

STATE OF NEBRASKA
Department of Banking & Finance

In the Matter of)	
)	
Stifel, Nicolaus & Company, Incorporated)	FINDINGS OF FACT
501 North Broadway,)	CONCLUSIONS OF LAW
St. Louis, Missouri)	AND
)	CONSENT ORDER

THIS MATTER comes before the Nebraska Department of Banking and Finance (“DEPARTMENT”), by and through its Director, pursuant to its authority under the Securities Act of Nebraska, Neb. Rev. Stat. §§ 8-1101 to 8-1123 (Reissue 2012; Supp. 2013) (“Act”). Pursuant to Neb. Rev. Stat. § 8-1115 (Reissue 2012), the DEPARTMENT has investigated the acts of Stifel, Nicolaus & Company, Incorporated, 501 North Broadway, St. Louis, Missouri. As a result of such investigation, and being fully advised and informed in the matter, the Director and Stifel, Nicolaus & Company, Incorporated enter into the following Findings of Fact, Conclusions of Law and Consent Order (“Order”).

FINDINGS OF FACT

1. Stifel, Nicolaus & Company, Incorporated (“STIFEL”) is a broker-dealer registered with the DEPARTMENT, the Financial Industry Regulatory Authority (“FINRA”), and several other states. STIFEL is also registered with the Securities and Exchange Commission (“SEC”) as an investment adviser and has made a notice filing as a federal covered adviser in Nebraska. STIFEL’s main office is located at 501 North Broadway, St. Louis, Missouri. STIFEL operates a branch office at 1125 South 103rd Street, One Pacific Place, Suite 300, Omaha, Nebraska.

2. At all times relevant to this Order, STIFEL employed Robert Head (CRD No. 240935) (“Head”) as a broker-dealer agent and an investment adviser representative. STIFEL terminated Head’s employment effective December 30, 2013. Head worked out of the STIFEL branch office in Omaha, Nebraska.

3. ML is a resident of Omaha, Nebraska. Head and ML have a long time professional and personal relationship. In 2008, ML transferred a brokerage account in the name of ML’s revocable living trust dated September 19, 2001, to STIFEL when Head began working for STIFEL. At all times relevant to this Order, Head was the agent in charge of ML’s account. STIFEL is aware of the identity of ML, which is being kept confidential in this Order for privacy reasons.

4. ML’s Private Client Group Account Form dated August 25, 2008, did not give trading authority for the account to Head.

5. On at least three (3) occasions, STIFEL contacted ML seeking acknowledgement that ML understood the level of activity in the account and the risk associated with the trading in the account. By letter dated March 16, 2010, STIFEL informed ML that, during the preceding twelve (12) month period, three hundred eighty-five (385) trades had occurred in her account and that there were twenty-five (25) uncovered short call contracts open in the account, with an assignment value of approximately thirty six thousand dollars (\$36,000.00). STIFEL asked ML to indicate, by signing and returning the letter, that she understood the risks of the investment strategy and the strategy met the investment objectives of the account. By letter dated June 7, 2012, STIFEL informed ML that, during the preceding twelve (12) month period, two hundred seventy-five (275) trades occurred in ML’s account and ML paid twenty

nine thousand nine hundred seventy-nine dollars (\$29,979.00) in commissions; that the account had one hundred ninety-five (195) short option positions open in the account and unrealized losses of approximately seventy thousand four hundred twenty-six dollars (\$70,426.00) with the current open positions; and that, from January 2011 through June 2012, the account had realized losses of approximately four thousand six hundred seventy-three dollars (\$4,673.00). ML was again asked to sign and return the letter to indicate an understanding of the risks of the investment strategy and to ratify the strategy. The third letter, dated October 29, 2012, did not review the activity in the account or the commissions paid, but asked ML to indicate, by signing and returning the letter, that the activity in the account, and the associated higher degree of risks, were consistent with the investment goals. Head was copied on the letters, and ML signed all three (3) acknowledgements.

6. In 2011, ML was diagnosed with dementia and, on August 26, 2013, ML's physician determined ML was incapable of providing informed consent on financial or social/personal matters. As a result of the doctor's determination, TP began acting as attorney in fact for ML in accordance with a Power of Attorney signed by ML, dated July 23, 2001. TP is also the successor trustee for the trust which is the owner of the account. STIFEL is aware of the identity of TP, which is being kept confidential in this Order for privacy reasons.

7. Following a review of the records of ML's accounts, TP filed a complaint with STIFEL on October 16, 2013.

8. The complaint informed STIFEL that ML had been declared incompetent and provided a copy of the physician's statements and the Power of Attorney appointing

TP as attorney in fact for ML. The complaint alleged that Head had made unsuitable trade recommendations in the account, engaged in excessive trading in the account, and made unauthorized trades in the account. According to the complaint, the account lost at least eighty-five thousand dollars (\$85,000.00) as a result of the trading engaged in by Head. The complaint is still pending.

9. Until notified by TP, STIFEL was not aware of ML's deteriorating mental condition.

10. Following the filing of the complaint, Head contacted ML by telephone, asking about her dementia and encouraging ML to have TP withdraw the complaint filed with STIFEL. Head called ML three times on October 24 and twice on October 25, 2013. The calls ceased after a representative of TP contacted the DEPARTMENT, and the DEPARTMENT contacted STIFEL on October 25, 2013.

11. During the first sixty-three (63) months the account was open, there were a total of one thousand two hundred nine (1,209) trades in ML's account, for a total volume of approximately three million five hundred thousand dollars (\$3,500,000.00) in purchases and sales. The account had an average market value of approximately two hundred thousand dollars (\$200,000.00) during this time. The trades included highly speculative securities.

12. Head claimed he had contacted ML concerning every trade. TP provided the DEPARTMENT with records of incoming telephone calls for ML from August through October of 2013. The records show no telephone calls from Head to ML's telephone on some days when trades occurred. After reviewing telephone records, Head admitted to STIFEL representatives that he did not consult with ML on all trades which

occurred in her account and claimed that he made trades based on an informal agreement with ML to exercise discretion in the account.

CONCLUSIONS OF LAW

1. The DEPARTMENT has jurisdiction over this matter pursuant to the Act.
2. Neb. Rev. Stat. § 8-1103(9)(a)(xi) (Reissue 2012) provides, in part, that the Director may by order deny, suspend, or revoke the registration of any registrant, or bar, censure, or impose a fine pursuant to Neb. Rev. Stat. § 8-1108.01(4) (Reissue 2012) on a broker-dealer if the Director finds that (a) the order is in the public interest and (b) the broker-dealer has failed to adequately supervise its agents and employees to assure their compliance with the Act.
3. The Facts set forth in Findings of Fact No. 5 and Nos. 10 through 12 constitute dishonest and unethical business practices by Head, in violation of the Act, in that Head executed transactions without obtaining approval of the client, executed transactions which were excessive in number, and executed transactions which were not suitable for the client based on the client's circumstances.
4. The facts set forth in Findings of Fact Nos. 1, 2, and 5 and Nos. 10 through 12 constitute a failure by STIFEL to maintain adequate supervision of an agent by a broker-dealer, in violation of the Act, in that STIFEL was aware that the trading level in the account was high and that the securities being traded were high risk but failed to take appropriate steps which would have discovered the activities of Head.
5. Under the Act's statutory framework, the Director has legal and equitable authority to fashion significant protective remedies.

6. It is in the best interest of STIFEL, and it is in the public's best interest, for STIFEL and the Director to resolve the issues included herein.

CONSENT ORDER

NOW THEREFORE, the parties to this Order agree as follows:

Stipulations: In connection with this Order, STIFEL and the Director stipulate to the following:

- a. The DEPARTMENT has jurisdiction as to all matters herein.
- b. An Order should be entered in this matter, which shall be in lieu of other proceedings by the DEPARTMENT against STIFEL, except as specifically referenced in this Order.

STIFEL further represents as follows:

1. STIFEL is aware of its right to a hearing on this Order at which it may be represented by counsel, present evidence, and cross-examine witnesses. The right to such a hearing and any related appeal on all matters covered by this Order, is irrevocably waived.
2. STIFEL is acting free from any duress or coercion of any kind or nature.
3. This Order is executed to avoid further proceedings. STIFEL neither admits nor denies that the facts recited herein constitute a violation of Act.

FURTHER, STIFEL agrees to take whatever action is necessary to ensure compliance with all provisions of the Act in the future. If, at any time, the DEPARTMENT determines that STIFEL has committed any violations of the Act, the DEPARTMENT may take any action available to it under the Act.

IT IS THEREFORE ORDERED as follows:

1. Stifel, Nicolaus & Company, Incorporated shall pay a fine in the amount of sixty thousand dollars (\$60,000.00).

2. Stifel, Nicolaus & Company, Incorporated shall reimburse the DEPARTMENT for the costs of its investigation in the amount of one thousand dollars (\$1,000.00).

3. Stifel, Nicolaus & Company, Incorporated shall pay the total of the fine and costs assessed to it pursuant to this Order in the amount of sixty-one thousand dollars (\$61,000.00), by one check payable to the Nebraska Department of Banking and Finance, within thirty (30) days of the effective date of this Order.

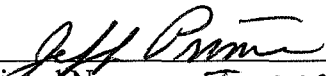
4. This Order shall not act as a disqualifier for purposes of 17 C.F.R. § 230.506(d)(2)(iii).

In the event that STIFEL fails to comply with the provisions of this Order, the DEPARTMENT may commence such action as it deems necessary and appropriate in the public interest.

The effective date of this Order will be the date of the Director's signature.

DATED this 25th day of MARCH, 2014.

**STIFEL, NICOLAUS & COMPANY,
INCORPORATED**

By: 
Printed Name: JEFFREY C. PRIMIANO
Title: DEPUTY GENERAL COUNSEL
501 North Broadway
St. Louis, MO 63102

DATED this 26th day of March, 2014.

**STATE OF NEBRASKA
DEPARTMENT OF BANKING AND FINANCE**



By: John Munn
John Munn, Director

1526 K Street, Suite 300
Lincoln, Nebraska 68508
(402) 471-2171