

STIFEL FINANCIAL CORP  
Form 11-K  
July 14, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2005

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-9305

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

STIFEL, NICOLAUS PROFIT SHARING 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive offices:

STIFEL FINANCIAL CORP.

One Financial Plaza  
501 N. Broadway  
St. Louis, Missouri N3102-2188

Issuer's telephone number, including area code K14-342-2000



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Stifel, Nicolaus Profit Sharing 401(k) Plan

EIN 43-0538770 PN 001

Accountants' Report and Financial Statements  
December 31, 2005 and 2004

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Report of Independent Registered Public Accounting Firm

Administrative Committee  
Stifel, Nicolaus Profit Sharing 401(k) Plan  
St. Louis, Missouri

We have audited the accompanying statements of net assets available for benefits of Stifel, Nicolaus Profit Sharing 401(k) Plan as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Stifel, Nicolaus Profit Sharing 401(k) Plan as of December 31, 2005 and 2004, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/

**BKD, LLP**

St. Louis, Missouri  
June 2, 2006

Federal Employer Identification Number: 44-0160260

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Stifel, Nicolaus Profit Sharing 401(k) Plan

Statements of Net Assets Available for Benefits  
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Investments, At Fair Value	<u>\$09,393,272</u>	<u>\$N4,815,805</u>
Net Assets Available for Benefits	<u>\$09,393,272</u>	<u>\$N4,815,805</u>

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Stifel, Nicolaus Profit Sharing 401(k) Plan

Statements of Changes in Net Assets Available for Benefits  
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Investment Income		
	\$ 8,317,731	\$N,531,271
Net appreciation in fair value of investments		
	<u>M30,410</u>	<u>M24,083</u>
Interest and dividends		
	<u>8,848,141</u>	<u>O,055,354</u>
Net investment income		
Contributions		
	L37,447	L23,159
Employer		
	N,645,039	N,183,329
Participants		
	<u>K,703,490</u>	<u>O49,246</u>
Rollovers		
	<u>I0,785,976</u>	<u>O,355,734</u>
	<u>I9,634,117</u>	<u>I4,411,088</u>
Total additions		
Deductions		
	L,994,812	K,667,429
Benefits paid directly to participants		
	<u>N1,838</u>	<u>N6,960</u>
Administrative expenses		
	<u>M,056,650</u>	<u>K,734,389</u>
Total deductions		
	I4,577,467	I0,676,699
Net Increase		
	<u>N4,815,805</u>	<u>M4,139,106</u>

Net Assets Available for Benefits, Beginning of Year

	<u>\$09,393,272</u>	<u>\$N4,815,805</u>
Net Assets Available for Benefits, End of Year		



Stifel, Nicolaus Profit Sharing 401(k) Plan

Notes to Financial Statements  
December 31, 2005 and 2004

**Note 1: Description of the Plan**

The following description of Stifel, Nicolaus Profit Sharing 401(k) Plan ("Plan") provides only general information. Participants should refer to the Plan document and *Summary Plan Description* for a more complete description of the Plan's provisions, which are available from the plan administrator.

General

The Plan is a defined contribution plan sponsored by Stifel, Nicolaus & Company, Incorporated and affiliates (the "Company") for the benefit of its employees who meet the eligibility provisions of the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Prudential Retirement Insurance and Annuity Company ("Trustee") is the trustee and custodian of the Plan.

Contributions

Each year, the Company contributes a percentage of eligible participant contributions as determined by the Company's Board of Directors. For the years ended December 31, 2005 and 2004, the Board elected to match 50% of the first \$1,000 contributed by the participant.

In addition, each year the Company may make a discretionary contribution based on profitability. Discretionary contributions are allocated to the participants employed on the last day of the Plan year on the basis of participants' compensation.

There were no discretionary contributions in 2005 or 2004.

Participants may contribute an amount from 1% to 100% of their eligible compensation in increments of 1%. Contributions are subject to certain limitations.

Participant Investment Account Options

Investment account options available include various pooled separate accounts, one guaranteed account, one mutual fund, the common stock of the Company's parent and a self-directed brokerage account. Each participant has the option of directing his contributions into any of the separate investment accounts and may change the allocation daily.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Company's contributions and plan earnings and is charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefits to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Stifel, Nicolaus Profit Sharing 401(k) Plan

Notes to Financial Statements  
December 31, 2005 and 2004

### Vesting

Participants are immediately vested in their voluntary contributions plus earnings thereon. Vesting in the Company's contributions portion of their accounts plus earnings thereon is based on years of service. A participant is fully vested after three years of service. The nonvested balance is forfeited upon termination of service. Forfeitures are used to reduce the Company's contributions and then, to the extent any forfeitures remain, reallocated to participants' accounts.

### Payment of Benefits

Upon termination of service, an employee may elect to receive a lump-sum amount equal to the vested value of his account, net of any outstanding loan balance. Upon death, a participant's account is paid in a lump sum to the designated beneficiary.

### Participant Loans

The Plan document includes provisions authorizing loans from the Plan to active eligible participants. Loans are made to any eligible participant demonstrating a qualifying need. The minimum amount of a loan shall be \$1,000. The maximum amount of a participant's loan is determined by the available loan balance restricted to the lesser of \$50,000 or 50% of the participant's vested account balance. All loans are repayable over a period not to exceed five years (except for loans for the purchase of a principal residence) through payroll withholdings or by check. Interest on the loans is based on local prevailing rates as determined by the plan administrator.

### Plan Termination

Although it has not expressed an intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

## **Note 2: Summary of Significant Accounting Policies**

### Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Stifel, Nicolaus Profit Sharing 401(k) Plan

Notes to Financial Statements  
December 31, 2005 and 2004

Valuation of Investments and Income Recognition

Pooled separate accounts are valued at estimated fair value as provided by the Trustee. The mutual fund, common stock and self-directed brokerage account are stated at fair value based upon quoted market prices. Participant loans and investments in the guaranteed income account are valued at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes in net assets and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Plan Tax Status

The Plan operates under a nonstandardized adoption agreement in connection with a prototype plan document which obtained its latest determination letter on February 6, 2002, in which the Internal Revenue Service stated that the prototype plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has not obtained or requested a determination letter. However, the plan administrator believes that the Plan and related trust are currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and that the Plan was qualified and the related trust was tax exempt as of the financial statement date.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

## Stifel, Nicolaus Profit Sharing 401(k) Plan

Notes to Financial Statements  
December 31, 2005 and 2004

**Note 3: Investments**

The Plan's investments are held by Prudential Retirement Insurance and Annuity Company. The following table presents the Plan's investments. Investments that represent 5% or more of total plan assets in either year are separately identified.

	<u>2005</u>	<u>2004</u>
Investments at Fair Value		
Common Stock		
Stifel Financial Corp.	\$11,251,686	\$M,689,724
Mutual Fund		
American Funds Investment Company of America	9,957,338	8,980,627
Self-Directed Brokerage Account	N,748,121	N,480,306
Investments at Estimated Fair Value		
Pooled Separate Accounts		
Large Cap Growth/Goldman Sachs Fund	K,366,124	K,449,667
Large Cap Value/Wellington Management	N,037,544	M,367,285
Small Cap Growth/Timessquare Fund	O,297,865	N,427,299
Small Cap Value/Perkins, Wolf, McDonnell Fund	L,107,013	K,424,824
Templeton Foreign Account	M,656,529	L,778,219
	13,811,006	10,517,653

Other

Prudential Guaranteed Income Account	9,453,222	8,036,723
Participant Loans	<u>1,706,824</u>	<u>1,663,478</u>
<b>Total investments</b>	<b><u>\$09,393,272</u></b>	<b><u>\$N4,815,805</u></b>

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Stifel, Nicolaus Profit Sharing 401(k) Plan

Notes to Financial Statements  
December 31, 2005 and 2004

During the years ended 2005 and 2004, the Plan's investments (including gains and losses on investments bought, sold and held during the year) appreciated in value by \$8,317,731 and \$6,531,271, respectively, as follows:

	<u>2005</u>	<u>2004</u>
Investments at Fair Value		
Mutual fund	L71,811	M02,487
Stifel Financial Corp. common stock	L,930,260	I,655,478
Self-directed brokerage account	I71,241	N96,256
Investments at Estimated Fair Value		
Pooled separate accounts	<u>J,744,419</u>	<u>K,677,050</u>
Net appreciation in fair value	<u>\$ 8,317,731</u>	<u>\$N,531,271</u>

Interest and dividends realized on the Plan's investments for the years ended 2005 and 2004 were \$530,410 and \$524,083, respectively.

**Note 4: Party-in-Interest Transactions**

Party-in-interest transactions include those with fiduciaries or employees of the Plan, any person who provides services to the Plan, an employer whose employees are covered by the Plan, a person who owns 50% or more of such an employer, or relatives of such persons.

Active participants can purchase the common stock of Stifel Financial Corp., the parent of the Company, from their existing account balances. At December 31, 2005 and 2004, participants held 299,327 and 271,586 shares, respectively.

The Plan invests in certain funds of the Trustee. The Plan paid \$61,838 and \$66,960 of record keeping fees to the Trustee during 2005 and 2004, respectively. The Company provides certain administrative services at no cost to the Plan and pays certain accounting and auditing fees related to the Plan.

**Note 5: Plan Merger**

Effective January 1, 2006, the Stifel Financial Corp. Stock Ownership Plan and Trust (the "ESOP") was merged into the Plan. The ESOP had net assets of \$16,354,064 as of December 31, 2005.



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## Supplemental Schedule

## Stifel, Nicolaus Profit Sharing 401(k) Plan

EIN 43-0538770 PN 001

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2005

<u>Investment Type and Issuer</u>	<u>Description of Investment</u>		<u>Current Value</u>
* Prudential Retirement Insurance and Annuity Company Pooled Separate Accounts			
Dyden S&P 500 Index Fund	K8,183	Units	\$J,764,286
High Grade Bond/BSAM Fund	I14,675	Units	I,699,011
International Growth/Artisan Partners	M1,543	Units	N32,918
Large Cap Growth/Goldman Sachs Fund	L38,464	Units	K,366,124
Large Cap Growth/Wellington Management	I36,497	Units	977,992
Large Cap Value/Wellington Management	L65,744	Units	N,037,544
Lifetime 20 Fund	O,325	Units	J02,785
Lifetime 30 Fund	J0,390	Units	M62,587
Lifetime 40 Fund	I9,447	Units	M10,395
Lifetime 50 Fund	O,598	Units	I94,479
Lifetime 60 Fund	I,946	Units	L5,459
Mid Cap Growth/Artisan Partners	K18,611	Units	K,564,281
Mid Cap Value/Wellington Management	I42,921	Units	J,656,813
Small Cap Growth/Timessquare Fund	K04,751	Units	O,297,865
Small Cap Value/Perkins, Wolf, McDonnell Fund	I53,367	Units	L,107,013
Templeton Foreign Account	J67,523	Units	M,656,529



* Prudential Guaranteed Income Account	K.25%	9,453,222
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* Stifel Financial Corp Common Stock	J99,327	Shares	11,251,686
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Mutual Fund

\* Represents party-in-interest to the Plan.

SIGNATURES

The Plan. Pursuant to the requirements of Securities Exchange Act of 1934, the trustees have duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Stifel, Nicolaus Profit Sharing 401(k) Plan  
(Name of Plan)

Date: July 13, 2006

By /s/ Bernard N. Burkemper

Bernard N. Burkemper  
(Senior Vice-President / Review Committee)

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STIFEL FINANCIAL CORP. AND SUBSIDIARIES  
EXHIBIT INDEX

December 31, 2005

<u>Exhibit Number</u>	<u>Description</u>
23.1	Consent of BKD, LLP