyanotech employees who will receive no additional compensation. Arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to the beneficial owners of the Company s Common Stock, and such persons may be reimbursed for their expenses.

**REVOCABILITY OF PROXIES**

Any person giving a proxy pursuant to this solicitation has the power to revoke it at any time before it is voted. It may be revoked by filing with the Secretary of the Company at the Company's principal executive office, 73-4460 Queen Kaahumanu Hwy., Suite 102, Kailua-Kona, HI 96740, a written notice of revocation or a duly executed proxy bearing a later date, or it may be revoked by attending the meeting, notifying the Secretary of the Meeting of the revocation of the prior proxy, and voting in person. Attendance at the meeting will not, by itself, revoke a proxy.

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**PROPOSAL ONE:****Election of Directors****Board Nominees**

A board of six (6) directors is to be elected at the meeting. Unless otherwise instructed, the proxy holders will vote the proxies received by them **FOR** the election of the six Board nominees named below, all of whom are presently directors of the Company. Each nominee has consented to be named a nominee in this Proxy Statement and to continue to serve as a director if elected. If any nominee becomes unable or declines to serve as a director or if additional persons are nominated at the meeting, the proxy holders intend to vote all proxies received by them in such a manner as will assure the election of as many nominees listed below as possible (or, if new nominees have been designated by the Board of Directors, in such a manner as to elect such nominees) and the specific nominees to be voted for will be determined by the proxy holders. The Company is not aware of any reason that any nominee will be unable or will decline to serve as a director. Each director elected at this Annual Meeting will serve until the next Annual Meeting or until such director's successor has been elected and qualified. Voting for the election of directors is non-cumulative.

The following table sets forth certain information regarding the nominees for election to the Board of Directors, all of whom were also elected at the last annual meeting.

Name	Principal Occupation	Director Since	Age
Gerald R. Cysewski, Ph.D.	Chairman of the Board, President and Chief Executive Officer, Cyanotech Corporation	1983	57
Michael A. Davis	Private Investor	2003	53
Gregg W. Robertson	President and Chief Executive Officer of Robertson & Company (Financial services consultancy)	2004	72
David I. Rosenthal	Independent Consultant	2000	51
John T. Waldron	Adjunct Professor of Marketing Lake Forest Graduate School of Management	1998	54
Paul C. Yuen, Ph.D.	Retired, formerly Dean of the College of Engineering University of Hawaii at Manoa	1993	78

*Gerald R. Cysewski, Ph. D. Kailua Kona, Hawaii:* Dr. Cysewski co-founded the Company in 1983 and has served as a director of the Company since that time. Until June 1996, he also served as Scientific Director. Since March 1990, Dr. Cysewski has served as President and Chief Executive Officer of the Company and in October 1990 was also appointed to the position of Chairman of the Board. From 1988 to November 1990, he served as Vice Chairman of the Company. From 1980 to 1982, Dr. Cysewski was

Group Leader of Microalgae Research and Development at Battelle Northwest, a major contract research and development firm. From 1976 to 1980, Dr. Cysewski was an assistant professor in the Department of Chemical and Nuclear Engineering at the University of California, Santa Barbara, where he received a two-year grant from the National Science Foundation to develop a culture system for blue-green algae. Dr. Cysewski received his doctorate in Chemical Engineering from the University of California at Berkeley.

*Michael A. Davis San Francisco, California:* Mr. Davis was appointed to the Board of Directors of the Company in March 2003 subsequent to his acquisition of \$1,250,000 of subordinated convertible debentures of the Company in September 2002. Mr. Davis is a Principal at Ebb and Flow Ventures, a private equity firm; President of Skywords Family Foundation and a Director of Athena Root, Inc. and Canobie Films, Inc. Mr. Davis attended Harvard University and resides in San Francisco, California.

*Gregg W. Robertson Honolulu, Hawaii:* Mr. Robertson was appointed to the Board of Directors of the Company in August 2004. Mr. Robertson is the President and Chief Executive Officer of Robertson & Company, a privately-owned investment banking firm which was established in 1986 and is currently based in Honolulu. Prior to establishing this firm, Mr. Robertson was the President and Chief Executive Officer of Dillingham Industries, Inc., a subsidiary of Dillingham Corporation. Previously Mr. Robertson held the positions of Executive Vice President and Chief Financial Officer of Dillingham Corporation. Mr. Robertson holds a B.S. degree in Economics from Fairleigh Dickenson University, Teaneck, N.J.

*David I. Rosenthal Boulder, Colorado:* Mr. Rosenthal was appointed to the Board of Directors of the Company in November 2000. Mr. Rosenthal is currently an independent consultant. From 2003 to May of 2006 he was the Vice President of Finance & Administration for SpectraLink Corporation, a publicly-traded company located in Boulder Colorado that designs, manufactures and markets wireless phones for the workplace. Mr. Rosenthal was Executive Vice President and Chief Financial Officer of StarTek, Inc., a provider of customized outsourcing services from 2000 to 2003. Mr. Rosenthal was acting Chief Financial Officer at Celestial Seasoning, Inc. until its merger with the Hain Food Group in 2000 and the Chief Financial Officer of Hauser, Inc., a manufacturer of natural extracts products, from 1994 to 1999. Mr. Rosenthal holds a B.S. degree in Accounting from the University of California at Berkeley and a M.B.A degree from California State University, Hayward. Mr. Rosenthal is also a Certified Public Accountant.

*John T. Waldron Deerfield, Illinois:* Mr. Waldron was appointed to the Board of Directors of the Company in July 1998. Mr. Waldron is currently President of Stratmark Services, a business-to-business marketing consultancy which he founded in 1999. He has been a professor of Marketing at the Lake Forest Graduate School of Management in Lake Forest, Illinois since 1995. From 1986 to 1999, Mr. Waldron was Vice President-Sales and Marketing, Senior Vice President-Sales and Marketing, and Executive Vice President for Takeda U.S.A. Inc., a bulk vitamin and fine chemical products manufacturer. Mr. Waldron was also a Director of Takeda U.S.A. from 1993 to 1999, and served as a member of its Executive Committee and Compensation Committee. Mr. Waldron holds a Master of Management degree from Northwestern University's J. L. Kellogg Graduate School of Management.

*Paul C. Yuen, Ph.D. Honolulu, Hawaii:* Dr. Yuen was appointed to the Board of Directors of the Company in August 1993. Prior to his retirement in September 1999, Dr. Yuen served as Dean, College of Engineering for the University of Hawaii at Manoa. From July 1992 to March 1993, Dr. Yuen was Acting President of the University of Hawaii. From 1989 to 1992, Dr. Yuen was Senior Vice President for Academic Affairs, University of Hawaii at Manoa. Dr. Yuen holds M.S. and Ph.D. degrees in Electrical Engineering from the Illinois Institute of Technology.

The Board of Directors has determined that all nominees, except Dr. Cysewski, are independent directors as defined in Nasdaq Stockmarket Rule 4200A.



***Required Vote***

A plurality of the shares of the Common Stock cast at a meeting at which a quorum is present, is required for the election of directors.

**The Board of Directors unanimously recommends that the stockholders vote FOR all of the above named director nominees.** The enclosed Proxy will be voted for this proposal unless a contrary specification is made.

**BOARD MEETINGS AND COMMITTEES**

**Board Meetings**

During fiscal year 2006 the Board met two times. Each of our Directors attended 75 percent or more of the meetings of the Board and of Board Committees on which he served, except Michael A. Davis who attended 5 of his seven meetings and was prevented from attending one meeting by a failed telephone connection.

**Director Nomination Process**

*Director Qualifications.* The Nominating and Corporate Governance Committee has established guidelines in considering nominations to the Company's Board of Directors. These include: (a) personal characteristics, including such matters as integrity, education, diversity of background and experience, absence of potential conflicts of interest with the Company or its operations, and the availability and willingness to devote sufficient time to the duties of a director of the Company; (b) experience in corporate management, such as serving as an officer or former officer of a publicly held company; (c) experience in the Company's industry and with relevant social policy concerns; (d) experience as a board member of another company; (e) academic expertise in an area of the Company's operations; and (f) practical and mature business judgment. The criteria are not exhaustive and the Nominating and Corporate Governance Committee and the Board of Directors may consider other qualifications and attributes which the members believe are appropriate in evaluating the ability of an individual to serve as a member of the Board of Directors. The Nominating and Corporate Governance Committee's goal is to assemble a Board of Directors that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In doing so the Committee also considers candidates with appropriate non-business backgrounds.

*Identification and Evaluation of Nominees for Directors.* The Board of Directors believes that, based on the Nominating and Corporate Governance Committee's knowledge of the Company's corporate governance principles and the needs and qualifications of the Board at any given time, the Nominating and Corporate Governance Committee is best equipped to select nominees that will result in a well-qualified and well-rounded board of directors. It is the general policy of the Nominating and Corporate Governance Committee not to accept unsolicited nominations from stockholders. In making its nominations, the Nominating and Corporate Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue their service. Current members with qualifications and skills that are consistent with the committee's criteria for Board service are re-nominated. As to new candidates, the committee will generally poll the Board members and members of management for recommendations. The committee may also review the composition and qualification of the boards of directors of the Company's competitors, and may seek input from industry experts or analysts. The committee reviews the qualifications, experience and background of the candidates. Final candidates are interviewed by the independent directors and executive management. In making its determinations, the committee evaluates each individual in the context of the Board as whole, with the objective of assembling a group that can best represent stockholder interests through the exercise of sound judgment. After review of all pertinent data, and due deliberation by the committee, this slate of nominees is recommended to the Board of Directors





and the stockholders for election. Historically, the Board of Directors has not relied on third-party search firms to identify director nominees. The committee may in the future choose to engage third-party search firms in situations where particular qualifications are required or where existing contacts are not sufficient to identify an appropriate candidate.

Each of the nominees for election at the annual meeting is recommended by the Nominating and Corporate Governance Committee for election.

### **Independent Directors**

The Board has determined that each of the nominees for director, other than Dr Cysewski, has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) and is independent under NASDAQ Rule 4200(A). In making its determination, the Board considered transactions and relationships between each director (and any member of his immediate family) and the Company and its subsidiaries and relationships between the directors or their affiliates and members of the Company's senior management personnel and their affiliates.

The Independent Directors meet in executive session without the Chief Executive Officer or anyone from management attending, at least once annually. In fiscal year 2006 there were two such sessions. Independent Director John T. Waldron acted as the Lead Independent Director for such meetings and was responsible for the issues discussed. Any Independent Director may request an executive session of Independent Directors to discuss any matter of concern.

### **Stockholder Communication with Directors**

Stockholders may, at any time, communicate in writing with any particular director, or the non-management directors as a group, by sending such written communication to Cyanotech Corporation Non-Management Directors, 73-4460 Queen Kaahumanu Highway, #102, Kailua Kona, Hawaii, 96740. Copies of written communications received at such address will be directed to the relevant director or the non-management directors as a group.

### **Code of Conduct and Ethics**

The Company has established a Code of Conduct and Ethics that applies to its officers, directors and employees. The Code of Conduct and Ethics is posted on the Company's web-site [www.cyanotech.com](http://www.cyanotech.com). The Code of Conduct and Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics, and is intended to qualify as a code of ethics within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder and as a code of conduct within the meaning of the NASDAQ Stock Market listing standards.

### **Corporate Governance Documents**

The Nominating and Governance Committee Charter and the Code of Conduct and Ethics, are available on the Company's website at [www.cyanotech.com](http://www.cyanotech.com). The information contained on the website is not thereby incorporated by reference in, or considered part of, this Proxy Statement unless specifically incorporated. The Company will provide copies of any of these documents, free of charge, to any stockholder upon written request to the Chief Financial Officer, c/o Cyanotech Corporation, 73-4460 Queen Kaahumanu Highway, #102, Kailua Kona, Hawaii, 96740.

## Board Committees

The Board of Directors of the Company has an Audit Committee, Nominating and Governance Committee, and a Compensation and Stock Option Committee.

*The Audit Committee* operates and acts under a written charter, which was revised and approved by the Cyanotech Board of Directors in June 2004. A copy of the Charter and Powers of the Audit Committee was filed as an exhibit to the 2004 Notice of Annual Meeting and Proxy Statement and is hereby incorporated by reference. This document can also be found on the Company's website at [www.cyanotech.com](http://www.cyanotech.com). The Committee provides independent and objective oversight of (1) the Company's financial reporting processes, (2) the Company's audits of the financial statements, including appointment, compensation and oversight of the Company's independent registered public accounting firm, (3) the Company's internal controls, and (4) risk assessment and risk management policies set by management. The Committee also oversees and monitors the independence, performance and qualifications of the company's independent registered public accounting firm. The Audit Committee also reviews and approves related party transactions and reviews and resolves complaints from any employee regarding accounting, internal controls or auditing matters. All members of the Audit Committee are independent directors as defined in Nasdaq Stockmarket Rules 4200A and 4350(d)(2). The Board of Directors has identified David I. Rosenthal as a financial expert as defined in Rule 10A(m) of the Securities Exchange Act of 1934. The Audit Committee, which is comprised of independent directors David I. Rosenthal (chair), Michael Davis and Gregg W. Robertson, held four regularly scheduled meetings during fiscal year 2006.

*The Nominating and Corporate Governance Committee* operates and acts under a written charter, which was adopted and approved by the Cyanotech Board of Directors in June 2004. A copy of the Nominating and Corporate Governance Committee Charter was filed as an exhibit to the 2004 Notice of Annual Meeting and Proxy Statement and is hereby incorporated by reference. The Nominating and Corporate Governance Committee's functions include (1) reviewing the background and qualifications of potential nominees for the Cyanotech Board of Directors presented by stockholders, directors and management, (2) recommending to the Board a slate of nominees to be submitted to the stockholders for election at the next Annual Meeting of Stockholders, (3) advising the Board with respect to matters of Board composition and procedures, and (4) overseeing the annual evaluation of the Board. Among the qualifications considered in the selection of candidates are knowledge, experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability, dedication and absence of conflicts of interest see caption Director Nomination Process above. All members of the Nominating and Corporate Governance Committee are independent directors under Nasdaq Market Rule 4200A. The Nominating and Corporate Governance Committee, which is comprised of independent directors Michael A. Davis (Chair), John T. Waldron and Paul C. Yuen, held one regularly scheduled meeting during fiscal year 2006.

*The Compensation and Stock Option Committee* operates and acts under a written charter, which was adopted and approved by the Cyanotech Board of Directors. A copy of the Compensation and Stock Option Committee Charter was filed as an exhibit to the 2004 Notice of Annual Meeting and Proxy Statement and is hereby incorporated by reference. The Compensation and Stock Option Committee reviews and makes recommendations to the Board concerning the Company's executive compensation policy, bonus plans and incentive option plans, and approves the grants of stock options to officers, employees and consultants. At least once a year, the Compensation and Stock Option Committee meets in executive session with the other independent directors of the Board to evaluate the Chief Executive Officer's (CEO) performance. All members of the Compensation and Stock Option Committee are independent directors as defined under Nasdaq Rule 4200A. The Compensation and Stock Option Committee, which is comprised of independent directors John T. Waldron (chair) and Paul C. Yuen, held one regularly scheduled meeting during fiscal year 2006.



## DIRECTOR COMPENSATION

At the 2004 Annual Meeting of Stockholders, the stockholders of the Company approved the Independent Director Stock Option and Stock Grant Plan (the 2004 Plan ). Under the 2004 Plan each Independent Director receives on first election, pursuant to the 2004 Plan, a 10-year option to purchase 4,000 shares of the Company s Common Stock, and thereafter a grant of 3,500 shares of Common Stock each year that the Independent director is elected to the board. Such grants and options are non-transferable and non-exercisable for six months following the date of grant. On the date of the 2005 Annual Meeting of Stockholders, each Independent Director received, under the 2004 Plan, an automatic grant of 3,500 shares of fully paid and non-assessable shares of Common Stock. In addition, each Independent Director receives an annual fee of \$1,000 for participation on the Board and \$1,000 per Board meeting attended in person, and is also reimbursed for out-of-pocket costs incurred in connection with attendance at such meetings. Each Independent Director receives \$150 for participation in telephonic meetings. An Independent Director who serves as a member of any Board committee receives an annual fee of \$500 and an Independent Director who serves as chairperson of a Board committee is entitled to additional compensation as follows: 1) Audit Committee Chairperson \$1,500; 2) Compensation and Stock Option Committee Chairperson \$800; and 3) Nominating and Corporate Governance Committee \$800.

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## PROPOSAL TWO:

### **Ratification of Selection of Independent Registered Public Accounting Firm**

The firm of KPMG LLP has served as independent auditor or independent registered public accounting firm for the Company since 1987. The Audit Committee has selected and the Board of Directors has approved the firm to continue in this capacity for the current fiscal year ending March 31, 2007. A representative of KPMG LLP is expected to attend the annual meeting with the opportunity to make a statement and to respond to appropriate questions from stockholders present at the meeting.

Although it is not required to do so, the Company wishes to provide stockholders with the opportunity to indicate their approval of the selection of the independent registered public accounting firm and accordingly is submitting a proposal to ratify the selection of KPMG LLP. If the stockholders should fail to approve this proposal, the Board of Directors will consider the selection of another independent registered public accounting firm.

### ***Required Vote***

The proposal will be approved if a quorum is present and the number of votes cast in favor exceeds the number of votes cast against the proposal.

**The Board of Directors unanimously recommends that stockholders vote FOR ratification of KPMG LLP to serve as the Company s independent registered public accounting firm for the year ending March 31, 2007.**

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## COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act ), requires the Company s directors, executive officers, and beneficial owners of more than 10% of a registered class of the Company s equity securities, (collectively Insiders ) to file reports with the SEC and the National Association of Securities Dealers, Inc. disclosing direct and indirect ownership of Common Stock and other equity securities of the Company and reports of changes in such ownership. Insiders are required by

SEC regulation to provide the Company with copies of all Section 16(a) forms filed with the SEC. Based solely on review of copies of Section 16(a) reports received by the Company, and written representations that no other reports were required by the SEC, the Company believes Insiders have complied with all Section 16(a) filing requirements for the fiscal year ended March 31, 2006, except that Gerald R. Cysewski, Michael A. Davis, Gregg W. Robertson, David I. Rosenthal, John T. Waldron, Paul C. Yuen, and William R. Maris, made late filings of Forms 3 or 5 or both.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Company's Common Stock as of June 26, 2006 by (i) each person who is known by the Company to own beneficially more than 5% of the outstanding shares of the Common Stock of the Company and Common Stock equivalents, (ii) each of the Company's executive officers named in the Summary Compensation Table appearing herein, (iii) each director and (iv) all directors and executive officers named in the Summary Compensation Table appearing herein as a group. The following table sets forth what such persons' beneficial security ownership position would be assuming the exercise of all outstanding stock options and warrants, exercisable on June 26, 2006 or within 60 days of such date. All shares shown are subject to the named person's sole voting and investment power except as noted below.

Name	Shares Beneficially Owned	Approximate Percent Owned
Gerald R. Cysewski(1)	498,608 (2)	2.4 %
Robert J. Capelli(1)	42,000 (3)	*
Michael A. Davis(1)	3,473,076 (4)(5)	16.6 %
Gregg W. Robertson(1)	9,500 (6)	*
William R. Maris(1)	20,000 (7)	*
David I. Rosenthal(1)	13,000 (8)	*
John T. Waldron(1)	53,952 (9)	*
Paul C. Yuen(1)	40,800	*
All directors and executive officers as a group (8 persons)	4,150,936 (10)	19.8

\* Less than 1.0%

(1) Address is c/o Cyanotech Corporation, 73-4460 Queen Kaahumanu Hwy., Suite 102, Kailua Kona, HI 96740.

(2) Includes options for 44,000 shares of Common Stock.

(3) Includes options for 42,000 shares of Common Stock

(4) Includes 322,000 shares over which Mr. Davis holds sole voting and investment power. Also includes 3,148,076 shares over which Mr. Davis holds shared voting and investment power, including 125,000 shares held by Mr. Davis's spouse, Janet J. Johnstone (Johnstone); 700,000 shares held by the Skywords Family Foundation, a charitable foundation of which Mr. Davis and Johnstone are the sole directors; 400,000 shares held by trusts for the benefit of Mr. Davis and Johnstone's minor children for which Mr. Davis is a co-trustee; and 1,923,076 shares held by the Michael Arlen Davis Charitable Lead Annuity Trust of which Mr. Davis is a co-trustee.

(5) Includes options for 3,000 shares of Common Stock held by a trust for the benefit of Mr. Davis, Johnstone & Mr. Davis's descendants, of which Mr. Davis is a trustee.

(6) Includes options for 4,000 shares of Common Stock.

(7) Includes options for 20,000 shares of Common Stock.



- (8) Includes options for 3,000 shares of Common Stock.
- (9) Includes options for 3,000 shares of Common Stock.
- (9) Includes options for 119,000 shares of Common Stock.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

No current member of the Company's Compensation and Stock Option Committee is a current or former officer or employee of the Company or its subsidiaries and no executive officer of the Company was a member of the Compensation Committee of any corporation of which a member of the Company's Compensation and Stock Option Committee is an executive officer.

**EXECUTIVE OFFICERS OF THE REGISTRANT**

The executive officers and other key employees of Cyanotech as of March 31, 2006 were as follows:

Name	Age	Position
Gerald R. Cysewski, Ph. D	57	Chairman of the Board, President and Chief Executive Officer
William R. Maris	57	Chief Financial Officer, Vice President Finance and Administration, Secretary and Treasurer
Glenn D. Jensen	47	Vice President Operations
Robert J. Capelli	46	Vice President Sales

*Dr. Cysewski* co-founded Cyanotech in 1983. Since March 1990, Dr. Cysewski has served as President and Chief Executive Officer and prior to this time, served as Scientific Director. Dr. Cysewski has also served as a Director since 1983. In 1998, he was Vice Chairman of the Board and in October 1990 he was appointed Chairman of the Board. Prior to his tenure at Cyanotech, from 1980 to 1982, Dr. Cysewski was group leader of microalgae research and development at Battelle Northwest, a major contract research and development firm. From 1976 to 1980, Dr. Cysewski was an assistant professor in the Department of Chemical and Nuclear Engineering at the University of California, Santa Barbara. Dr. Cysewski received his doctorate in Chemical Engineering from the University of California at Berkeley.

*Mr. Maris* has served as Chief Financial Officer, Vice President Finance & Administration, Secretary and Treasurer since January 2006. From February 2003 to December 2005 he was self employed as a Certified Public Accountant. From September 1994 to January 2003 Mr. Maris was CFO, Treasurer and Secretary of Market Transport, Ltd., a logistics and transportation provider based in Portland, Oregon. Prior to this he served as CFO and Vice President, Operations of Wholesome and Hearty Foods ( Garden Burger ), a food products manufacturer in Portland, and CFO and Treasurer of Crown Pacific, Ltd., a forest resources and manufacturing concern in Portland. Earlier in his career, Maris was a division treasurer and financial manager for AMFAC, Inc. of Honolulu, Hawaii. He began his career at Touche Ross and Company becoming senior auditor and audit supervisor. He holds a B.A. Degree from the University of Oregon.

*Mr. Jensen* has served as Vice President Operations since May 1993. He had been Production Manager since 1991. Mr. Jensen joined Cyanotech in 1984 as Process Manager. Prior to joining the Company, Mr. Jensen worked as a plant engineer at Cal-Alga, a spirulina production facility, near Fresno, California. Mr. Jensen holds a B.S. degree in Health Science from California State University, Fresno.

*Mr. Capelli*, has served as Vice President Sales since March 2002. He joined the Company in January 2002 as Director of Sales. Prior to joining Cmargin-left: .25in; margin-right: 0in; margin-top: 0in; margin-bottom: 6.0pt"> Director, SLC Holdings, LLC, the manager and holding company for the St. Louis Cardinals, LLC. (1996 - present)



Vice Chairman, St. Louis Cardinals, LLC, a professional baseball team (1996 - 2010)

Attorney, Fordyce and Mayne, a law firm

Attorney, Armstrong, Teasdale LLP, a law firm

**Other Professional Experience and Community Involvement**

One of three principal organizers and Member, Board of Directors, of Mississippi Valley Bancshares, Inc.<sup>(1)</sup>, a bank holding company (NASDAQ: MVBI)

Practiced law for 29 years, focused in banking, corporate and estate taxation, medical law, venture capital, and closely held businesses

B.A., Yale University

J.D., Washington University

Member, Board of Directors, and President BackStoppers, Inc.

Member, Board of Directors, CrimeStoppers - St. Louis Region

**Experience and Qualifications**

Mr. Hanser has extensive legal and managerial background, as well as experience as a director of other financial services companies.

<sup>(1)</sup> Purchased by Southwest Bank of St. Louis in 1984	
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<p><b>Ronald J. Kruszewski, 52</b></p> <p><i>Chairman of the Board of Directors, President and Chief Executive Officer of Stifel Financial Corp.</i></p> <p><i>Director Since: 1997, Class I Nominee with term ending in 2014</i></p> <p><i>Committees: Executive Committee (Chairman)</i></p> <p><i>Other Public Company Directorships within the past 5 years: Angelica Corporation, non-executive Chairman</i></p>
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### **Career Highlights**

Stifel Financial Corp.

- Chairman (2001 - present)
- President and Chief Executive Officer (September 1997 - present)

Stifel, Nicolaus & Company, Incorporated

- Chairman (2001 - present)
- President and Chief Executive Officer (September 1997 - present)

### **Other Professional Experience and Community Involvement**

Member, Board of Directors, Securities Industry and Financial Markets Association (SIFMA)

Member, U.S. Ski and Snowboard Team Foundation Board

Chairman of Downtown Now!

Member, Board of Directors, St. Louis Regional Chamber and Growth Association

Member, Board of Directors, Barnes-Jewish Hospital

Member, Board of Trustees, Webster University

Member, Regional Business Council in St. Louis

Member, Young Presidents' Organization - St. Louis Chapter

Former Chairman, Downtown St. Louis Partnership, Inc.

### **Experience and Qualifications**

Mr. Kruszewski has extensive managerial and leadership experience in the financial services industry in addition to a comprehensive understanding and knowledge of the Company's day-to-day operation and strategy.



**Thomas P. Mulroy, 49**

*Senior Vice President of Stifel Financial Corp.*

*Director Since: 2005, Class I Nominee with term ending in 2014*

**Career Highlights**

Stifel Financial Corp.

- Senior Vice President (December 2005 - present)

Stifel, Nicolaus & Company, Incorporated

- Executive Vice President (December 2005 - present)
- Co-Director, Institutional Group (formerly Capital Markets) (July 2009 - present)
- Director, Equity Capital Markets (December 2005 - July 2009)

Legg Mason, Inc.

- Executive Vice President (1986 - November 2005)

**Other Professional Experience and Community Involvement**

Chairman of the Board of Stifel Nicolaus Ltd.

B.S. in finance, Ithaca College

M.B.A. in finance, American University

**Experience and Qualifications**

With over 25 years of experience in capital markets, Mr. Mulroy has developed extensive knowledge of the industry. His substantial experience and perspective assists the Board in its review of the Company's capital markets business.

<p><b>Thomas W. Weisel, 70</b></p> <p><i>Chairman of the Board of Directors of Stifel Financial Corp.</i></p> <p><i>Director Since: 2010, Class I Nominee with term ending in 2014</i></p> <p><i>Other Public Company Directorships within the past 5 years: NASDAQ OMX Group, Inc. (NASDAQ: NDAQ) and Thomas Weisel Partners Group, Inc. (NASDAQ: TWPG)</i></p>
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### **Career Highlights**

Chairman and Chief Executive Officer, Thomas Weisel Partners Group, Inc., an investment firm he founded in 1998 (NASDAQ: TWPG)

Chief Executive Officer, Montgomery Securities, a firm he founded in 1971, which was bought by NationsBank in 1997

### **Other Professional Experience and Community Involvement**

Current member and former Chairman, U.S. Ski and Snowboarding Team Foundation Board

Founder and Chairman, USA Cycling Foundation Board

Founded Tailwind Sports

Largest investor in the Discovery Channel (previously U.S. Postal) pro-cycling team, formerly led by Lance Armstrong, seven-time winner of the Tour de France

Member, Board of Directors, Museum of Modern Art in New York

Member, Board of Directors, San Francisco Museum of Modern Art

Former member, Board of Directors, Stanford Endowment Management Board

Former member, Advisory Board, Harvard Business School

### **Experience and Qualifications**

Mr. Weisel has extensive entrepreneurial and operational experience in the financial services industry, as evidenced by his founding and development of the investment firms of TWPG and Montgomery Securities prior to joining the Company.

**Kelvin R. Westbrook, 55**

*Director Since:* 2007, Class I nominee with term ending in 2014

*Committees:* Audit Committee

*Other Current Public Company Directorships:* Archer-Daniels Midland Company (NYSE: ADM) and Camden Property Trust (NYSE: CPT)

*Other Public Company Directorships within the past 5 years:* Angelica Corporation

**Career Highlights**

President and Chief Executive Officer, KRW Advisors, LLC, a privately-held telecommunications and media consulting and advisory services firm (October 2007 - present)

Broadstripe, LLC (formerly known as Millennium Digital Media Systems, LLC<sup>(1)</sup>), broadband services company

- Chairman and Chief Strategic Officer (September 2006 - October 2007)
- President and Chief Executive Officer (May 1997 - September 2006)

**Other Professional Experience and Community Involvement**

Member, Board of Directors, National Cable Satellite Corporation, better known as C-SPAN

Member, Board of Directors, BJC HealthCare, a multi-billion dollar, not-for-profit healthcare services company

Former partner of a national law firm

**Experience and Qualifications**

Mr. Westbrook brings legal, media and marketing expertise to the board of directors. In addition, through his service on the boards of directors and board committees of other public companies and not-for-profit entities, Mr. Westbrook has gained an in-depth knowledge and expertise in corporate governance.

<sup>(1)</sup> Broadstripe, LLC and certain of its affiliates filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in January, 2009, approximately fifteen months after Mr. Westbrook resigned from the firm.

**Class II - Nominees**

<p><b>Alton F. Irby III, 70</b></p> <p><i>Director Since:</i> 2010, Class II nominee with term ending in 2012</p> <p><i>Other Current Public Company Directorships:</i> ContentFilm (AIM: CFL), and McKesson Corporation (NYSE: MCK)</p> <p><i>Other Public Company Directorships within the past 5 years:</i> Thomas Weisel Partners Group, Inc. (NASDAQ: TWPG)</p>
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**Career Highlights**

Founding partner, London Bay Capital LLC, a privately-held investment firm (May 2006 - present)

Founding partner, Tricorn Partners LLP, a privately-held investment bank (May 2003 - May 2006)

Chairman and Chief Executive Officer of HawkPoint Partners (formerly known as National Westminster Global Corporate Advisory)

Founding partner, Hambro Magan Irby Holdings

**Experience and Qualifications**

Mr. Irby has extensive experience founding and leading multiple privately-held investment firms as well as twenty-five years of experience in the international financial services industry in Europe and the United States.

**Class III - Nominees**

<p><b>Michael W. Brown, 65</b></p> <p><i>Director Since:</i> 2010, Class III nominee with term ending in 2013</p> <p><i>Other Current Public Company Directorships:</i> EMC Corporation (NYSE: EMC), VMWare, Inc. (NYSE: VMW), and Insperity (NYSE: NSP), formerly known as Administaff</p> <p><i>Other Public Company Directorships within the past 5 years:</i> Thomas Weisel Partners Group, Inc. (NASDAQ: TWPG)</p>
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**Career Highlights**

Microsoft Corporation, a global software company (NASDAQ: MSFT)

- Vice President and Chief Financial Officer (August 1994 - July 1997)
- Vice President - Finance and Treasurer (1989 - August 1994)

Deloitte & Touche LLP, a provider of assurance, tax, and business consulting services (1971 - 1989)

**Other Professional Experience and Community Involvement**

Former Chairman, NASDAQ Stock Market Board of Directors

Former Governor, National Association of Securities Dealers

**Experience and Qualifications**

Mr. Brown has considerable financial and accounting expertise including eight years of financial leadership with a leading technology company and directorships at other publicly held companies. Mr. Brown also has considerable experience as a director and governor of self-regulatory organizations within the financial services industry.



**Robert E. Grady, 53**

*Director Since:* 2010, Class III nominee with term ending in 2013

*Other Current Public Company Directorships:* Maxim Integrated Products (NASDAQ: MXIM)

*Other Public Company Directorships within the past 5 years:* Thomas Weisel Partners Group, Inc. (NASDAQ: TWPG), AuthenTec, Inc. (NASDAQ: AUTH), and Blackboard, Inc. (NASDAQ: BBBB)

**Career Highlights**

Partner and Managing Director, Cheyenne Capital Fund, a private equity investment firm (2009 - present)

Carlyle Group, a large private equity firm

Partner, Global head of Venture Capital (2000 - 2009)

Chairman and Managing Partner, Carlyle Venture Partners, (2000 - 2009)

Managing Director, Robertson Stephens & Company, an emerging growth investment bank

**Other Professional Experience and Community Involvement**

Chairman, New Jersey Council of Economic Advisors

Chairman, New Jersey State Investment Council, which oversees the state's \$72 billion pension system

Former Chairman, National Venture Capital Association

Former Deputy Assistant to President George H.W. Bush

Former Executive Associate Director, Office of Management and Budget

Former professor, Stanford Graduate School of Business

**Experience and Qualifications**

Mr. Grady has extensive leadership experience in the private equity investment sector of the financial services industry. Mr. Grady also has substantial federal and state governmental experience as well as strong academic experience. Finally, Mr. Grady has considerable experience as a director of other publicly held companies.

**Continuing Directors**

<p><b>Charles A. Dill, 71</b></p> <p><i>Director Since:</i> 1995, Class II director with term ending in 2012</p> <p><i>Committees:</i> Compensation Committee</p> <p><i>Other Current Public Company Directorships:</i> Zoltek Companies, Inc. (NASDAQ: ZOLT) and TransAct Technologies Incorporated (NASDAQ: TACT)</p>
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**Career Highlights**

General partner, Two Rivers Associates, a private equity firm (2003 - present)

General partner, Gateway Partners, L.P., a venture capital fund (1995 - present)

President, Chief Executive Officer and director, Bridge Information Systems, Inc., a company providing online information and trading services (1991 - 1995)

**Other Professional Experience and Community Involvement**

Venture capital and private equity investor

Director, John Allan Love Foundation

**Experience and Qualifications**

Mr. Dill has long-standing experience in the venture capital and private equity investment markets and substantial experience as a manager of an information technology company serving the financial services industry. Mr. Dill also has substantial experience as a director of other publicly held companies.

<b>Richard F. Ford, 74</b>
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<i>Director Since:</i> 1984, Class II director with term ending in 2012
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<i>Committees:</i> Audit Committee, Executive Committee, Nominating/Corporate Governance Committee (Chairman)
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**Career Highlights**

Founder and General Partner, Gateway Associates L.P., a venture capital management firm

**Other Professional Experience and Community Involvement**

Member, Board of Directors, Barry-Wehmiller Company

Member, Board of Directors, Spartan Metal Products

Management development consultant, Centene Corporation

**Experience and Qualifications**

Mr. Ford has substantial experience in the venture capital market and the financial services industry. He also has considerable board and committee leadership experience at other publicly held and large private companies.

**Richard J. Himelfarb, 69**

*Vice Chairman and Senior Vice President of Stifel Financial Corp.*

*Director Since: 2005, Class II director with term ending in 2012*

### **Career Highlights**

Stifel Financial Corp.

- Senior Vice President (December 2005 - present)

Stifel, Nicolaus & Company, Incorporated

- Executive Vice President and Director (December 2005 - present)
- Chairman of Investment Banking (July 2009 - present)
- Director of Investment Banking (December 2005 - July 2009)

Legg Mason, Inc.

- Director (November 1983 - July 2005)
- Executive Vice President (July 1995 - November 2005)
- Senior Vice President (November 1983 - July 1995)

Legg Mason Wood Walker, Inc.

- Executive Vice President (July 1995 - November 2005)
- Senior Vice President (November 1983 - July 1995)

### **Other Professional Experience and Community Involvement**

Practiced corporate, tax and securities law for 16 years prior to joining Legg Mason

Member, Board of Directors, Greater Baltimore Committee

Member, Board of Directors, Kennedy Krieger Institute

Member, Board of Directors, University of Maryland Baltimore Foundation

### **Experience and Qualifications**

With nearly thirty years of experience in the investment banking industry, Mr. Himelfarb provides critical insight and assists the Board in its oversight of the Company's investment banking businesses.

**Victor J. Nesi, 51**

*Senior Vice President of Stifel Financial Corp.*

*Director Since: 2009, Class II director with term ending in 2012*

**Career Highlights**

Stifel Financial Corp.

- Senior Vice President (July 2009 - present)

Stifel, Nicolaus & Company, Incorporated

- Executive Vice President and Co-Director, Institutional Group (formerly Capital Markets) (July 2009 - present)

Merrill Lynch, a global investment firm

- Global Head of the Technology, Telecommunications and Media Industries Group within Merrill Lynch Global Private Equity (2007 - 2008)
- Head, Americas Investment Banking (2005 - 2007)
- Head, Telecom & Media Investment Banking Group (1996 - 2005)

**Other Professional Experience and Community Involvement**

Investment banker with two global investment banking firms for 7 years prior to joining Merrill Lynch

Practiced corporate and securities law for 4 years

**Experience and Qualifications**

With over 15 years of experience in capital markets, including international operations, Mr. Nesi has developed extensive knowledge of the industry. His substantial experience and perspective assists the Board in its review of the Company's capital markets business.

**James M. Zemlyak, 52**

*Senior Vice President, Chief Financial Officer and Treasurer of Stifel Financial Corp.*

*Director Since: 2004, Class II director with term ending in 2012*

**Career Highlights**

Stifel Financial Corp.

- Senior Vice President, Chief Financial Officer and Treasurer (1999 - present)

Stifel, Nicolaus & Company, Incorporated

- Executive Vice President (2005 - present)
- Chief Operating Officer (or Co-Chief Operating Officer) (2002 - present)
- Chief Financial Officer (1999 - 2006)

Managing Director and Chief Financial Officer , Baird Financial Corporation (1997 - 1999)

Senior Vice President and Chief Financial Officer, Robert W. Baird & Co. Incorporated (1994 - 1999)

**Experience and Qualifications**

Mr. Zemlyak has been our Chief Financial Officer since 1999, is a key leader of the Company, and has over 15 years of experience in the financial services industry. The Board believes he has the knowledge of our company and its business necessary to help formulate and execute our business plans and growth strategies.

**John P. Dubinsky, 67**

*Director Since:* 2003, Class III director with term ending in 2013

*Committees:* Audit Committee

*Other Current Public Company Directorships:* Insituform Technologies, Inc. (NASDAQ: INSU)

*Other Public Company Directorships within the past 5 years:* Accentia Biopharmaceuticals, Inc. (OTCQB: ABPI)

**Career Highlights**

Chairman, Stifel Bank & Trust (April 2007 - present)

President and Chief Executive Officer, Westmoreland Associates, LLC, a financial consulting company (1995 - present)

CORTEX (Center of Research, Technology and Entrepreneurial Expertise)

- Chairman (2008 - present)

- President and Chief Executive Officer (2003 - 2008)

President Emeritus, Firststar Bank (1999 - 2001)

Chairman, President and Chief Executive Officer, Mercantile Bank (1997 - 1999<sup>6)</sup>)

President and Chief Executive Officer, Mark Twain Bancshares, Inc.

**Other Professional Experience and Community Involvement**

Trustee, BJC HealthCare, Barnes-Jewish Hospital

Trustee, Washington University

Trustee, St. Louis Public Library

Chairman, St. Louis Public Library Foundation

**Experience and Qualifications**

Mr. Dubinsky is a leader in the financial consulting industry and has extensive experience in managing financial institutions. Mr. Dubinsky also has strong experience as a director of other publicly held and large private companies as well as not-for-profit entities.

**Robert E. Lefton, Ph.D., 79**

*Director Since:* 1992, Class III director with term ending in 2013

*Committees:* Compensation Committee (Vice Chairman), Nominating/Corporate Governance Committee

**Career Highlights**

Chairman and Chief Executive Officer, Psychological Associates, Inc., an international training and consulting firm (1958 - present)

**Experience and Qualifications**

Dr. Lefton has 52 years of leadership in international training and consulting and a long standing history and experience serving on our Board.



**James M. Oates, 64**

*Director Since:* 1996, Class III director with term ending in 2013

*Committees:* Audit Committee, Compensation Committee (Chairman), Executive Committee, Nominating/Corporate Governance Committee

*Other Current Public Company Directorships:* Connecticut River Bancorp (PK: CORB.PK)

**Career Highlights**

Managing Director, The Wydown Group, a financial consulting firm (1994 - present)

Chairman, Hudson Castle Group, Inc. (formerly IBEX Capital Markets, Inc.), a financial services company (1997 - 2006)

**Other Professional Experience and Community Involvement**

Board member, Investors Bank & Trust Corporation

Board member, Phoenix Mutual Funds

Board member, Connecticut River Bank

Board member, New Hampshire Trust Company

Chairman of the Board, John Hancock Trust and the John Hancock Funds II

Chairman of the Board, Emerson Investment Management, Inc.

Member, investment committee of the Endowment for Health

Trustee Emeritus of Middlesex School, Concord, Massachusetts

**Experience and Qualifications**

Mr. Oates has lead several financial services and consulting firms and has substantial investment experience on public company, mutual fund and private investment boards and committees.

**Ben A. Plotkin, 55**

*Vice-Chairman and Senior Vice President of Stifel Financial Corp.*

*Director Since: 2007, Class III director with term ending in 2013*

**Career Highlights**

Stifel Financial Corp.

- Vice Chairman and Senior Vice President (August 2007 - present)

Stifel, Nicolaus & Company, Incorporated

- Executive Vice President (February 2007 - present)

Ryan Beck & Company, Inc., an investment firm

- Chairman and Chief Executive Officer (1997 - February 2007)

Ryan Beck, a broker-dealer firm

- Executive Vice President (1990 - 1997)

- Director and Vice President - Investment Banking Division (1987 - 1990)

**Other Professional Experience and Community Involvement**

Advised numerous financial services organizations throughout his career as a lawyer and investment banker

Previously served on the boards of other financial institutions and the trade association for the securities industry

Presently active with several not for profit organizations

**Experience and Qualifications**

Mr. Plotkin's expertise with respect to corporate strategy and advising investment clients provides practical insight to the Board regarding key Company operations and strategic planning.

**Compensation of Directors in Last Fiscal Year**

The following table sets forth information concerning compensation earned by our non-employee directors in fiscal year 2010. Directors who also serve as our employees, inside directors, do not receive additional compensation for their service as directors of either the Company or Stifel, Nicolaus & Company, Incorporated, our broker-dealer, although we do reimburse them for their expenses for attendance at Board meetings. This policy applies to Messrs. Kruszewski, Zemlyak, Himelfarb, Mulroy, Nesi, Plotkin and Weisel, who serve as both directors and executive officers of the Company. Scott B. McCuaig, who served as a Class III director for all of 2010 and as the Company's Senior Vice President, was also subject to this policy prior to his retirement from the Board and the Company effective April 1, 2011. Information about the 2010 compensation earned or paid to Messrs. Kruszewski, Zemlyak, Mulroy, Nesi and Plotkin as executive officers is disclosed in the Summary Compensation Table because they are named executive officers for purposes of this proxy statement. The information set forth in the table below and the corresponding footnotes has been adjusted as a result of the Company's fifty percent (50%) stock dividend in the form of a three-for-two stock split, distributed on April 5, 2011 to stockholders of record on March 22, 2011.

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Unit Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(3)</sup>	Total (\$)
Bruce A. Beda	---	150,424	---	150,424
Michael W. Brown	---	53,460	---	53,460
Charles A. Dill	---	125,415	---	125,415
John P. Dubinsky	40,000	125,415	---	165,415
Richard F. Ford	---	140,409	---	140,409
Robert E. Grady	---	53,460	---	53,460
Frederick O. Hanser	24,000	125,415	---	149,415
Alton F. Irby III	---	53,460	---	53,460
Robert E. Lefton	---	125,415	---	125,415
James M. Oates	---	140,409	---	140,409
Kelvin R. Westbrook	---	125,415	---	125,415

(1) Stated amounts include cash compensation paid to Messrs. Dubinsky and Hanser for 2010 for their service as the non-executive Chairman and the non-executive Vice Chairman, respectively, of the Board of Directors of Stifel Bank & Trust.

(2) In lieu of an annual cash retainer, each non-employee director was issued 3,375 stock units. Additionally, the Committee chairs were issued additional stock units valued at the closing price of our common stock on the date of grant as follows: Audit Committee, \$25,000; Compensation Committee, \$15,000; and Nominating/Corporate Governance Committee, \$15,000. The units vest on a quarterly basis over a one year period. Amounts stated reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the fiscal year ended December 31, 2010. Stock units awarded to Messrs. Brown, Grady and Irby III were prorated based on their August

3, 2010 appointment to the Board of Directors. As of December 31, 2010, each director held the following number of stock units outstanding: Mr. Beda, 26,088; Mr. Brown, 1,688; Mr. Dill, 21,581; Mr. Dubinsky, 21,581;

Mr. Ford, 23,394; Mr. Grady, 1,688; Mr. Hanser, 21,581; Mr. Irby III, 1,688; Mr. Lefton, 22,178; Mr. Oates, 23,991; and Mr. Westbrook, 13,010.

(3) Amounts stated reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for the fiscal year ended December 31, 2010. As of December 31, 2010, each director held the following number of options outstanding: Mr. Beda, 2,250; Mr. Brown, 7,496; Mr. Dill, 7,499; Mr. Dubinsky, 450; Mr. Ford, 13,496; Mr. Hanser, 22,499; Mr. Irby III, 6,819; Mr. Lefton, 13,496; and Mr. Oates, 450.

In 2006, the Company discontinued its practice of granting option awards as compensation for service on the Board of Directors.

### **Additional Information About Director Compensation**

Non-employee directors of the Company are required to defer all director fees into stock units pursuant to the Equity Incentive Plan for Non-Employee Directors (2008 Restatement), which was approved by our stockholders in 2008. These stock units are generally granted annually in May and vest on a quarterly basis over a one year period.

As approved by the Board of Directors, the annual stock retainer payable to each non-employee director includes an award of 2,250 stock units. As a result of the Company's fifty percent (50%) stock dividend in the form of a three-for-two stock split distributed on April 5, 2011, beginning in 2011, the annual stock retainer payable to each non-employee director will include an award of 3,375 stock units. Additionally, the chair of each of the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee will continue to receive additional common stock units valued in the approximate amounts of \$25,000, \$15,000 and \$15,000, respectively, for services in such capacity based upon the fair market value of our common stock on the date of approval.

Thus, for 2010, the stock units awarded to the non-employee directors on April 23, 2010 were as follows (adjusted for the three-for-two stock split referenced above): Mr. Beda, 4,047; Mr. Dill, 3,375; Mr. Dubinsky, 3,375; Mr. Ford, 3,778; Mr. Hanser, 3,375; Mr. Lefton, 3,375; Mr. Oates, 3,778; and Mr. Westbrook, 3,375. The adjusted closing price of our common stock on the date of award was \$37.16.

Each of Messrs. Brown, Grady and Irby III, who joined the Board of Directors of the Company in connection with the Company's acquisition of TWPG, and each of whom is also a non-employee director, received 1,687 stock units on August 3, 2010 (adjusted for the three-for-two stock split referenced above) with an aggregate value of \$53,444. The adjusted per-share closing price of our common stock on the date of award was \$31.68.

Additionally, non-employee directors who also serve on the Board of Directors of Stifel Bank & Trust receive cash compensation as approved by the Stifel Bank & Trust Board of Directors. See footnote (1) to the director compensation chart above.

Directors who are also our employees do not receive any compensation for their service as directors of the Company or its subsidiaries, but we pay their expenses for attendance at meetings of the Board of Directors.

## **CORPORATE GOVERNANCE AND CODE OF ETHICS**

In accordance with the requirements of the NYSE and the Sarbanes-Oxley Act of 2002, we have adopted Corporate Governance Guidelines as well as charters for the Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee. These guidelines and charters are available for review under the "Corporate Governance" section of our website at [www.stifel.com](http://www.stifel.com). We have also adopted a Code of Ethics for Directors, Officers and Associates. The Code of Ethics is also posted in the "Corporate Governance" section of our website, located at [www.stifel.com](http://www.stifel.com), or may be obtained by any stockholder, without charge, upon request by contacting our Corporate Secretary at (314) 342-2000 or by email at [investorrelations@stifel.com](mailto:investorrelations@stifel.com).

We have established procedures for stockholders or other interested parties to communicate directly with our Board of Directors, including the presiding director at the executive sessions of the non-management directors or the non-management directors as a group. Such parties can contact our Board of Directors by mail at: Stifel Financial Corp., Attention: Ronald J. Kruszewski/Thomas W. Weisel, Chairmen of the Board, One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102. All communications made by this means will be received by the Chairmen of the Board and relayed promptly to the Board of Directors or the individual directors, as appropriate.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Sarbanes-Oxley Act of 2002 generally prohibits loans by an issuer and its subsidiaries to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption from such prohibition for loans to its executive officers and directors in compliance with federal banking regulations. Federal regulations require that all loans or extensions of credit to executive officers and directors of insured financial institutions must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and must not involve more than the normal risk of repayment or present other unfavorable features.

From time to time, Stifel Bank & Trust makes loans and extensions of credit to our directors and executive officers. Outstanding loans made to our directors and executive officers, and members of their immediate families, were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Company and its subsidiaries, and did not involve more than the normal risk of collectibility or present other unfavorable features. As of December 31, 2010, all such loans were performing to their original terms.

Certain of our officers, directors and nominees for director maintain margin accounts with Stifel, Nicolaus & Company, Incorporated pursuant to which Stifel, Nicolaus & Company, Incorporated may make loans for the purchase of securities. All margin loans are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than normal risk of collectibility or present other unfavorable features.

Related party transactions are approved or disapproved on a case-by-case basis. As such, no formal policies or procedures have been adopted for the approval of related party transactions.

We maintain various policies and procedures relating to the review, approval or ratification of transactions in which our Company is a participant and in which any of our directors and executive officers, or their family members have a direct or indirect material interest. Our Company Code of Ethics, which is available on our website at [www.stifel.com](http://www.stifel.com), prohibits our directors and employees, including our executive officers, and in some cases, their family members, from engaging in certain activities without prior written consent. These activities typically relate to situations where a director, executive officer or other employee, and in some cases, an immediate family member, may have significant financial or business interests in another company competing with or doing business with our Company, or who stands to benefit in some way from such a relationship or activity. Specifically, our Code of Ethics includes prohibitions against: engaging in any outside business or other activity that might create a conflict of interest with or compete against the Company's interests, including ownership of privately-held stock or partnership interests without prior written approval, using Company property, information or positions for improper personal gain or benefit, and receiving bonuses, fees, gifts, frequent or excessive entertainment or any similar form of consideration above a nominal value from any person or entity with which the Company does, or seeks to do, business. It is also against Company policy to give gifts or gratuities without receiving specific approval by the Company's Office of General Counsel.

***Airplane Usage and Allowance.*** In November 2010, the Executive Committee approved the use by Mr. Weisel, Chairman, and certain of our other employees from time to time, of an airplane owned by Thomas Weisel Investment Management, Inc., an entity wholly owned by Mr. Weisel, for business and other travel. In connection with the airplane usage, the Company approved an airplane allowance payable to Ross Investments in the fixed amount of \$150,000 covering the period from the Company's acquisition of TWPG on July 1, 2010 through December 31, 2010. Based on historical and anticipated usage of the airplane by Mr. Weisel and such other employees, the Executive Committee approved the payment of the airplane allowance on the condition that any personal flight activity attributable to a Company employee would be included in such employee's annual compensation.

Mr. Irby III, a director of the Company, is a founding partner and the chairman of London Bay Capital LLC, an investment firm that, in 2007, indirectly acquired a controlling interest in Selling Source, LLC. TWPG provided advisory and placement agent services in connection with this acquisition. A portion of the compensation payable to TWPG for its services included an ownership interest in Selling Source LLC. Further, in connection with the acquisition, TWPG purchased additional shares of Selling Source LLC. The Company, as a result of its acquisition of TWPG in July 2010, now has an ownership interest in Selling Source LLC. The Company's ownership interest in Selling Source LLC is valued, as of December 31, 2010, at \$8.2 million.

Each year, we require our directors and executive officers to complete a questionnaire which identifies, among other things, any transactions or potential transactions with the Company in which a director or an executive officer or one of their family members or associated entities has an interest. We also require that directors and executive officers notify our Company of any changes during the course of the year to the information provided in the annual questionnaire as soon as possible.

We believe that the foregoing policies and procedures collectively ensure that all related party transactions requiring disclosure under applicable SEC rules are appropriately reviewed.

## COMPENSATION DISCUSSION AND ANALYSIS

### Named Executive Officers

Throughout this proxy statement, the individuals who served as our chief executive officer and our chief financial officer during the year ended December 31, 2010, and the other individuals included in the summary compensation table, are referred to as the "named executive officers." These individuals are:

- Ronald J. Kruszewski, who served as our Chairman, President and Chief Executive Officer and Chief Executive Officer of our subsidiary, Stifel, Nicolaus & Company, Incorporated;
- James M. Zemlyak, who served as our Senior Vice President, Chief Financial Officer and Treasurer and as Executive Vice President and Chief Operating Officer of our subsidiary, Stifel, Nicolaus & Company, Incorporated;
- Thomas P. Mulroy, who served as our Senior Vice President as well as the Executive Vice President and Co-Director of the Institutional Group of our subsidiary, Stifel, Nicolaus & Company, Incorporated;
- Victor J. Nesi, who served as our Senior Vice President as well as the Executive Vice President and Co-Director of the Institutional Group of our subsidiary, Stifel, Nicolaus & Company, Incorporated; and
- Ben A. Plotkin, who served as our Vice Chairman and Senior Vice President and Executive Vice President of our subsidiary, Stifel, Nicolaus & Company, Incorporated.

### Compensation Philosophy and Objectives

Our executive compensation program is designed to reward superior corporate performance annually and over the long term, as measured by increasing stockholder value. Total compensation must also be internally equitable and externally competitive. We periodically review our executive compensation program to ensure that it reflects good governance practices as well as the best interests of our stockholders, while meeting the following core objectives:

- *Pay for Performance.* A substantial portion of the total compensation for each of the named executive officers is variable from year-to-year and is based upon our Company's gross revenue and the performance of the individual named executive officer during that year, without weighting. Illustrative of this fact, is that the named executive officers' base salaries are low relative to peer executives in competitive companies and are not increased from year-to-year. The amount of compensation paid to each named executive officer is based in part upon the financial performance of our Company for the year and in part upon the named executive officer's performance during the year as analyzed and recommended by the chief executive officer (in the case of all of the named executive officers except Mr. Kruszewski) to the Compensation Committee. In the case of Mr. Kruszewski, the analysis of his individual performance for the year is done entirely by the members of the Compensation Committee. In its assessments, the Compensation Committee utilizes complete discretion in setting annual incentive compensation for the named executive officers. No



Company or individual performance targets or other quantitative formulas are utilized by the Compensation Committee in the setting of awards. Instead, at the end of each fiscal year, the Compensation Committee reviews Company performance and the individual performance evaluations, including any Company achievements to which the individual named executive officer contributed.

- *Stock Ownership.* We have designed our compensation program to assure that our executive officers establish and maintain a significant amount of stock ownership in the Company over time. We believe that stock ownership by the executive officers directly aligns the interests of our management with those of our stockholders and incentivizes our executive officers to focus on the creation of stockholder value. We, therefore, mandate that 25% of the named executive officers' annual incentive compensation is paid in the form of equity awards, which vest over five years and encourage the named executive officers to elect to take greater amounts of their compensation in equity awards through Company matching programs. In April 2010, the Compensation Committee increased the percentage of annual incentive compensation that would be paid to the Company's executive officers in the form of equity awards from 15% to 25% in order to further align the interests of the executive officers with those of our stockholders. Additionally, the Committee increased the vesting schedule for stock units granted as part of the Company's match from 3 years to 5 years in order to further align executives' interest with our stockholders and to create a more effective retention tool. The Company grants a 25% match to the mandatory and voluntary bonus paid in equity, which vests on the fifth anniversary of the award.
- *Recruiting and Retention.* Due to the competitive nature of the securities industry related to executive talent, we are committed to provide total compensation opportunities that are competitive with the compensation opportunities of other companies in our business. Our compensation package must be sufficiently aligned with industry practices so that we can continue to attract and retain executives who can effectively guide our Company in the future. With this in mind, the Compensation Committee uses comparisons of the compensation practices of competitive companies as a check at the end of the annual compensation process to determine if our compensation practices are yielding relatively comparable pay for comparable performance.
- *Tax Deductibility and Compliance.* Our executive compensation program is designed to maximize the tax deductibility of compensation paid to our named executive officers and to avoid the payment of punitive excise taxes by our executive officers. Thus, annual incentive compensation programs are operated in compliance with Section 162(m) of the Internal Revenue Code, and deferred compensation is structured so as to comply with the deferred compensation rules under Section 409A of the Internal Revenue Code.

## Setting Compensation

Our Compensation Committee has the responsibility for approving the compensation paid to our named executive officers and ensuring that our compensation program is consistent with our compensation philosophy and is meeting our goals and objectives. Throughout this Compensation Discussion and Analysis, we refer to the Compensation Committee as the "Committee." Early each year, the Committee approves the amount of incentive compensation to be paid to our named executive officers for Company and individual performance during the prior year. Subject to the limits set forth in Section 162(m) of the Internal

Revenue Code, the Committee has full discretion as to the level of annual incentive compensation it pays to each of the named executive officers.

### **Involvement of Executive Officers**

The analysis of the Committee with respect to the compensation of the named executive officers, other than Mr. Kruszewski, begins with the recommendation of the chief executive officer and is supported by internal and external compensation data that is supplied by the chief executive officer and compiled by our accounting department. The information provided to the Committee may include financial information with respect to our Company and its business segments as well as a summary of the chief executive officer's evaluation of the individual performance of each of the other named executive officers for the most recently completed year.

The chief executive officer may also provide information gathered from external surveys and other sources with respect to the compensation amounts and packages for companies that are considered competitors of our Company for executive talent. These are typically used as a check to determine if the amount of annual compensation that is set under the process outlined above has yielded an appropriate amount of overall compensation for the executive officer as compared with the general market.

The Committee itself does its own evaluation of the performance of the chief executive officer for the year in setting the chief executive officer's annual and long-term incentive compensation. The Committee typically includes a compensation peer group survey in its analysis of the chief executive officer's annual bonus.

### **Compensation Peer Group**

We annually identify for the Committee a group of companies that we consider to be peer companies. Typically, these companies are other investment banking and financial services firms of similar size and scope of services offered. We gather this information primarily from external market surveys on compensation that are available in the market as well as publicly available data on the specific competitive companies that are available from that companies public filings, such as proxy statements. This compensation information is used as a final review of the appropriateness of the compensation levels set by our Committee's analysis of the financial and qualitative data presented for each of these officers.

For 2010, the following companies were included in the compensation survey:

D.A. Davidson & Co.

Hilliard Lyons

Janney Montgomery Scott, LLC

Morgan Keegan & Company, Inc.

Raymond, James & Associates

RBC Wealth Management

Robert W. Baird & Co. Inc.

Scott & Stringfellow Investment Corp.

Southwest Securities

Wells Fargo Bank

William Blair & Company

## **Compensation Consultants**

While we use publicly available external market surveys with respect to compensation data that we believe to be relevant to the Committee's analysis, the Committee has not engaged an independent outside compensation consultant for 2010 and has not engaged such a consultant to date in 2011.

## **Risk Oversight of the Company's Compensation Program**

Comprised entirely of independent directors, the Committee carefully monitors compensation levels to ensure they reflect an appropriate balance of pay-for-performance within acceptable risk parameters. Based on current and evolving best practices, our Committee conducted a compensation risk assessment of the various elements of our Company's overall compensation policies and practices (including incentive compensation programs). In its analysis, the Committee reviewed, with input from management, our Company's compensation programs including appropriate internal controls to mitigate or reduce risk. Based on its review, the Committee determined that our Company's compensation policies and practices do not create excessive and unnecessary risk taking. In addition to review by the Committee, the full Board of Directors will continue to maintain procedures to ensure ongoing management and assessment of compensation policies and practices as they relate to risk.

## **Compensation Program and Payments**

The key components of our executive compensation program are base salary, annual incentive compensation, long-term incentive compensation and perquisites. Executive officers are also entitled to participate in health and welfare plans and retirement savings plans generally available to all of our employees.

### **Base Salary**

We pay relatively low levels of base salary compared to the market due to our variable pay-for-performance philosophy. Mr. Kruszewski is paid a \$200,000 annual base salary and his salary has not been increased since he joined our Company in 1997. Mr. Zemlyak is paid a \$175,000 annual base salary and his salary has not been increased since he joined our Company in 1999. Mr. Mulroy continues to receive an annual base salary of \$250,000, which was the base salary that he was earning at Legg Mason Capital Markets Group at the time of its acquisition by our Company in December 2005. Messrs. Nesi and Plotkin each receive a base salary of \$250,000, which has been their base salaries since joining the Company in 2009 and 2007, respectively.

A reflection of our performance-based compensation structure is that the base salary for each of the named executive officers is a relatively small portion of the executive's total compensation. In 2010, base salaries paid to our named executive officers ranged from approximately 5% of total compensation paid to the executive to approximately 12% of the executive's total compensation.

### **Annual Incentive Compensation**

The Committee has established an annual incentive compensation program for the named executive officers that provides a significant portion of the total compensation paid to each of the named executive officers.

The objective of the annual incentive compensation portion of the executive compensation program is to provide cash and equity compensation that is variable based upon the achievement of financial goals for our Company and the business units in which the executive officer serves and a qualitative evaluation of the individual executive officer's performance for the year.

***Compensation Determinations and Relevant Factors.*** For purposes of complying with the requirements of Section 162(m) of the Internal Revenue Code, the Committee establishes at the beginning of each year a total bonus pool and an individual bonus limitation for any one executive officer. For 2010, these Section 162(m) limitations were based upon the gross revenues of our Company. After the computation of the possible bonus pool, the Committee utilizes the negative discretion allowable under Section 162(m) to evaluate a variety of subjective factors in reviewing each executive officer's performance, and resulting incentive compensation award, for the year. In the case of all named executive officers other than the chief executive officer, the performance evaluation of each executive officer by the chief executive officer, and the chief executive officer's recommendation as to the annual incentive compensation payment level for each executive officer, is factored into the decision of the Committee as to the annual incentive compensation amount to be paid. The Committee, however, has full discretion to determine the annual incentive compensation actually paid to each of the named executive officers. With respect to the chief executive officer, the Committee completes its own evaluation of the chief executive officer's performance for the year and sets the annual incentive compensation amount to be paid to the chief executive officer without outside recommendation. In its assessments, the Committee utilizes complete discretion in setting annual incentive compensation for the named executive officers primarily on the basis of Company performance, with the factors considered by the Committee given no particular weighting. No Company or individual performance targets or other quantitative formulas are utilized by the Committee in the setting of awards. Instead, at the end of each fiscal year, the Committee reviews Company performance and the individual performance evaluations, including any Company achievements to which the individual named executive officer contributed.

Some of the factors considered by the Committee with respect to 2010 annual incentive compensation, without any particular weighting, were as follows:

Review of our overall corporate financial results for the last completed year;

Review of strategic decisions, including acquisitions, which may impact overall stockholder value, both over short- and long-term horizons;

Stock price performance over the course of the year and prior five years;

Review of the financial results of the business unit, if any, at which the named executive officer primarily works;

Review of the named executive officer's historical compensation;

Review of the named executive officer's stock ownership levels against our stock ownership guidelines discussed below;

Summary sheets for current compensation;

The recommendations of our chief executive officer; and

Review of the annual incentive compensation determined from the above analysis against market data regarding executive compensation at companies regarded as competitive to us for executive talent.



In setting annual incentive compensation for the named executive officers for 2010, the Committee considered the Company's relative performance in light of the continuing global financial and credit crisis, economic recession, and sweeping legislative overhaul of the financial industry by virtue of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Committee considered the following Company performance benchmarks in particular (some of which factors are considerations that decreased the annual incentive compensation actually paid):

A. Overall Company financial performance, including the following:

For 2010, net revenues increased 27% compared to 2009 to \$1.4 billion, which represented our 15th consecutive annual increase in net revenues.

Core net income, which excludes expenses associated with the modification of the Company's deferred compensation plan and merger-related expenses, increased 65% to a record \$124.8 million, or \$3.24 per diluted share.

Stockholder equity was \$1.3 billion at year end 2010, resulting in a book value per share of \$24.42 (as adjusted for the three for two stock split distributed on April 5, 2011 in the form of a fifty percent stock dividend).

Our Global Wealth Management segment, which consists of our Private Client Group and Stifel Bank & Trust, had record net revenues in 2010 of \$843.3 million, a 42% increase from 2009.

Our Institutional Group segment had record net revenues in 2010 of \$541.8 million, an increase of 10% from 2009.

For the year ended December 31, 2010, our stock price increased 5%. Over five years, our stock price has achieved a compound annual growth rate of 20% as compared to compound annual increases of 2% for the S&P 500 Index and a decline of 9% for the AMEX Securities Broker-Dealer Index.

Our market capitalization increased 29% to \$2.5 billion at December 31, 2010.

B. The Company's ability to remain well capitalized, as evidenced by the following indicators:

Tier-one capital ratio was 29% at year end 2010, which is 6 times the required level.

Stifel, Nicolaus & Company, Incorporated, our broker-dealer, currently has a net capital ratio of 31%, which is 14 times the required level.

Total capital ratio was 3.2 to 1 at year end 2010, which means we had \$1 of capital for every \$3.20 of assets.

C. Other factors, including the following:

We successfully completed the acquisition of Thomas Weisel Partners Group, Inc., which closed on July 1, 2010.

Stifel Bank's assets increased 55% to \$1.8 billion at December 31, 2010.

We repurchased 2.0 million shares throughout the year at an average price of \$46.53.

Based on the foregoing, the annual incentive compensation for 2010 performance payable in 2011 in cash, mandatory stock units, elective stock units and matched stock units for each of the named executive officers is set forth in the table below:

Name	Cash Bonus (\$)	Mandatory Stock Units (\$)	Elective Stock Units (\$)	Annual Incentive Compensation (\$)	Company Match Stock Units (\$)	Total Incentive Compensation (\$)
Ronald J. Kruszewski	3,000,000	1,000,000	-	4,000,000	250,000	4,250,000
James M. Zemlyak	1,190,000	425,000	85,000	1,700,000	127,500	1,827,500
Thomas P. Mulroy	1,875,000	625,000	-	2,500,000	156,250	2,656,250
Victor J. Nesi	2,450,000	650,000	-	3,100,000	162,500	3,262,500
Ben A. Plotkin	1,295,000	462,500	92,500	1,850,000	138,750	1,988,750

**Form of Payment.** In order to increase share ownership and to encourage retention among our named executive officers, we have historically required, pursuant to the Stifel, Nicolaus & Company, Incorporated Wealth Accumulation Plan (the "SWAP"), that a portion of each named executive officer's annual incentive compensation be paid, on a mandatory basis, in stock units valued at the fair market value of our common stock on the date of payment of each year, typically in February. For annual incentive compensation paid in 2010, we required that up to 15% of annual incentive compensation be paid in stock units. Beginning in 2011, however, we increased the percentage of annual incentive compensation required to be paid in stock units to 25%. Consequently, 25% of the annual incentive compensation paid to our named executive officers in February 2011 for 2010 performance was paid in stock units.

The stock units are issued under our 2001 Incentive Stock Plan (2008 Restatement), which was approved by our stockholders in 2008. Historically, the stock units granted as part of annual incentive compensation vested ratably over a three-year period of continued employment after the grant; provided, however, such stock units vest immediately upon death or disability or, in the case of retirement, one year after the participant retires so long as the participant complies with certain non-competition and non-solicitation requirements. Beginning in 2011, we modified the vesting schedule to require that stock units granted as part of annual incentive compensation vest ratably over a five-year period of continued employment after the grant. Stock units continue to vest immediately, however, upon death or disability or, in case of retirement, one year after the participant retires so long as the participant complies with certain non-competition and non-solicitation requirements.

Further, in order to align the requirements for vesting under the SWAP with TWPG's deferred compensation plan, the SWAP was also amended so that forfeiture of stock units would not result from an event of termination, except termination for cause, provided that the participant does not compete or violate non-solicitation provisions during the remaining term of the award. The amendments to the SWAP also add a discretionary early retirement feature for awards made after August 9, 2010.

Under the provisions of the amendments to the SWAP, future awards will continue to be subject to continued service and employment requirements, which is typically three to eight years; however, participants who wish to leave the Company and whose awards have not met the service requirements for vesting at that time, may request the approval of the applicable administrative committee to be allowed to retain those awards notwithstanding such participant's termination of employment so long as the termination is not for cause. Upon receipt of approval, the awards will continue to vest over the remaining service period provided that



the participant executes a non-compete, non-solicitation agreement, which will be effective over the remaining term of the award.

In addition to the mandatory deferrals discussed above, the named executive officer may elect to defer a portion of his cash bonus into stock units as well. The stock units that are electively deferred are immediately vested. The Company will match 25% of the value of the mandatory and elective deferrals of each named executive officer by crediting the executive with additional stock units that vest on the fifth anniversary of payment.

### **Long-Term Incentive Awards**

Long-term incentive award are intended to provide compensation opportunities for the named executive officers based upon the creation of stockholder value and an increase in our stock price. Long-term incentive awards meet the requirements of Section 162(m) of the Internal Revenue Code, but the Committee uses negative discretion to subjectively set long-term incentive awards. Long-term incentive stock unit were granted in 2010 based upon the achievement of a performance goal tied to the gross revenue of our Company for the 2009 fiscal year. Any long-term incentive stock units granted in or before 2010 vest ratably over a five-year period. However, the long-term incentive stock units granted in February 2011 vest ratably over a ten year period; provided however, that vesting will be accelerated if the Company achieves certain financial targets over the vesting period. The stock units will also vest in the event of the retirement, death or disability of the executive officer. The general policy of the Company is that vesting of stock units will not be accelerated in the event of a change in control of the Company; provided, however, that the Company has negotiated a few exceptions to this policy as set forth in the section entitled "*Discussion of Post-Employment Payments*" beginning on page 57. This Committee determination was made in order to further incentivize our executives.

In making the determination as to the long-term incentive awards to be granted to the named executive officers in 2010, the Committee considered the factors identified above with respect to the annual incentive compensation determinations for the named executive officers (beginning on page 43) in light of the Company's efforts to provide a mix of cash and equity as well as short- and long-term compensation components designed to incent employees to remain with the Company.

The stock units awarded for 2010 performance granted in February 2011 were as follows:

<b>Name</b>	<b>Dollar Value (\$) of Award at February 14, 2011<sup>(1)</sup></b>
Ronald J. Kruszewski	3,000,000
James M. Zemlyak	1,500,000
Thomas P. Mulroy	1,500,000
Victor J. Nesi	1,500,000
Ben A. Plotkin	500,000

(1) These stock units will vest ratably over a ten year period; provided, however, that vesting will be accelerated if the Company achieves certain financial targets over the vesting period.

### **Perquisites and Other Personal Benefits**

We provide executives with perquisites and other personal benefits that the Committee believes are reasonable and consistent with our overall compensation program to better enable us to attract and retain the best talent for key executive positions. The Committee periodically reviews the dollar amount of perquisites provided and may make adjustments as it deems necessary. Perquisites currently provided generally include an annual cash stipend for non-accountable expenses and personal and family travel.

### **Retirement Plans**

We sponsor a profit sharing plan, the 401(k) Plan, in which all eligible employees, including the named executive officers may participate. We match up to 50% of the first \$2,000 of each employee's contribution to the 401(k) Plan. In addition, employees, including the named executive officers, also participate in our employee stock ownership plan and trust. Employee stock ownership contributions for a particular year are based upon each individual's calendar year earnings up to a maximum prescribed by the Internal Revenue Code.

### **Health and Welfare Plans**

Full-time employees, including the named executive officers, participate in the same broad-based, market competitive health and welfare plans (including medical, prescription drug, dental, vision, life and disability insurance). These benefits are available to the named executive officers on the same basis as they are made available to all other full-time employees.

### **Employee Ownership Guidelines**

Since 1997, a major goal of the Company has been to increase the ownership of our common stock by its employees, including the named executive officers. The primary vehicle utilized to achieve this goal has been the requirement for a portion of the annual incentive compensation to be paid in stock units. This mandatory deferral is up to 25% of an employee's annual incentive compensation (25% for each named executive officer). In addition, an employee can electively defer up to 15% of his or her annual incentive

compensation. The maximum aggregate deferral for an employee, however, is 30% of his or her annual compensation. This mandatory deferral and any elective deferral into stock units are matched at the rate of 25% of the stock units so deferred.

Unlike most stock ownership rules, we do not require our named executive officers to purchase shares to meet ownership guidelines. Instead, our guidelines restrict future sale of shares if the result is that the named executive officer's ownership is below the required levels. The level of a named executive officer's stock ownership as compared with the required guidelines will also be a factor that will be considered by the Committee in making compensation determinations.

### **Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code provides that compensation in excess of \$1 million paid to the chief executive officer and the other most highly compensated executive officers of a public company will generally be non-deductible for federal income tax purposes, subject to certain exceptions. The Committee intends to structure compensation arrangements in a manner that will avoid the deduction limitations imposed by Section 162(m) in appropriate circumstances. However, the Committee believes that it is important and necessary that the Committee retain the right and flexibility to provide and revise compensation arrangements, such as base salary and cash bonus incentive opportunities, that may not qualify under Section 162(m) if, in the Committee's view, such arrangements are in our best interests and the best interests of our stockholders.

### **COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**

The responsibilities of the Compensation Committee are provided in its charter, which has been approved by our Board of Directors. In fulfilling its oversight responsibilities with respect to the Compensation Discussion and Analysis included in this Report, the Compensation Committee, among other things, has:

- o reviewed and discussed the Compensation Discussion and Analysis with management; and
- o following such review, the Compensation Committee has recommended the inclusion of such Compensation Discussion and Analysis in this proxy statement.

#### **Compensation Committee**

James M. Oates, Chairman  
Robert E. Lefton, Vice-Chairman  
Bruce A. Beda  
Charles A. Dill  
Frederick O. Hanser

\* \* \*

**EXECUTIVE COMPENSATION IN THE LAST FISCAL YEAR****Summary Compensation Table**

The following table presents summary information concerning compensation earned in the 2008, 2009 and 2010 fiscal years by our chief executive officer, our chief financial officer, and each of our three most highly compensated other executive officers for services rendered to us and our subsidiaries.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$) (1)</b>	<b>Stock Awards (\$) (2)</b>	<b>Option Awards (\$)<sup>(3)</sup></b>	<b>All Other Compensation (\$)<sup>(4)</sup></b>	<b>Total (\$)</b>
Ronald J. Kruszewski Chairman, President and Chief Executive Officer of Stifel Financial Corp. and Stifel, Nicolaus & Company, Incorporated	2010	200,000	3,000,000	1,200,000	-	76,661	4,476,661
	2009	200,000	2,720,000	1,200,000	4,087	73,719	4,197,806
	2008	200,000	2,720,000	1,375,000	-	61,493	4,356,493
James M. Zemlyak Senior Vice President, Chief Financial Officer and Treasurer of Stifel Financial Corp. and Executive Vice President and Chief Operating Officer of Stifel, Nicolaus & Company, Incorporated	2010	175,000	1,190,000	357,813	-	13,118	1,735,931
	2009	175,000	1,168,750	615,625	-	13,411	1,972,786
	2008	175,000	962,500	596,875	2,725	12,170	1,749,270
Thomas P. Mulroy Senior Vice President of Stifel Financial Corp. and Executive Vice President and Co-Director of the Institutional Group of Stifel, Nicolaus & Company, Incorporated	2010	250,000	1,875,000	1,087,500	-	12,023	3,224,523
	2009	250,000	1,470,000	900,000	-	12,236	2,632,236
	2008	250,000	1,400,000	681,250	-	12,170	2,343,420
Victor J. Nesi, Senior Vice President of Stifel Financial Corp. and Executive Vice President and Co-Director of the Institutional Group of Stifel, Nicolaus & Company, Incorporated <sup>(5)</sup>	2010	250,000	2,450,000	875,000	-	12,023	3,587,023
	2009	-	-	-	-	-	-
	2008	-	-	-	-	-	-

Name and Principal Position	Year	Salary (\$)	Bonus (\$) (1)	Stock Awards (\$) (2)	Option Awards (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)</sup>	Total (\$)
Ben A. Plotkin	2010	250,000	1,295,000	596,875	-	12,956	2,154,831
Vice Chairman and Senior Vice President of Stifel Financial Corp.	2009	250,000	1,572,500	325,000	-	13,701	2,161,201
and Executive Vice President of Stifel, Nicolaus & Company, Incorporated	2008	250,175	420,000	568,750	-	12,170	1,251,095

(1) Represents the cash bonuses paid to each named executive officer.

(2) The stock award values represent the aggregate grant date fair value during the fiscal years ended December 31, 2010, December 31, 2009, and December 31, 2008, determined in accordance with FASB ASC Topic 718. These figures include amounts related to restricted stock units granted under our 2001 Incentive Stock Plan (2008 Restatement), discussed in further detail under the "Compensation Discussion and Analysis" section, including units granted as long-term incentive awards and to match mandatory and elective deferrals. The restricted stock units are valued at the closing price of our common stock on the date of grant.

(3) The option award values represent the aggregate grant date fair values for the fiscal years ended December 31, 2010, December 31, 2009, and December 31, 2008, determined in accordance with FASB ASC Topic 718. These figures include amounts related to unvested stock option grants awarded in 1999-2004 under our 2001 Incentive Stock Plan (2008 Restatement), discussed in further detail in the "Compensation Discussion and Analysis" section of this proxy statement. For further information, please see Note 21 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

(4) All Other Compensation for 2010 includes the following aggregate perquisites:

Name	Non-Accountable Expense Allowance (\$)	Contribution to Employee Stock Ownership Plan (\$)	Contribution to Profit Sharing 401(k) Plan (\$)	Personal and Family Transportation (\$)	Medical Reimbursement (\$)	Life Insurance (\$)	Total Benefits (\$)
Ronald J. Kruszewski	25,000	1,023	1,000	44,610 <sup>(y)</sup>	1,512	3,516	76,661
James M. Zemlyak	10,000	1,023	1,000	1,095 <sup>(x)</sup>	-	-	13,118
Thomas P. Mulroy	10,000	1,023	1,000	-	-	-	12,023
Victor J. Nesi	10,000	1,023	1,000	-	-	-	12,023

<b>Name</b>	<b>Non-Accountable Expense Allowance (\$)</b>	<b>Contribution to Employee Stock Ownership Plan (\$)</b>	<b>Contribution to Profit Sharing 401(k) Plan (\$)</b>	<b>Personal and Family Transportation (\$)</b>	<b>Medical Reimbursement (\$)</b>	<b>Life Insurance (\$)</b>	<b>Total Benefits (\$)</b>
Ben A. Plotkin	10,000	1,023	1,000	933 <sup>(z)</sup>	-	-	12,956

(y) Reflects personal use of Company-owned aircraft. The value was calculated for 2010 based on the incremental cost of personal travel, including: landing, parking and flight planning expenses; crew travel expenses; supplies and catering; aircraft fuel and oil expenses per hour of flight; maintenance, parts and external labor per hour of flight; and customs, foreign permits and similar fees; but does not include the fixed costs of owning or operating the aircraft.

(z) Consists of the incremental cost of spousal travel, meals, and other related amenities when the spouse accompanied the named executive officer on Company or industry-related events.

(5) Mr. Nesi joined the Company in July 2009.

**Grants of Plan-Based Awards**

The following table sets forth information concerning grants of plan-based awards earned during the fiscal year ended December 31, 2010 for the named executive officers. The share information set forth in the table and the corresponding footnotes has been adjusted as a result of the Company's fifty percent (50%) stock dividend in the form of a three-for-two stock split, distributed on April 5, 2011 to stockholders of record on March 22, 2011.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units (#) <sup>(1)</sup>	All Other Option Awards: Number of Securities Under-lying Options (#)	Exercise or Base Price of Awards (\$/Sh)	Grant Date Fair Value (\$) <sup>(2)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Ronald J. Kruszewski		-	-	-	-	-	-	36,051	-	-	1,200,000
James M. Zemlyak		-	-	-	-	-	-	10,748	-	-	357,813
Thomas P. Mulroy		-	-	-	-	-	-	32,668	-	-	1,087,500
Victor J. Nesi		-	-	-	-	-	-	26,287	-	-	875,000
Ben A. Plotkin		-	-	-	-	-	-	17,930	-	-	596,875

<sup>(1)</sup> Represents the total number of stock units allocated to each named executive officer during the 2010 fiscal year. The stock units granted were part of the named executive officers' annual and long-term incentive compensation, see pages 42 through 47 above. The components of the total stock unit awards and associated fair values are set forth below.

Stock Unit Awards and Grant Date Fair Value under FASB ASC Topic 718			
Name	Asset Category	Units (#)	Grant Date Fair Value (\$)
Ronald J. Kruszewski	Mandatory Deferral	14,420	480,000
	Company Match	3,605	120,000
	Long Term Incentive	18,026	600,000
	Total	36,051	1,200,000
James M. Zemlyak	Mandatory Deferral	6,195	206,250
	Company Match	1,548	51,563
	Long Term Incentive	3,005	100,000
	Total	10,748	357,813
Thomas P. Mulroy	Mandatory Deferral	9,462	315,000
	Elective Deferral	9,462	315,000
	Company Match	4,732	157,500
	Long Term Incentive	9,012	300,000
	Total	32,668	1,087,500
Victor J. Nesi	Mandatory Deferral	4,506	150,000
	Elective Deferral	4,506	150,000
	Company Match	2,254	75,000
	Long Term Incentive	15,021	500,000
	Total	26,287	875,000
Ben A. Plotkin	Mandatory Deferral	8,336	277,500
	Elective Deferral	2,083	69,375
	Company Match	7,511	250,000
	Total	17,930	596,875

(2) The grant date fair values are calculated in accordance with FASB ASC Topic 718.

#### Additional Information About the Compensation Paid to the Named Executive Officers in 2010

We entered into an employment agreement with Ronald J. Kruszewski as of September 25, 1997. Under the employment agreement, Mr. Kruszewski receives an annual salary of at least \$200,000 and he is eligible to participate in the executive bonus pool and in all other employee benefits we provide to senior executive officers.

We entered into an employment agreement with James M. Zemlyak on February 1, 1999, which provides for the employment of Mr. Zemlyak at a base salary of at least \$175,000 per annum and he is eligible to participate in all other employee benefits we provide to senior executive officers.

We entered into an employment agreement with Thomas P. Mulroy on August 16, 2005 which provides for his employment at a base salary of at least \$250,000 per annum and he is eligible to participate in all other employee benefits we provide to senior executive officers.

We entered into an employment agreement with Victor J. Nesi on June 25, 2009, which provides for his employment at a base salary of at least \$250,000 per annum and he is eligible to participate in all other employee benefits we provide to senior executive officers.



Pursuant to the SWAP, participants in the plan receive and are required to defer a portion of their annual incentive compensation. For incentive compensation received in 2010, the mandatory deferral is up to 15% of each participant's annual incentive compensation. In addition, each participant can electively defer up to an additional 15% of their annual compensation. The maximum amount of incentive compensation earned during a year that can be issued in stock units is 30%. This mandatory deferral and any elective deferral into stock units are matched at the rate of 25% of the stock units to be deferred. All stock units are issued to participants based upon the fair market value of our common stock on the date of issuance. Stock units received on a mandatory basis or pursuant to the 25% match in 2010 vest ratably over a three-year period of continued employment following the date of issuance. Vesting based on continued employment may be eliminated, however, upon a termination without cause if the holder of the award refrains from engaging in a competitive activity or a soliciting activity prior to the relevant vesting date of such award. Stock units that the participant elects to receive are fully vested on the date of issuance. For additional information on modifications to the SWAP effective for any deferrals made after August 9, 2010, see the section entitled "Annual Incentive Compensation" beginning on page 42.

### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning the number of exercisable and unexercisable stock options and stock awards at December 31, 2010 held by the individuals named in the Summary Compensation Table. The information set forth in the table and the corresponding footnotes has been adjusted as a result of the Company's fifty percent (50%) stock dividend in the form of a three-for-two stock split, distributed on April 5, 2011 to stockholders of record on March 22, 2011.

Name	Option Awards					Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$) <sup>(1)</sup>	Option Expiration Date <sup>(2)</sup>	Number of Stock Units That Have Not Vested (#) <sup>(3)</sup>	Market Value of Stock Units That Have Not Vested (\$) <sup>(4)</sup>
Ronald J. Kruszewski	119,999	-	-	\$3.47	1/2/2012	178,581	7,386,111
	90,000	-	-	\$3.86	2/10/2013	-	-
James M. Zemlyak	60,000	-	-	\$3.47	1/2/2012	48,831	2,019,650
	60,000	-	-	\$3.86	2/10/2013	-	-
Thomas P. Mulroy	-	-	-	-	-	53,909	2,229,676
Victor J. Nesi	-	-	-	-	-	151,058	6,247,759
Ben A. Plotkin	-	-	-	-	-	40,368	1,669,620

<sup>(1)</sup>The option exercise price is the market price on the day of grant, adjusted for the above referenced three-for-two stock split.

(2) The options expire 10 years after the date of grant.

(3) These units vest over a three to five year period. In addition to the amounts listed, as of December 31, 2010, based on our common stock closing stock price at year-end of \$41.36, adjusted for the above referenced three-for-two stock split, Mr. Kruszewski held 214,179 units, which were fully vested and were valued at \$8,858,443; Mr. Zemlyak held 48,974 units, which were fully vested and were valued at \$2,025,565; Mr. Mulroy held 52,241 units, which were fully vested and were valued at \$2,160,688; Mr. Nesi held 18,561 units, which were fully vested and were valued at \$767,683; and Mr. Plotkin held 21,146 units, which were fully vested and were valued at 874,599.

(4) Based on the closing price of \$41.36 per share of our common stock on December 31, 2010, adjusted for the above referenced three-for-two stock split.

### Options Exercised and Stock Units Converted

The following table sets forth information concerning amounts received or realized upon exercise of options or similar instruments, and the vesting of stock or similar instruments, by the named executive officers as of December 31, 2010.

The information set forth in the table and the corresponding footnote has been adjusted as a result of the Company's fifty percent (50%) stock dividend in the form of a three-for-two stock split, distributed on April 5, 2011 to stockholders of record on March 22, 2011.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting/Conversion (#)	Value Realized on Vesting/Conversion (\$) <sup>(1)</sup>
Ronald J. Kruszewski	41,249	1,559,193	76,880	2,813,277
James M. Zemlyak	71,999	2,552,377	19,868	727,018
Thomas P. Mulroy	-	-	9,441	345,478
Victor J. Nesi	-	-	6,668	243,986
Ben A. Plotkin	-	-	13,188	390,795

(1) Executives are given the option to surrender shares of Company common stock to pay option exercise prices. With respect to stock awards, these figures represent the dollar value of gross units converted into our common stock by the named executive officers. Executives realize ordinary income and have a resulting tax liability equal to the current market price value of the shares received when vested stock units are converted into common stock. As a result, executives are given the ability to surrender shares in order to pay tax liabilities. During 2010, Messrs. Kruszewski and Zemlyak surrendered 2,432 shares and 3,126 respectively, as payment for option exercise prices and tax liabilities. Shares surrendered are valued at fair market value on the date of exercise or date of conversion.

**Post-Retirement Benefits**

**Nonqualified Deferred Compensation.** The following table sets forth information concerning contributions, earnings, and balances under nonqualified deferred contribution plans for the named executive officers:

Name	Aggregate Balance at Beginning of Year (\$)	Executive Contribution in Last FY (\$) <sup>(1)</sup>	Registrant Contributions in Last FY (\$) <sup>(2)</sup>	Aggregate Earnings in Last FY (\$) <sup>(3)</sup>	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE (\$) <sup>(4)</sup>
Ronald J. Kruszewski	17,123,914	480,000	719,991	733,926	(2,813,277)	16,244,554
James M. Zemlyak	4,222,805	206,250	151,538	191,619	(727,018)	4,045,194
Thomas P. Mulroy	3,274,906	630,000	457,458	373,437	(345,478)	4,390,323
Victor J. Nesi	5,924,000	300,000	574,994	460,413	(243,986)	7,015,421
Ben A. Plotkin	2,242,175	277,500	319,303	95,936	(390,716)	2,544,198

<sup>(1)</sup> The amounts listed in this column are included within the "Stock Awards" column of the Company's Summary Compensation Table for each named executive officer.

<sup>(2)</sup> The Company's matching contribution to the named executive officers was awarded in the form of Company common stock, the value of which has been included within the "Stock Awards" column of the Company's Summary Compensation Table for each named executive officer.

<sup>(3)</sup> The earnings listed in this column have not been included in the Company's Summary Compensation Table because these earnings were not above-market.

<sup>(4)</sup> Amounts reported in this column for each named executive officer include the amounts of bonus and Company's matching contributions from prior years that were reported in the Company's Summary Compensation Table for those years. For the value of the unvested stock units, refer to the Outstanding Equity Awards table (see pages 54 and 55).

In 2010, as provided above, our executives were required to defer 15% of their bonuses pursuant to the SWAP. In addition, each executive can elect to defer up to an additional 15% percent of his bonus. Our Company matched 25% of the combined value of the mandatory and elective deferrals by each executive, the value of which is presented above for the last fiscal year.

**Discussion of Post-Employment Payments**

**Annual and Long-Term Incentive Awards.** The annual and long-term incentive awards made to the named executive officers vest upon the death, disability or retirement of the executive officer. Additionally, pursuant to Mr. Mulroy's employment agreement, which is described below, any stock awarded to Mr. Mulroy pursuant to an award agreement provides for full vesting upon a change in control of our Company. Further, Mr. Nesi's employment agreement, which is also described below, provides for full vesting upon a change in control of our Company of the unvested portion of the restricted stock units initially granted to him when he joined the Company. Assuming any of these events had occurred at December 31, 2010, the named executive officer would have received full vesting of some or all of their outstanding units and these units would have been converted into common stock as set forth in the following table. The information set forth in the table and the corresponding footnote has been adjusted as a result of the Company's fifty percent (50%) stock dividend in the form of a three-for-two stock split, distributed on April 5, 2011 to stockholders of record on March 22, 2011.

Name	Number of Shares Acquired if Vesting upon a Change in Control (#)	Value Realized if Vesting upon a Change in Control (\$) <sup>(1)</sup>	Number of Shares Acquired if Vesting upon Death, Disability or Retirement (#)	Value Realized if Vesting upon Death, Disability or Retirement (\$) <sup>(1)</sup>
Ronald J. Kruszewski	-	-	178,581	7,386,110
James M. Zemlyak	-	-	48,831	2,019,650
Thomas P. Mulroy	53,909	2,229,676	53,909	2,229,676
Victor J. Nesi	35,527	1,469,397	151,058	6,247,759
Ben A. Plotkin	-	-	40,368	1,669,620

<sup>(1)</sup> Based on a closing stock price at December 31, 2010 of our common stock of \$41.36, adjusted for the above referenced three-for-two stock split.

The stock units granted to the named executive officers are subject to forfeiture prior to vesting if the named executive officer is terminated for cause, as set forth in more detail in the SWAP.

***Certain Employment Agreement Provisions.***

Agreement with Thomas P. Mulroy: Mr. Mulroy is subject to non-compete, non-solicit, and confidentiality provisions pursuant to a merger related employment agreement dated August 16, 2005 entered into by the Company with Mr. Mulroy in connection with the Company's acquisition of Legg Mason Capital Markets Group in December 2005. Mr. Mulroy's agreement provides that, during the time of his employment with our Company, he cannot directly or indirectly compete, assist in or provide financial resources to any activity which competes with our Company in the financial services industry. Mr. Mulroy employment agreement provides that during his employment with the Company and for a period six months thereafter, he is prohibited from soliciting any person who is or was a Stifel employee or a third party consultant or advisor

during the preceding six months to be employed by or perform services for another party in any capacity, and from interfering with any contractual relationship that Stifel may have with any such party. The agreement also prohibits Mr. Mulroy from disclosing any non-public information learned or obtained during the period of their employment with the Company.

In addition to the above, pursuant Mr. Mulroy's employment agreement, in the event of his death or physical disability, Mr. Mulroy or his estate shall receive regular compensation and benefits from our Company through the end of the month in which the death or disability occurred, as well as any applicable bonus or other benefits to which the applicable executive was entitled. For these purposes, the employment agreement defines physical disability as "by reason of physical condition, the employee has been or shall be unable to perform a material portion of the services required for a continuous ninety (90) day period (successive periods of disability not separated by a two week disability-free period shall be deemed for this purpose to constitute, in the aggregate, a continuous period of disability)." In addition, the then-current year's stock units and any "matching" stock awarded to Mr. Mulroy shall fully vest in the event of such death or physical disability.

In the event of a change in control of our Company, any stock awarded to Mr. Mulroy pursuant to an award agreement shall fully vest (see above table).

Agreement with Victor J. Nesi: Mr. Nesi is subject to non-solicit and confidentiality provisions pursuant to an employment agreement with the Company dated June 25, 2009. Mr. Nesi's agreement provides that, for a period of nine months from the date that Mr. Nesi gives notice of his intent to resign from his employment, he is prohibited from soliciting any person who is or was a Stifel employee or a third party consultant or advisor during the preceding six months from the date of Mr. Nesi's termination of employment to be employed by or perform services for another party in any capacity, and from interfering with any contractual or client relationship that Stifel may have with any such party. The agreement also prohibits Mr. Nesi from disclosing any non-public information learned or obtained during the period of their employment with the Company.

The agreement also provides that any unvested portion of restricted stock units granted to Mr. Nesi in connection with his initial employment with the Company shall immediately vest and be distributed in the event of his death, disability, involuntary termination of employment in accordance with the SWAP, change in control, a termination of employment for any reason other than a "good cause event" or resignation for "good reason." A "good cause event" includes (i) a good faith determination by the Board that a fraud, misappropriation, embezzlement or theft against the Company has occurred, (ii) a felony conviction, or (iii) a good faith determination by the Board that the executive was grossly negligent in carrying out, or unreasonably refused to carry out, his employment duties. "Good reason" is defined as (i) the assignment of duties inconsistent in any material respect with the executive's current status, offices, titles and reporting requirements, authority, duties or responsibilities or a material diminution in the same, (ii) any failure by the Company to provide compensation and benefits to which the executive is entitled under any agreement or benefit plan or compensation practices generally applicable to senior executives, or (iii) the Company requires the executive to be based in a location that is more than 50 miles from New York, New York.

**PROPOSAL II - APPROVAL OF STIFEL FINANCIAL CORPORATION 2001 INCENTIVE STOCK PLAN (2011 RESTATEMENT)**

At the annual meeting, our stockholders will be asked to approve an amendment and restatement to our 2001 Incentive Stock Plan, previously approved by our stockholders in 2000 and as amended in 2005 and 2008, including an amendment to increase the number of shares available for issuance under the plan. As of April 6, 2011, there were 3,758,804 remaining shares available for general issuance under the 2001 Incentive Stock Plan (prior to the effectiveness of the amendments being requested hereto if approved by our stockholders) and no shares remaining available for issuance under the automatic increase provision of the plan, which shares were limited to be issued as Stock Units (as defined below) in lieu of cash compensation that would otherwise have been paid currently to the participant where the value of the shares of common stock underlying such Stock Units, determined as of the date of grant, did not exceed the amount of such cash by more than 25%.

Since 2008, the Company has increased its number of employees by 46%. As a result of this growth and to allow us the ability to grant incentive awards as part of a competitive compensation program, the Board of Directors believes that it is necessary to increase the number of shares available under this plan to ensure that there are sufficient shares to issue awards to attract, incent and retain the Company's employees. The Compensation Committee believes that the granting of equity awards to new hires and executives has been an effective compensation tool.

On April 13, 2011, the Board of Directors adopted, subject to the approval of the stockholders of the Company, the 2001 Incentive Stock Plan (2011 Restatement) (the "Amended Incentive Stock Plan").

The Board of Directors believes that the Amended Incentive Stock Plan will advance the interests of the Company and the stockholders by encouraging key employees of the Company and its subsidiaries to acquire shares of our common stock or to receive monetary payments based on the value of our common stock or based upon achieving certain goals that are mutually advantageous to the Company and its stockholders, on the one hand, and the participating employees, on the other.

**Description of the Amended Incentive Stock Plan**

The complete text of the Amended Incentive Stock Plan is set forth in Annex A to this proxy statement. The following summary of the Amended Incentive Stock Plan is subject to the provisions contained in the complete text.

Shares Reserved under the Plan

The total number of shares of common stock reserved for issuance under the Amended Incentive Plan is 20,625,000 (including 14,625,000 shares previously authorized (adjusted for stock dividends to date)), an increase of 6,000,000 shares under the current amendment. These shares may be authorized but unissued or treasury shares including shares reacquired by the Company through open market purchases or in private transactions. The number of shares authorized for issuance under the Amended Incentive Stock Plan is subject to adjustment in the event of any change in the outstanding shares of common stock by reason of a stock dividend or stock split or resulting from a reorganization, sale, merger or similar such transaction. In addition to the 20,625,000 shares of common stock, which may be generally awarded under the Amended

Incentive Stock Plan, for each calendar year in the seven-year period commencing January 1, 2012, the number of shares reserved for issuance under the plan shall automatically increase by an additional 1,125,000 shares; provided that, such additional shares may be applied only for the grant of Stock Units pursuant to the plan in lieu of cash compensation that would otherwise have been paid currently to the participant where the value of the shares of common stock underlying such Stock Units, determined as of the date of grant, does not exceed the amount of such cash by more than 25%.

#### Administration

The plan will be administered by either the Board of Directors or the Compensation Committee (the "Administrator"). The Administrator, or any member of the Compensation Committee upon a specific recommendation from the Executive Committee of Stifel, Nicolaus & Company, Incorporated, is authorized to determine the individuals to whom the benefits will be granted, the type and amount of such benefits and the terms and conditions of the benefit grants. The Administrator shall have the exclusive authority to interpret and administer the plan, to establish rules relating to the Amended Incentive Stock Plan, to delegate some or all of its authority under the Amended Incentive Stock Plan and to take such other steps and make such other determinations as it may deem necessary or advisable.

#### Eligibility and Description of Awards

Under the terms of the Amended Incentive Stock Plan, employees of the Company and its subsidiaries as determined in the sole discretion of the Administrator will be eligible to receive (a) stock appreciation rights ("SARs"), (b) restricted shares of common stock ("Restricted Stock"), (c) performance awards ("Performance Awards"), (d) stock options ("Stock Options") exercisable into shares of common stock which may or may not qualify as incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986 (options so qualifying are hereinafter referred to as "Incentive Stock Options") and (e) stock units ("Stock Units").

#### Stock Appreciation Rights

The Administrator may grant SARs giving the holder thereof a right to receive, at the time of surrender, a payment equal to the difference between the fair market value of such stock on the date of surrender of the SAR and the exercise price of the SAR established by the Administrator at the time of grant, subject to any limitation imposed by the Administrator in its sole discretion. In the Administrator's discretion, the value of a SAR may be paid in cash or common stock, or a combination thereof. A SAR may be granted either independent of, or in conjunction with, any Stock Option. If granted in conjunction with a Stock Option, at the discretion of the Administrator, a SAR may either be surrendered (a) in lieu of the exercise of such Stock Option, (b) in conjunction with the exercise of such Stock Option, or (c) upon expiration of such Stock Option. The term of any SAR shall be established by the Administrator, but in no event shall a SAR be exercisable after ten years from the date of grant.

#### Restricted Stock

The Administrator may issue shares of common stock either as a stock bonus or at a purchase price of less than fair market value, subject to the restrictions or conditions specified by the Administrator at the time of

grant. During the period of restriction, holders of Restricted Stock shall be entitled to receive all dividends and other distributions made in respect of such stock and to vote such stock without limitation.

#### Performance Awards

The Administrator may grant Performance Awards consisting of shares of our common stock, monetary units payable in cash or a combination thereof. These grants would result in the issuance, without payment therefor, of common stock or the payment of cash upon the achievement of certain pre-established performance goals established by the Administrator over a period of time not to exceed five years. Performance goals may include return on average total capital employed, earnings per share or increases in share price. The participating employee will have no right to receive dividends on or to vote any shares subject to Performance Awards until the goals are achieved and the shares are issued.

#### Stock Options

Stock Options granted under the Amended Incentive Stock Plan shall entitle the holder to purchase our common stock at a purchase price established by the Administrator, which price shall not be less than the fair market value of our common stock on the date of grant in the case of Incentive Stock Options and at any price determined by the Administrator in the case of all other options. The Administrator shall determine the term of such Stock Options and the times at, and conditions under which, such Stock Options will become exercisable. Stock Options will generally not be exercisable after ten years from the date of the grant.

There is no maximum or minimum number of shares for which a Stock Option may be granted; however, for any employee, the aggregate fair market value of common stock subject to qualifying Incentive Stock Options that are exercisable for the first time in any calendar year of the Company may not exceed \$100,000 under all options plans.

#### Stock Units

The Administrator may issue Stock Units representing the right to receive shares of our common stock at a designated time in the future, subject to the terms and conditions as established by the Administrator in its sole discretion. A holder of Stock Units generally does not have the rights of a stockholder until receipt of the common stock, but, in the Administrator's sole discretion, may receive payments in cash or adjustments in the number of Stock Units equivalent to the dividends the holder would have received if the holder had been the owner of shares of common stock instead of Stock Units.

#### Change in Control

In the event of a "Change in Control" (as defined in the Amended Incentive Stock Plan) of the Company, the vesting of all outstanding SRS, shares of Restricted Stock, Stock Options and Stock Units shall be accelerated only to the extent set forth in the applicable agreement established by the Administrator.

#### Duration and Termination of Plan

No awards shall be granted after April 28, 2018. The Board may terminate the Amended Incentive Stock Plan at any time and from time to time may amend or modify the Amended Incentive Stock Plan; provided,



however, that no such action of the Board may, without the approval of the stockholders of the Company: (a) increase the total amount of stock or the amount or type of benefit that may be issued under the Amended Incentive Stock Plan; and (b) modify the requirements as to eligibility for benefits. Additionally, the Board may not reduce the amount of any existing benefit or change the terms or conditions thereof without the participating employee's consent. Finally, the Board may not, without the approval of the stockholders, effect a "repricing" (as defined in the Amended Incentive Stock Plan) of any stock options or other benefits granted under the terms of the Amended Incentive Stock Plan.

#### Federal Income Tax Consequences

No income will be realized by a participating employee on the grant of an Incentive Stock Option or a Stock Option which is not an incentive stock option ("non-qualified option"), the grant of a SAR, the award of Restricted Stock or the award of Stock Units, and the Company will not be entitled to a deduction at such time. If a holder exercises an Incentive Stock Option and does not dispose of the shares acquired within two years from the date of the grant, or within one year from the date of exercise of the option, no income will be realized by the holder at the time of exercise. The Company will not be entitled to a deduction by reason of the exercise. If a holder disposes of the shares acquired pursuant to an Incentive Stock Option within two years from the date of grant of the option or within one year from the date of exercise of the option, the holder will realize ordinary income at the time of disposition equal to the excess, if any, of the lesser of (a) the amount realized on the disposition or (b) the fair market value of the shares on the date of exercise, over the holder's basis in the shares. The Company generally will be entitled to a deduction in an amount equal to such income in the year of the disqualifying disposition.

Upon the exercise of a non-qualified Stock Option or the surrender of a SAR, the excess, if any, of the fair market value of the stock on the date of exercise over the purchase price or base price, as the case may be, is ordinary income to the holder as of the date of exercise. The Company generally will be entitled to a deduction equal to such excess amount in the year of exercise.

Subject to a voluntary election by the holder under Section 83(b) of the Internal Revenue Code of 1986, a holder will realize income as a result of the award of Restricted Stock at the time the restrictions expire on such shares. An election pursuant to Section 83(b) of the Code would have the effect of causing the holder to realize income in the year in which such award was granted. The amount of income realized will be the difference between the fair market value of the shares on the date such restrictions expire (or on the date of issuance of the shares, in the event of a Section 83(b) election) over the purchase price, if any, of such shares. The Company generally will be entitled to a deduction equal to the income realized in the year in which the holder is required to report such income.

An employee will realize income as a result of a Performance Award at the time the award is issued or paid. The amount of income realized by the participant will be equal to the fair market value of the shares on the date of issuance, in the case of a stock award, and to the amount of the cash paid, in the event of a cash award. The Company will be entitled to a corresponding deduction equal to the income realized in the year of such issuance or payment.

An employee will realize income as a result of an award of Stock Units at the time shares of common stock are issued in an amount equal to the fair market value of such shares at that time. The Company will be entitled to a corresponding deduction equal to the income realized in the year of such issuance.

As to the participating employee, acceleration of income, additional taxes and interest apply to nonqualified deferred compensation that is not exempt from, or compliant with, Section 409A of the Internal Revenue Code. It is intended that awards granted under the Amended Incentive Stock Plan will be exempt from, or compliant with, Section 409A and any regulations or guidance that may be adopted thereunder from time to time.

Vote Required to Approve the 2001 Incentive Stock Plan (2011 Restatement)

The affirmative vote of a majority of the votes present at the meeting in person or by proxy is required to approve the 2001 Incentive Stock Plan (2011 Restatement); provided that the number of votes cast on the proposal constitutes more than 50% of the shares entitled to vote on the proposal.

**We recommend a vote "FOR" the approval of the Stifel Financial Corp. 2001 Incentive Stock Plan (2011 Restatement).**

**PROPOSAL III - ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION**

We are seeking an advisory vote from our stockholders to approve the compensation of our named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K (including in the Compensation and Discussion Analysis section ("CD&A"), compensation tables and accompanying narrative disclosures). Item 402 of Regulation S-K is the SEC regulation that sets forth what companies must include in their CD&A and compensation tables. The Compensation Committee values the opinions expressed by our stockholders and will carefully consider the outcome of the vote when making future compensation decisions for our named executive officers.

As discussed in the CD&A, our Compensation Committee has adopted an executive compensation system that is designed to reward superior corporate performance annually and over the long term, as measured by increasing stockholder value.

You have the opportunity to vote "FOR," "AGAINST" or "ABSTAIN" on the following advisory resolution relating to compensation of our named executive officers.

"Resolved, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in this Proxy Statement, is hereby approved."

In deciding how to vote on this proposal, you are encouraged to consider the description of the Compensation Committee's executive compensation philosophy and its decisions in the CD&A section of this proxy statement, as well as the following items:

The base salaries of our named executive officers are low relative to peer executives at competitive companies and are not increased from year to year.

We believe in pay-for-performance. A large portion of our compensation program, which is also designed to assure that our executive officer's establish and maintain a significant amount of stock ownership in the Company over time, is equity based. We believe meaningful stock ownership in the Company by our executives aligns the interests of our management with those of our stockholders and incentivizes our executive officers to focus on the creation of stockholder value. As shown in the table below, the total compensation for the named executive officers that was equity based ranged from 21% to 34%.

<b>Named Executive Officer</b>	<b>2010 Equity-Based Compensation</b>	<b>2010 Total Compensation</b>	<b>Percentage of 2010 Total Compensation Attributable to Equity</b>
Ronald J. Kruszewski	\$ 1,200,000	\$ 4,476,661	27%
James M. Zemlyak	\$ 357,813	\$ 1,735,931	21%
Thomas P. Mulroy	\$ 1,087,500	\$ 3,224,523	34%
Victor J. Nesi	\$ 875,000	\$ 3,587,023	24%
Ben A. Plotkin	\$ 596,875	\$ 2,154,831	28%

Our Compensation Committee, which consists of all independent directors, utilizes complete discretion in setting incentive compensation for the named executive officers. No Company or individual performance targets or other quantitative formulas are utilized by the Compensation Committee in the setting of awards. Instead, the Compensation Committee reviews Company performance and the individual performance evaluations after the fact in order to determine incentive compensation.

None of the employment agreements with our executive officers contain provisions providing for payment upon a change in control, other than vesting of previously granted equity awards.

For 2010, net revenues increased 27% compared to 2009 to \$1.4 billion, which represented our 15th consecutive annual increase in net revenues.

Core net income, which excludes expenses associated with the modification of the Company's deferred compensation plan and merger-related expenses, increased 65% to a record \$124.8 million, or \$3.24 per diluted share.

Our market capitalization increased 29% to \$2.5 billion at December 31, 2010.

We successfully completed the acquisition of Thomas Weisel Partners Group, Inc., which closed on July 1, 2010.

For all of these reasons, we believe our executive compensation program is well-designed, appropriately aligns executive pay with Company performance, and attracts, motivates and retains individuals whose interests are aligned with those of our stockholders.

Vote required with respect to the approval of the advisory resolution relating to executive compensation

The affirmative vote of a majority of the votes present at the meeting in person or by proxy is required for approval of the advisory resolution relating to executive compensation.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices as described in this proxy statement.

**We recommend that you vote "FOR" approval of the advisory resolution on executive compensation.**

**PROPOSAL IV - ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION**

We are seeking a vote, on an advisory basis, from our stockholders as to whether an advisory vote on executive compensation should occur every one, two or three years.

After careful consideration of this agenda item, the Board has determined that an advisory vote on executive compensation every three years is the best approach for the Company, based on a number of considerations, including the following:

Company performance should be evaluated by stockholders using a long-term approach. Our compensation program emphasizes long-term goals and our Compensation Committee, in considering executive performance, gives significant weight to long-term results, including growth and business trends. For example, a large portion of our executive's compensation is in the form of long-term equity awards that vest in three to five year cycles.

An annual advisory vote may lead to an over-emphasis on short-term developments, good and bad, that does not encourage the stockholders to engage in the long-term analysis that we believe appropriate.

The Board believes that a three-year advisory vote schedule permits stockholders sufficient time to review and draw conclusions on significant executive compensation issues and performance trends.

A three-year schedule would provide investors sufficient time to evaluate the effectiveness of both short- and long-term compensation strategies and related business outcomes of the Company.

Stockholders have the opportunity, and have taken the opportunity, to communicate with us throughout the year on their concerns, including concerns regarding executive compensation. We will continue to offer our stockholders that opportunity. The formality of a vote on our compensation practices every year should not be necessary.

While the results of voting on this item are advisory, the Board values the opinions of our stockholders and will take the results of the vote into account when determining the frequency of an advisory vote on executive compensation.

Vote required to provide a recommendation as to the frequency of future advisory votes on executive compensation

The alternative on the frequency of future advisory votes on executive compensation that receives the greatest number of votes (every one, two or three years) will be considered our stockholders' recommendation on the frequency issue.

You may cast your vote by specifying one of following four options: "Every One Year," "Every Two Years," "Every Three Years" or "Abstain." You are not voting to approve or disapprove the Board's recommendation.

**The Board of Directors recommends stockholders vote EVERY THREE YEARS on the advisory vote on the frequency of future advisory votes on executive compensation.**

**PROPOSAL V - RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee approved on February 7, 2011 the re-appointment of Ernst & Young LLP ("E&Y") as the Company's independent registered accounting firm for the year ending December 31, 2011. In deciding to select E&Y, the Audit Committee reviewed auditor independence issues and existing commercial relationships with E&Y and concluded that E&Y has no commercial relationship with the Company that would impair its independence.

Proposal V requests ratification of the Audit Committee's appointment of E&Y as our independent registered public accounting firm for the fiscal year ending December 31, 2011. Although advisory only because the Audit Committee is required under the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the SEC to have the responsibility for the appointment of our independent registered public accounting firm, this proposal is put before you in order to seek your views on this important corporate matter. If you do not ratify the appointment, the Audit Committee will take the matter under advisement. A resolution will be presented at the meeting to ratify the appointment of E&Y.

The following table sets forth the aggregate fees for professional audit services rendered by E&Y, our current independent registered public accounting firm, for the audit of our annual financial statements, and fees for other services rendered by E&Y for the fiscal years ended December 31, 2010 and 2009:

Type of fee	Fiscal Year Ended December 31,	
	2010	2009
Audit Fees <sup>(1)</sup>	\$1,633,122	\$ 1,032,259
Audit-Related Fees <sup>(2)</sup>	212,000	—
Tax Fees <sup>(3)</sup>	276,210	206,611
All Other Fees <sup>(4)</sup>	13,670	5,595
Total	\$2,135,002	\$ 1,244,465

- (1) Audit Fees include fees for professional services rendered for the audits of our annual consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting, including associated out-of-pocket expenses, reviews of unaudited quarterly financial statements and services that are normally provided by independent auditors in connection with statutory and regulatory filings.
- (2) Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. Specifically, the services provided for 2010 included services relating to acquisition due diligence, security custody surprise audit count, and the issuance of an independent auditor's report on controls placed in operation and tests of operating effectiveness.
- (3) Tax Fees include fees for services principally related to the review of Company-prepared calculations, preparation of related federal and state tax returns, and acquisition-related tax research and consultation.
- (4) All Other Fees include an annual license fee for access to E&Y's web-based accounting research tool and investment banking accounting consultation.

Our Audit Committee has established a policy requiring the approval of all audit engagement fees and terms and the pre-approval of all non-audit services provided to us by our registered public accounting firm. The policy prohibits the Audit Committee from delegating to management the Audit Committee's responsibility to pre-approve permitted services of our independent registered public accounting firm.

We have been advised that a representative of E&Y will be present at the meeting with an opportunity to make a statement if such representative desires and will be available to respond to questions of the stockholders.

Vote Required to Ratify the Appointment of E&Y as our independent registered public accounting firm for 2011

The affirmative vote of a majority of the votes present at the meeting in person or by proxy is required to ratify the appointment of E&Y as our independent registered public accounting firm for 2011.

**We recommend a vote "FOR" ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for 2011.**

## REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors oversees our financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. The Audit Committee operates pursuant to a written charter which was approved and adopted by the Board of Directors. Our Board of Directors has determined that each of the members of the Audit Committee is independent within the meaning of the listing standards of the SEC and the NYSE. Our independent registered public accounting firm for the year ended December 31, 2010, Ernst & Young LLP, was responsible for expressing an opinion on the conformity of our audited financial statements to generally accepted accounting principles in the United States of America. Our Board of Directors has determined that Bruce A. Beda meets the SEC's requirements for and has designated him as, the "Audit Committee Financial Expert." Mr. Beda and all other directors serving on the Audit Committee qualify as "independent" Audit Committee members, as defined by NYSE listing standards and SEC rules.

In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in our Annual Report on Form 10-K with management. In connection with its review of our financial statements, the Audit Committee discussed with management the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss their evaluations of our internal controls and the overall quality of our financial reporting. The Audit Committee reviewed with the independent registered public accounting firm the acceptability of our accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards, including, but not limited to, those matters under Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards). The Audit Committee has received from the independent registered public accounting firm the written disclosure and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). In connection with this disclosure, the Audit Committee has discussed with the independent registered public accounting firm the accountants' independence from management and us, including matters in the written disclosures pursuant to Rule 3526 of the Public Company Accounting Oversight Board Communicating with Audit Committees Concerning Independence, and considered the compatibility of non-audit services with the accountants' independence. The Audit Committee also reviews the internal audit department's organization, responsibilities, budget and staffing. The Audit Committee reviewed with both the independent registered public accounting firm and the internal auditors their audit plans, audit scope, identification of audit risks and the results of the audit examinations.

Management is responsible for our financial reporting process, including our system of internal control, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States of America. Our independent registered public accounting firm is responsible for auditing those financial statements. The Audit Committee's responsibility is to monitor and review these processes. It is not the Audit Committee's duty or responsibility to conduct auditing or accounting reviews or procedures. The members of the Audit Committee are not employees and may not be, and may not represent themselves to be or to serve as, accountants or auditors by profession or experts in the fields of accounting or auditing. Therefore, the Audit Committee has relied, without independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and on the representations of the independent registered public accounting firm included in their report on our financial statements. The Audit

Committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions with management and the independent registered public accounting firm do not assure that our financial statements are presented in accordance with generally accepted accounting principles in the United States of America, that the audit of our financial statements has been carried out in accordance with generally accepted auditing standards or that our independent registered public accounting firm is in fact "independent."

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2010 for filing with the SEC.

**Audit Committee**

Bruce A. Beda, Chairman

John P. Dubinsky

Richard F. Ford

James M. Oates

Kelvin R. Westbrook

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## **FUTURE STOCKHOLDER PROPOSALS**

In order to be considered for inclusion in the proxy statement for the 2012 annual meeting of stockholders, the written proposal must be received at our principal executive offices on or before December 20, 2011. The proposal should be addressed to Stifel Financial Corp., Attention: David M. Minnick, Corporate Secretary, One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102. The proposal must comply with SEC regulations regarding the inclusion of stockholder proposals in company-sponsored proxy materials. Upon receipt of any such proposal, we will determine whether to include such proposal in the proxy statement and proxy card in accordance with regulations governing the solicitation of proxies.

Any stockholder wishing to nominate a candidate for director at a stockholders' meeting must furnish certain information about the proposed nominee, including name, contact information, background, experience and other pertinent information on the proposed candidate. We suggest that any nominees for director for the 2012 annual meeting of stockholders be submitted to us prior to January 31, 2012 to allow the Nominating/Corporate Governance Committee to consider the nominee.

## **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our officers and directors, and persons who own more than 10 percent of our outstanding stock, file reports of ownership and changes in ownership with the SEC. To our knowledge, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10 percent beneficial owners were complied with during the year ended December 31, 2010 except that each of Messrs. Brown, Grady and Irby III untimely reported his initial stock unit award on August 3, 2010 on a Form 3 filed on August 12, 2010.

## **HOUSEHOLDING OF MATERIALS**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements, annual reports and other deliverables with respect to two or more stockholders sharing the same address by delivering a single proxy statement or annual report, as applicable, addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. We household our deliverables to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate copy of distributed materials, or if you are receiving multiple copies of distributed materials and wish to receive only one, please contact us in writing or by telephone at Stifel Financial Corp., Attention: Corporate Secretary, One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102, (314) 342-2000. We will deliver promptly upon written or oral request a separate copy of our annual report and/or proxy statement to a stockholder at a shared address to which a single copy of either document was delivered.

## **OTHER MATTERS**

Management knows of no business to be brought before the annual meeting of stockholders other than that set forth herein. However, if any other matters properly come before the meeting, it is the intention of the

persons named in the proxy to vote such proxy in accordance with their judgment on such matters. Even if you plan to attend the meeting in person, we urge you to promptly vote your shares over the Internet, by telephone or, if you requested printed copies of the proxy materials, you can vote by dating, signing and returning the proxy card in the postage-paid return envelope. Your cooperation in giving this your prompt attention is appreciated.

### MISCELLANEOUS

The Company will bear the cost of solicitation of proxies. Proxies will be solicited by mail, telephone, Internet or other electronic means. They also may be solicited by officers and regular employees of us and our subsidiaries personally or by telephone, but such persons will not be specifically compensated for such services. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the soliciting material to the beneficial owners of stock held of record by such persons and will be reimbursed for their reasonable expenses incurred in connection therewith.

By Order of the Board of Directors,

David M. Minnick, Corporate Secretary

April 18, 2011  
St. Louis, Missouri

STIFEL FINANCIAL CORP.

**2001 INCENTIVE STOCK PLAN**

**(2011 Restatement)**

Stifel Financial Corp. (the "Corporation") adopted the Stifel Financial Corp. 2001 Incentive Stock Plan (the "Plan") at its annual stockholder meeting in 2001. The Plan was amended in 2005 and again in 2008, including to increase the number of shares available for issuance under the Plan. The number of shares previously authorized was increased by a three for two stock split in June 2008 and again in March 2011. The Corporation now wishes to amend and completely restate the Plan, including an amendment to increase the number of shares by 6,000,000. The increase in the number of shares is contingent upon approval of the stockholders of the Corporation at its Annual Meeting of Stockholders on June 1, 2011.

Now therefore, the Plan is hereby amended to read in its entirety as follows:

**1. Purpose.** The purpose of the Stifel Financial Corp. 2001 Incentive Stock Plan, as amended (the "Plan") is to encourage key employees of the Corporation and such subsidiaries of the Corporation as the Administrator designates, to acquire shares of common stock of the Corporation ("Common Stock") or to receive monetary payments based on the value of such stock or based upon achieving certain goals on a basis mutually advantageous to such employees and the Corporation and thus provide an incentive for employees to contribute to the success of the Corporation and align the interests of key employees with the interests of the stockholders of the Corporation.

**2. Administration.** The Plan shall be administered by the Board of Directors of the Corporation or the Compensation Committee of the Board of Directors (the "Administrator").

The authority to select persons eligible to participate in the Plan, to grant benefits in accordance with the Plan, and to establish the timing, pricing, amount and other terms and conditions of such grants (which need not be uniform with respect to the various participants or with respect to different grants to the same participant), may be exercised by the Administrator in its sole discretion, or by any member of the Compensation Committee of the Board of Directors upon a specific recommendation from the Executive Committee of Stifel, Nicolaus & Company, Incorporated.

Subject to the provisions of the Plan, the Administrator shall have exclusive authority to interpret and administer the Plan, to establish appropriate rules relating to the Plan, to delegate some or all of its authority under the Plan and to take all such steps and make all such determinations in connection with the Plan and the benefits granted pursuant to the Plan as it may deem necessary or advisable.

The Board of Directors in its discretion may delegate and assign specified duties and authority of the Administrator to any other committee and retain the other duties and authority of the Administrator to itself. Also, the Board of Directors in its discretion may appoint a separate committee of outside directors to make awards that satisfy the requirements of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

**3. Shares Reserved Under the Plan.** Subject to the provisions of Section 12 (relating to adjustment for changes in capital stock), the Plan shall reserve for issuance under the Plan an aggregate of

20,625,000 shares of Common Stock (including the 14,625,000 shares previously authorized), which may be authorized but unissued or treasury shares including shares reacquired by the Corporation such as shares purchased in the open market or in private transactions. In addition to such 20,625,000 shares of Common Stock, which may be awarded pursuant to any of the types of benefits described in Section 5, for each calendar year in the seven-year period commencing January 1, 2012, the number of shares reserved for issuance under the Plan shall automatically increase by an additional 1,125,000 shares; provided that, such additional shares may be applied only for the grant of Stock Units awarded pursuant to the Plan in lieu of cash compensation that would otherwise have been paid currently to the participant where the value of the shares of Common Stock underlying such Stock Units, determined as of the date of grant, does not exceed the amount of such cash by more than twenty-five percent.

As used in this Section 3, the term "Plan Maximum" shall refer to the number of shares of Common Stock of the Corporation that are available for grant of awards pursuant to the Plan. Stock underlying outstanding options, stock appreciation rights, or performance awards will reduce the Plan Maximum while such options, stock appreciation rights or performance awards are outstanding. Shares underlying expired, canceled or forfeited options, stock appreciation rights or performance awards shall be added back to the Plan Maximum. When the exercise price of stock options is paid by delivery of shares of Common Stock, or if the Administrator approves the withholding of shares from a distribution in payment of the exercise price or tax withholding obligations, the Plan Maximum shall be reduced by the net (rather than the gross) number of shares issued pursuant to such exercise, regardless of the number of shares surrendered or withheld in payment. If the Administrator approves the payment of cash to an optionee equal to the difference between the fair market value and the exercise price of stock subject to an option, or if a stock appreciation right is exercised for cash or a performance award is paid in cash, the Plan Maximum shall be increased by the number of shares with respect to which such payment is applicable. Restricted stock issued pursuant to the Plan will reduce the Plan Maximum while outstanding even while subject to restrictions. Shares of restricted stock shall be added back to the Plan Maximum if such restricted stock is forfeited or is returned to the Corporation as part of a restructuring of benefits granted pursuant to the Plan. When shares of Common Stock are transferred in satisfaction of a stock unit, the Plan Maximum shall be reduced by the net (rather than the gross) number of shares issued, regardless of the number of shares withheld in payment of tax withholding obligations.

Notwithstanding the above, the maximum number of shares subject to stock options that may be awarded in any calendar year to any individual shall not exceed 100,000 shares (as adjusted in accordance with Section 11).

**4. Participants.** Participants will consist of such officers and employees of the Corporation or any designated subsidiary as the Administrator in its sole discretion shall determine. Designation of a participant in any year shall not require the Administrator to designate such person to receive a benefit in any other year or to receive the same type or amount of benefit as granted to the participant in any other year or as granted to any other participant in any year. The Administrator shall consider such factors as it deems pertinent in selecting participants and in determining the type and amount of their respective benefits.

**5. Types of Benefits.** The following benefits may be granted under the Plan: (a) stock appreciation rights ("SARs"); (b) restricted stock ("Restricted Stock"); (c) performance awards ("Performance Awards"); (d) incentive stock options ("ISOs"); (e) nonqualified stock options ("NQSOs"); and (f) Stock Units, all as described below.

**6. Stock Appreciation Rights.** A SAR is the right to receive all or a portion of the difference between the fair market value of a share of Common Stock at the time of exercise of the SAR and the exercise price of the SAR established by the Administrator, subject to such terms and conditions set forth in a SAR agreement as may be established by the Administrator in its sole discretion. At the discretion of the Administrator, SARs may be exercised: (a) in lieu of exercise of an option, (b) in conjunction with the exercise of an option, (c) upon lapse of an option, (d) independent of an option or (e) each of the above in connection with a previously awarded option under the Plan. If the option referred to in (a), (b) or (c) above qualified as an ISO pursuant to Section 422 of the Code, the related SAR shall comply with the applicable provisions of the Code and the regulations issued thereunder. At the time of grant, the Administrator may establish, in its sole discretion, a maximum amount per share which will be payable upon exercise of a SAR, and may impose conditions on exercise of a SAR. At the discretion of the Administrator, payment for SARs may be made in cash or shares of Common Stock of the Corporation, or in a combination thereof. SARs will be exercisable not later than ten years after the date they are granted and will expire in accordance with the terms established by the Administrator.

**7. Restricted Stock.** Restricted Stock is Common Stock of the Corporation issued or transferred under the Plan (other than upon exercise of stock options or as Performance Awards) at any purchase price less than the fair market value thereof on the date of issuance or transfer, or as a bonus, subject to such terms and conditions set forth in a Restricted Stock agreement as may be established by the Administrator in its sole discretion. In the case of any Restricted Stock:

- (a) The purchase price, if any, will be determined by the Administrator.
- (b) The period of restriction shall be established by the Administrator for any grants of Restricted Stock;
- (c) Restricted Stock may be subject to (i) restrictions on the sale or other disposition thereof; (ii) rights of the Corporation to reacquire such Restricted Stock at the purchase price, if any, originally paid therefor upon termination of the employee's employment within specified periods; (iii) representation by the employee that he or she intends to acquire Restricted Stock for investment and not for resale; and (iv) such other restrictions, conditions and terms as the Administrator deems appropriate.
- (d) The participant shall be entitled to all dividends paid with respect to Restricted Stock during the period of restriction and shall not be required to return any such dividends to the Corporation in the event of the forfeiture of the Restricted Stock.
- (e) The participant shall be entitled to vote the Restricted Stock during the period of restriction.
- (f) The Administrator shall determine whether Restricted Stock is to be delivered to the participant with an appropriate legend imprinted on the certificate or if the shares are to be issued in the name of a nominee or deposited in escrow pending removal of the restrictions.

**8. Performance Awards.** Performance Awards are Common Stock of the Corporation, monetary units or some combination thereof, to be issued without any payment therefor, in the event that certain performance goals established by the Administrator are achieved over a period of time designated by

the Administrator, but not in any event more than five years. The goals established by the Administrator may include return on average total capital employed, earnings per share, increases in share price or such other goals as may be established by the Administrator. In the event the minimum corporate goal is not achieved at the conclusion of the period, no payment shall be made to the participant. Actual payment of the award earned shall be in cash or in Common Stock of the Corporation or in a combination of both, as the Administrator in its sole discretion determines. If Common Stock of the Corporation is used, the participant shall not have the right to vote and receive dividends until the goals are achieved and the actual shares are issued.

**9. Incentive Stock Options.** ISOs are stock options to purchase shares of Common Stock at not less than 100% of the fair market value of the shares on the date the option is granted, subject to such terms and conditions set forth in an option agreement as may be established by the Administrator in its sole discretion that conform to the requirements of Section 422 of the Code. Said purchase price may be paid: (a) by check or (b), in the discretion of the Administrator, by the delivery of shares of Common Stock of the Corporation owned by the participant, or (c), in the discretion of the Administrator, by a combination of any of the foregoing, in the manner provided in the option agreement. The aggregate fair market value (determined as of the time an option is granted) of the stock with respect to which ISOs are exercisable for the first time by an optionee during any calendar year (under all option plans of the Corporation and its subsidiary corporations) shall not exceed \$100,000.

**10. Nonqualified Stock Options.** NQSOs are nonqualified stock options to purchase shares of Common Stock at purchase prices established by the Administrator on the date the options are granted, subject to such terms and conditions set forth in an option agreement as may be established by the Administrator in its sole discretion. The purchase price may be paid: (a) by check or (b), in the discretion of the Administrator, by the delivery of shares of Common Stock of the Corporation owned by the participant, or simply by delivering to the participant upon exercise of the option only the net number of shares of Common Stock with a value equal to the difference between the fair market value of the shares subject to the option and the exercise price of the option, or (c), in the discretion of the Administrator, by a combination of any of the foregoing, in the manner provided in the option agreement. NQSOs granted after the date of stockholder approval of the Plan shall be exercisable no later than ten years after the date they are granted.

**11. Stock Units.** A Stock Unit represents the right to receive a share of Common Stock from the Corporation at a designated time in the future, subject to such terms and conditions set forth in a Stock Unit agreement as may be established by the Administrator in its sole discretion. The participant generally does not have the rights of a stockholder until receipt of the Common Stock. The Administrator may in its discretion provide for payments in cash, or adjustment in the number of Stock Units, equivalent to the dividends the participant would have received if the participant had been the owner of shares of Common Stock instead of the Stock Units.

**12. Adjustment Provisions.**

(a) If the Corporation shall at any time change the number of issued shares of Common Stock without new consideration to the Corporation (such as by stock dividends or stock splits), the total number of shares reserved for issuance under the Plan and the number of shares covered by each outstanding benefit shall be adjusted so that the aggregate consideration payable to the Corporation, if any, and the value of each such benefit shall not be changed. Benefits may also contain provisions for their continuation or for other equitable adjustments after changes in the

Common Stock resulting from reorganization, sale, merger, consolidation, issuance of stock rights or warrants, or similar occurrence.

(b) Notwithstanding any other provision of the Plan, and without affecting the number of shares reserved or available hereunder, the Board of Directors may authorize the issuance or assumption of benefits in connection with any merger, consolidation, acquisition of property or stock, or reorganization upon such terms and conditions as it may deem appropriate.

**13. Change in Control.** In the event of a Change in Control of the Corporation, as defined below, the vesting of all outstanding SARs, shares of Restricted Stock, ISOs, NQSOs and Stock Units shall be accelerated only to the extent set forth in the applicable agreement established by the Administrator in its sole discretion.

"Change in Control" means:

(a) The acquisition by one person, or more than one person acting as a group, of ownership of stock of the Corporation that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Corporation;

(b) The acquisition by one person, or more than one person acting as a group, of ownership of stock of the Corporation, that together with stock of the Corporation acquired during the twelve-month period ending on the date of the most recent acquisition by such person or group, constitutes 30% or more of the total voting power of the stock of the Corporation;

(c) A majority of the members of the Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board of Directors before the date of the appointment or election;

(d) One person, or more than one person acting as a group, acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition by such person or group) assets from the Corporation that have a total gross fair market value (determined without regard to any liabilities associated with such assets) equal to or more than 40% of the total gross fair market value of all of the assets of the Corporation immediately before such acquisition or acquisitions.

Persons will not be considered to be acting as a group solely because they purchase or own stock of the same corporation at the same time, or as a result of the same public offering. However, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Corporation.

This definition of Change in Control shall be interpreted in accordance with, and in a manner that will bring the definition into compliance with, the regulations under Section 409A of the Code.

**14. Nontransferability.** Each benefit granted under the Plan to an employee shall not be transferable otherwise than by will or the laws of descent and distribution; provided, however, NQSOs granted under the Plan may be transferred, without consideration, to a Permitted Transferee (as defined

below). Benefits granted under the Plan shall be exercisable, during the participant's lifetime, only by the participant or a Permitted Transferee. In the event of the death of a participant, exercise or payment shall be made only:

(a) By or to the Permitted Transferee, executor or administrator of the estate of the deceased participant or the person or persons to whom the deceased participant's rights under the benefit shall pass by will or the laws of descent and distribution; and

(b) To the extent that the deceased participant or the Permitted Transferee, as the case may be, was entitled thereto at the date of his death.

For purposes of this Section 14, "Permitted Transferee" shall include: (i) one or more members of the participant's family, (ii) one or more trusts for the benefit of the participant and/or one or more members of the participant's family, or (iii) one or more partnerships (general or limited), corporations, limited liability companies or other entities in which the aggregate interests of the participant and members of the participant's family exceed 80% of all interests. For this purpose, the participant's family shall include only the participant's spouse, children and grandchildren.

**15. Taxes.** The Corporation shall be entitled to withhold the amount of any tax attributable to any amounts payable or shares deliverable under the Plan after giving the person entitled to receive such payment or delivery notice as far in advance as practicable, and the Corporation may defer making payment or delivery as to any benefit if any such tax is payable until indemnified to its satisfaction. The person entitled to any such delivery may, by notice to the Corporation at the time the requirement for such delivery is first established, elect to have such withholding satisfied by a reduction of the number of shares otherwise so deliverable, such reduction to be calculated based on a closing market price on the date of such notice.

**16. Tenure.** A participant's right, if any, to continue to serve the Corporation and its subsidiaries as an officer, employee, or otherwise, shall not be enlarged or otherwise affected by his or her designation as a participant under the Plan.

**17. Duration, Interpretation, Amendment and Termination.** No benefit shall be granted after April 28, 2018; provided, however, that the terms and conditions applicable to any benefit granted within such period may thereafter be amended or modified by mutual agreement between the Corporation and the participant or such other person as may then have an interest therein. Without the prior approval of the Corporation's stockholders, the Corporation will not effect a "repricing" (as defined below) of any stock options or other benefits granted under the terms of the Plan. For purposes of the immediately preceding sentence, a "repricing" shall be deemed to mean any of the following actions or any other action having the same effect: (a) the lowering of the purchase price of an option or other benefit after it is granted; (b) the canceling of an option or other benefit in exchange for another option or benefit at a time when the purchase price of the cancelled option or benefit exceeds the fair market value of the underlying stock (unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction); (c) the purchase of an option or other benefit for cash or other consideration at a time when the purchase price of the purchased option or benefit exceeds the fair market value of the underlying stock (unless the purchase occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction); or (d) an action that is treated as a repricing under generally accepted accounting principles. To the extent that any stock options or other benefits which may be granted within the terms of the Plan would qualify under present or future laws for tax treatment that is beneficial to a recipient, then any such beneficial



treatment shall be considered within the intent, purpose and operational purview of the Plan and the discretion of the Administrator, and to the extent that any such stock options or other benefits would so qualify within the terms of the Plan, the Administrator shall have full and complete authority to grant stock options or other benefits that so qualify (including the authority to grant, simultaneously or otherwise, stock options or other benefits which do not so qualify) and to prescribe the terms and conditions (which need not be identical as among recipients) in respect to the grant or exercise of any such stock option or other benefits under the Plan.

The Board of Directors may amend the Plan from time to time or terminate the Plan at any time. However, no action authorized by this paragraph shall reduce the amount of any existing benefit or change the terms and conditions thereof without the participant's consent. No amendment of the Plan shall, without approval of the stockholders of the Corporation, (a) increase the total number of shares which may be issued under the Plan or increase the amount or type of benefits that may be granted under the Plan; or (b) modify the requirements as to eligibility for benefits under the Plan.

**18. Effective Date.** This 2011 Restatement of the 2001 Stifel Financial Corp. Incentive Stock Plan, as amended, became effective as of the date it was adopted by the Board of Directors of the Corporation (April 13, 2011), subject only to approval by the holders of a majority of the outstanding voting stock of the Corporation within twelve months before or after the adoption of the restatement by the Board of Directors.

**Proxy - STIFEL FINANCIAL CORP.**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned, revoking all prior proxies, hereby appoints Ronald J. Kruszewski and David M. Minnick (or such other person as is designated by the board of directors of Stifel Financial Corp. ("Stifel")), (the "Proxies"), or either of them (with full power to act alone), true and lawful attorney(s), with full power of substitution, for the undersigned and in the name, place and stead of the undersigned to vote as designated on the reverse side all of the shares of common stock, \$0.15 par value, of Stifel entitled to be voted by the undersigned at the Annual Meeting of Stockholders to be held on June 1, 2011 and at any adjournments or postponements thereof. Should a nominee be unable to serve, this proxy may be voted for a substitute selected by the board of directors. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting and any adjournment or postponement thereof.

The undersigned acknowledges receipt of the Notice of the Annual Meeting, the Proxy Statement and the 2010 Annual Report. This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder.

**If no direction is made, this proxy will be voted "FOR" all the named nominees for director, "FOR" Proposals 2, 3 and 5 and "3 Yrs" for Proposal 4.**

**Proposals - The Board of Directors recommends a vote FOR all the nominees listed, FOR Proposals 2, 3 and 5 and 3 Yrs for Proposal 4.**

**1. Election of Directors**

<b>Nominees for Class I:</b>	<b>For</b>	<b>Withhold</b>
Bruce A. Beda	o	o
Frederick O. Hanser	o	o
Ronald J. Kruszewski	o	o
Thomas P. Mulroy	o	o
Thomas W. Weisel	o	o
Kelvin R. Westbrook	o	o
<b>Nominees for Class II:</b>		
Alton F. Irby III	o	o
<b>Nominees for Class III:</b>		
Michael W. Brown	o	o
Robert E. Grady	o	o

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
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<b>2. Proposal to approve the Stifel Financial Cop. 2001 Incentive Stock Plan (2011 Restatement).</b>	o	o	o
<b>3. Proposal to approve an advisory resolution relating to executive compensation.</b>	o	o	o

	<b>1 Yr</b>	<b>2 Yrs</b>	<b>3 Yrs</b>	<b>Abstain</b>
<b>4. Recommend, by advisory vote, the frequency of future advisory votes on executive compensation.</b>	o	o	o	o

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>5. Ratify the appointment of Ernst &amp; Young LLP as our independent public accounting firm for 2011.</b>	o	o	o

**Authorized Signatures - This section must be completed for your vote to be counted. - Date and Sign Below**

Please sign this proxy card exactly as your shares are registered. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If more than one person holds the power to vote the same, any one of them may sign this proxy card. If the stockholder is a corporation, this proxy card must be signed by a duly authorized officer of the corporation.

Date (mm/dd/yyyy) - Please print date below.	Signature 1 - Please keep signature within the box.	Signature 2 -Please keep signature within the box.
/ /		

**Important Notice Regarding Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on June 1, 2011**

The Proxy Statement and 2010 Annual Report are available at [www.stifel.com](http://www.stifel.com).

Please contact the corporate secretary at 1-314-342-2000 or email us at [investorrelations@stifel.com](mailto:investorrelations@stifel.com) if you have any questions about accessing these materials.