STERNE AGEE & LEACH, INC.
(A Wholly Owned Subsidiary of INTL FCStone Inc.)

Statement of Financial Condition (Unaudited)

March 31, 2017

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Assets		
Cash and cash equivalents	$	21,766,472
Cash and securities on deposit with clearing organizations and for regulatory purposes		24,276,004
Receivables:		
Broker/dealers and clearing organizations		38,461,458
Customers		94,276,899
Related parties		366,687
		133,105,044
Furniture and equipment (less accumulated depreciation and amortization of $445,530)		144,134
Other assets		3,498,377
Total assets	$	182,790,031
Liabilities and Stockholder's Equity		
Payables:		
Broker/dealers and clearing organizations		84,009,586
Customers		52,526,275
Related parties		880,259
		137,416,120
Accounts payable and other liabilities		8,968,127
Total liabilities	$	146,384,247
Stockholder's equity:		
Common stock, $1 par value. 2,500 shares authorized, issued, and outstanding		2,500
Additional paid-in capital		126,597,803
Retained earnings		(90,194,519)
Total stockholder's equity		36,405,784
Total liabilities and stockholder's equity	$	182,790,031

See accompanying notes to financial statement.

1. Organization and Summary of Significant Accounting Policies

Nature of Business

Sterne, Agee & Leach, Inc. (SALI or the Company) is a wholly-owned subsidiary of INTL FCStone Inc. (INTL or The Parent). The Company is registered as a securities broker/dealer with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA). The Company engages in brokerage, clearance and custody services for which it receives fees from customers. The Company also engages in securities transactions either on a principal or agency basis and facilitates securities transactions for its clients.

Use of Estimates in Financial Statements

The accounting principles used in preparing the financial statements conform to U.S. generally accepted accounting principles (U.S. GAAP) and general practices followed by brokers/dealers in the securities industry. These principles and practices require management to make estimates and assumptions about future events. On an ongoing basis, the Company evaluates its estimates and assumptions, including those related to fair value measurements, income taxes, and contingent liabilities. These estimates and assumptions are based on management's best estimates and judgments. Management adjusts such estimates and assumptions when facts and circumstances warrant. The Company bases its estimates on historical experience and the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other sources. Fair value measurements and contingent liabilities are potentially subject to material changes in the near term. Actual results could differ significantly from those estimates.

Accounting for Securities Transactions

Securities owned, securities sold but not yet purchased, receivables/payables with broker/dealers and clearing organizations, and customers are recorded on a trade-date basis. Securities owned and securities sold but not yet purchased are stated at fair value.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business.

Cash and Securities on Deposit with Clearing Organizations and for Regulatory Purposes

Cash and securities on deposit with clearing organizations include cash and securities on deposit with National Securities Clearing Corporation, Inc., MBS Clearing Corporation, Inc., and Depository Trust & Clearing Corporation, Inc. Cash on deposit for regulatory purposes includes cash deposits with Cadence Bank.

Securities Borrowing and Lending Activities

Securities borrowed and securities loaned transactions are reported as collateralized financings. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash or other collateral in an amount generally in excess of the fair value of securities loaned. The Company monitors the fair value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Collateral

The Company accepts and pledges collateral in connection with secured financing and other transactions. Agreements covering these transactions may permit the secured party to sell or repledge the collateral.

The Company monitors the risk of loss by assessing the fair value of the accepted or pledged as compared with the related receivable, payable or other collateral exchanged, and requests additional collateral where deemed appropriate.

Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are recorded at cost. Depreciation of furniture and equipment and amortization of leasehold improvements are provided on a straight-line basis over the estimated useful lives of the assets or the terms of the leases, whichever is less. Furniture is depreciated over a five-year useful life, equipment over a three-year useful life, and leasehold improvements over the lesser of the remaining useful life of the leasehold improvements or the life of the respective lease.

Recent Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires companies to include cash and cash equivalents that have restrictions on withdrawal or use in total cash and cash equivalents on the statement of cash flows.

This ASU is effective for business entities for annual and interim periods in fiscal years beginning after December 15, 2017. The adoption of this standard should be applied using a retrospective transition method to each period presented. The Company expects to adopt this guidance starting with the first quarter of fiscal year 2019. The Company has not yet determined the impact of this Update on its financial position.

In February 2017, the FASB issued ASU 2017-05 addressing the derecognition of nonfinancial assets. The guidance defines in substance nonfinancial assets, and states that the derecognition of business activities should be evaluated under the consolidation guidance. The standard eliminates the previous exclusion for businesses that are in-substance real estate, and eliminates some differences based on whether a transferred set is that of assets or a business and whether the transfer is to a joint venture. The standard must be implemented in conjunction with the implementation date of the revenue recognition accounting standard update, which the Company will adopt on October 1, 2018. The Company plans to adopt the new standard using the modified retrospective method and are in the process of determining the impact of the guidance on the financial statements together with our evaluation of the new revenue recognition standard.

3. Cash Segregated and Securities on Deposit for Regulatory Purposes

At March 31, 2017, cash of $13,742,100 was segregated in special reserve bank accounts for the exclusive benefit of customers and proprietary accounts of brokers under Rule 15c3-3. No securities were on deposit for regulatory purposes at March 31, 2017. As of March 31, 2017, the amount on deposit in both the customers and PABs SRBA was less than the reserve requirement and additional funds were deposited subsequent to the period-end.

4. Receivables From and Payables to Broker/Dealers and Clearing Organizations

The balances shown as receivables from and payables to broker/dealers and clearing organizations represent amounts due for securities transactions made in connection with the Company’s normal trading and borrowing activities. Securities failed to deliver and receive represent the contract value of securities not delivered or received on the settlement date.

Balances at March 31, 2017, were as follows:

Receivables:	
Securities failed to deliver	$ 5,046,977
Securities borrowed	13,541,400
Clearing organizations and other	19,873,081
	$ 38,461,458

Payables:		
Securities failed to receive	$	11,103,730
Securities loaned		47,285,837
Clearing organizations and other		25,620,019
	$	84,009,586

5. Receivables From and Payables to Customers

The balances shown as receivables from and payables to customers principally represent cash and margin balances arising in the normal course of business. These receivables are collateralized by customer securities held by the Company, the value of which is not reflected in the accompanying financial statements. At March 31, 2017, there were no receivables from or payables to customers related to officers and directors of the Company.

6. Securities Not Readily Marketable

Securities not readily marketable include investment securities (a) for which there is no market on a securities exchange or no independent publicly quoted market, (b) that cannot be publicly offered or sold unless registration has been effected under the Securities Act of 1933, (c) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company, or (d) when it can be established that the marketplace can absorb only a limited number of shares of a security for which a ready market seemingly exists.

At March 31, 2017, securities not readily marketable consisted of $133,265 of equities carried at estimated fair value. These securities are included in other assets in the statement of financial condition.

7. Fair Value Disclosure

The definition of fair value focuses on exit price (i.e., the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date), not the entry price (i.e., the price that would be paid to acquire the asset or received to assume the liability at the measurement date). Accordingly, fair value is a market-based measurement, not an entity-specific measurement.

Therefore, the fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

Valuation Hierarchy

The following three-level valuation hierarchy is used for disclosure of fair value measurements and is based upon the transparency of inputs to the valuation of an asset or liability at the measurement date. The three levels are defined as follows:

- Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Securities Owned and Securities Sold, Not Yet Purchased

Exchange-Traded Equity Securities. Exchange-traded equity securities are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied, and they are categorized in Level 1 of the fair value hierarchy. Securities not actively traded are typically valued at Level 3.

Included within other assets and other liabilities are $133,265 and $27,579, respectively, of securities owned and securities sold, not yet purchased, which was included in Level 3 of the fair value hierarchy.

Activity in Level 3 assets and liabilities are measured at fair value on a recurring basis for the six months ended March 31, 2017 but was not significant to the overall presentation of the statement of financial condition.

Financial Instruments Not Measured at Fair Value

Some of the Company's financial instruments are not measured at fair value on a recurring basis, but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash equivalents, cash and securities on deposit with clearing organizations and for regulatory purposes, receivables from broker/dealers and clearing organizations, receivables from customers, payables from broker/dealers and clearing organizations, and payables from customers.

8. Bank Loans

The Company maintains two secured lines of credit at rates of the Federal Funds rate plus 1.00% and Fed Funds rate plus 1.25%. At March 31, 2017, the Company had no borrowings against these lines.

9. Income Taxes

The Company is included in the consolidated federal income tax return filed by INTL. Federal income taxes are calculated as if the companies filed on a separate-return basis, and the amount of current tax or benefit calculated is either remitted to or received from INTL. The amount of current and deferred taxes payable or refundable is recognized as of the date of the statement of financial condition, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the statement of financial condition for the changes in deferred tax liabilities or assets between years.

Deferred tax assets and liabilities are determined under the asset and liability method based on the differing bases of assets and liabilities for financial reporting and income tax reporting purposes using enacted tax rates in effect for the applicable tax periods.

At March 31, 2017, the Company has recorded the following:

	March 31, 2017
Deferred tax asset:	
Intangibles	$ 754,793
Compensation	763,457
Net operating losses	728,826
Total	2,247,076
Valuation allowance	(642,174)
Deferred tax asset after valuation allowance	1,604,902
Deferred tax liability:	
Unrealized gain	(358,593)
Prepaid expenses	(259,842)
Fixed assets	(34,533)
Other	(1,728)
Total deferred tax liability	(654,696)
Deferred tax asset, net	$ 950,206

Relevant accounting guidance defines the threshold for recognizing the benefits of tax return positions in the financial statements as “more likely than not” to be sustained by the taxing authority. This section also provides guidance on the recognition, measurement, and classification of income tax uncertainties in interim periods. The liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. As March 31, 2017, the Company did not have a reserve for uncertain tax positions.

The Company is subject to taxation in the United States and various states. The statute of limitation for examination of the federal return is open back to the 2011 tax year. The years open to tax examinations vary in the state jurisdictions where the company operates but are generally open to either 2011 or 2012.

Management assesses the available positive and negative evidence to estimate if sufficient taxable income will be generated to permit the use of its deferred tax assets. Specifically, the Company considers taxable income in the carryback period, the ability of its parent to utilize its deferred tax assets, reversing temporary differences and projections of future taxable income. On the basis of this evaluation, as of March 31, 2017, the Company believes that it is more likely than not that it will be able to recognize the tax benefit of the deferred tax assets, net of the existing valuation allowance on state net operating losses, in the future.

The Company has state net operating loss carryforwards of $728,826, tax effected. The Company recognized a valuation allowance of $642,174, tax effected, mainly related to state jurisdictions where the Company no longer operates. The state net operating loss carryforwards begin to expire in 2034.

10. Net Capital

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1 (the Rule), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the Rule, which requires the Company to maintain minimum net capital, as defined, equal to the greater of $1,500,000 or 2% of aggregate debit balances arising from customer transactions, as defined. At March 31, 2017, the Company had net capital of $28,033,550, which was approximately 27.43% of aggregate debit balances at March 31, 2017. Net capital was $25,989,557 in excess of required net capital at March 31, 2017.

11. Profit Sharing Plan and Trust

INTL has a defined contribution profit sharing plan (the Plan) covering substantially all of the Company's employees.

12. Related-Party Transactions

The affiliates of the Company, in addition to INTL, its Parent company, include: Sterne Agee Financial Services, Inc. (SAFS), Sterne Agee Clearing, Inc. (SACI), Sterne Agee Asset Management, Inc. (SAAM), Sterne Agee Investment Advisor Services, Inc. (SAIAS) and INTL FCStone Financial, Inc. (IFFI).

Receivables/payables from INTL and affiliated companies, at March 31, 2017, are included in related-party payables in the accompanying statement of financial condition and were as follows:

Receivables from related parties	$366,687
Payables to related parties	880,259

INTL provides management, consulting, and financial services to the Company for a fee. Such services include, but are not necessarily limited to, advice and assistance concerning any and all aspects of the operation, planning, and financing of the Company.

Included within securities borrowed and securities loaned are $5,167,900 and $47,285,837, respectively, of balances between IFFI and SALI related to the securities borrowing and securities lending activity.

13. Commitments and Contingencies

The Company leases office space and equipment under operating leases with terms in excess of one year. The future minimum rental commitments at March 31, 2017, were as follows:

Year ending September 30:		
2017 (remaining six months)	$	647,161
2018		695,930
2019		651,771
2020		664,806
2021		542,763
Thereafter		—
	$	3,202,431

The Company, in its capacity as a broker/dealer and underwriter, is subject to litigation and various claims in the ordinary course of business, as well as regular examination by regulatory agencies. The Company is entitled to indemnification by Stifel, per the Acquisition Agreement, for certain litigation matters. Management does not expect that resolution of any litigation or regulatory matters will have a material impact on the Company's financial position.

14. Financial Instruments with Off-Balance Sheet Risk

The Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the financial statements at March 31, 2017, at the fair values of the related securities, and will incur a loss if the fair value of the securities increases subsequent to March 31, 2017.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations.

Such transactions may expose the Company to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations.

The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

The Company's customer financing and securities settlement activities require the Company to pledge customer securities as collateral in support of various secured financing sources, such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations.

The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

Concentrations of Credit Risk

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker/dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

16. Proprietary Accounts of Brokers

The Company, in its capacity as a clearing broker/dealer, clears transactions for certain proprietary accounts of brokers (PAB). A broker may only include assets in proprietary accounts as allowable assets in its net capital computation when the introducing broker and the clearing broker have entered into a PAB agreement. The Company, in its capacity as a clearing broker, prepares a reserve computation for the PAB accounts of all its introducing brokers, in accordance with the customer reserve computation guidelines set forth in Rule 15c3-3. At March 31, 2017, amounts held on deposit in special reserve bank accounts for the proprietary accounts of broker/dealers were $5,986,100, which is included within the balances noted within Note 3.

17. Collateral

In the normal course of business, the Company has margin securities, securities borrowed and securities held on behalf of correspondent brokers, on terms which permit it to repledge the securities to others. At March 31, 2017, the Company had obtained and had available securities, on a settlement date basis, with a fair value of $161,754,379 on such terms, of which $51,199,739 have either been pledged or otherwise transferred to others in connection with the Company's financing activities or to satisfy commitments under short sales.

18. Offsetting assets and liabilities

Substantially all of the Company's securities borrowing and securities lending activity are transacted under master agreements that may allow for net settlements in the ordinary course of business, as well as offsetting of all contracts with a given counterparty in the event of default by one of the parties. However, for financial statement purposes, the Company does not net balances related to these financial instruments.