



Dora
Department of Regulatory Agencies

Division of Securities
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Securities Commissioner

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NEWS RELEASE

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STIFEL, NICOLAUS & COMPANY CHARGED WITH FRAUDULENT SALES OF AUCTION RATE SECURITIES

Denver, Colorado --- Colorado Securities Commissioner Fred Joseph announced today the Securities Division Staff has filed a complaint against St. Louis based broker-dealer Stifel, Nicolaus & Company alleging that Stifel Nicolaus falsely represented auction rate securities as liquid, short-term investments to Colorado investors without discussing the risks. These representations gave investors a false sense of security that the investments would always be liquid when auction rate securities, in fact, faced significant, inherent liquidity risks. In the complaint, the Division alleges that Stifel Nicolaus violated the Colorado Securities Act by making false representations to investors, failed to adequately supervise its sales force, and engaged in unfair and dishonest dealings by making unsuitable recommendations to its customers

Auction rate securities are long-term bonds that rely on the successful operation of a periodic auction for short-term liquidity. Stifel brokers repeatedly and persistently misrepresented the liquidity risks in auction rate securities, comparing them to money market funds, selling auction rates securities as suitable for cash management purposes, or otherwise telling customers they would always be able to retrieve their cash. In February of 2008, the auction rate market failed, leaving many investors holding long term bonds and tying up funds they needed in the short-term.

The Division alleges that in a number of auction rate issues, Stifel acted as an underwriter, and was aware of the liquidity risks of these securities. The Division further alleges that this information was never communicated to its retail sales force, who sold auction rate securities to its retail customers on the false premise that auction rate securities were "liquid."

Also today, a similar complaint was filed against Stifel, Nicolaus & Company by investigators with the Indiana Securities Division. The Colorado Division of Securities and the Indiana Securities Division worked together and within a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA) to develop evidence of the company's alleged securities violations.

The administrative complaint filed by the Division Staff is before an administrative law judge, and seeks suspension or revocation of the license of Stifel Nicolaus in Colorado. No hearing date has yet been scheduled.

A copy of the Complaint can be found at:

<http://www.dora.state.co.us/securities/enforcement.htm#Administrative>

DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.

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