STIFEL FINANCIAL CORP
Form PRER14A
April 27, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act Of 1934 (Amendment No. 2)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

x	Preliminary Proxy Statement	o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o	Definitive Proxy Statement		
o	Definitive Additional Materials		
o	Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12		

Stifel Financial Corp.

(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.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

STIFEL FINANCIAL CORP.

One Financial Plaza

501 North Broadway

St. Louis, Missouri 63102-2102

(314) 342-2000

St. Louis, Missouri

[ ], 2007

To the Stockholders of

Stifel Financial Corp.:

We cordially invite you to attend a special meeting of the stockholders of Stifel Financial Corp. The meeting will be held on **[ ]**,**[ ]**, 2007, **[**at**]** a.m. on the 2nd Floor, One Financial Plaza, 501 North Broadway, St Louis, Missouri. One Financial Plaza is located on the southwest corner of Washington and Broadway in downtown St. Louis.

The purpose of the Special Meeting is to (1) approve the issuance of up to 500,000 shares of our common stock upon the exercise of warrants and up to 1,000,000 additional shares of our common stock for the payment of earn-out consideration relating to our acquisition of Ryan Beck Holdings, Inc. and (2) to approve and adopt the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) to provide incentive equity compensation to certain employees of Ryan Beck Holdings following the recent completion of our acquisition of that company. Only holders of record of our common stock at the close of business on **[ ]**, 2007 will be entitled to vote. Please take the time to carefully read the description of each proposal in the attached proxy statement.

Thank you for your support.

STIFEL FINANCIAL CORP.

Ronald J. Kruszewski
Chairman of the Board and Chief Executive Officer

This proxy statement and the accompanying proxy card are

being mailed to our stockholders beginning about [ ], 2007.

Even though you may plan to attend the meeting in person,

please mark, date, and execute the enclosed proxy and mail it promptly. A postage-paid return

envelope is enclosed for your convenience.

STIFEL FINANCIAL CORP.

One Financial Plaza

501 North Broadway

St. Louis, Missouri 63102-2102

(314) 342-2000

NOTICE OF SPECIAL MEETING OF

THE STOCKHOLDERS OF

STIFEL FINANCIAL CORP.

TO BE HELD [ ], 2007

St. Louis, Missouri

[ ], 2007

Dear Stockholder:

A special meeting of stockholders of Stifel Financial Corp. (Stifel) will be held on the 2nd Floor, One Financial Plaza, 501 North Broadway, St. Louis, Missouri, on **[ ]**, **[ ]**, 2007, **[**at**]** a.m., for the following purposes:

1. To approve the issuance of (a) up to 500,000 shares of Stifel common stock issuable upon the exercise of five-year warrants issuable to the stockholders and certain former optionholders of Ryan Beck Holdings, Inc., and (b) up to 1,000,000 additional shares of Stifel common stock that may be issued and contingent earn-out payments, all pursuant to a merger agreement pursuant to which Stifel acquired Ryan Beck effective February 28, 2007;
2. To approve and adopt the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) (the Plan), to provide incentive equity compensation to certain employees of Ryan Beck; and
3. To consider and act upon such other business as may properly come before the meeting and any adjournment thereof.

The record date for the determination of stockholders entitled to receive notice of and to vote at the special meeting and any adjournment thereof has been fixed as the close of business on **[ ]**, 2007. A stockholder list dated as of the record date will be available for inspection by any stockholder at our offices in St. Louis, Missouri for ten days prior to the special meeting.

We cordially invite you to attend the special meeting. Even if you plan to be present at the meeting in person, you are requested to date, sign and return the enclosed proxy card in the envelope provided so that your shares will be represented. The mailing of an executed proxy card will not affect your right to vote in person should you later decide to attend the special meeting.

By Order of the Board of Directors.

David M. Minnick, Secretary

[ ], 2007

St. Louis, Missouri

This proxy statement and the accompanying proxy card are

being mailed to Stifel stockholders beginning about [ ], 2007.

STIFEL FINANCIAL CORP.

One Financial Plaza

501 North Broadway

St. Louis, Missouri 63102-2102

PROXY STATEMENT

FOR THE

SPECIAL MEETING OF THE STOCKHOLDERS

TO BE HELD [ ], 2007

ONE FINANCIAL PLAZA, ST. LOUIS, MISSOURI

This proxy statement is furnished to the holders of common stock of Stifel Financial Corp. (Stifel or the Company) in connection with the solicitation of proxies for use in connection with the Special Meeting of the stockholders of Stifel common stock (the Stockholders) to be held **[ ]**, 2007, and all adjournments and postponements thereof, for the purpose set forth in the accompanying Notice of Special Meeting of the Stockholders. Stifel is first mailing this proxy statement and the enclosed form of proxy to Stockholders on or about **[ ]**, 2007.

Pursuant to the Merger Agreement dated January 8, 2007 (the Merger Agreement) by and among Stifel, SF RB Merger Sub, Inc., a New Jersey corporation (Merger Sub), Ryan Beck Holdings, Inc., a New Jersey corporation (Ryan Beck), and BankAtlantic Bancorp, Inc., a Florida corporation (Bancorp), Stifel acquired Ryan Beck effective February 28, 2007 by merger (the Merger). Pursuant to the Merger Agreement, we agreed to seek stockholder approval to issue five-year warrants to the stockholders and certain former optionholders of Ryan Beck who were entitled to receive a portion of the Merger consideration. The warrants will provide these holders with the right to purchase up to an aggregate of 500,000 shares of Stifel common stock at an exercise price of $36.00 per share, and may be exercised immediately after their issuance. If Stifel does not obtain stockholder approval for the issuance of the shares issuable upon the exercise of the warrants on or prior to June 30, 2007, Stifel has agreed to pay $20.0 million to the Ryan Beck stockholders and optionholders in lieu of issuing the warrants.

The Merger Agreement provides for certain contingent earn-out payments after closing of the Merger, based on the achievement of certain performance criteria described below. If Stifel elects to make these earn-out payments in shares instead of in cash, as provided under the Merger Agreement, we may issue shares of Stifel common stock for such earn-out payments. One earn-out payment is based on the aggregate commissionable revenues attributable to certain individuals in Ryan Beck s existing private client division during the two-year period following closing of the Merger. Stifel will pay the Ryan Beck stockholders an earn-out payment based on 30% of commissionable revenues attributable to such existing private client division employees to the extent such revenues exceed a base amount, up to a maximum payout value of $40.0 million. Two other earn-out payments are equal to revenues attributable to certain individuals in Ryan Beck s existing investment banking

division over each of the first two 12-month periods after closing of the Merger. Such earn-out payments will be equal to 25% of the amount by which the investment banking fees attributable to such individuals exceed $25.0 million in each 12-month period. If the Company elects to make the earn-out payments in shares of Stifel common stock instead of in cash, such shares of Stifel common stock will be valued according to the average of the daily closing price per share for the 10 consecutive business days ending on the day prior to the last day of the applicable earn-out period. We are seeking stockholder approval for the issuance of up to 1,000,000 shares of common stock to be used to pay any such contingent earn-out amounts; if such earn-out consideration exceeds the value of 1,000,000 of our shares, then we will pay the balance of the earn-out consideration in cash or seek further stockholder approval for the issuance of additional shares at that time.

In conjunction with the execution of the Merger Agreement, Stifel also entered into a Voting Agreement effective January 8, 2006 (the Voting Agreement) with Bancorp, the Western and Southern Life Insurance Company (Western and Southern), and several other individual holders of Stifel s common stock (collectively, the Voting Agreement Stockholders), under which the Voting Agreement Stockholders agreed, among other things, to vote their shares of Stifel common stock in favor of the transactions contemplated by the Merger Agreement including, without limitation, the issuance of the warrants and the shares of Stifel common stock issuable upon exercise thereof and shares of Stifel common stock that may become issuable (and paid at the discretion of Stifel) as earn-out consideration, and such other matters regarding the Merger so as to facilitate the consummation thereof.

Additionally, the Voting Agreement Stockholders agreed to vote their shares of Stifel common stock against any action, transaction or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement under the Merger Agreement or the Voting Agreement.

Stifel s board of directors (the Board of Directors or the Board) believes that obtaining stockholder approval for the issuance of the shares underlying the warrants and for payment of the earn-out amounts provides Stifel with greater long-term flexibility for both financial and operating performance of Stifel as a whole. Approval of the shares issuable upon exercise of the warrants or that may be issued to satisfy earn-out payments, if any, will require the vote of a majority of our stockholders excluding those who received common stock in connection with the Merger.

Summary Term Sheet for the Merger

Stifel entered into the Merger Agreement on January 8, 2007, under which Stifel agreed to acquire Ryan Beck by the merger of Ryan Beck with and into a newly formed merger subsidiary wholly owned by Stifel. The Merger was consummated on February 28, 2007. The parties to the agreement are as follows:

Stifel Financial Corp., One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102, (314) 342-2000. Stifel is a financial services and bank holding company.

SF RB Merger Sub, Inc., One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102, (314) 342-2000. Merger Sub is a shell company organized specifically for the purposes of the Merger.

BankAtlantic Bancorp, Inc., 2100 West Cypress Creek Road, Fort Lauderdale, Florida 33309, (954) 940-5000. Bancorp is a diversified financial services holding company.

Ryan Beck Holdings, Inc., 18 Columbia Turnpike, Florham Park, New Jersey 07932, (973) 549-4000. Ryan Beck is a brokerage and financial consulting and advisory services holding company.

The consideration issued (and to be issued) in the Merger is as follows:

Initial consideration consisting of 2,467,600 shares of Stifel common stock, and cash consideration of approximately $2.65 million, as described in more detail on page 20.

Subject to the approval of Stifel s stockholders, five-year, immediately exercisable warrants to purchase up to 500,000 shares of Stifel s common stock, at an exercise price of $36.00 per share, as described in more detail on page 21.

Contingent payments, as follows:

A contingent payment based on the aggregate revenues attributable to certain individuals in Ryan Beck s existing private client division over the two-year period following closing, as described in more detail on page 21.

Two contingent payments based on revenues attributable to certain individuals in Ryan Beck s existing investment banking division over each of the first two 12-month periods following closing, as described in more detail on page 21.

Each of the contingent payments is payable in cash or Stifel common stock, at Stifel s sole election.

Additionally, Stifel has agreed to establish a retention program for certain employees of Ryan Beck, with 1,200,000 shares of Stifel common stock reserved for issuance under the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees).

Value of the Merger Consideration. Stifel issued 2,467,600 shares at the closing of the Merger. Utilizing a

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value of $41.55 per share (which represents the five-day average of the closing price of our stock as reported by the NYSE commencing two days before, and ending two days after, we announced the Merger), that stock had a value of $102.5 million. In addition, we paid approximately $2.65 million of cash at the closing of the Merger. As discussed elsewhere in this proxy statement, we also agreed to issue five-year warrants to purchase up to 500,000 shares of our common stock at an exercise price of $36.00 per share. Using the Black-Scholes valuation method for the warrants, which gives consideration to the price of the underlying stock at the date of grant, the exercise price of the warrant, the expected dividend yield and volatility of the underlying stock, the expected life of the warrant and the corresponding risk free interest rate, such warrants had a value of approximately $8.5 million. Accordingly, the initial share consideration, the cash and the Black-Scholes value of the warrants totals approximately $113.7 million. If the stockholders do not approve the issuance of the warrants, we are required to pay cash of $20.0 million in lieu of issuing the warrants. With the additional cash payment, the aggregate Merger consideration would equal approximately $125.2 million. If any contingent earn-out consideration is paid, the value of the Merger consideration paid to Bancorp and former optionholders of Ryan Beck will increase by the amount of such contingent consideration paid.

Maximum Number of Shares Issuable as Merger Consideration. The maximum number of shares of Stifel common stock that Stifel estimates it will issue in connection with the transaction is 3,967,600, consisting of:

- 2,467,600 shares issued as initial share consideration at the closing of the Merger, which shares were not subject to stockholder approval;
- up to 500,000 shares issuable upon exercise of the warrants, subject to stockholder approval; and
- up to 1,000,000 shares issuable in payment for any contingent earn-out consideration, also subject to stockholder approval.

As described above, the earn-out consists of two components, one based on revenues attributable to certain individuals in Ryan Beck s existing private client division, which is capped at $40.0 million, and one based on revenues attributable to certain individuals in Ryan Beck s existing investment banking division, which is not capped. Under the Merger Agreement, we may pay such amounts in stock, cash or any combination thereof, at our election. If we use stock to pay all or portion of any earn-out, the maximum amount of shares that we will issue will be 1,000,000 shares. If we desire to utilize all of such shares to pay any such earn-out, then to the extent that the value of any earn-out exceeds the value of 1,000,000 shares, we will pay the excess over the value of 1,000,000 shares in cash or seek stockholder approval to issue additional shares. Utilizing a value of $41.55 per share, we could pay up to $41.55 million of earn-out payments with our stock, if we so elect.

- The parties entered into a registration rights agreement (the Registration Rights Agreement) pursuant to the Merger Agreement, which requires Stifel to register for resale the shares issued in conjunction with the Merger on certain timetables, as described in more detail on page 22. Additionally, the Registration Rights Agreement includes a lock-up provision and standstill provisions applicable to Bancorp, as described in more detail on page 22.
- The Merger Agreement includes certain non-compete and non-solicitation provisions applicable to Bancorp, as described in more detail on page 22.
- Subsequent to the closing of the Merger, Stifel s Board will remain unchanged. Stifel anticipates that in conjunction with or following the annual stockholders meeting in 2007 that Ben Plotkin will be appointed to the Board. Mr. Plotkin is the Chief Executive Officer of Ryan Beck.
- Stifel also entered into the Voting Agreement under which the Voting Agreement Stockholders (as defined above) agreed to vote their shares of Stifel common stock in favor of the Merger, the Merger Agreement, and related transactions, as described in more detail on page 22.

We are also seeking stockholder approval of the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) (the Plan), which reserves 1,200,000 shares of Stifel common stock for issuance under the Plan for incentive equity compensation to certain employees of Ryan Beck. Stifel currently anticipates that 600,000 of those shares will be issued upon the exercise of restricted stock units issued for purposes of retaining employees

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of Ryan Beck, and that 600,000 of those shares will be issued as restricted stock units in exchange for Ryan Beck appreciation units held by Ryan Beck employees under Ryan Beck s deferred compensation plans. The value of the restricted stock units so issued will be the lower of (1) $47.65 (the closing price as of February 28, 2007, the date of closing of the Merger), or (2) the date on which we obtain stockholder approval for the Plan.

Stifel provides equity compensation to employees as an incentive to increase long-term stockholder value and to align the interests of our employees with those of our stockholders. We believe that our equity compensation programs help us to attract and retain talented and highly-skilled individuals to serve as employees. We also believe that these plans motivate high levels of performance and create incentives that reward the contributions of our employees to our success and to increased stockholder value. The Board believes these restricted stock units are a critically important part of the package of equity and cash used to provide incentives to the associates of Ryan Beck to remain with Stifel as part of our acquisition of that company.

Your vote is very important. Whether or not you plan to attend the Special Meeting, we request that you vote as soon as possible. Whether or not you expect to be present in person at the meeting, you are requested to complete, sign, date, and return the enclosed form of proxy. If you attend the meeting, you may vote by ballot. If you do not attend the meeting, your shares of common stock can be voted only when represented by a properly executed proxy.

Any person giving such a proxy has the right to revoke it at any time before it is voted by giving written notice of revocation to the Secretary of Stifel, by duly executing and delivering a proxy bearing a later date, or by attending the Special Meeting and voting in person.

The close of business on **[ ]**, 2007 has been fixed as the record date for the determination of the Stockholders entitled to vote at the Special Meeting of the Stockholders. As of the record date, approximately **[ ]** shares of Stifel common stock were outstanding and entitled to be voted at the Special Meeting. Stockholders will be entitled to cast one vote on each issue presented above for each share of Stifel common stock held of record on the record date.

The solicitation of this proxy is made by Stifel s Board. The solicitation will primarily be by mail and the expense thereof will be paid by Stifel. In addition, proxies may be solicited by telephone or facsimile by directors, officers, or regular employees of Stifel.

ABOUT THE SPECIAL MEETING

WHY AM I RECEIVING THESE MATERIALS?

The Board is providing these proxy materials to you in connection with the solicitation of proxies for use at the Special Meeting of Stockholders to be held on **[ ]**, **[ ]**, 2007, **[**at**]** a.m., Central time, and at any adjournment or postponement thereof (the Special Meeting), for the purpose of considering and acting upon the matters set forth herein.

WHO IS SOLICITING MY VOTE?

Our Board of Directors is soliciting your vote at the Special Meeting.

WHAT WILL I BE VOTING ON?

You will be voting on two proposals:

The first proposal is to approve the issuance of shares of Stifel common stock in connection with Stifel s pending acquisition of Ryan Beck Holdings, Inc. (Ryan Beck) by merger (the Merger). Stifel is seeking stockholder approval of the issuance of 500,000 shares of Stifel common stock upon the exercise of five-year, immediately exercisable warrants issued to the stockholders and optionholders of Ryan Beck who receive a portion of the consideration for the Merger. The warrants have an exercise price of $36.00 per share. The Merger Agreement dated January 8, 2007 (the Merger Agreement) by and among Stifel, SF RB Merger Sub, Inc., a New Jersey corporation (Merger Sub), Ryan Beck and BankAtlantic Bancorp, Inc., a Florida corporation (Bancorp) provides that, if Stifel stockholder approval is not obtained for the issuance of the shares of Stifel common stock underlying the warrants on or before June 30, 2007, Stifel is obligated to pay the Ryan Beck stockholders and optionholders receiving a portion of the Merger consideration $20.0 million in cash in lieu of issuing the warrants.

The Merger Agreement further provides for certain earn-out payments after the closing of the Merger. The Merger Agreement permits Stifel to elect to make such earn-out payments in shares of Stifel common stock instead of in cash. Stifel is therefore seeking stockholder approval to issue up to 1,000,000 shares of Stifel common stock to make such earn-out payments. To the extent that the value of such earn-out payments exceed the value of 1,000,000 shares of Stifel common stock, we will pay the balance of the earn-out payments in cash or seek further stockholder approval for the issuance of additional shares at that time.

One earn-out payment is based on the aggregate commissionable revenues attributable to certain individuals in Ryan Beck s existing private client division during the two-year period following the closing of the Merger. Stifel will pay the earn-out payment based on 30% of commissionable revenues attributable to such existing private client division employees to the extent such revenues exceed a base amount, up to a maximum payout value of $40.0 million. Two other earn-out payments are based on revenues attributable to certain individuals in Ryan Beck s existing investment banking division over each of the first two 12-month periods after the closing of the Merger. Stifel will pay for each earn-out payment an amount equal to 25% of the amount by which the investment banking fees attributable to such individuals exceed $25.0 million in each 12-month period. If Stifel elects to make such earn-out payments in shares of Stifel common stock instead of in cash, such shares of Stifel common stock will be valued according to the average of the daily closing price per share for the 10 consecutive business days ending on the day prior to the last day of the applicable earn-out period, and Stifel will issue a number of shares of Stifel common stock with an aggregate valuation equal to each earn-out amount (up to 1,000,000 shares, for which stockholder approval is sought by this proxy statement).

If the issuance of these shares underlying the warrants and for payment of the earn-out payments is not approved at the Special Meeting, we believe that we will lose the flexibility we need to continue to grow our business, and in turn, we believe that this may have a negative effect on our long-term success.

The issuance of the shares underlying the warrants and for payment of the earn-out payments requires the approval of a majority of Stifel s stockholders, excluding the stockholders who received share consideration in the Merger.

The second proposal is to approve and adopt the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) (the Plan), which provides incentive equity compensation to certain employees of Ryan Beck. The Plan reserves 1,200,000 shares of Stifel common stock for issuance under the Plan. Stifel currently anticipates that 600,000 of those shares will be issued upon the exercise of restricted stock units issued for purposes of retaining employees of Ryan Beck, that 600,000 of those shares will be

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issued as restricted stock units in exchange for Ryan Beck appreciation units held by Ryan Beck employees under Ryan Beck s deferred compensation plans. The value of the restricted stock units so issued will be the lower of (1) $47.65 (the closing price as of February 28, 2007, the date of closing of the Merger), or (2) the date on which we obtain stockholder approval.

In addition to the consideration to be paid to the stockholders and optionholders of Ryan Beck who are receiving a portion of the Merger consideration, Stifel has agreed to issue certain equity compensation to key associates of Ryan Beck under the Plan. If the Plan is not approved at the Special Meeting, we believe that our ability to retain these employees will be negatively affected, and in turn, we believe our long-term success may be adversely affected.

HOW MANY VOTES DO I HAVE?

You will have one vote for each proposal for every share of common stock you owned on the record date, **[ ]**, 2007, and on each other proposal presented at the Special Meeting; however, because Proposal I deals with the form in which additional consideration for the Merger may be paid, holders of shares of common stock issued as consideration for the Merger are not entitled to vote in respect of Proposal I.

HOW MANY VOTES CAN BE CAST BY ALL STOCKHOLDERS?

[ ] for Proposal I and **[ ]** for Proposal II, consisting of one vote for each of the shares of common stock that were outstanding on the record date, less the number of shares of common stock issued as consideration for the Merger for Proposal I.

HOW MANY VOTES MUST BE PRESENT TO HOLD THE MEETING?

[ ] votes, which represents a majority of the votes entitled to be cast with regard to Proposal II (which is the proposal to be decided at the Special Meeting with the largest number of shares eligible to be cast). If you vote, your shares will be part of the quorum. Abstentions and broker non-votes will be counted in determining the quorum. A broker non-vote occurs when a bank or broker holding shares in street name submits a proxy that states that the broker does not vote for some or all of the proposals, because the broker has not received instructions from the beneficial owners on how to vote on the proposals and does not have discretionary authority to vote in the absence of instructions.

We urge you to vote by proxy even if you plan to attend the Special Meeting so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

DOES ANY SINGLE STOCKHOLDER CONTROL AS MUCH AS 5 PERCENT OF ANY CLASS OF STIFEL S COMMON STOCK?

As of **[ ]**, 2007 there are two stockholders that beneficially own over five percent of our common stock (see page 30).

ARE THERE ANY VOTING AGREEMENTS THAT MAY AFFECT THE VOTE?

Stifel entered into a Voting Agreement effective January 8, 2006 (the Voting Agreement) with several individual holders of Stifel s common stock (collectively, the Voting Agreement Stockholders), under which the Voting Agreement Stockholders agreed to vote their shares of Stifel common stock in favor of the Merger, the Merger Agreement, and the transactions contemplated thereunder including, without limitation, the issuance of the warrants and the shares of Stifel common stock issuable upon exercise thereof and shares of Stifel common stock that may become issuable (and paid in the discretion of Stifel) as earn-out consideration, and such other matters regarding the Merger so as to facilitate the consummation thereof.

WHAT ARE THE BENEFITS THAT OFFICERS AND DIRECTORS RECEIVE IN THE TRANSACTION, AND WHAT ARE THE POTENTIAL CONFLICTS OF INTEREST?

Stifel s officers and directors did not receive any direct or indirect benefit as a result of the transaction that would not be realized by holders of Stifel common stock, generally, and the Board has not identified any conflicts of interest among Stifel s officers and directors.

Stifel anticipates that sometime after the annual stockholders meeting, the Board will appoint Ben Plotkin, the chief executive officer of Ryan Beck, to the Board of Stifel. Mr. Plotkin was not a member of the executive management of Stifel when the Merger was considered, and will not be a member of the Board during the time prior to the approval of the matters that are the subject of this proxy statement. At the time such matters were considered, Mr. Plotkin was on the board of, and was the chief executive officer of, Ryan Beck.

HOW DO I VOTE?

You can vote either by proxy with or without attending the Special Meeting or in person at the

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Special Meeting.

<u>To vote by proxy, you must either:</u>

- If your shares are registered in your name at UMB Bank, n.a. (our transfer agent), you must fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope.

- If you hold your stock through a securities broker (that is, in street name), you must either:
  - fill out the enclosed proxy card, date and sign it, and return it in the enclosed postage-paid envelope,
  - vote by telephone (instructions are on the proxy card), or
  - vote by Internet (instructions are on the proxy card).

Our employees who participate in our employee benefit plans may vote on our Intranet or may have their proxy card mailed to them.

If you want to vote in person at the Special Meeting, and you hold your stock through a securities broker (that is, in street name), you must obtain a proxy from your broker and bring that proxy to the meeting.

CAN I CHANGE MY VOTE?

Yes. Just send in a new proxy card with a later date, or cast a new vote by telephone, Internet or Intranet, or send a written notice of revocation to our corporate secretary at the address on the cover of this proxy statement. If you attend the Special Meeting and want to vote in person, you can request that your previously submitted proxy not be used.

WHAT IS THE VOTE REQUIRED TO APPROVE EACH PROPOSAL?

Approval of Proposal I requires the approval of a majority of total votes cast on Proposal I, excluding the votes of stockholders relating to the shares they received as consideration in the Merger, and approval and adoption of the Plan requires a majority of votes cast on Proposal II, provided that the total votes cast on such proposal represent over 50 percent of our outstanding shares entitled to vote on each such matter. Therefore, shares subject to abstention will be considered as present for quorum purposes and will have the effect of a vote against this proposal. A broker non-vote will have no effect on the proposals (except to the extent such abstentions and broker non-votes result in a failure to obtain total votes cast representing more than majority of the votes that can be cast at the Special Meeting regarding the issuance of the shares underlying the warrants and for payment of the earn-out amounts and regarding the Plan).

IF I SIGN A PROXY, HOW WILL IT BE VOTED?

All shares entitled to vote and represented by properly executed proxy cards received prior to the Special Meeting, and not revoked, will be voted at the Special Meeting in accordance with the instructions indicated on those proxy cards. If no instructions are indicated on a properly executed proxy card, the shares represented by that proxy card will be voted as recommended by the Board of Directors. As a result, your shares will be voted in favor of the Proposals.

WHEN ARE THE STOCKHOLDER PROPOSALS FOR INCLUSION IN THE PROXY STATEMENT FOR THE 2007 ANNUAL MEETING DUE?

In order to be considered for inclusion in the proxy statement for the 2007 Annual Meeting of Stockholders, stockholder proposals must have been in writing and received by December 7, 2006 by Stifel Financial Corp., One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102-2102, Attn: Secretary.

WHEN ARE STOCKHOLDER PROPOSALS FOR PRESENTATION AT MEETINGS OF STOCKHOLDERS DUE?

If you desire to submit a proposal for consideration at a meeting of stockholders, or to nominate persons for elections as directors at any meeting duly called for the election of directors, written notice of your intent to make such proposal or nomination must be given and received by Stifel s Secretary at its principal office not later than (1) with respect to an Annual Meeting of Stockholders, 60 days prior to the anniversary date of the immediately preceding Annual Meeting, and (2) with respect to a Special Meeting of Stockholders, the close of business on the 10th day following the date on which notice of the meeting is first sent or given to stockholders. Each notice shall describe the proposal or nomination in sufficient detail for a proposal or nomination to be summarized on the agenda for the meeting and shall set forth (1) the name and address, as it appears on the books of the Company, of the stockholder who intends to make the proposal or nomination; (2) a representation that the stockholder is a holder of record of the ordinary shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to present such proposal or nomination; and (3) the class and number

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of ordinary shares of the Company which are beneficially owned by such stockholder.

COULD OTHER MATTERS BE DECIDED AT THE SPECIAL MEETING?

If any other matters are properly presented for consideration at the Special Meeting, including, among other things, consideration of a motion to adjourn the Special Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the enclosed proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. Stifel does not currently anticipate that any other matters will be raised at the Special Meeting.

WHAT HAPPENS IF THE MEETING IS POSTPONED OR ADJOURNED?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting.

HOW CAN I ACCESS STIFEL S PROXY MATERIALS AND ANNUAL REPORT ELECTRONICALLY?

This proxy statement and the 2006 annual report are available on our Internet site at *www.stifel.com*. Most stockholders can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail.

PROPOSAL I.

Issuance of Additional Shares of Stifel Common Stock in Connection with Stifel s Acquisition of Ryan Beck

The Board of Directors is asking stockholders to approve the issuance of up to 1,500,000 shares of Stifel common stock in connection with the acquisition of Ryan Beck by merger. The Board of Directors approved such issuance on January 6, 2007, subject to stockholder approval.

Our Board has approved the issuance of shares underlying the warrants and for payment of the earn-out amounts and recommends that stockholders vote therefor.

Background of the Merger

On several occasions prior to September 2006, Ronald J. Kruszewski, President, CEO and Chairman of Stifel, discussed with Ben A. Plotkin, CEO and chairman of Ryan Beck, the possibility of a strategic combination or alliance involving Stifel and Ryan Beck. In each case, the contacts were preliminary, did not involve Bancorp, Ryan Beck s sole shareholder, and did not result in any negotiations regarding any significant economic terms with respect to any transaction involving either of the two companies.

In mid-September 2006, Mr. Plotkin called Mr. Kruszewski and renewed their discussions. The two agreed to meet to discuss a potential transaction. On September 26, 2006, Mr. Kruszewski met with Mr. Plotkin at an off-site location in New Jersey to discuss the general merits of an acquisition by Stifel of Ryan Beck, including whether a combination of Stifel and Ryan would be beneficial for each their respective companies and Bancorp. Messrs. Kruszewski and Plotkin discussed their respective companies, industry trends and areas in which the two companies businesses might be complementary. Also discussed was the importance of retaining Ryan Beck s key investment professional employees through various retention programs. The two agreed to further examine independently the benefits of such a combination.

On October 6, 2006, Mr. Plotkin circulated a draft confidentiality agreement to Mr. Kruszewski. Following conversations between the parties and respective legal counsel concerning the terms of the confidentiality agreement, it was executed on October 9, 2006 with the knowledge of Bancorp. The confidentiality agreement required each of the parties to maintain the confidentiality of nonpublic information that would be made available to the other for purposes of due diligence with respect to a potential acquisition of Ryan Beck by Stifel. Following the execution of the confidentiality agreement, the parties commenced their initial business and financial due diligence. At this time, Ryan Beck provided Stifel with access to a private online document room created to facilitate due diligence. Also, at this time discussions between Messrs. Kruszewski and Plotkin continued with respect to the various employee retention programs and post-acquisition operations.

On November 9, 2006, Mr. Kruszewski met with Alan B. Levan, the chairman of Bancorp, and Mr. Plotkin in Bancorp s offices in Miami, Florida. Mr. Kruszewski and Mr. Levan discussed valuation generally, but only in a non-specific manner, as Stifel was early in the process of its evaluation of the various potential synergies and other benefits of a transaction and the costs relating to assimilating the Ryan Beck private client, capital markets and investment banking groups. Throughout this period, Stifel met and conferred with Citigroup Global Markets Inc. (Citi), Stifel s financial advisor in connection with the proposed transaction, regarding a potential transaction with Ryan Beck, and Stifel reviewed selected materials, based on public information and information provided pursuant to the confidentiality agreement, relating to a potential strategic combination between Stifel and Ryan Beck.

On November 6, 2006, at a regularly scheduled meeting of the board of directors of Stifel, Mr. Kruszewski informed the board of the potential for entering into an acquisition agreement with Ryan Beck, but indicated that he did not know if the parties could reach an agreeable valuation.

During the last week of November and the first week of December 2006, Stifel and Bancorp discussed a summary of terms. Mr. Levan expressed interest in acquiring stock of Stifel in connection with the transaction, and the parties took note of the fact that Stifel s market price during the previous three-month period had ranged between $30.07 and $37.30. The parties agreed that the valuation would be based on the book value of Ryan Beck as a stand-

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alone business and would be expressed in shares of Stifel having a valuation of $36.00 per share based on the recent historical trading price of the shares. In addition, the parties discussed potential warrant and earn-out consideration tied to the performance of each of the private client group and investment banking division of Stifel.

During the week of December 4, 2006, the parties instructed their legal counsel to commence drafting an acquisition agreement based on the summary of terms. Throughout December 2006 and in early January 2007, Stifel management and their advisors conducted due diligence of Ryan Beck, including through access to the private online data room, management meetings and site visits.

On December 5, 2006, the Stifel Board held a regular board meeting during which the directors were provided with an update regarding the due diligence process and the information provided by Ryan Beck to date.

On December 9, 2006, pursuant to the request of Stifel, Bryan Cave LLP, Stifel s legal counsel for the transaction, provided an initial draft acquisition agreement to Stearns Weaver Miller Weissler Alhadeff & Sitterson, P.A., Bancorp s legal counsel for the transaction. From December 10, 2006 through January 8, 2007, Stifel, with the assistance of Bryan Cave and Citi, negotiated the specific terms of the Merger Agreement and the related disclosure letter. These negotiations addressed the nature of the representations and warranties to be made in respect of Ryan Beck and its business, the limitations on the conduct of Ryan Beck s between signing and closing and certain employee matters. Among the issues discussed, particular attention was given to (i) the scope, limitations and survival period of the indemnification obligations, (ii) the structure of the transaction and the mix of consideration to be delivered, (iii) certain tax issues, and (iv) the structure of the earn-out consideration and retention packages for Ryan Beck employees. During this period, in a series of telephone calls from mid-December through December 24, 2006, Messrs. Kruszewski and Levan agreed that the valuation would be based on the November 30, 2006 book value of Ryan Beck, approximately $91.1 million, and that the number of shares would be fixed at 2,531,278 (sometimes referred to as the Initial Share Consideration), subject to the limitation that the number would not exceed 19.9% of the outstanding voting stock of Stifel. In addition, the parties agreed on the structure of the earn-out with respect to the private client group and investment banking business. The respective parties and legal counsel continued to review and negotiate the Merger Agreement.

During the course of the negotiations of the Merger Agreement, Stearns Weaver Miller indicated the desirability of obtaining an agreement from Stifel s significant stockholders (including Western and Southern, which at the time was Stifel s largest shareholder) to vote in favor of any matters relating to the Merger requiring Stifel stockholder approval. On or about January 4, 2007, Mr. Kruszewski informed representatives of Western and Southern of the potential transaction and its material terms on a confidential basis, and those representatives indicated Western and Southern would be willing to enter into such a voting agreement. Other members of the Board of Directors, including Mr. Kruszewski, also were asked to enter into such a voting agreement. The terms of the Merger Agreement and the Voting Agreement are detailed below under Terms of the Ryan Beck Acquisition beginning on page 20 of this proxy statement.

On January 6, 2007, Stifel s entire board of directors, together with its financial and legal advisors, met to review the proposed Merger and draft Merger Agreement. At the meeting, Citi provided to the Board a summary of its fairness opinion procedures, reviewed its analysis performed and delivered a verbal fairness opinion to Stifel s Board to the effect that, as of such date and based upon and subject to the assumptions, qualifications and limitations described by Citi, the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel s Board, that no cash would be substituted for the Initial Share Consideration as contemplated by the Merger Agreement) to be paid by Stifel in the Merger, was fair, from a financial point of view, to Stifel. Representatives from Bryan Cave summarized the principal terms of the Merger Agreement and the determinations to be made by the directors in the exercise of their fiduciary duties. After discussion and deliberation based upon the totality of the information presented and considered during its evaluation of the Merger and the Merger Agreement, the Board, by unanimous vote, approved the Merger Agreement and the transactions contemplated by the Merger Agreement, in substantially the form presented to the Board.

On January 8, 2007, Stifel and its wholly-owned subsidiary Merger Sub entered into the Merger Agreement with Bancorp, and its subsidiary, Ryan Beck, pursuant to which Stifel agreed to acquire Ryan Beck through the

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Merger of Ryan Beck with and into Merger Sub, with Merger Sub surviving. On the morning of January 9, 2007, Stifel issued a press release announcing the execution of the Merger Agreement. The Merger closed on February 28, 2007.

Reasons for the Merger

On January 6, 2007, the Board unanimously adopted resolutions, determining that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, were in Stifel s best interests. The Board concluded that the Merger Agreement and the Merger were fair to Stifel s stockholders, and recommends that the holders of Stifel common stock vote for the approval of the issuance of shares of Stifel common stock upon exercise of the Warrants and as additional earn-out consideration as described in this proxy statement.

In reaching these conclusions, the Board consulted with our management and our legal and financial advisors, and considered the short-term and long-term interests and prospects of Stifel and its stockholders. In reaching the foregoing determinations, the Board considered the following material factors that it believed supported its determinations:

the strategic nature of the transaction, which would expand Stifel s broker-dealer network into the Northeast, with relatively little overlap with its current business operations;
the strong management team of Ryan Beck, and the relative fit of the cultures of Stifel and Ryan Beck;

Citi s written opinion, dated January 8, 2007, the date of the Merger Agreement, to the effect that, as of such date, and based upon and subject to the assumptions, qualifications and limitations set forth therein, the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel s Board, that no cash would be substituted for the Initial Share Consideration as contemplated by the Merger Agreement) to be paid by Stifel in the Merger was fair, from a financial point of view, to Stifel; and

the terms and conditions of the Merger Agreement. The board of directors considered in particular:

- the indemnification available to Stifel;
- the structure of the consideration of the transaction, including a significant component relating to the contingent performance of certain business divisions of Ryan Beck;
- the treatment of Ryan Beck s deferred compensation plans;
- the treatment of Ryan Beck management s change of control contracts;
- the fact that the Merger could be consummated quickly following regulatory approval;
- the fact that Ryan Beck was not self-clearing and that substantial benefits would accrue to Stifel by leveraging its clearing platform;
- the positive business reputation of Ryan Beck and its lack of any material contingent liabilities; and
- the absence of any material regulatory issues.

The Board also considered a variety of risks and other potentially negative factors concerning the Merger. These factors included the following:

the conditions to the closing of the Merger, including regulatory approval, and the negative that failure to complete the Merger might have on the trading price of Stifel s common stock and Stifel s operating results, including the expenses associated with the transaction;

Stifel s ability to retain key personnel of Ryan Beck following the closing;

the potential distraction to Stifel management in trying to integrate the operations of Ryan Beck, which may be particularly challenging given the pending acquisition of First Service Financial Company (which was

11

subsequently consummated in April 2007) and the recent acquisition of the capital markets business of Legg Mason at the end of 2005;

the possible disruption to Stifel s business that might result from the announcement of the Merger and the resulting distraction of the attention of Stifel s management;

the amount of stock to be held by Bancorp and the possibility that Bancorp may seek to sell such shares in the future.

The foregoing discussion of the information and factors considered by the Stifel Board is not intended to be exhaustive but, we believe, includes all material factors considered by our board of directors. Based on the factors outlined above, the Stifel Board determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the Merger, are fair to and in the best interests of holders of Stifel common stock.

Opinion of Stifel s Financial Advisor

Stifel retained Citi as its exclusive financial advisor in connection with the Merger. In connection with this engagement, the board of directors of Stifel requested that Citi evaluate the fairness, from a financial point of view, to Stifel of the Merger consideration to be paid by Stifel in the Merger. On January 6, 2007, at a meeting of the Stifel board of directors held to evaluate the Merger, Citi delivered a verbal fairness opinion, which opinion was confirmed by delivery of a written opinion dated January 8, 2007, the date of the Merger Agreement, to the effect that as of the date of such opinion, and based upon and subject to the assumptions, limitations and considerations set forth in the opinion and other factors it deemed relevant, the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel s Board, that no cash would be substituted for the Initial Share Consideration as contemplated by the Merger Agreement) to be paid by Stifel in the Merger was fair, from a financial point of view, to Stifel.

The full text of Citi s written opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as Annex II to this proxy statement. **The summary of Citi s opinion set forth below is qualified in its entirety by reference to the full text of the opinion. You are urged to read Citi s opinion carefully and in its entirety.**

The Citi opinion was provided for the information of the Stifel board of directors in its evaluation of the Merger, which has been consummated, and was limited solely to the fairness from a financial point of view as of the date of the opinion of the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel s Board, that no cash would be substituted for the Initial Share Consideration as contemplated by the Merger Agreement) to be paid by Stifel in the Merger. Citi was not requested to opine as to, and its opinion does not address in any manner, Stifel s underlying business decision to proceed with or effect the Merger. Neither Citi s opinion nor its related analyses constituted a recommendation of the Merger to the Stifel board of directors. Citi makes no recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the Merger, including with respect to the Proposal I described in this proxy statement.

In arriving at its opinion, Citi reviewed the Merger Agreement and held discussions with certain senior officers, directors and other representatives and advisors of Stifel and certain senior officers and other representatives and advisors of Ryan Beck concerning the business, operations and prospects of Stifel and Ryan Beck. Citi examined certain publicly available business and financial information relating to Stifel and Ryan Beck as well as certain financial forecasts and other information and data relating to Stifel and Ryan Beck which were provided to or discussed with Citi by the respective managements of Stifel and Ryan Beck, including adjustments to the forecasts and other information and data relating to Stifel and Ryan Beck discussed with Citi by the respective managements of Stifel and Ryan Beck, and including information relating to the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated by the managements of Stifel and Ryan Beck to result from the Merger. In addition, Citi assumed, with the consent of Stifel s Board, that there were no material undisclosed liabilities of Ryan Beck for which adequate reserves or other provisions had not been made. Citi reviewed the financial terms of the Merger as set forth in the Merger Agreement in relation to or in light of, among other things:

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current and historical market prices and trading volumes of Stifel common stock;

the historical and projected earnings and other operating data of Stifel and Ryan Beck;

the capitalization and financial condition of Stifel and Ryan Beck; and

the liquidity requirements and capital resources of Ryan Beck.

Citi considered, to the extent publicly available, the financial terms of certain other transactions which Citi considered relevant in evaluating the Merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citi considered relevant in evaluating those of Stifel and Ryan Beck. Citi also evaluated certain potential pro forma financial effects of the Merger on Stifel. In addition to the foregoing, Citi conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citi deemed appropriate in arriving at its opinion.

In rendering its opinion, Citi assumed and relied, without assuming any responsibility for independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Citi and upon the assurances of the respective managements of Stifel and Ryan Beck that they were not aware of any relevant information that had been omitted or that remained undisclosed to Citi. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with Citi relating to Stifel and Ryan Beck and, in the case of certain potential pro forma financial effects of, and strategic implications and operational benefits resulting from, the Merger, relating to Stifel, Citi was advised by the respective managements of Stifel and Ryan Beck that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Stifel and Ryan Beck as to the future financial performance of Stifel and Ryan Beck, the potential strategic implications and operational benefits anticipated to result from the Merger and other matters covered thereby, and Citi assumed, with Stifel s consent, that the financial results (including the potential strategic implications and operational benefits anticipated to result from the Merger) reflected in such forecasts and other information and data will be realized in the amounts and at the times projected.

Citi assumed, with Stifel s consent, that the Merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Stifel, Ryan Beck or the contemplated benefits to Stifel of the Merger.

The Merger Agreement provides for the substitution of an amount of cash, referred to as the Substituted Cash Consideration, for a portion of the Initial Share Consideration in certain circumstances. Citi assumed, with the consent of Stifel s Board, that no Substituted Cash Consideration would be paid in connection with the Merger. Citi also assumed, with the consent of Stifel s Board, that the Merger would be treated as a tax-free reorganization for federal income tax purposes.

Citi s opinion, as set forth therein, relates to the relative values of Stifel and Ryan Beck. Citi did not express any opinion as to what the value of the Stifel common stock would be when issued pursuant to the Merger or the price at which the Stifel common stock would trade at any time. Citi did not make and was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Stifel or Ryan Beck, nor did Citi make any physical inspection of the properties or assets of Stifel or Ryan Beck. Citi expressed no view as to, and its opinion did not address, the relative merits of the Merger as compared to any alternative business strategies that might exist for Stifel or the effect of any other transaction in which Stifel might engage. Citi s opinion was necessarily based upon information available to Citi, and financial, stock market and other conditions and circumstances existing, as of the date of the opinion.

13

Financial Analyses of Citi

In connection with rendering its opinion, Citi made a presentation to the Stifel board of directors on January 6, 2007 with respect to the material analyses performed by Citi in evaluating the fairness to Stifel, from a financial point of view, of the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel s Board, that no Substituted Cash Consideration would be paid in connection with the Merger) to be paid by Stifel in the Merger. The following is a summary of the financial analyses contained in that presentation. **The summary includes information presented in tabular format. In order to understand fully the financial analyses used by Citi, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.** The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to January 5, 2007, and is not necessarily indicative of current or future market conditions.

The written opinion of Citi did not reflect any development that may have occurred after the date of such opinion and prior to completion of the Merger. Stifel did not request an updated opinion from Citi in connection with the Merger.

Comparable Companies Analysis. Citi reviewed market values and trading multiples for the following publicly held companies in the brokerage, financial advisory, investment banking, investment advisory and related financial advisory services sectors and compared them with financial data for Ryan Beck:

Stifel;

A.G. Edwards & Sons, Inc.;

Raymond James Financial, Inc.;

Oppenheimer & Co.;

Sanders Morris Harris Group Inc.;

Piper Jaffray & Co.;

KBW, Inc.;

Thomas Weisel Partners Group, Inc.; and

Cowen Group, Inc.

All multiples were based on market data as of January 5, 2007. The forecasted financial information used by Citi for the selected comparable companies in the course of this analysis was based on information published by Institutional Brokers Estimate System, or IBES, as provided by Thomson Financial and IDD Information Services, or IDD. IBES contains estimated and actual earnings cash flows, dividends, sales and pre-tax income data for companies in the U.S., Europe, Asia and emerging markets. The forecasted financial information used by Citi in the course of these analyses with respect to Stifel and Ryan Beck was based on Stifel and Ryan Beck management estimates and, with respect to Stifel, do not include any compensation expenses related to Stifel s acquisition of Legg Mason s capital market business.

For each of the selected comparable companies, Citi derived and compared, among other things:

the price as a multiple of 2006 earnings per share (2006 EPS);

the price as a multiple of 2007 earnings per share (2007 EPS);

the price as a multiple of book value (Book Value);

the price as a multiple of tangible book value (Tangible Book Value);

broker premium (defined as market capitalization less tangible book value, expressed on a per broker basis ($ in thousands)) (Broker Premium); and

long term earnings per share growth rate (Long Term EPS Growth Rate).

14

The following table sets forth the results of this analysis:

	High	Median	Low
Price as a multiple of 2006 EPS	23.5x	17.6x	13.5x
Price as a multiple of 2007 EPS	21.4x	15.8x	11.0x
Price as a multiple of Book Value	3.13x	2.05x	1.24x
Price as a multiple of Tangible Book Value	3.13x	2.27x	1.77x
Broker Premium ($ in thousands)	$623.0	$433.7	$147.8
Long Term EPS Growth Rate	10.0%	10.0%	5.0%

Based on this comparable company analysis and taking into consideration other performance metrics, Citi derived a reference range for the implied estimated equity value of Ryan Beck of approximately $135.0 million to $150.0 million. Citi calculated that this reference range would result in an implied multiple of equity value to estimated 2007 Net Income of 29.0x to 32.2x, an implied multiple of equity value to Tangible Book Value of 1.49x to 1.65x and an implied Broker Premium of $114.0 to $152.5 (each in thousands).

Precedent Transactions Analysis. Citi reviewed publicly available information for the following eleven merger or acquisition transactions in the brokerage, financial advisory, investment banking, investment advisory and related financial advisory services sectors publicly announced since September 28, 1999:

Acquiror	Target	Date Announced
UBS	McDonald (Retail Only)	9/6/2006
UBS	Piper Jaffray & Co. (Retail Only)	4/11/2006
Merrill Lynch & Co.	Advest Group, Inc. (AXA)	9/14/2005
Royal Bank of Canada	Tucker Anthony Sutro	8/1/2001
Regions Financial	Morgan Keegan	12/18/00
Royal Bank of Canada	Dain Rauscher	9/28/00
MONY	Advest	8/24/00
UBS	Paine Webber	7/12/00
First Union	First Albany	5/10/00
Paine Webber	J.C. Bradford	4/28/00
Wells Fargo	Ragen MacKenzie	9/28/99

For each selected precedent transaction, Citi derived and compared, among other things:

- the ratio of purchase price (excluding retention payments) of the acquired company based on the consideration paid in the transaction to net revenues, for the last 12-month period prior to the announcement of the transaction for which financial results were available (LTM Net Revenues);
- the ratio of purchase price (excluding retention payments) of the acquired company based on the consideration paid in the transaction to net income, for the last 12-month period prior to the announcement of the transaction for which financial results were available (LTM Net Income);
- the ratio of purchase price (excluding retention payments) of the acquired company based on the consideration paid in the transaction to net income, for the current fiscal year period during which the transaction was consummated (CFY Net Income);
- the ratio of purchase price (excluding retention payments) of the acquired company based on the consideration paid in the transaction to tangible book value (Tangible Book Value); and
- the broker premium (Broker Premium).

With respect to the financial information for the companies involved in the selected precedent transactions, Citi relied on information available in public documents, company press releases and information published by IDD.

15

The following table presents the results of this analysis:

	High	Median	Low
Ratio of Purchase Price to LTM Net Revenues	3.05x	1.39x	0.84x
Ratio of Purchase Price to LTM Net Income	73.4x	16.1x	6.8x
Ratio of Purchase Price to CFY Net Income	47.3x	16.9x	13.2x
Ratio of Purchase Price to Tangible Book Value	3.43x	2.90x	1.98x
Broker Premium ($ in thousands)	$1,014	$564	$288

Based upon this precedent transactions analysis and taking into consideration other performance metrics, Citi derived a reference range for the implied estimated equity value of Ryan Beck of approximately $180.0 million to $200.0 million. Citi calculated that this reference range would result in an implied multiple of equity value to estimated 2007 Net Income of 38.7x to 43.0x, an implied multiple of firm value to Tangible Book Value of 1.99x to 2.21x and an implied Broker Premium of $229.6 to $281.1 (each in thousands).

Discounted Cash Flow Analysis. Citi performed a discounted cash flow analysis to calculate the estimated present value of the after-tax free cash flows that Ryan Beck could generate from fiscal years 2007 through 2011 based on financial projections developed with and reviewed by Stifel management, both on a standalone basis and taking into account the value of synergies anticipated to result from the Merger by Stifel s management.

Citi calculated the after-tax free cash flows by calculating estimated net income of Ryan Beck for each of fiscal years 2007 through 2011, by applying a 7% compound annual growth rate to estimated revenues for Ryan Beck and a pre-tax net margin thereto, and adjusting estimated net income for estimated additional investments required. Citi calculated the terminal value of Ryan Beck by applying to Ryan Beck s fiscal year 2011 estimated net income a range of terminal multiples of 11.5x to 13.5x. The present value of the cash flows and the terminal value of Ryan Beck were calculated using discount rates ranging from 10.5% to 13.5%, which Citi viewed as appropriate based on weighted average cost of capital analysis for Ryan Beck.

Citi derived a reference range for the implied estimated equity value of Ryan Beck of approximately $125.0 million to $150.0 million based on the discounted cash flow analysis for Ryan Beck without taking into account synergies anticipated to result from the Merger by Stifel s management. In addition, Citi derived a reference range for the implied estimated equity value of Ryan Beck of approximately $250.0 million to $275.0 million based on the discounted cash flow analysis taking into account synergies anticipated to result from the Merger by Stifel s management.

Contribution Analysis. Citi reviewed certain historical and estimated future operating, financial and market information for Ryan Beck and Stifel, and the implied contribution percentages of Stifel and Ryan Beck to the combined company. The information used by Citi in the course of this analysis was based on estimates provided to Citi by the respective managements of Stifel and Ryan Beck.

Based upon the foregoing analysis, and assuming Stifel's stockholders would approve the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of the Proposal I described in this proxy statement, Citi calculated an implied Stifel contribution range in the combined company of approximately 67% to 92%, compared with an implied ownership percentage of Stifel shareholders in the pro forma entity of 81%, taking into account options, deferred compensation and assuming the issuance of 500,000 shares of Stifel common stock upon the exercise of the five-year warrants and up to $20 million in additional shares of Stifel common stock in respect of earn-out consideration relating to Stifel's acquisition of Ryan Beck.

16

The results of this analysis were based on estimates provided to Citi by the respective managements of Stifel and Ryan Beck, and are set forth below:

Metric	Stifel Contribution
Equity Revenues	71%
2007 Estimated Net Income	68%
2007 Estimated	92%
2007 Estimated (assuming anticipated annual synergies) Private Client Revenue	73%
2007 Estimated Number of Brokers	67%
2007 Estimated Relative Discounted Cash Flow	69%
Standalone	82%
Standalone (assuming anticipated annual synergies)	70%

Pro Forma Analysis. Citi also analyzed the potential pro forma effect of the Merger on the projected earnings per share, or EPS, for Stifel, based upon fiscal 2007 earnings estimates prepared by Stifel and Ryan Beck managements for Stifel and Ryan Beck, for the following two scenarios:

Stifel s stockholders approve the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of Proposal I described in this proxy statement;

Stifel s stockholders do not approve the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of Proposal I described in this proxy statement, and cash is substituted in lieu thereof.

The effect on EPS was calculated assuming the transaction closed on December 31, 2006 and using various other assumptions. Citi compared the Stifel management s estimates of standalone 2007 earnings per share of Stifel (GAAP EPS), GAAP EPS excluding the effect of amortizing intangibles and acquisition related compensation expenses for the acquisition of the Legg Mason capital markets business and the Merger (Operating EPS), and the tangible book value per share, to the estimated GAAP EPS, Operating EPS and tangible book value per share, respectively, of the combined company for both the base case which takes into account 50% of the full amount of the synergies anticipated to result from the Merger by Stifel s management (Base Case), and the run rate which takes into account the full amount of the synergies anticipated to result from the Merger by Stifel s management (Run Rate).

The following table sets forth the results of the pro forma analysis for the Base Case and the Run Rate in the case that the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of Proposal I described in this proxy statement is approved by Stifel s stockholders:

	2007 Estimated **Base Case**	
	Pro Forma Combined	**Run Rate**
Metric	**% Accretion/(Dilution)**	**% Accretion/(Dilution)**
Estimated GAAP EPS	(0.9%)	16.7%
Estimated Operating EPS	2.5%	14.6%
Tangible Book Value per Share		12.2%

17

The following table sets forth the results of the pro forma analysis for the Base Case and the Run Rate in the case that the issuance of the common stock issuable upon the exercise of five-year warrants that is the subject of Proposal I described in this proxy statement is not approved by Stifel s stockholders, and cash is paid in lieu thereof:

	2007 Estimated	
	Base Case	**Run Rate**
	Pro Forma Combined	**Pro Forma Combined**
Metric	**% Accretion/(Dilution)**	**% Accretion/(Dilution)**
Estimated GAAP EPS	(2.6%)	15.1%
Estimated Operating EPS	1.4%	13.5%
Tangible Book Value per Share		4.1%

General

Citi s opinion was provided for the information of the Stifel board of directors in its evaluation of the proposed Merger, which has been consummated, and was limited solely to the fairness to Stifel, from a financial point of view, as of the date of the opinion, of the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel s Board, that no Substituted Cash Consideration would be paid in connection with the Merger) to be paid by Stifel in the Merger. Neither Citi s opinion nor its related analyses constituted a recommendation of the Merger to the Stifel board of directors. Citi makes no recommendation to any stockholder regarding how such stockholder should vote or act on any matters relating to the Merger, including with respect to Proposal I described in this proxy statement.

The preceding discussion is a summary of the material financial analyses furnished by Citi to the Stifel board of directors, but it does not purport to be a complete description of the analyses performed by Citi or of its presentation to the Stifel board of directors. The preparation of financial analyses and fairness opinions is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Citi made no attempt to assign specific weights to particular analyses or factors considered, but rather made qualitative judgments as to the significance and relevance of all of the analyses and factors considered and determined to give its fairness opinion as described above. Accordingly, Citi believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses and of the factors considered by Citi, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Citi and its opinion. With regard to the comparable companies and precedent transactions analyses summarized above, Citi selected comparable public companies and precedent transactions on the basis of various factors, including size and similarity of the line of business of the relevant entities; however, no company utilized in these analyses is identical to Ryan Beck and no precedent transaction is identical to the Merger. As a result, these analyses are not purely mathematical, but also take into account differences in financial and operating characteristics of the subject companies and other factors that could affect the Merger, the transactions in connection with the Merger or the public trading value of the subject companies to which Ryan Beck was being compared.

In its analyses, Citi made numerous assumptions with respect to Stifel and Ryan Beck, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Stifel and Ryan Beck. Any estimates contained in Citi s analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, none of Stifel, Ryan Beck, the Stifel board of directors, Citi or any other person assumes responsibility if future results or actual values differ materially from the estimates. Citi s analyses were prepared solely as part of

18

Citi s analysis of the fairness to Stifel, from a financial point of view, of the Merger consideration provided for in the Merger Agreement (assuming, however, with the consent of Stifel s Board, that no Substituted Cash Consideration would be paid in connection with the Merger) to be paid by Stifel in the Merger and were provided for the information of the Stifel board of directors in that connection.

Stifel retained Citi as its exclusive financial advisor in connection with the Merger, which was consummated on February 28, 2007, based on Citi s qualifications, expertise and reputation. Citi is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

Citi was not requested to, and it did not, recommend the specific consideration payable in the Merger, which consideration was determined between Stifel and Bancorp, and the decision to enter into the Merger was solely that of the Stifel board of directors. Citi s opinion and financial analyses were only one of many factors considered by the Stifel board of directors in its evaluation of the Merger and should not be viewed as determinative of the views of the Stifel board of directors or Stifel s management with respect to the Merger or the consideration to be paid by Stifel in the Merger.

Citi entered into an engagement letter with Stifel dated as of January 5, 2007, pursuant to which Stifel agreed to pay Citi (1) $50,000 promptly following the execution of the engagement letter, (2) $500,000 promptly upon delivery by Citi of the fairness opinion, and (3) an additional fee of $2 million (less any amounts paid under (1) and (2)) promptly upon consummation of the Merger. Stifel also agreed to reimburse Citi for all reasonable travel and other expenses incurred by Citi in connection with performing its services, including reasonable fees and expenses of its legal counsel. In addition, Stifel also agreed to indemnify Citi and related persons against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

Citi acted as the exclusive financial advisor to Citigroup Inc. in connection with its sale of the Legg Mason capital markets business to Stifel on December 1, 2005. In connection therewith and pursuant to that certain Acquisition Agreement, dated as of September 15, 2005, as amended, between Stifel and Citigroup Inc., Stifel may owe Citigroup Inc. certain contingent earn-out payments based on the combined revenues of Stifel and Ryan Beck, subject to certain exceptions and thresholds agreed upon by Citigroup Inc. and Stifel.

In the ordinary course of business, Citi and its affiliates may actively trade or hold the securities of Stifel and Bancorp for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citi and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with Stifel, Bancorp and Ryan Beck and their respective affiliates.

Potential Dilution

As of March 1, 2007, the day following the closing of the Merger, Stifel had authorized 30,000,000 shares of common stock and 14,906,752 shares outstanding. The maximum number of shares issuable in connection with the issuance of the shares underlying the warrants and for payment of the earn-out amounts is 1,500,000 shares of common stock. This total does not include the 1,200,000 shares to be reserved for issuance under the Plan, which is also subject to stockholder approval under Proposal II, as described beginning on page 30. The issuance of the shares underlying the warrants and for payment of the earn-out amounts will result in a dilution in the ownership percentage of common stock held by current stockholders as described in the tables below.

The issuance of the shares underlying the warrants and for payment of the earn-out amounts may also result in a significant ownership position in Stifel by the former stockholders of Ryan Beck. Specifically, if all 1,500,000 shares described in this Proposal I are issued, the former stockholders of Ryan Beck will own 24.18% of the outstanding shares of Stifel common stock. Under the standstill provisions of the Registration Rights Agreement, Bancorp s ownership of shares of Stifel common stock is capped at 24.9% of the outstanding voting securities of Stifel for a period of 10 years.

19

The following table illustrates the potential dilutive effect of the issuance of the shares underlying the warrants and for payment of the earn-out amounts described in Proposal I, including both the dilutive effective of the shares underlying the warrants with and without the payment of any earn-out consideration:

	Number	**%**	**Number**	**%**
Stockholders before Issuance (including 2,467,600 shares issued at closing of the Merger)	14,906,752	96.8%	14,906,752	90.9%
Shares subject to Proposal I:				
Warrants	500,000	3.2%	500,000	3.0%
Contingent earn-out	--	--	1,000,000	6.1%
Total	15,406,752	100.0%	16,406,752	100.0%

The following table illustrates the potential collective dilutive effect of each of the potential issuances of common stock (Proposal I and Proposal II, if both are approved) in connection with this proxy statement, including both the dilutive effective of the shares underlying the warrants with and without the payment of any earn-out consideration:

	Number	**%**	**Number**	**%**
Stockholders before Issuance and Plan (including 2,467,600 shares issued at closing of the Merger)	14,906,752	89.8%	14,906,752	84.7%
Shares subject to Proposal I and II:				
Warrants	500,000	3.0%	500,000	2.8%
Contingent earn-out	--	--	1,000,000	5.7%
Shares pursuant to the Plan	1,200,000	7.2%	1,200,000	6.8%
Total	16,606,752	100.0%	17,606,752	100.0%

Terms of the Ryan Beck Acquisition

Pursuant to the Merger, Ryan Beck was merged with and into Merger Sub. Merger Sub was the surviving entity, is a wholly-owned subsidiary of Stifel. Merger Sub has subsequently changed its name to Ryan Beck Holdings, Inc. As previously discussed, the consideration issued (and to be issued) in the Merger is as follows:

As initial consideration for the Merger, Stifel (1) issued 2,467,600 shares of Stifel common stock in a private placement to Bancorp, as the sole stockholder of Ryan Beck, and to certain optionholders of Ryan Beck (as described below) and (2) cash consideration of approximately $2.65 million. Stifel had agreed to issue 2,531,278 shares, subject to reduction so that the total number of shares was equal to approximately 19.9% of the outstanding common stock as of the date of issuance. The amount of cash substituted for each such share of Stifel common stock was equal to the average of the daily closing price of a share of Stifel common stock for the 10 consecutive business days ending on February 27, 2007, the day prior to the closing date.

Subject to the approval of Stifel stockholders requested in this proxy, warrants to purchase up to 500,000 shares of Stifel s common stock, at an exercise price of $36.00 per share. After their issuance, the warrants will have a term of five years and will be immediately exercisable. If Stifel does not obtain such stockholder approval on or before June 30, 2007, Stifel will pay $20.0 million in cash to the stockholders of Ryan Beck common stock in lieu of issuing the warrants, and Stifel will have no further obligation to issue the warrants or any shares of Stifel common stock upon exercise of any such warrants.

Contingent payments, as follows:

A contingent payment based on the aggregate commissionable revenues attributable to certain individuals in Ryan Beck s existing private client division over the two-year period following

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closing. The earn-out is based on 30% of commissionable revenue attributable to specified individuals above a base commissionable revenues amount for the entire two-year earn-out period, up to a maximum payout of $40.0 million, subject to adjustment in certain events.

Two contingent payments based on revenues attributable to certain individuals in Ryan Beck s existing investment banking division over each of the first two 12-month periods following closing. The earn-out is equal to 25% of the amount by which the investment banking fees attributed to specified individuals in Ryan Beck s investment banking division exceeds $25.0 million in each of the two 12-month periods following closing.

Each of the contingent payments is payable in cash or Stifel common stock, at Stifel s election. Any shares of Stifel stock delivered as consideration for either of the contingent earn-outs will be valued according to the average of the daily closing price of a share of Stifel stock for the 10 consecutive business days ending on the day prior to the last day of the earn-out period. Stifel is seeking stockholder approval for the issuance of up to 1,000,000 shares of common stock to be used to pay any such contingent earn-out payments; if such earn-out consideration exceeds the value of 1,000,000 shares, then we will pay the balance of the earn-out payments in cash or seek further stockholder approval for the issuance of additional shares at that time.

Because the exercise of such warrants and/or the issuance of shares of Stifel common stock in consideration of the earn-out payments, together with the initial share consideration, would in the aggregate exceed 20% of the outstanding Stifel common stock prior to the Merger, the Stifel Board of Directors is seeking stockholder approval for the issuance of shares of common stock, $0.15 par value, in connection with the Merger, pursuant to the rules of the New York Stock Exchange (the NYSE).

It is not possible to determine the exact number of shares issuable in connection with a potential payment of earn-out consideration because (1) the amount of any earn-out payments have not been finally determined, (2) the valuation of such shares as relating to the earn-out payments has not been determined, and (3) Stifel may elect to pay all or a portion of such earn-out payments in cash. However, Stifel is only seeking approval of the issuance of up to 1,000,000 shares in connection with payment of the earn-out consideration, and that would be the maximum amount issuable in respect of the earn-out consideration.

In the event Stifel does not obtain such stockholder approval of Proposal I on or before June 30, 2007, Stifel will be obligated to pay $20.0 million in cash to the stockholders of Ryan Beck common stock in lieu of issuing the warrants, and Stifel will be required to pay all earn-out payments in cash instead of in shares of Stifel common stock.

Prior to the acquisition, Ryan Beck had established the RB Holdings, Inc. Amended and Restated Common Stock Option Program. In connection with entering into the Merger Agreement, Ryan Beck s board of directors and Bancorp, the sole shareholder of Ryan Beck, took action to cause the options under that plan, to the extent such options were (or could become) in the money to be canceled and converted into the right to receive a portion of the Merger consideration, net of applicable exercise price. The aggregate Merger consideration paid by Stifel did not change as a result of these adjustments to the Ryan Beck options.

Value of the Merger Consideration. Stifel issued 2,467,600 shares at the closing of the Merger. Utilizing a value of $41.55 per share (which represents the five-day average of the closing price of our stock as reported by the NYSE commencing two days before, and ending two days after, we announced the Merger), that stock had a value of $102.5 million. In addition, we paid approximately $2.65 million of cash at the closing of the Merger. As discussed elsewhere in this proxy statement, we also agreed to issue five-year warrants to purchase up to 500,000 shares of our common stock at an exercise price of $36.00 per share. Using the Black-Scholes valuation method for the warrants, which gives consideration to the price of the underlying stock at the date of grant, the exercise price of the warrant, the expected dividend yield and volatility of the underlying stock, the expected life of the warrant and the corresponding risk free interest rate, such warrants had a value of approximately $8.5 million. Accordingly, the initial share consideration, the cash and the Black-Scholes value of the warrants totals approximately $113.7 million. If the stockholders do not approve the issuance of the warrants, we are required to pay cash of $20.0 million in lieu

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of issuing the warrants. With the additional cash payment, the aggregate Merger consideration would equal approximately $125.2 million. If any contingent earn-out consideration is paid, the value of the Merger consideration paid to Bancorp and former optionholders of Ryan Beck will increase by the amount of such contingent consideration paid.

In connection with the closing of the Merger, Stifel entered into a registration rights agreement (the Registration Rights Agreement) with Bancorp (on its own behalf and on behalf of the holders of options to acquire shares of Ryan Beck common stock who acquire shares of Stifel common stock in the Merger) relating to the registration of shares of Stifel common stock issued as Merger consideration. The Registration Rights Agreement requires Stifel to register for resale (i) all such shares held by stockholders other than Bancorp within 180 days after the closing of the Merger and (ii) one-third of such shares held by Bancorp within 180 days after the closing of the Merger, and another one-third of such shares held by Bancorp by the first and second anniversaries of Stifel s initial share registration. Additionally, the Registration Rights Agreement includes a lock-up provision under which Bancorp will agree not to sell, other than in a private sale, or enter into a hedging transaction with respect to, such shares for certain amounts of time; specifically, Bancorp may sell one-third of its shares acquired in respect of the Merger after 180 days after the closing of the Merger, two-thirds of its shares acquired in respect of the Merger after 18 months after the closing of the Merger, and all of its shares acquired in respect of the Merger after 30 months after the closing of the Merger. Finally, the Registration Rights Agreement includes standstill provisions under which Bancorp will agree not to, by itself or through its affiliates, acquire shares of Stifel common stock in excess of certain thresholds, and not to otherwise seek to acquire, merge or exert control over Stifel, other than as provided in the Merger Agreement, for a period of time as defined in the Registration Rights Agreement.

The Merger Agreement includes certain non-compete provisions under which Bancorp agreed, for a period of two years after the closing of the Merger, not to directly or indirectly engage in the broker/dealer business in the United States, subject to certain exceptions in the case of acquisitions by or of Bancorp. The Merger Agreement also includes a two-year non-solicitation provision under which Bancorp agreed not to directly or indirectly solicit the employment of Ryan Beck employees engaged in the broker-dealer business.

The Merger Agreement provided for certain customary representations, warranties and covenants on the part of the Stifel, Merger Sub, Bancorp and Ryan Beck, as well as customary closing conditions and the approval of all required governmental and other regulatory entities. The Merger was closed on February 28, 2007, following satisfaction of such closing conditions. The Merger Agreement also provides for indemnification of each of the parties in certain instances.

Voting Agreement

In conjunction with the execution of the Merger Agreement, Stifel also entered into a Voting Agreement effective January 8, 2006 (the Voting Agreement) with Bancorp, Western and Southern, and several other individual holders of Stifel s common stock (collectively, the Stockholders), under which the Stockholders agreed to vote their shares of Stifel common stock, among other things, in favor of the transactions contemplated

by the Merger Agreement including, without limitation, the issuance of the consideration, the warrant and the shares of Stifel common stock issuable upon exercise thereof and shares of Stifel common stock that may become issuable (and paid at the discretion of Stifel) as earn-out consideration, each as described above, and such other matters regarding the Merger so as to facilitate the consummation thereof. Additionally, the Stockholders agreed to vote their shares of Stifel common stock against any action, transaction or agreement that would result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement under the Merger Agreement or the Voting Agreement.

Interest of Certain Persons in the Merger

Stifel s officers and directors and their associates did not receive any direct or indirect benefit as a result of the transaction that would not be realized by holders of Stifel common stock, generally, and the Board has not identified any conflicts of interest among Stifel s officers and directors.

Stifel anticipates that sometime after the annual stockholders meeting, the Board will appoint Ben A.

Plotkin, the chairman and chief executive officer of Ryan Beck, to the Board of Stifel. Mr. Plotkin was not a member of the executive management of Stifel when the Merger was considered, and will not be a member of the Board during the time prior to the approval of the matters that are the subject of this proxy statement. At the time such matters were considered, Mr. Plotkin was chairman of the board of, and was the chief executive officer of, Ryan Beck.

NYSE Listing

In accordance with the rules of the New York Stock Exchange, on which Stifel s common stock is listed for trading, the Company filed a Listing Application for the additional shares of Common Stock issued and issuable pursuant to the Merger Agreement. Prior to the effective time of the merger, the shares issued as initial share consideration were approved and the shares issuable upon exercise of the warrants and as payment for the earn-out consideration were approved, subject to stockholder approval.

Expenses

The Acquisition Agreement provides that all fees and expenses incurred in connection with the Acquisition Agreement and the related transactions will be paid by the party incurring such fees or expenses.

Certain Federal Income Tax Considerations

The acquisition is intended to qualify as a tax-free reorganization pursuant to the provisions of section 368(a)(2)(D) of the Internal Revenue Code of 1986, as amended (the Code). In such tax-free reorganization, the target corporation (in this case, Ryan Beck, the company being acquired), merges with and into a controlled subsidiary of the parent corporation (in this case, Stifel) with the controlled subsidiary surviving. Stifel s Merger Sub is acquiring substantially all of the assets of Ryan Beck in exchange for Merger consideration, which is limited to Stifel common stock and cash. Because the transaction is a merger, Merger Sub will assume all liabilities of Ryan Beck; however, no Merger Sub stock or securities will be issued. Merger Sub will remain a wholly-owned subsidiary of Stifel with Stifel owning 100% of Merger Sub outstanding common stock.

Upon Bancorp s exchange of its Ryan Beck stock for the Merger consideration, it will recognize gain in an amount equal to the lesser of (i) the difference between (A) the fair market value of the Stifel common stock and cash received in the exchange and (B) its basis in the Ryan Beck stock; or (ii) the amount of cash received in the exchange. Bancorp will have a basis in the Stifel common stock received equal to its basis in the Ryan Beck stock exchanged, decreased by the cash received and increased by any gain recognized on the exchange. Stifel has not made any determination as to whether the transaction contemplated by the Merger Agreement will successfully qualify as a tax-free reorganization pursuant to Section 368(a)(2)(D) of the Code, and Bancorp is responsible for obtaining its own independent tax advice with regard to these issues.

In general, Stifel and Merger Sub will not recognize any gain or loss upon the receipt by the Merger Sub of the assets of Ryan Beck in exchange for the Merger consideration and the assumption by Merger Sub of the liabilities of Ryan Beck. The holding period for the assets of Ryan Beck received by Merger Sub will include the period during which such assets were held by Ryan Beck. The tax basis of the assets of Ryan Beck held by Merger Sub will be the same tax basis of such assets in the hands of Ryan Beck immediately prior to the Merger.

Accounting Treatment

The acquisition has been treated as a purchase for financial reporting and accounting purposes, in accordance with generally accepted accounting principles. After the Closing Date, the results of operations of Ryan Beck s business will be included in the consolidated financial statements of Stifel. See Summary Unaudited Pro Forma Combined Financial Data on page 33.

Regulatory Matters

The Merger Agreement provided customary closing conditions, including the approval of all required

governmental and other regulatory entities.

The Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the regulations promulgated thereunder (the HSR Act) required Stifel and Bancorp to file notification and report forms with respect to the merger and related transactions with the Antitrust Division of the U.S.

Department of Justice and the Federal Trade Commission. Stifel and Bancorp both filed their required notifications and report forms on January 16, 2007. Early termination of the waiting period required under the HSR Act was granted on January 30, 2007.

Our acquisition of Ryan Beck was also subject to approval by the National Association of Securities Dealers (NASD), which provided formal written approval on March 2, 2007. The NYSE also provided informal approval of the transaction in February 2007.

There were no other material regulatory approvals required in connection with the Merger.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of a majority of the shares present and entitled to vote at the meeting will constitute approval of Proposal I.

As described above, in conjunction with the execution of the Merger Agreement, directors, officers and principal stockholders of Stifel entered into the Voting Agreement pursuant to which they agreed to vote the shares of Stifel common stock listed in an exhibit to the Voting Agreement in favor of such matters regarding the merger so as to facilitate the consummation thereof, including issuance of the warrants and shares issuable upon exercise thereof and shares issuable to pay a portion of the earn-out consideration. The signatory stockholders to the Voting Agreement collectively beneficially owned, as of the date of the Voting Agreement, 3,020,370 shares of Stifel common stock, constituted approximately 24.3% of the outstanding Stifel common stock as of February 27, 2007, and approximately 24.3% of the shares of Stifel common stock entitled to vote on Proposal I following the consummation of the Merger. Because of the number of shares obligated to be voted in favor of Proposal I, Stifel believes the chances of its approval are substantially improved.

We recommend a vote FOR Proposal I.

Past Contacts, Transactions Or Negotiations

Except as described under Background of the Merger above, there have not been any negotiations, transactions or material contacts during the past two years concerning any merger, consolidation, acquisition, tender offer or other acquisition of any class of Ryan Beck s securities, election of Ryan Beck s directors or sale or other transfer of a material amount of Ryan Beck s assets (i) between Stifel or Merger Sub or any their respective affiliates, on the one hand, and Bancorp, Ryan Beck, their respective executive officers, directors, members or controlling persons, on the other hand, (ii) between any affiliates of Stifel or (iii) between Stifel and its affiliates, on the one hand, and any person not affiliated with Stifel who would have a direct interest in such matters, on the other hand.

PROPOSAL II.

Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees)

The Board of Directors is asking stockholders to approve the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees) (the Plan), which will provide incentive equity compensation to certain employees of Ryan Beck in the form of restricted stock units entitling their holders to shares of Stifel common stock upon vesting. The Board of Directors approved the Plan on January 29, 2007, subject to stockholder approval.

Our Board has approved the Plan and recommends that stockholders vote for the Plan.

Background

See the Background section of Proposal I. Issuance of Additional Shares of Stifel Common Stock in Connection with Stifel s Acquisition of Ryan Beck on page 9 for a description of Stifel s acquisition of Ryan Beck. In connection with this transaction, Stifel has agreed to establish a retention program including cash and equity compensation awards (in the form of restricted stock units) for certain investment executives and officers of Ryan Beck. In addition, participants in certain of Ryan Beck s deferred compensation programs were permitted to convert their portion of equity incentive deferred compensation into Stifel s equity incentive deferred compensation in the form of restricted stock units. In order to provide the equity compensation included in such retention program, the Board of Directors is seeking stockholder approval of the Plan, which will provide incentive equity compensation to certain employees of Ryan Beck, as described below.

Purpose of Equity Incentive Plans

We provide equity compensation to our employees as an incentive to increase long-term stockholder value. In connection with Stifel s acquisition of Ryan Beck, Stifel agreed to establish a retention program for certain key employees of Ryan Beck because the Board of Directors and management concluded that equity compensation as a part of such employees total compensation package following the transaction was required in order to provide incentives to retain these Ryan Beck employees. As a result, the Board of Directors has adopted the Plan. Stifel is now seeking stockholder approval of the Plan.

The purposes of the Plan are to attract and retain the best available personnel for positions of substantial responsibility in Ryan Beck, to provide additional incentive to Ryan Beck employees, and to promote the success of the Ryan Beck business. We believe that equity-based incentives should be a key part of employee compensation, that equity-based awards promote employee attention to the importance of running the business with a focus on revenue growth and profitability and that restricted stock units enable us to compete effectively for the best talent in our industry.

Equity compensation is a key component of employee compensation at Stifel, and we encourage equity ownership. Equity awards give employees the perspective of an owner with a stake in the success of Stifel. We believe that equity awards align the interests of our employees with those of our stockholders by providing an incentive to increase long-term stockholder value. Because our restricted stock unit grants generally vest over a period of three to five years, our employees derive benefit from these restricted stock units only after they have remained with Stifel through the vesting date. Furthermore, we believe that equity awards motivate high levels of performance and provide an effective means of recognizing, rewarding and encouraging employee contributions to our success.

In addition, we believe that equity awards are an important competitive tool in the securities industry and are essential to recruiting and retaining the highly qualified personnel which are key to our success. We believe that we must offer competitive compensation packages in order to attract and retain people who can keep us on a course of continued success. Although higher salaries can compensate to some extent for the lack of equity compensation, we believe that over time we would be at a competitive disadvantage without the focus on success and power of retention provided by equity compensation. Elimination of our equity compensation program would seriously hamper our ability to attract and retain the talent we need to ensure our business continues to be successful. Our

entire employee base, substantially all of whom receive equity compensation, are motivated to achieve results that drive stockholder value. We believe our equity compensation programs have been critical in attracting and retaining a highly effective work force.

Description of the Stifel Financial Corp. 2007 Incentive Stock Plan (For Ryan Beck Employees)

Under the terms of the Plan, officers and key employees of Stifel and its subsidiaries who were employed by Ryan Beck or any of its subsidiaries immediately prior to Stifel s consummation of the acquisition of Ryan Beck and its subsidiaries, as determined in the sole discretion of our administrator, will be eligible to receive (a) stock appreciation rights, (b) restricted shares of common stock, (c) performance awards, (d) stock options exercisable into shares of our 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. No benefits or amounts under the Plan that will be received by or allocated to our executive officers. The approximate number of persons who may be eligible under the Plan is 250. A description of the Plan follows:

Share Reservation. The total number of shares of our common stock reserved for issuance under the Plan will be 1,200,000 shares, subject to adjustment in the event of any change in the outstanding shares of common stock without new consideration to us (such as by reason of a stock dividend or stock split), and subject to adjustment if a participant in the Plan elects to have tax withholding requirements satisfied by a reduction in the number of shares otherwise deliverable to him or her. Stifel currently anticipates that 600,000 of those shares will be issued upon the exercise of restricted stock units issued for purposes of retaining employees of Ryan Beck, and that 600,000 of those shares will be issued as restricted stock units in exchange for Ryan Beck appreciation units held by Ryan Beck employees under Ryan Beck s deferred compensation plans. The value of the restricted stock units so issued will be the lower of (1) $47.65 (the closing price as of February 28, 2007, the date of closing of the Merger), or (2) the date on which we obtain stockholder approval.

Administration. The Plan will be administered by either the board of directors or the compensation committee. The administrator, by majority action thereof, is authorized to determine the individuals to whom the benefits will be granted, the type, amount, price, expiration date and other material conditions upon which the benefits will be granted. The administrator has the exclusive authority to interpret and administer the Plan, to establish rules relating to the Plan, to delegate some or all of its authority under the Plan and to take such other steps and make such other determinations as it may deem necessary or advisable.

Stock Appreciation Rights. The administrator may grant stock appreciation rights 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 stock appreciation right and the exercise price of the stock appreciation right 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 stock appreciation right may be paid in cash or our common stock, or a combination thereof. A stock appreciation right 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 stock appreciation right 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 stock appreciation right shall be established by the administrator, but in no event shall a stock appreciation right be exercisable after ten years from the date of grant.

Restricted Stock. The administrator may issue shares of our 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, such as return on average total capital employed, earnings per share or increases in share price,

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during a specified performance period not to exceed five years. 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 Plan shall entitle the holder to purchase 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 the stock options and the times at, and conditions under which, the 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 our common stock subject to qualifying incentive stock options that are exercisable for the first time in any calendar year may not exceed $100,000.

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 our common stock instead of stock units.

The Board of Directors may terminate the Plan at any time, and from time to time may amend or modify the Plan; provided, however, that no such action of the Board of Directors may, without the approval of our stockholders: (a) increase the total amount of stock or the amount or type of benefit that may be issued under the Plan; (b) modify the requirements as to eligibility for benefits; or (c) reduce the amount of any existing benefit or change the terms or conditions thereof without the participating employee s consent.

Valuation

The fair market value per share of our common stock on any relevant date under the Plan is deemed to be equal to the closing selling price per share on that date on the New York Stock Exchange. On **[ ]**, the record date, the fair market value per share of our common stock determined on such basis was **[ ]**.

Dilution

As described below, an employee will realize income as a result of an award of stock units at the time shares are distributed in an amount equal to the fair market value of such shares at that time, and we are entitled to a corresponding tax deduction in the year of such issuance. We may satisfy tax withholding obligations on income associated with such grants by reducing the number of shares otherwise deliverable in connection with such awards, such reduction to be calculated based on a current market price of our stock. Based on current tax law, Stifel anticipates that the shares issued when the awards are paid to the employees will be reduced by approximately 35% to satisfy such withholding obligations, so that approximately 65% of the total restricted stock units that are distributable in any particular year will be converted into issued and outstanding shares. In addition, because transition rules currently in effect relating to deferred compensation, our Board of Directors may determine to accelerate the issuance of shares of common stock issuable under certain outstanding stock unit awards.

The following table illustrates the potential dilutive effect of the Plan (Proposal II):

	Number	**%**
Stockholders before Plan (including 2,467,600 shares issued at closing of the Merger)	14,906,752	92.5%
Shares pursuant to the Plan (Proposal II)	1,200,000	7.5%
Total	16,106,752	100.0%

The following table illustrates the potential collective dilutive effect of each of the potential issuances of common stock (Proposal I and Proposal II, if both are approved) in connection with this proxy statement, including in the case of Proposal I, the dilutive effect of the issuance of the shares underlying the warrants both with and without the payment of any earn-out consideration:

	Number	**%**	**Number**	**%**
Stockholders before Issuance and Plan (including 2,467,600 shares issued at closing of the Merger)	14,906,752	89.8%	14,906,752	84.7%

Warrants and Earn-out (Proposal I) and Plan (Proposal II)				
Warrants	500,000	3.0%	500,000	2.8%
Contingent earn-out	--	--	1,000,000	5.7%
Shares pursuant to the Plan	1,200,000	7.2%	1,200,000	6.8%
Total	16,606,752	100.0%	17,606,752	100.0%

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, the grant of a stock appreciation right, the award of restricted stock or the award of stock units, and we 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. We 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. We 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 stock option that does not qualify as an incentive stock option or the surrender of a stock appreciation right, 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. We 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 Internal Revenue Code of 1986 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. We 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. We will be entitled to a corresponding tax 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 our common stock are issued in an amount equal to the fair market value of such shares at that time. We will be entitled to a corresponding tax deduction equal to the income realized in the year of such issuance. Under the Plan, we are 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. An employee entitled to any such delivery may, upon notice to us, 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 the notice.

Vote Required and Recommendation of the Board of Directors

The affirmative vote of a majority of the shares present and entitled to vote at the meeting will constitute approval of the adoption of the Plan.

As previously reported, in conjunction with the execution of the Merger Agreement, directors, officers and principal stockholders of Stifel entered into the Voting Agreement pursuant to which they agreed to vote the shares of Stifel common stock listed in an exhibit to the Voting Agreement in favor of such matters regarding the merger so as to facilitate the consummation thereof. The signatory stockholders to the Voting Agreement collectively beneficially owned, as of the date of the Voting Agreement, 3,020,370 shares of Stifel common stock, constituting approximately 24.3% of the outstanding Stifel common stock as of February 27, 2007, and approximately 20.3% of the shares entitled to vote on Proposal II following the consummation of the Merger. Because of the number of shares obligated to be voted in favor of Proposal II, the chances of its approval are greatly improved.

We recommend a vote FOR the adoption of the Plan.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The close of business on **[ ]**, 2007 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the Special Meeting. On **[ ]**, 2007, there were **[ ]** shares of our common stock outstanding and entitled to vote.

Ownership of Directors and Executive Officers

The following table sets forth information regarding the amount of common stock beneficially owned, as of **[ ]**, 2007, by each of our directors and the executive officers and all of our directors and executive officers as a group:

Name	Total Shares Beneficially	Percent Of Class	Unvested Restricted

	Owned (1)		Stock Units
Ronald J. Kruszewski	667,683	4.35%	91,908
Scott B. McCuaig	334,396	2.21%	26,720
James M. Zemlyak	325,674	2.15%	27,786
Richard J. Himelfarb	90,535	(2)	46,167
Joseph A. Sullivan	90,405	(2)	42,808
Thomas P. Mulroy	90,000	(2)	46,167
James M. Oates	80,321	(2)	--
David D. Sliney	65,835	(2)	14,952
Bruce A. Beda	45,569	(2)	--
Charles A. Dill	42,747	(2)	--
Robert E. Lefton	37,438	(2)	--
Richard F. Ford	20,057	(2)	--
Robert J. Baer	19,982	(2)	--
John P. Dubinsky	16,888	(2)	--
Fredrick O. Hanser	13,155	(2)	--
David M. Minnick	3,261	(2)	2,724
Total Directors & Executive Officers (16 persons)	**1,943,946**	12.82%	**299,232**

(1) Includes the following shares that such persons and group have the right to acquire currently or within 60 days following March 5, 2007, upon the exercise of stock options: Mr. Kruszewski 235,633; Mr. McCuaig 149,868; Mr. Zemlyak 136,001; Mr. Sliney 38,333; Mr. Beda 15,688; Mr. Dill 13,816; Mr. Lefton 10,807; Mr. Ford 6,467; Mr. Baer 4,334; Mr. Dubinsky 5,402; Mr. Hanser 5,402; Mr. Minnick 1,200; and directors and executive officers as a group 622,951. Also includes the following shares allocated to such persons and group underlying stock units vested currently or within 60 days following March 5, 2007: Mr. Kruszewski 144,795; Mr. McCuaig 39,934; Mr. Zemlyak 23,822; Mr. Oates 12,923; Mr. Sliney 10,475; Mr. Beda 13,208; Mr. Dill 11,894; Mr. Lefton 10,610; Mr. Ford 5,486; Mr. Baer 10,849; Mr. Dubinsky 6,420; Mr. Hanser 6,420; Mr. Minnick 2,041; and directors and executive officers as a group 298,877.

(2) The shares beneficially owned do not exceed 1% of the outstanding shares.

Ownership of Certain Beneficial Owners

As of **[ ]**, 2007, the following persons were the only persons known to us to be beneficial owners of more than 5 percent of our common stock:

Name and Address	**Shares Beneficially Owned**	**Percent of Class**
BankAtlantic Bancorp, Inc. (1)	2,377,354	15.88%
The Western & Southern Life Insurance Company	1,359,749	9.08%

(1) Because it received its shares as consideration for the Merger, BankAtlantic Bancorp, Inc. is not entitled to vote those shares on Proposal I.

FINANCIAL AND OTHER INFORMATION

Representatives of Stifel s independent registered public accounting firm for the current year and for fiscal year 2006, Deloitte & Touche LLP, are expected to be present at the Special Meeting. These representatives will have the opportunity to make a statement if they desire to do so, and they are expected to be available to respond to appropriate questions.

We are incorporating by reference the financial and other information required to be included in this proxy statement pursuant to the provisions of the section entitled Where You Can Find More Information set forth below.

SELECTED HISTORICAL FINANCIAL DATA OF STIFEL

The selected historical financial information presented for Stifel for the fiscal years 2002 through 2006 was derived from the Audited Consolidated Financial Statements of Stifel contained in its Annual Report on Form 10-K, filed on March 16, 2007.

You should read the financial information with respect to Stifel in conjunction with the historical consolidated financial statements and related notes contained in the annual, quarterly and other reports filed by the Company with the SEC, which we have incorporated by reference into this proxy statement. See Where You Can Find Additional Information beginning on page 40.

	For the fiscal year ended December 31,				
(In thousands, except per share amounts)	**2002**	**2003**	**2004**	**2005**	**2006**
Statement of Operations Data:					
Total Revenue	$194,113	$221,620	$251,189	$270,010	$471,388
Net Revenue	$187,794	$216,512	$246,823	$263,735	$451,807
Net Income (Loss)	$2,780	$15,007	$23,148	$19,644	$15,431
Net Revenues					
Earnings per share:					
Basic	$0.30	$1.63	$2.39	$2.00	$1.34
Diluted	$0.26	$1.37	$1.88	$1.56	$1.11
Weighted average common					

equivalent shares outstanding:					
Basic	9,377	9,233	9,702	9,828	11,513
Diluted	10,892	10,971	12,281	12,586	13,909
Balance Sheet Data:					
Total Assets	$422,976	$412,239	$382,314	$842,001	$1,084,774
Long term obligations and redeemable preferred stock	$63,227	$61,541	$61,767	$97,182	

- developments concerning our sources of manufacturing supply and any commerciali partners;
- the perception of the pharmaceutical industry by the public, legislatures, regulators, a community;
- disputes or other developments relating to proprietary rights, including patents, litiga our ability to obtain patent protection for our technologies;
- the inability to effectively manage our growth;
- actual or anticipated variations in quarterly operating resu
- the failure to meet or exceed the estimates and projections of the investment
- the overall performance of the U.S. equity markets and general political and econo
- announcements of significant acquisitions, strategic partnerships, joint ventures, or c commitments by us or our competitors;
- additions or departures of key scientific or management perso
- adverse market reaction to any indebtedness we may incur or securities we may issu

- sales of our common stock by us or our stockholders in the fu
- significant lawsuits, including patent or stockholder litiga
- changes in the market valuations of similar companie
- the trading volume of our common stock;
- increases in our common stock available for sale upon expiration of lock-up
- effects of natural or man-made catastrophic events or other business interru
- other events or factors, many of which are beyond our con

In addition, the stock market in general and the stock of biotechnology companies in experienced extreme price and volume fluctuations that have often been unrelated or to the operating performance of these companies. Broad market and industry factors affect the market price of our common stock, regardless of our actual operating perfo

Our principal stockholders and management own a significant percentage of our stoc to exert significant control over matters subject to stockholder approval.

At December 31, 2014, our executive officers, directors, holders of 5% or more of ou affiliates beneficially owned approximately 61.1% of our common stock on an as co These stockholders may be able to determine the outcome of all matters requiring sto approval. For example, these stockholders may be able to control elections of directo our organizational documents, or approval of any merger, sale of assets, or other maj transaction. This may prevent or discourage unsolicited acquisition proposals or offe stock that you may feel are in your best interest as one of our stockholders. In additio Securities Purchase Agreement dated September 26, 2012, we granted certain of our right, expiring in October 2015, if they elect, to purchase on the same terms as in any common stock, a number of shares of common stock that is sufficient to maintain the rata ownership percentage of our common stock.

If we fail to maintain proper internal controls, our ability to produce accurate financi
comply with applicable regulations could be impaired.

Pursuant to Section 404 of the Sarbanes-Oxley Act, our management is required ann
report that assesses the effectiveness of our internal control over financial reporting a
independent registered public accounting firm is required annually to deliver an attes
the effectiveness of our internal control over financial reporting. If we are unable to
internal control over financial reporting or if our independent auditors are unwilling
provide us with an attestation report on the effectiveness of internal control over fina
future periods as required by Section 404 of the Sarbanes-Oxley Act, we may not be
accurate financial statements, and investors may therefore lose confidence in our ope
stock price could decline and we may be subject to litigation or regulatory enforceme

If securities or industry analysts do not publish research or publish inaccurate or unfa
about our business, our stock price and trading volume could decline.

The trading market for our common stock will depend in part on the research and rep
or industry analysts publish about us or our business. If one or more of the analysts v
downgrade our stock or publish inaccurate or unfavorable research about our busines
would likely decline. If one or more of these analysts cease coverage of us or fail to
us regularly, we could lose visibility in the financial markets, which might cause our
trading volume to decline.

We do not intend to pay dividends on our common stock so any returns will be limite
our stock.

We have never declared or paid any cash dividends on our common stock. We curren
we will retain any future earnings for the development, operation, and expansion of
not anticipate declaring or paying any cash dividends for the foreseeable future. Any
stockholders will be limited to the value of their stock.

Some provisions of our charter documents and Nevada law may have anti-takeover e
discourage an acquisition of us by others, even if an acquisition would be beneficial
and may prevent attempts by our stockholders to replace or remove our current mana

Provisions in our articles of incorporation and bylaws, as well as certain provisions o
could make it more difficult for a third party to acquire us or increase the cost of acq
an acquisition would benefit our stockholders, and could also make it more difficult
current management. These provisions in our articles of incorporation and bylaws in
following:

- authorizing the issuance of "blank check" preferred stock that could be issue
directors to increase the number of outstanding shares and thwart a takeover

- prohibiting cumulative voting in the election of directors, which would otherwise all
majority of stockholders to elect director candidates; and

- advance notice provisions in connection with stockholder proposals that may preven
attempt by our stockholders to bring business to be considered by our stockholders a
replace our board of directors.

In addition, we are subject to Nevada's Combination with Interested Stockholders sta
Revised Statute Sections 78.411 - 78.444), which prohibits an "interested stockholde
a "combination" with a company, unless certain conditions are met. An "interested s
who, together with affiliates and associates, beneficially owns (or within the prior tw
beneficially own) 10% or more of the corporation's capital stock entitled to vote.

Item 1B. Unresolved Staff Comments

None.

Item 2. **Properties**

Our corporate headquarters is located in Boca Raton, Florida, where we lease 17,686
office space pursuant to a 63 month non-cancelable operating lease that commenced

was amended on February 18, 2015, and expires on September 30, 2018. The primar
performed at this location are executive, administrative, accounting, treasury, market
resources.

We believe that our current facility is in good working order and is capable of suppo
operations for the foreseeable future.

Item 3. Legal Proceedings

From time to time, we are involved in litigation and proceedings in the ordinary cour
We are not currently involved in any legal proceeding that we believe would have a
our business or financial condition.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Issuer Purchases of Equity Securities

Market Information on Common Stock

Since April 23, 2013, our common stock has been listed on the NYSE MKT under th Prior to that time, our common stock was quoted on the OTCQB. The following tabl periods indicated the high and low bid or sales prices of our common stock on the O NYSE MKT, as applicable. The below quotations reflect inter-dealer prices, without mark-down or commission, and may not represent actual transactions.

	High	Low
2014		
Fourth Quarter	$4.95	$3.44
Third Quarter	$6.29	$3.88
Second Quarter	$6.35	$3.42
First Quarter	$9.01	$4.86
2013		
Fourth Quarter	$5.50	$2.86
Third Quarter	$3.18	$2.03
Second Quarter	$3.23	$1.73
First Quarter	$3.70	$1.65

On March 6, 2015, there were approximately 277 shareholders of record and on Febr there were approximately 6,965 beneficial owners of our common stock.

Dividends

Historically, we have not paid dividends on our common stock, and we currently do any dividends on our common stock in the foreseeable future. We currently plan to r to finance the growth of our business rather than to pay cash dividends. Payments of dividends in the future will depend on our financial condition, results of operations, a requirements as well as other factors deemed relevant by our board of directors.

Performance Graph

The following line graph compares cumulative total shareholder return for the five y
December 31, 2014 for (i) our common stock; (ii) NASDAQ Stock Market (US Com
NASDAQ Pharmaceutical Index; and (iv) Peer Group (includes: Acorda Therapeutic
Pharmaceuticals, Inc., Arena Pharmaceuticals, Inc., Dendreon Corporation, Dyax Co
Exelixis, Inc., Halozyme Therapeutics, Inc., Orexigen Therapeutics, Ind., Spectrium
Inc., and VIVUS Inc.) does not include the following companies that were included i
performance graph: Amarillo Biosciences Inc., which filed for bankruptcy protection
Avanir Pharmaceuticals, Inc., which entered into an agreement and plan of merger to
December 2014 and was acquired in January 2015, and Cadence Pharmaceuticals Inc
acquired in March 2014. The graph assumes $100 invested on December 31, 2009 an
reinvestment of dividends. Measurement points are at the last trading day of the fisca
December 31, 2009, 2010, 2011, 2012, 2013 and 2014. The stock price performance
graph is not necessarily indicative of future stock price performance.

The following line graph compares cumulative total shareholder return for the period
our common stock became listed on the NYSE MKT exchange (April 23, 2013) and
31, 2014 for (i) our common stock; (ii) NASDAQ Stock Market (US Companies); (ii
Pharmaceutical Index; and (iv) our Peer Group (includes: Acorda Therapeutics, Inc.,
Pharmaceuticals, Inc., Arena Pharmaceuticals, Inc., Dendreon Corporation, Dyax Co
Exelixis, Inc., Halozyme Therapeutics, Inc., Orexigen Therapeutics, Ind., Spectrium
Inc., and VIVUS Inc.) does not include the following companies that were included i
performance graph: Amarillo Biosciences Inc., which filed for bankruptcy protection
Avanir Pharmaceuticals, Inc., which entered into an agreement and plan of merger to
December 2014 and was acquired in January 2015, and Cadence Pharmaceuticals Inc
acquired in March 2014. The graph assumes $100 invested on April 23, 2013 and inc
reinvestment of dividends. Measurement points are April 23, 2013 and the last tradin
years ended December 31, 2014 and 2013 and each of the following quarters ended t
with the quarter ended June 30, 2013. The stock price performance on the following
necessarily indicative of future stock price performance.

The performance graphs shall not be deemed “filed” for purposes of Section 18 of th
otherwise subject to the liability of that section. The performance graphs will not be
incorporated by reference into any filing of our company under the Exchange Act or

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial and other data as of and indicated. You should read the following information together with the more detailed contained in "Management's Discussion and Analysis of Financial Condition and Re and our consolidated financial statements and the related notes included elsewhere in Report. The consolidated statements of operations for the years ended December 31, 2012, and the consolidated balance sheet data as of December 31, 2014, and 2013 are audited consolidated financial statements included in this Annual Report. The consol of operations for the years ended December 31, 2011 and 2010, and the consolidated as of December 31, 2012, 2011, and 2010, are derived from our audited consolidated statements not included in this Annual Report, as well as the audited consolidated fin of VitaMed, our predecessor, not included in this Annual Report.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

(in thousands, except per share data)

	Year Ended December 31,			
	2014	2013	2012	20
Consolidated Statements of Operations Data:				
Revenue, net	$15,026	$8,776	$3,818	$2
Cost of goods sold	3,672	1,960	1,348	9
Gross profit	11,354	6,816	2,470	1
Operating expenses:				
Sales, general, and administration	22,124	19,015	14,070	6
Research and development	43,219	13,551	4,492	1
Depreciation and amortization	52	58	56	5
Total operating expense	65,395	32,624	18,618	6
Operating loss	(54,041)	(25,808)	(16,148)	(
Other (expense) income	(176)	(2,611)	(18,972)	(
Net loss	$(54,217)	$(28,419)	$(35,120)	$(
Net loss per share, basic and diluted	$(0.36)	$(0.22)	$(0.38)	$(
Weighted average number of common shares outstanding	149,727	127,570	91,630	6
Consolidated Balance Sheet Data (at end of period)				
Total assets	$59,079	$62,016	$5,926	$1
Total liabilities	$10,690	$7,318	$7,359	$3
Total stockholder' surplus (deficit)	$48,389	$54,698	$(1,433)	$(

Other Data:				
Capital expenditures	$617	$480	$273	$3
Working Capital (deficit)(end of period)	$45,545	$52,085	$1,015	$(

Item 7. Management's Discussion and Analysis of Financial Condition and Resu

You should read the following discussion and analysis in conjunction with the inform under "Selected Consolidated Financial and Other Data" and our consolidated fina the notes to those financial statements included elsewhere in this Annual Report. Thi contains forward-looking statements based upon current expectations that involve ri uncertainties. See "Special Note Regarding Forward-Looking Statements." Our actu materially from those contained in or implied by any forward-looking statements as factors, including the risks and uncertainties described under "Risk Factors" elsewh Report.

Company Overview

We are a women's health care product company focused on creating and commercial targeted exclusively for women. Currently, we are focused on conducting the clinica for regulatory approval and commercialization of advanced hormone therapy pharma The current drug candidates used in our clinical trials are designed to alleviate the sy reduce the health risks resulting from menopause-related hormone deficiencies, inclu osteoporosis, and vaginal dryness. We are developing these hormone therapy drug ca contain estradiol and progesterone alone or in combination, with the aim of demonstr clinical efficacy at lower doses, thereby enabling an enhanced side effect profile com competing products. Our drug candidates are created from a platform of hormone tec enables the administration of hormones with high bioavailability alone or in combina we manufacture and distribute branded and generic prescription prenatal vitamins, as vitamins.

Research and Development – Overview

We have obtained FDA acceptance of our IND applications to conduct clinical trials hormone therapy drug candidates: TX-001HR, our oral combination of progesterone TX-002HR, our oral progesterone alone; TX-003HR, our oral estradiol alone; and TX vaginal suppository estradiol alone.

We are currently conducting phase 3 clinical trials for TX-001HR and TX-004HR. In suspended enrollment in the phase 3 clinical trial for TX-002HR and in October 201

stopped the trial in order to update the phase 3 protocol based on discussions with the no current plans to conduct clinical trials for TX-003HR.

TX-001HR, our combination estradiol and progesterone drug candidate, is undergoin the treatment of moderate to severe vasomotor symptoms due to menopause, includi night sweats, sleep disturbances, and vaginal dryness for post-menopausal women w The hormone therapy drug candidate is chemically identical to the hormones that nat woman's body, namely estradiol and progesterone, and is being studied as a continuo regimen, in which the combination of estrogen and progesterone are taken together i daily. If approved by the FDA, we believe this would represent the first time a comb estradiol and progesterone (bioidentical to the estradiol and progesterone produced b would be approved for use in a single combined product.

On September 5, 2013, we initiated the REPLENISH trial, a multicenter, double-blin placebo-controlled, phase 3 study of TX-001HR in postmenopausal women with an i study is designed to evaluate the efficacy of TX-001HR for the treatment of moderat vasomotor symptoms due to menopause and the endometrial safety of TX-001HR. P assigned to one of five treatment arms, four active and one placebo, and receive stud 12 months. The primary endpoint for the reduction of endometrial hyperplasia is an i endometrial hyperplasia of less than 1% at 12 months, as determined by endometrial primary endpoint for the treatment of moderate to severe vasomotor symptoms is the frequency and severity of moderate to severe vasomotor symptoms at weeks four and placebo, as measured by the number and severity of hot flushes. Only subjects exper minimum daily frequency of seven moderate to severe hot flushes at screening are in vasomotor symptoms analysis, while all subjects are included in the endometrial hyp The secondary endpoints include reduction in sleep disturbances and improvement in measures, night sweats and vaginal dryness, measured at 12 weeks, six months and 1 intend to enroll approximately 1,750 patients at approximately 100 sites. We currenti enrollment in the REPLENISH Trial will be completed in the first half of 2015 and t trial will be reported in the first half of 2016.

Based on such timeline and successful reports of the trial, we would anticipate filing TX-001HR during the first-half of 2016 and that such NDA would be approved by th first-half of 2017.

TX-002HR is a natural progesterone formulation for the treatment of secondary ame
the potentially allergenic component of peanut oil. The hormone therapy drug candic
identical to the hormones that naturally occur in a woman's body. We believe it will
effective to traditional treatments, but may demonstrate efficacy at lower dosages. In
began recruitment of patients in the SPRY trial, a phase 3 clinical trial designed to m
and effectiveness of TX-002HR in the treatment of secondary amenorrhea. During th
quarters of 2014, the SPRY trial encountered enrollment challenges because of IRB
trial protocols and FDA inclusion and exclusion criteria. In July 2014, we temporaril
enrollment, and in October 2014 we stopped the SPRY trial in order to update the ph
based on discussions with the FDA. We intend to update the phase 3 protocol to, am
target only those women with secondary amenorrhea due to polycystic ovarian syndr
the primary endpoint of the trial. We believe that the updated phase 3 protocol, if app
FDA, will allow us to mitigate the enrollment challenges in, and shorten the duration
trial. However, there can be no assurance that the FDA will approve the updated pha
we intend to propose.

TX-004HR is a vaginal suppository estradiol drug candidate for the treatment of VV
post-menopausal women with vaginal linings that do not receive enough estrogen. W
drug candidate will be at least as effective as the traditional treatments for VVA beca
onset of action with less systemic exposure inferring a greater probability of dose ad
target tissue, and it will have an added advantage of being a simple, easier to use dos
traditional VVA treatments. We initiated the REJOICE trial, a multicenter, double-bl
placebo-controlled phase 3 clinical trial during the third quarter of 2014 to assess the
efficacy of TX-004HR for the treatment of moderate to severe dyspareunia, or painfu
symptom of VVA due to menopause. We are conducting a single 12 week study, eva
different doses of estradiol: 4 mcg, 10 mcg and 25 mcg versus placebo. The FDA has
in order to approve a drug based on a single trial, the trial would need to show statist
a 0.01 level. The study has been designed to include four primary endpoints: the redu
pH levels to less than 5.0, an increase in superficial cells, a decrease in parabasal cell
improvement of dyspareunia. If approved, the 4 mcg formulation would represent a l
dose than the currently available VVA therapies approved by the FDA. The trial is d
approximately 700 patients across approximately 100 sites. We currently anticipate t
the REJOICE trial will be complete during the second quarter of 2015 and that result
be reported during the third quarter of 2015. Based on such timeline and successful r
we would anticipate filing an NDA for TX-004HR during the fourth quarter of 2015
NDA would be approved by the FDA during the fourth quarter of 2016.

Research and Development Expenses

A significant portion of our operating expenses to date have been incurred in researc
activities. Research and development expenses relate primarily to the discovery and
our drug products. Our business model is dependent upon our company continuing to

significant amount of research and development. Until one of our drug products rece
from the FDA, products costs are listed as “Other Research and Development” costs
condensed consolidated financial statements. Our research and development expense
of expenses incurred under agreements with CROs, investigative sites, and consultan
clinical trials and a substantial portion of our preclinical studies; employee-related ex
include salaries and benefits, and non-cash share-based compensation; the cost of de
chemistry, manufacturing and controls capabilities, and acquiring clinical trial mater
associated with other research activities and regulatory approvals.

We make payments to the CROs based on agreed upon terms that may include paym
a study starting date. Nonrefundable advance payments for goods and services that w
future research and development activities are expensed when the activity has been p
the goods have been received rather than when the payment is made. Advance paym
expensed in future research and development activities were $1,175,082 and $2,606,
31, 2014 and December 31, 2013, respectively.

The following table indicates our research and development expense by project/categ
indicated (in thousands):

	Year Ended December 31, (000s)	
	2014	2013
TX-001HR	26,123	4,809
TX-002HR	1,443	1,059
TX-004HR	3,984	—
Other research and development	11,669	7,683
Total research and development	$43,219	$13,551

Research and development expenditures will continue to be significant as we continu
our drug candidates and advance the development of our proprietary pipeline of nove
We expect to incur significant research and development costs as we develop our dru
complete the ongoing clinical trials of our drug candidates, conduct our planned phas
subject to receiving input from regulatory authorities, and prepare regulatory submis

The costs of clinical trials may vary significantly over the life of a project owing to f
but are not limited to, the following: per patient trial costs, the number of patients tha
trials; the number of sites included in the trials; the length of time each patient is enr
the number of doses that patients receive; the drop-out or discontinuation rates of pat
of time required to recruit patients for the trial, the duration of patient follow-up; and
safety profile of the drug candidate. We base our expenses related to clinical trials on
based on our experience and estimates from CROs and other third parties.

Results of Operations

Comparison of Years Ended December 31, 2014, 2013, and 2012:

Year ended December 31, 2014 compared with year ended December 31, 2013

	Year Ended December 31,		
	2014	2013	Change
	(000s)		
Revenue	$15,026	$8,776	6,250
Cost of goods sold	3,672	1,960	1,712
Operating expenses	65,395	32,624	32,771
Operating loss	(54,041)	(25,808)	(28,233)
Financing Costs	(260)	(1,504)	1,244
Interest expense	—	(1,166)	1,166
Other income (expense) net	84	59	25
Net loss	$(54,217)	$(28,419)	$(25,798)

51

Revenue

Revenue for year ended December 31, 2014 increased by approximately $6,250,000, approximately $15,026,000, compared with approximately $8,776,000 for the year e 31, 2013. Of this $6,250,000, approximately $2,003,494, or 32%, was attributable to average sales price of our existing products, and approximately $4,247,127, or 68%, sales of new products introduced during the year ended December 31, 2014.

Cost of Goods Sold

Cost of goods sold increased by approximately $1,712,000, or 87%, to approximatel the year ended December 31, 2014, compared with approximately $1,960,000 for the December 31, 2013. Our gross margins decreased to approximately 76% for the year 31, 2014, compared to approximately 78% for the year ended December 31, 2013. T change was primarily attributable to increases in distribution related costs.

Operating Expenses

Our principal operating costs included the following items as a percentage of total op

	Year En	
	Decemb 31, 2014	2
Human resource related costs	16%	3
Sales and marketing costs, excluding human resource costs	9 %	1
Product research and development costs	66%	4
Professional fees and consulting costs	4 %	4
Other operating expenses	5 %	7

Operating expenses increased by approximately $32,771,000, or 100%, to approxima for the year ended December 31, 2014, compared with approximately $32,624,000 fo December 31, 2013, as a result of the following items:

	(0
Increase in product research and development costs	$29
Increase in human resource related costs	50
Increase in sales and marketing, excluding human resource costs	70
Increase in professional and consulting costs	85
Increase in all other operating expenses	1,
	$32

Research and development costs for the year ended December 31, 2014 increased by $29,668,000, or 219%, to approximately $43,219,000, primarily as a result of the co clinical trial of TX-001HR, the partial year phase 3 clinical trial for TX-002HR, and year phase 3 clinical trial for TX-004HR. Research and developments costs during th December 31, 2014 included the following research and development projects:

During the year ended December 31, 2014 and the period February 2013 (project inc December 31, 2014, we have incurred approximately $26,123,000 and $30,932,000, research and development costs with respect to TX-001HR, our combination estradi drug candidate.

During the year ended December 31, 2014 and the period April 2013 (project incepti December 31, 2014, we have incurred approximately $1,443,000 and $2,502,000, re research and development costs with respect to TX-002HR, our progesterone only d

During the year ended December 31, 2014 and since the project's inception in Augus incurred approximately $3,984,000 in research and development costs with respect t vaginal suppository estradiol drug candidate.

For a discussion of the nature of efforts and steps necessary to complete these projec
Business — Research and Development." For a discussion of the risks and uncertain
completing development of our products, see "Item 1A. Risk Factors — Risks Relate
For a discussion of the extent and nature of additional resources that we may need to
current liquidity is not expected to be sufficient to complete these projects, see "— L
Resources." For a discussion as to whether a future milestone such as completion of
phase, date of filing an NDA with a regulatory agency or approval from a regulatory
reliably determined, see "Item 1. Business — Our Hormone Therapy Drug Candidate
Products in Development" and "Item 1. Business — Pharmaceutical Regulation." Fu
including NDA submission dates, are not easily determinable as such milestones are
various factors related to our clinical trials, including the timing of ongoing patient re
to find eligible subjects for the applicable trials.

Human resource related costs, including salaries and benefits, increased by approxim
5%, to approximately $10,870,000, primarily as a result of an increase in salary and
cost of $1,060,000 associated with additional employees required for our clinical tria
by a decrease in amortization of non-cash compensation totaling approximately $551
employee stock options issued during 2014 as compared to 2013.

Sales and marketing costs increased approximately $702,000, or 14%, to approximat
primarily as a result of expanded marketing, advertising, education, and training. Ma
incurred added costs were associated with our new prenatal products introduced in 2

Professional and consulting costs increased approximately $852,000, or 67%, to appr
$2,368,000 as a result of additional costs incurred for legal, consulting, and regulator

All other costs increased approximately $1,040,000, or 48%, to approximately $3,22
additional costs incurred for rent, travel, corporate communications, insurance, and c

Operating Loss

As a result of the foregoing, our operating loss increased approximately $28,233,000
approximately $54,041,000 for the year ended December 31, 2014, compared with a
$25,808,000 for the year ended December 31, 2013, primarily as a result increased re
development costs associated with our continued development of our hormone therap
partially offset by increased revenue from sales of our prenatal vitamin products.

As a result of the continued development of our hormone therapy drug candidates, w
we will continue to have operating losses for the near future until our hormone therap
are approved by the FDA and brought to market, although there is no assurance that
approvals or that any marketing of our hormone therapy drug candidates, if approved
successful.

Financing Costs

Financing costs decreased approximately $1,244,000, or 83%, to approximately $260
ended December 31, 2014, compared with approximately $1,504,000 for the year en
2013, primarily as a result of the amortization of the costs associated with warrants g
connection with a $10,000,000 revolving line of credit.

Interest Expense

We did not incur interest expense for the year ended December 31, 2014, compared
$1,166,000 in interest expense incurred for the year ended December 31, 2013, as a r
retirement of our debt during 2013.

Net Loss

As a result of the net effects of the foregoing, net loss increased approximately $25,7
approximately $54,217,000 for the year ended December 31, 2014, compared with a
$28,419,000 for the year ended December 31, 2013. Net loss per share of common st
diluted, was ($0.36) for the year ended December 31, 2014, compared with ($0.22) p
common stock for the year ended December 31, 2013. Net loss per share of common
positively affected by our issuance of shares of common stock in an underwritten pul
August 2014.

Year ended December 31, 2013 compared with year ended December 31, 2012

	Year Ended December 31,		
	2013	2012	Change
	(000s)		
Revenue	$8,776	$3,818	$4,958
Cost of goods sold	1,960	1,348	612
Operating expenses	32,624	18,618	14,006
Operating loss	(25,808)	(16,148)	(9,660)
Financing Costs	(1,504)	—	(1,504)
Interest expense	(1,166)	(1,905)	739
Other income (expense) net	59	(42)	101
Loss on extinguishment of debt	—	(10,308)	10,308
Beneficial conversion feature	—	(6,717)	6,717
Net loss	$(28,419)	$(35,120)	$(6,701)

Revenue

Revenue for the year ended December 31, 2013 increased by approximately $4,958,0
$8,776,000, compared with the year ended December 31, 2012. Of this $4,958,000, a
$713,000, or 14%, was attributable to an increase in the average sales price of our ex
and approximately $4,245,000, or 86%, was attributable to sales of new products intr

Cost of Goods Sold

Cost of goods sold increased by approximately $612,000, or 45%, to $1,960,000 for
December 31, 2013, compared with the year ended December 31, 2012. Our gross m
78% in 2013 compared to 65% in 2012. The gross margin change was primarily attri
increase in average sales price of products sold and product mix of prescription and

Operating Expenses

Our principal operating costs included the following items as a percentage of total op

	Year Ended December 31,	
	2013	2012
Human resource related costs	33%	39%
Sales and marketing, excluding human resource costs	15%	24%
Production design and development costs	41%	24%
Professional fees and consulting costs	4 %	6 %
Other operating expenses	7 %	7 %

Operating expenses increased by approximately $14,006,000, or 75%, for the year en
2013 from year ended December 31, 2012 as a result of the following items:

Increase in product research and development costs	$
Increase in human resource related costs	
Increase in sales and marketing costs, excluding human resource costs	
Increase in professional and consulting costs	
Increase in all other operating expenses	
	$

Research and development costs increased by approximately $9,059,000, or 202%, t
$13,551,000, primarily as a result of the commencement of phase 3 clinical trials for
well as the preparation of phase 3 clinical trials for TX-002HR, and phase 3 clinical t
TX-004HR. Research and developments costs during the year ended December 31, 2
following research and development projects:

TX-001HR. Since the project's inception in February 2013, we have incurred approx
in research and development costs with respect to TX-001HR, our combination estra
progesterone drug candidate.

TX-002HR. Since the project's inception in April 2013, we have incurred approxima
research and development costs with respect to TX-002HR, our progesterone only dr

For a discussion of the nature of efforts and steps necessary to complete these projec
Business — Research and Development." For a discussion of the risks and uncertain
completing development of our products, see "Item 1A. Risk Factors — Risks Relate
For a discussion of the extent and nature of additional resources that we may need to
current liquidity is not expected to be sufficient to complete these projects, see "— L
Resources." For a discussion as to whether a future milestone such as completion of
phase, date of filing an NDA with a regulatory agency or approval from a regulatory
reliably determined, see "Item 1. Business — Our Hormone Therapy Drug Candidate
Products in Development" and "Item 1. Business — Pharmaceutical Regulation." Fu
including NDA submission dates, are not easily determinable as such milestones are
various factors related to our clinical trials, including the timing of ongoing patient re
to find eligible subjects for the applicable trials.

Human resource related costs, including salaries and benefits, increased by approxim
or 46%, to approximately $10,611,000, primarily as a result of an increase in amortiz
compensation totaling approximately $3,152,000 related to employee stock options i
and 2012.

Sales and marketing costs increased by approximately $582,000, or 13%, to approxi
primarily as a result of expanded marketing, advertising, education, and training. In a
increased spending in the areas of travel, product samples, and commissions. We also
costs associated with our new product distribution channels introduced in 2013.

Operating Loss

As a result of the foregoing, our operating loss increased approximately $9,660,000,
approximately $25,808,000 for the year ended December 31, 2013, compared with a
$16,148,000 for the year ended December 31, 2012, primarily as a result increased re
development costs associated with our continued development of our hormone therap
partially offset by increased revenue from sales of our prenatal vitamin products.

As a result of the continued development of our hormone therapy drug candidates, w
we will continue to have operating losses for the near future until our hormone therap
are approved by the FDA and brought to market, although there is no assurance that
approvals or that any marketing of our hormone therapy drug candidates, if approved
successful.

Financing Costs

Financing costs increased from $0, to approximately $1,504,000, resulting from the a
costs associated with warrants granted in 2013 in connection with a $10,000,000 rev
credit.

Interest Expense

Interest expense decreased approximately $739,000, or 39%, to approximately $1,16
a result of the retirement of debt issued during 2012.

Net Loss

As a result of the net effects of the foregoing, including a lack of charges in 2013 for
extinguishment of debt and a beneficial conversion feature of debt that were included
results, net loss decreased approximately $6,701,000, or 19%, to approximately $28,
year ended December 31, 2013, compared with approximately $35,120,000 for the y
December 31, 2012. Net loss per share of common stock, basic and diluted, was ($0.
ended December 31, 2013, compared with ($0.38) per share of common stock for the
December 31, 2012. Net loss per share of common stock was positively affected by c
shares of common stock in underwritten public offerings in March and September 20

Liquidity and Capital Resources

We have funded our operations primarily through the private placement of equity and
and public offerings of our common stock. For the three year period ending Decembe

received $9 million in net proceeds from the issuance of debt securities and $130 mil
proceeds from the issuance of shares of our common stock. As of December 31, 201
totaling approximately $51.4 million: however, changing circumstances may cause u
funds significantly faster than we currently anticipate, and we may need to spend mo
currently expected because of circumstances beyond our control.

We believe that our existing cash will allow us to fund our operating plan through at
months. If our available cash and cash equivalents is insufficient to satisfy our liquid
we may seek to sell additional equity or debt securities or obtain a credit facility. Del
available, may involve agreements that include covenants limiting or restricting our a
specific actions, such as incurring additional debt, making capital expenditures, or de
To the extent that we raise additional capital through the sale of equity or convertible
the ownership interest of our existing shareholders will be diluted, and the terms of th
may include liquidation or other preferences that adversely affect the rights of our ex
shareholders. If we raise additional funds through collaborations, strategic alliances,
arrangements with third parties, we may have to relinquish valuable rights to our tech
revenue streams, research programs, or proposed products. Additionally, we may hav
on terms that may not be favorable to us.

We need substantial amounts of cash to complete the clinical development of our hor
drug candidates. The following table sets forth the primary sources and uses of cash f
periods set forth below:

Summary of (Uses) and Sources of Cash

	Year Ended December 31,		
	2014	2013	201
Net cash flows used in operating activities	$(45,520,996)	$(20,768,069)	$(1
Net cash flows used in investing activities	$(606,756)	$(583,561)	$(2
Net cash flows provided by financing activities	$43,298,099	$73,989,416	$14

Operating Activities

The use of cash in all periods resulted primarily from our net loss adjusted for non-ca
changes in components of working capital.

The increase of approximately $25 million in cash used in operating activities for the
December 31, 2014 in comparison to the year ended December 31, 2013 was due pri
and development, sales, general and administrative costs. These were offset by an ap
million increase in sales.

The increase of approximately $8 million in cash used in operating activities for the
December 31, 2013 in comparison to the year ended December 31, 2012 was due pri
and development, sales, general and administrative costs. These were offset by an ap
million increase in sales.

Investing Activities

The increase of approximately $23,000 in cash used in investing activities for the yea
31, 2014 compared with the prior year was due to patent development costs and purc
and equipment.

The increase of approximately $311,000 in cash used in investing activities for the y
December 31, 2013 compared with the prior year was due to patent development cos
property and equipment.

Financing Activities

Financing activities represent the principal source of our cash flow.

Our financing activities for the year ended December 31, 2014 provided net cash of a
$43,298,000.

On July 29, 2014, we entered into an underwriting agreement relating to the issuance
8,565,310 shares of our common stock. Under the terms of the underwriting agreeme
underwriters a 30-day option to purchase up to an additional 1,284,796 shares of our
which was exercised in full on July 30, 2014. The offering closed on August 4, 2014
to us from this offering were approximately $42.8 million, after deducting underwrit
commissions and other offering expenses payable by us.

Our financing activities for the year ended December 31, 2013 provided net cash of a
$73,989,000.

On March 14, 2013, we entered into an underwriting agreement relating to the issuar
of 29,411,765 shares of our common stock. Under the terms of the underwriting agre
the underwriters a 30-day option to purchase up to an additional 4,411,765 shares of
stock. On April 12, 2013, the underwriters exercised their option to purchase 1,954,5
common stock. The net proceeds to us from this offering were approximately $48 mi
deducting underwriting discounts and commissions and other offering expenses.

On September 25, 2013, we entered into an underwriting agreement relating to the is
us of 13,750,000 shares of our common stock. The net proceeds to us from this offer
approximately $30 million, after deducting underwriting discounts and commissions
expenses payable by us.

In March 2013, we repaid approximately $5 million in notes and credit lines.

Our financing activities for the year ended December 31, 2012 provided net cash of a
$14,437,000.

In September 2012, we entered into a securities purchase agreement with multiple in
the issuance and sale of our common stock in a private placement that provided us w
$8 million in net proceeds. During 2012, we issued notes in the aggregate principal a
approximately $9 million to multiple parties, of which approximately $2 million was
2012.

57

Critical Accounting Estimates and New Accounting Pronouncements

Critical Accounting Estimates

The preparation of financial statements in accordance with accounting principles gen
the United States, or GAAP, requires us to make estimates and assumptions that affe
amounts and related disclosures in the financial statements. We consider an accounti
critical if

- it requires assumptions to be made that were uncertain at the time the estimate was m
- changes in the estimate or different estimates that could have been selected could ha
  impact on our results of operations or financial condition.

We base our estimates and judgments on our experience, our current knowledge, our
could occur in the future, our observation of trends in the industry, information provi
customers, and information available from other sources. Actual results may differ fr
under different assumptions or conditions. We have identified the following accounti
estimates as those that we believe are most critical to our financial condition and resu
and that require our most subjective and complex judgments in estimating the effect
uncertainties: share-based compensation expense and income taxes.

Revenue Recognition. We recognize revenue on arrangements in accordance with AS
Recognition. We recognize revenue only when the price is fixed or determinable, per
of an arrangement exists, the service is performed, and collectability is reasonably as

Our OTC and prescription prenatal vitamin products are generally variations of the s
slight modifications in formulation and marketing. The primary difference between o
prescription prenatal vitamin products is the source of payment. Purchasers of our O
vitamin products pay for the product directly while purchasers of our prescription pr
products pay for the product via third-party payers. Both OTC and prescription prena
products share the same marketing support team utilizing similar marketing techniqu

Over-the-Counter Products

We generate OTC revenue from product sales primarily to retail consumers. We reco
from product sales upon shipment, when the rights of ownership and risk of loss hav
consumer. We include outbound shipping and handling fees in sales and bill them up
include shipping expenses in cost of sales. A majority of our customers pay for our p
cards, and we usually receive the cash settlement in two to three banking days. Credi
minimize accounts receivable balances relative to sales. We provide an unconditiona
money-back return policy under which we accept product returns from our retail and
customers. We recognize our revenue from OTC sales, net of returns, sales discounts
fees.

Prescription Products

We sell our name brand and generic prescription products primarily through drug wh
pharmacies. We recognize revenue from prescription product sales, net of sales disco
and rebates.

We accept returns of unsalable product from customers within a return period of six
and up to 12 months following product expiration. Our prescription products current
of 24 months from the date of manufacture. Given the limited history of our prescrip
currently cannot reliably estimate expected returns of the prescription products at the
Accordingly, we defer recognition of revenue on prescription products until the right
longer exists, which occurs at the earlier of the time the prescription products are dis
patient prescriptions or expiration of the right of return.

We maintain various rebate programs in an effort to maintain a competitive position
and to promote sales and customer loyalty. The consumer rebate program is designed
user to return a coupon to us. If the coupon qualifies, we send a rebate check to the e
estimate the allowance for consumer rebates based on our experience and industry av
reviewed, and adjusted if necessary, on a quarterly basis.

Research and Development Expense. We rely on the services of external CRO's to fa
studies. Certain of these CRO's require us to make payments based on agreed-upon t
include payments in advance of a study starting date. We capitalize these advance pa
prepaid expense when paid. We expense these nonrefundable advance payments for
that will be used in future research and development activities when the activity has
rather than when the payment is made. As a result, we amortize certain of these amou
factors relating to the progress of our clinical studies. These factors include successfu
patients, expected duration of studies, and completion of clinical trial milestones. On
we re-assess the factors by which these advanced payments are expensed. If these fac
adjust these prepaid balances accordingly.

Share-Based Compensation. We periodically issue stock options and warrants to emp
non-employees in non-capital raising transactions for services and for financing costs
stock option and warrant grants issued and vesting to employees based on the author
provided by the Financial Accounting Standards Board, or FASB, whereas the value
measured on the date of grant and recognized over the vesting period. We account fo
warrant grants issued and vesting to non-employees in accordance with the authorita
the FASB whereas the value of the stock compensation is based upon the measureme
determined at either (a) the date at which a performance commitment is reached, or (
which the necessary performance to earn the equity instruments is complete. Non-em
stock-based compensation charges generally are amortized over the vesting period on
basis. In certain circumstances where there are no future performance requirements b
non-employee, option grants are immediately vested and the total stock-based compe
recorded in the period of the measurement date. Determining the fair value of share-b
measurement date requires judgment, including estimating the expected term that sto
warrants will be outstanding prior to exercise and the associated volatility. We estim
of options granted using the Black-Scholes-Merton valuation model. The expected li
used in this calculation is the period the options are expected to be outstanding and h
determined based on the simplified method in accordance with guidance provided by
Accounting Bulletin 07 (ASC 718-10-S00). Expected stock price volatility is based o
volatility of the stock of peer entities whose stock prices were publicly available for a
approximating the expected life. We use the historical volatility of peer entities due t
sufficient historical data on our stock prices. The risk-free interest rate is based on th
available on US Treasury zero-coupon issues approximating the expected life. We be
assumptions are "critical accounting estimates" because significant changes in the as
develop the estimates materially affect key financial measures including net income/

Income Taxes. As part of the process of preparing our consolidated financial stateme
required to estimate income taxes in each of the jurisdictions in which we operate. W
provision for income taxes using the asset and liability approach to account for incor
record current liability for the estimated taxes payable for the current year. We recor
assets and liabilities for the estimated future tax consequences attributable to differer
financial statement carrying amounts of existing assets and liabilities and their respec
Deferred tax assets and liabilities are measured using the enacted tax rates in effect f
which the timing differences are expected to be recovered or settled. The effect on de
and liabilities of changes in tax rates or tax laws is recognized in the provision for in
period that includes the enactment date. Valuation allowances are established, when
reduce deferred tax assets to the amount more-likely-than-not to be realized. Change
allowances will flow through the statement of operations unless related to deferred ta
expire unutilized or are modified through translation, in which case both the deferred
related valuation allowance are similarly adjusted. Where a valuation allowance was
through purchase accounting for acquired deferred tax assets, any future change will
charged to income tax expense.

The determination of our provision for income taxes requires significant judgment, th
and the interpretation and application of complex tax laws. In the ordinary course of
are transactions and calculations for which the ultimate tax determination is uncertain
belief that we have appropriate support for all the positions taken on our tax returns,
that certain positions may be successfully challenged by the taxing authorities. We de
benefits more likely than not to be recognized with respect to uncertain tax positions
believe our recorded tax assets and liabilities are reasonable, tax laws and regulations
interpretation and inherent uncertainty; therefore, our assessments can involve both a
judgments about future events and rely on estimates and assumptions. Although we b
estimates and assumptions are reasonable, the final determination could be materially
that which is reflected in our provision for income taxes and recorded tax assets and

Segment Reporting. We are managed and operated as one business, which is focused commercializing products targeted exclusively for women. Our business operations a single management team that reports to our president. We do not operate separate lin respect to any of our products and we do not prepare discrete financial information w separate products. All product sales are derived from sales in the United States. Acco our business as one reportable operating segment.

New Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update, or ASU, No. 2014- Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties Ability to Continue as a Going Concern. ASU 2014-15 requires management to eval are conditions and events that raise substantial doubt about the entity's ability to con concern within one year after the financial statements are issued (or available to be is applicable) and, if so, disclose that fact. ASU 2014-15 is effective for annual periods December 15, 2016 and interim periods within annual periods beginning after Decem Early adoption is permitted for annual or interim reporting periods for which the fina have not previously been issued. We do not expect the adoption of the ASU 2014-15 effect on our consolidated financial statements and disclosures.

In May 2014, the FASB and the International Accounting Standards Board (IASB) is 2014-09, Revenue from Contracts with Customers (Topic 606). The standard's core company will recognize revenue when it transfers promised goods or services to cust amount that reflects the consideration to which the company expects to be entitled in those goods or services. In doing so, companies will need to use more judgment and estimates than under today's guidance. These may include identifying performance o contract, estimating the amount of variable consideration to include in the transaction allocating the transaction price to each separate performance obligations. ASU 2014- public business entities, certain not-for-profit entities and certain employee benefit pl periods beginning after December 15, 2016, including interim periods within that per adoption is not permitted under GAAP. We are currently evaluating the impact of AS consolidated financial statements and disclosures.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentatio Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax l Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force), The amendments in ASU 2013-11 provide guidance on the financial statement prese unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, o carryforward exists. An unrecognized tax benefit should be presented in the financia reduction to a deferred tax asset for a net operating loss carryforward, a similar tax lo

carryforward with certain exceptions, in which case such an unrecognized tax benefi
presented in the financial statements as a liability. The amendments in ASU No. 201
new recurring disclosures. The amendments in ASU 2013-11 are effective for fiscal
periods within those years, beginning after December 15, 2013. The amendments in
did not have a material impact on our consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210):
Offsetting Assets and Liabilities, or ASU 2011-11. ASU 2011-11 enhances current d
financial instruments and derivative instruments that are either offset on the statemen
position or subject to an enforceable master netting arrangement or similar agreemen
whether they are offset on the statement of financial position. Entities are required to
and gross information for these assets and liabilities in order to facilitate comparabili
financial statements prepared in conformity with GAAP and financial statements pre
of International Financial Reporting Standards. ASU 2011-11 is effective for annual
beginning on or after January 1, 2013, and interim periods within those years. ASU 2
have a material impact on our financial position or results of operations.

We do not believe there would have been a material effect on the accompanying con
statements had any other recently issued, but not yet effective, accounting standards
the current period.

Off-Balance Sheet Arrangements

As of December 31, 2014, 2013, and 2012, we had no off-balance sheet arrangement
are reasonably likely to have a current or future effect on our financial condition, cha
condition, revenues or expenses, results of operations, liquidity, capital expenditures
resources that are material to investors.

In the ordinary course of business, we enter into agreements with third parties that in
indemnification provisions, which, in our judgment, are normal and customary for co
industry sector. These agreements are typically with business partners, clinical sites,
Pursuant to these agreements, we generally agree to indemnify, hold harmless, and re
indemnified parties for losses suffered or incurred by the indemnified parties with res
candidates, use of such drug candidates, or other actions taken or omitted by us. The
potential amount of future payments we could be required to make under these inden
provisions is unlimited. We have not incurred material costs to defend lawsuits or set
to these indemnification provisions. As a result, the estimated fair value of liabilities
provisions is minimal. Accordingly, we have no liabilities recorded for these provisio
December 31, 2014, 2013, or 2012.

In the normal course of business, we may be confronted with issues or events that ma
contingent liability. These generally relate to lawsuits, claims, environmental actions
various regulatory agencies. We consult with counsel and other appropriate experts t
If, in our opinion, we have incurred a probable loss as set forth by GAAP, an estimat
loss and the appropriate accounting entries are reflected in our financial statements.

Effects of Inflation

For each of the fiscal years ended December 31, 2014, 2013, and 2012, our business
have not been materially affected by inflation.

Contractual Obligations

A summary of contractual cash obligations as of December 31, 2014 is as follows:

	Payments Due By Period (in thousands)			
	Total	Less than 1 Year	1-3 Years	4-5 Years
Operating Lease Obligations	$1,450	$371	$1,079	$ 0

Seasonality

The specialty pharmaceutical industry component of women's health is not subject to fluctuation.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We had cash and cash equivalents totaling $51.4 million as of December 31, 2014. W money market funds and the primary objective of our investment policy is to preserv maintain proper liquidity to meet operating needs. Our investment policy specifies cr standards for our investments and limits the amount of credit exposure to any single type of investment. Our primary exposure to market risk is interest rate sensitivity, w changes in the general level of U.S. interest rates. To minimize this risk, we intend to portfolio that may include cash, cash equivalents and investment securities available- variety of securities which may include money market funds, government and non-g securities and commercial paper, all with various maturity dates. Due to the low risk investments, an immediate 100 basis point change in interest rates would not have a the fair market value of our portfolio.

We do not hold or issue derivatives, derivative commodity instruments or other finan
for speculative trading purposes. Further, we do not believe our cash equivalents and
securities have significant risk of default or illiquidity. We made this determination b
discussions with our investment advisors and a review of our holdings. While we bel
equivalents and investment securities do not contain excessive risk, we cannot provid
assurance that in the future our investments will not be subject to adverse changes in
of our investments are held at fair value.

Item 8. ***Financial Statements and Supplementary Data***

Reference is made to the financial statements, the notes thereto, and the report thereo
page F-1 of this Annual Report, which financial statements, notes, and report are inc
by reference.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Fina***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information
disclosed in reports filed under the Exchange Act is recorded, processed, summarized
within the specified time periods, and that such information is accumulated and com
management, including our Chief Executive Officer and Chief Financial Officer, as a
allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chie
Officer, evaluated the effectiveness of our disclosure controls and procedures (as def
Securities Exchange Act of 1934 Rules 13a-15(f) or 15d-15(f)) as of the end of the p
this Annual Report on Form 10-K. Based on that evaluation, our Chief Executive Of
Financial Officer concluded that, as of December 31, 2014, our disclosure controls a
were effective to ensure that information required to be disclosed by us in the reports
under the Exchange Act is (i) recorded, processed, summarized, and reported within
specified in the SEC rules and forms, and (ii) is accumulated and communicated to o
including our Chief Executive Officer and Chief Financial Officer, as appropriate to
decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal co
financial reporting, as defined under Exchange Act Rules 13a-15(f) and 15d-15(f). O
over financial reporting is a process designed to provide reasonable assurance regard
of financial reporting and the preparation of financial statements for external purpose
with GAAP. Internal control over financial reporting includes those policies and proc

- pertain to the maintenance of records that in reasonable detail accurately and fairly re
transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit pr
financial statements in accordance with generally accepted accounting principles, an
and expenditures are being made only in accordance with authorizations of our mana
directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthoriz
or disposition of our assets that could have a material effect on the financial statemer

Our management assessed the effectiveness of our internal control over financial rep
December 31, 2014. In making this assessment, our management used the criteria set
Committee of Sponsoring Organizations of the Treadway Commission (COSO) in In
Control—Integrated Framework (2013). Management's assessment included an eval
our internal control over financial reporting and testing of the operational effectivene
control over financial reporting. Based on management's assessment, we believe that
controls over financial reporting were effective as of December 31, 2014.

Rosenberg Rich Baker Berman & Company, an independent registered public accou
audited the consolidated financial statements included in this Annual Report; and, as
has issued an attestation report, included herein, on the effectiveness of our internal c
financial reporting.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during our most
quarter that has materially affected, or is reasonably likely to materially affect, our in
financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer
that our disclosure controls and procedures or our internal controls will prevent all er
A control system, no matter how well conceived and operated, can provide only reas
absolute, assurance that the objectives of the control system are met. Further, the des
system must reflect the fact that there are resource constraints, and the benefit of con
considered relative to their costs. Because of the inherent limitations in all control sy
evaluation of controls can provide absolute assurance that all control issues, misstate
instances of fraud, if any, within our company have been or will be prevented or dete
internal controls may become inadequate as a result of changes in conditions, or thro
deterioration of the degree of compliance with policies or procedures.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers, and Corporate Governance***

The information required by this Item relating to our directors and corporate governa
incorporated herein by reference to the definitive Proxy Statement to be filed pursua
14A of the Exchange Act for our 2015 Annual Meeting of Stockholders.

Item 11. ***Executive Compensation***

The information required by this Item is incorporated herein by reference to the defi
Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2015 A
Stockholders.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and R
Stockholder Matters***

The information required by this Item is incorporated by reference to the definitive P
be filed pursuant to Regulations 14A of the Exchange Act for our 2015 Annual Meet
Stockholders.

Item 13. ***Certain Relationships and Related Transactions, and Director Independe***

The information required by this Item is incorporated herein by reference to the defi
Statements to be filed pursuant to Regulation 14A of the Exchange Act for our 2015
of Stockholders.

Item 14. ***Principal Accountant Fees and Services***

The information required by this Item is incorporated herein by reference to the defi
Statement to be filed pursuant to Regular 14A of the Exchange Act for our 2015 Ann
Stockholders.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) **Financial Statements and Financial Statements Schedules**

(1) Financial Statements are listed in the Index to Consolidated Financial Statements Annual Report.

(2) No financial statement schedules are included because such schedules are not app required, or because required information is included in the consolidated financia notes thereto.

(b) **Exhibits**

Exhibit	Date	Description
2.1	July 6, 2009	Agreement and Plan of Reorganization among Croff Enterpris Acquisition Corp., America's Minority Health Network, Inc., Shareholders(1)
2.2	June 11, 2010	Agreement and Plan of Reorganization among AMHN, Inc., S Corp., Spectrum Health Network, Inc., and the Sole Shareholc Health Network, Inc.(2)
2.3	October 25, 2007	Croff Enterprises, Inc. Plan of Corporate Division and Reorga
2.4	July 18, 2011	Agreement and Plan of Merger among VitaMedMD, LLC, AM VitaMed Acquisition, LLC(4)
3.1	September 15, 2009	Articles of Amendment to Articles of Incorporation (to change Inc.)(5)
3.2	July 27, 2009	Certificate of Merger of AMHN Acquisition Corp., with and i Minority Health Network, Inc.(6)
3.3	December 27, 2007	Articles of Amendment to Articles of Incorporation of Croff E increase authorized common shares from 20,000,000 to 50,00
3.4	July 20, 2010	Articles of Conversion of AMHN, Inc. filed in the State of Ne
3.5	July 20, 2010	Articles of Incorporation of AMHN, Inc. filed in the State of N
3.6	August 29, 2011	Certificate of Amendment and Restatement of Articles of Inco AMHN, Inc. (to change name and increase authorized shares)

3.7	n/a	Bylaws of AMHN, Inc.[9]
4.1	September 26, 2012	Form of Securities Purchase Agreement [10]
4.2	n/a	Form of Certificate of Common Stock[11]
10.1	November 9, 2010	Demand Promissory Note to Philip M. Cohen for $210,000[12]
10.2	April 18, 2011	Convertible Promissory Note to First Conquest Investment Gr $105,000[12]
10.3	April 18, 2011	Convertible Promissory Note to Energy Capital, LLC for $105
10.4	May 7, 2011	Sales Representative Agreement between AMHN, Inc. and M LLC[12]
10.5	July 9, 2009	Lease Agreement between Liberty Property Limited Partnersh VitaMedMD, LLC[13]
10.6	September 8, 2011	Stock Purchase Agreement between AMHN, Inc. and Pernix T LLC[14]
10.7	September 8, 2011	Lock-Up Agreement between AMHN, Inc. and Pernix Therap
10.8	n/a	Form of Common Stock Purchase Warrant [13]
10.9*	n/a	Form of Non-Qualified Stock Option Agreement [13]
10.10	September 2011	Form of Convertible Promissory Note[15]
10.11	September 20, 2011	Financing Agreement between Lang Naturals, Inc. and VitaM
10.12	October 18, 2011	Debt Conversion Agreement between the Company and Energ
10.13	October 18, 2011	Debt Conversion Agreement between the Company and First Investment Group, LLC[17]
10.14	October 23, 2011	Consulting Agreement among VitaMedMD, LLC, the Compa Naturals, Inc.[17]
10.15	October 23, 2011	Common Stock Purchase Warrant to Lang Naturals, Inc.[17]

Exhibit	Date	Description
10.16	October 23, 2011	Lock-Up Agreement between the Company and Lang Natura
10.17	November 3, 2011	Software License Agreement between vitaMedMD, LLC and Therapeutics, LLC(18)
10.18	November 2011	Form of Promissory Note (19)
10.19	February 24, 2012	Note Purchase Agreement among the Company, Plato & Ass Steven G. Johnson(20)
10.20	February 24, 2012	Form of Secured Promissory Note(20)
10.21	February 24, 2012	Security Agreement among the Company, Plato & Associate G. Johnson(20)
10.22	February 24, 2012	Form of Common Stock Purchase Warrant(20)
10.26	April 17, 2012	Master Services Agreement between the Company and Sanc Inc.(21)
10.27**	May 17, 2012	Consulting Agreement between the Company and Sancilio a (21)
10.28*	November 8, 2012	Form of Employment Agreement(22)
10.29	January 31, 2013	Multiple Advance Revolving Credit Note, issued to Plato & LLC(23)
10.30	January 31, 2013	Common Stock Purchase Warrant, issued to Plato & Associa
10.31*	May 8, 2013	Agreement to Forfeit Non-Qualified Stock Options between Robert G. Finizio(24)
10.32	May 7, 2013	Consulting Agreement between the Company and Sancilio a (24)
10.33	May 16, 2013	Lease between the Company and 6800 Broken Sound LLC(2
10.34*	n/a	Amended and Restated 2012 Stock Incentive Plan(26)
10.35*	n/a	2009 Long Term Incentive Compensation Plan, as amended
10.36†	February 18, 2015	First Amendment to Lease between the Company and 6800 LLC
21.1	December 31, 2012	Subsidiaries of the Company(28)
23.1†	March 12, 2015	Consent of Rosenberg Rich Baker Berman & Company
31.1†	March 12, 2015	Certification of Chief Executive Officer pursuant to Rule 13 15d-14(a), promulgated under the Securities Exchange Act o amended
31.2†	March 12, 2015	Certification of Chief Financial Officer pursuant to Rule 13a 15d-14(a), promulgated under the Securities Exchange Act o amended
32.1†		

	March 12, 2015	Certification pursuant to 18 U.S.C. Section 1350, as adopted Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	March 12, 2015	Certification pursuant to 18 U.S.C. Section 1350, as adopted Section 906 of the Sarbanes-Oxley Act of 2002
101.INS†	n/a	XBRL Instance Document
101.SCH†	n/a	XBRL Taxonomy Extension Schema Document
101.CAL†	n/a	XBRL Taxonomy Extension Calculation Linkbase Documen
101.DEF†	n/a	XBRL Taxonomy Extension Definition Linkbase Instance D
101.LAB†	n/a	XBRL Taxonomy Extension Label Linkbase Instance Docu
101.PRE†	n/a	XBRL Taxonomy Extension Presentation Linkbase Instance

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* Indicates a contract with management or compensatory plan or arrangement.

** Certain information in this exhibit has been omitted and filed separately with the S Exchange Commission. Confidential treatment has been requested with respect to portions.

† Filed herewith.

(1) Filed as an exhibit to Form 8-K filed with the Commission on July 10, 2009 and in by reference (SEC File No. 000-16731).

(2) Filed as an exhibit to Form 8-K filed with the Commission on June 14, 2010 and in by reference (SEC File No. 000-16731).

(3) Filed as an exhibit to Form 10-K for the year ended December 31, 2007 filed with on May 1, 2008 and incorporated herein by reference (SEC File No. 000-16731).

(4) Filed as an exhibit to Form 8-K filed with the Commission on July 21, 2011 and in by reference (SEC File No. 000-16731).

(5) Filed as an exhibit to Form 10-Q for quarter ended September 30, 2009 filed with on November 16, 2009 and incorporated herein by reference (SEC File No. 000-16

(6) Filed as an exhibit to Form 10-K for the year ended December 31, 2009 filed with
on March 17, 2010 and incorporated herein by reference (SEC File No. 000-1673

(7) Filed as an exhibit to Form 10-Q for quarter ended June 30, 2010 filed with the C
August 3, 2010 and incorporated herein by reference (SEC File No. 000-16731).

(8) Filed as an exhibit to Definitive 14C Information Statement filed with the Commi
September 12, 2011 and incorporated herein by reference (SEC File No. 000-167

(9) Filed as an exhibit to Definitive 14C Information Statement filed with the Commi
2010 and incorporated herein by reference (SEC File No. 000-16731).

(10) Filed as an exhibit to Form 8-K filed with the Commission on October 2, 2012 an
herein by reference (SEC File No. 000-16731).

(11) Filed as an exhibit to Form S-3 filed with the Commission on January 25, 2013 an
hereby by reference (SEC File No. 333-186189).

(12) Filed as an exhibit to Form 10-Q for quarter ended March 31, 2011 filed with the
May 19, 2011 and incorporated herein by reference (SEC File No. 000-16731).

(13) Filed as an exhibit to Form 8-K filed with the Commission on October 11, 2011 a
herein by reference (SEC File No. 000-16731).

(14) Filed as an exhibit to Form 8-K filed with the Commission on September 14, 201
herein by reference (SEC File No. 000-16731).

(15) Filed as an exhibit to Form 8-K/A filed with the Commission on November 22, 2
incorporated herein by reference (SEC File No. 000-16731).

(16) Filed as an exhibit to Form 8-K/A filed with the Commission on February 2, 2012
herein by reference (SEC File No. 000-16731).

(17) Filed as an exhibit to Form 8-K filed with the Commission on October 24, 2011 a
herein by reference (SEC File No. 000-16731).

(18) Filed as an exhibit to Form 10-Q for quarter ended September 30, 2011 filed with
on November 7, 2011 and incorporated herein by reference (SEC File No. 000-16

(19) Filed as an exhibit to Form 8-K filed with the Commission on November 23, 201
herein by reference (SEC File No. 000-16731).

(20) Filed as an exhibit to Form 8-K filed with the Commission on February 24, 2012
herein by reference (SEC File No. 000-16731).

(21) Filed as an exhibit to Form 10-Q for quarter ended June 30, 2012 filed with the C
August 9, 2012 and incorporated herein by reference (SEC File No. 000-16731).

(22) Filed as an exhibit to Form 10-Q for quarter ended September 30, 2012 filed with
on November 13, 2012 and incorporated herein by reference (SEC File No. 000-1

(23) Filed as an exhibit to Form 8-K filed with the Commission on February 6, 2013 a
herein by reference (SEC File No. 000-16731).

(24) Filed as an exhibit to Form 10-Q for quarter ended March 31, 2013 filed with the
May 10, 2013 and incorporated herein by reference (SEC File No. 001-00100).

(25) Filed as an exhibit to Form 10-Q for quarter ended June 30, 2013 filed with the C
August 7, 2013 and incorporated herein by reference (SEC File No. 001-00100).

(26) Filed as an exhibit to Form 8-K filed with the Commission on August 22, 2013 ar
herein by reference (SEC File No. 001-00100).

(27) Filed as an exhibit to Registration Statement on Form S-8 filed with the Commiss
2013 and incorporated herein by reference (SEC File No. 333-191730).

(28) Filed as an exhibit to Form 10-K for the year ended December 31, 2012 filed with
on March 12, 2013 and incorporated herein by reference (SEC File No. 000-1673

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act o
registrant has duly caused this report to be signed on its behalf by the undersigned, th
authorized.

Date: March 12, 2015 THERAPEUTICSMD, INC.

/s/ Robert G. Finizio
Robert G. Finizio
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has
by the following persons on behalf of the registrant and in the capacities and on the d

Signature	**Capacity**	**Date**
/s/ Robert G. Finizio Robert G. Finizio	Chief Executive Officer, Director (Principal Executive Officer)	March 12, 2
/s/ John C.K. Milligan, IV John C.K. Milligan, IV	President, Secretary, Director	March 12, 2
/s/ Daniel A. Cartwright Daniel A. Cartwright	Chief Financial Officer, Treasurer (Principal Financial and Accounting Officer)	March 12, 2
/s/ Tommy G. Thompson Tommy G. Thompson	Chairman	March 12, 2
/s/ Brian Bernick Brian Bernick	Director	March 12, 2
/s/ Cooper C. Collins Cooper C. Collins	Director	March 12, 2
/s/ Robert V. LaPenta, Jr. Robert V. LaPenta, Jr.		

	Director	March 12, 2

/s/ Nicholas Segal

Nicholas Segal	Director	March 12, 2015

/s/ Jules Musing

Jules Musing	Director	March 12, 2015

/s/ Randall Stanicky

Randall Stanicky	Director	March 12, 2015

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of TherapeuticsMD, Inc.

We have audited the accompanying balance sheets of TherapeuticsMD, Inc. as of De
and 2013, and the related statements of operations, stockholders' equity, and cash flo
years in the three year period ended December 31, 2014. We also have audited Thera
internal control over financial reporting as of December 31, 2014, based on criteria e
Internal Control—Integrated Framework (2013) issued by the Committee of Sponso
of the Treadway Commission (COSO). TherapeuticsMD's management is responsibl
financial statements, for maintaining effective internal control over financial reportin
assessment of the effectiveness of internal control over financial reporting, included
accompanying Management's Annual Report on Internal Control over Financial Rep
responsibility is to express an opinion on these financial statements and an opinion o
internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Ac
Oversight Board (United States). Those standards require that we plan and perform t
reasonable assurance about whether the financial statements are free of material miss
whether effective internal control over financial reporting was maintained in all mate
audits of the financial statements included examining, on a test basis, evidence suppo
and disclosures in the financial statements, assessing the accounting principles used a
estimates made by management, and evaluating the overall financial statement prese
of internal control over financial reporting included obtaining an understanding of in
financial reporting, assessing the risk that a material weakness exists, and testing and
design and operating effectiveness of internal control based on the assessed risk. Our
included performing such other procedures as we considered necessary in the circum
believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provid
assurance regarding the reliability of financial reporting and the preparation of financ
external purposes in accordance with generally accepted accounting principles. A co
control over financial reporting includes those policies and procedures that (1) pertai
maintenance of records that, in reasonable detail, accurately and fairly reflect the tran
dispositions of the assets of the company; (2) provide reasonable assurance that trans
recorded as necessary to permit preparation of financial statements in accordance wit
accepted accounting principles, and that receipts and expenditures of the company ar
in accordance with authorizations of management and directors of the company; and
reasonable assurance regarding prevention or timely detection of unauthorized acqui
disposition of the company's assets that could have a material effect on the financial

Because of its inherent limitations, internal control over financial reporting may not p
misstatements. Also, projections of any evaluation of effectiveness to future periods
risk that controls may become inadequate because of changes in conditions, or that th
compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all materia financial position of TherapeuticsMD, Inc. as of December 31, 2014 and 2013, and t operations and its cash flows for each of the years in the three year period ended Dec conformity with accounting principles generally accepted in the United States of Am opinion, TherapeuticsMD, Inc. maintained, in all material respects, effective internal financial reporting as of December 31, 2014, based on criteria established in *Interna Framework (2013)* issued by the Committee of Sponsoring Organizations of the Trea Commission (COSO).

/s/ Rosenberg Rich Baker Berman & Company

Somerset, New Jersey

March 12, 2015

THERAPEUTICSMD, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31 2014
ASSETS	
Current Assets:	
Cash	$51,361,607
Accounts receivable, net of allowance for doubtful accounts of $21,119 and $26,555, respectively	2,154,217
Inventory	1,182,113
Other current assets	1,537,407
Total current assets	56,235,344
Fixed assets, net	63,293
Other Assets:	
Prepaid expense	1,427,263
Intangible assets	1,228,588
Security deposit	125,000
Total other assets	2,780,851
Total assets	$59,079,488
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts payable	$6,327,129
Deferred revenue	522,613
Other current liabilities	3,840,639
Total current liabilities	10,690,381
Commitments and Contingencies	
Stockholders' Equity:	
Preferred stock - par value $0.001; 10,000,000 shares authorized; no shares issued and outstanding	—
Common stock - par value $0.001; 250,000,000 shares authorized; 156,097,019 and 144,976,757 issued and outstanding, respectively	156,097
Additional paid in capital	182,982,84
Accumulated deficit	(134,749,83
Total stockholders' equity	48,389,107
Total liabilities and stockholders' equity	$59,079,488

F-3

THERAPEUTICSMD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2014	2013
Revenues, net	$15,026,219	$8,775,598
Cost of goods sold	3,671,803	1,959,597
Gross profit	11,354,416	6,816,001
Operating expenses:		
Sales, general, and administrative	22,124,072	19,014,83
Research and development	43,218,938	13,551,26
Depreciation and amortization	52,467	58,145
Total operating expense	65,395,477	32,624,24
Operating loss	(54,041,061)	(25,808,24
Other income and (expense)		
Miscellaneous income	46,569	34,544
Interest income	37,309	27,234
Financing costs	(260,027)	(1,503,922
Interest expense	—	(1,165,981
Loan guaranty costs	—	(2,944
Loss on extinguishment of debt	—	—
Beneficial conversion feature	—	—
Total other expense	(176,149)	(2,611,069
Loss before taxes	(54,217,210)	(28,419,31
Provision for income taxes	—	—
Net loss	$(54,217,210)	$(28,419,31
Net loss per share, basic and diluted	$(0.36)	$(0.22
Weighted average number of common shares outstanding	149,727,228	127,569,7

F-4

THERAPEUTICSMD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	Common Stock Shares	Amount	Additional Paid in Capital	Accumulated Deficit
Balance, December 31, 2011	82,978,804	82,979	15,198,241	(16,993,07
Shares issued in private placement, net of cost	3,953,489	3,954	7,891,531	—
Shares issued in exchange for debt	2,775,415	2,775	1,051,882	—
Shares issued for exercise of options	1,931,788	1,932	189,068	—
Shares issued for exercise of warrants	8,145,486	8,145	3,093,855	—
Employee share based compensation	—	—	1,832,061	—
Warrants issued for financing costs	—	—	13,014,784	—
Warrants issued for services	—	—	1,563,620	—
Warrants issued as compensation-related party	—	—	36,284	—
Warrants issued for cash	—	—	400	—
Cancellation of warrants issued for loan guaranty costs-related parties	—	—	(7,830)	—
Beneficial ownership feature	—	—	6,716,504	—
Net loss	—	—	—	(35,120,23
Balance, December 31, 2012	99,784,982	99,785	50,580,400	(52,113,31
Shares issued in private placements, net of cost	45,116,352	45,117	78,605,236	—
Shares issued for exercise of options	75,423	75	30,835	—
Employee share based compensation	—	—	3,170,954	—
Non-employee share based compensation	—	—	83,129	—
Warrants issued for financing costs	—	—	1,711,956	—
Warrants issued for services	—	—	867,262	—

Warrants issued as compensation-related party	—	—	36,284	—
Net loss	—	—	—	(28,419,31
Balance, December 31, 2013	144,976,757	144,977	135,086,056	(80,532,62
Shares issued in private placements, net of cost	9,850,106	9,850	42,761,503	—
Shares issued for exercise of options	854,573	855	344,891	—
Shares issued for exercise of warrants	365,583	365	180,635	—
Shares issued for exercise of restricted stock units	50,000	50	(50)	—
Employee share based compensation	—	—	4,239,358	—
Non-employee share based compensation	—	—	370,453	—
Net loss	—	—	—	(54,217,21
Balance, December 31, 2014	156,097,019	$156,097	$182,982,846	$(134,749,8

THERAPEUTICSMD, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December, 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(54,217,210)	$(28,419,3
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation	28,987	47,883
Amortization of intangible assets	23,480	10,262
Provision for doubtful accounts	(5,436)	(15,493
Loss on extinguishment of debt	—	—
Beneficial conversion feature	—	—
Amortization of debt discount	—	1,102,680
Stock based compensation	4,239,358	3,207,238
Amortization of deferred financing costs	260,027	1,451,934
Stock based expense for services	730,954	636,917
Loan guaranty costs	—	2,944
Changes in operating assets and liabilities:		
Accounts receivable	(458,028)	(1,068,61
Inventory	(138,495)	571,592
Other current assets	680,281	(1,386,31
Other assets	(37,309)	(565,706
Accounts payable	4,212,912	472,851
Deferred revenue	(1,079,967)	457,828
Accrued expenses and other current liabilities	239,450	2,875,320
Other liabilities	—	(150,068
Net cash flows used in operating activities	(45,520,996)	(20,768,0
CASH FLOWS FROM INVESTING ACTIVITIES		
Patent costs, net of abandoned costs	(586,480)	(439,034
Purchase of property and equipment	(30,962)	(40,790
Refund (payment) of security deposit	10,686	(103,737
Net cash flows used in investing activities	(606,756)	(583,561
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock, net of costs	42,771,353	78,650,35
Proceeds from exercise of options	345,746	30,910
Proceeds from exercise of warrants	181,000	—
Proceeds from notes and loans payable	—	—
Proceeds bank line of credit	—	500,000
Proceeds from sale of warrants	—	—

Repayment of bank line of credit	—	(500,000
Repayment of notes payable-related party	—	—
Repayment of notes payable	—	(4,691,84
Net cash flows provided by financing activities	43,298,099	73,989,41
Increase in cash	(2,829,653)	52,637,78
Cash, beginning of period	54,191,260	1,553,474
Cash, end of period	$51,361,607	$54,191,26
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$—	$212,853
Cash paid for income taxes	$—	$—
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:		
Warrants issued for financing	$—	$1,711,956
Warrants issued for services	$—	$462,196
Warrants exercised in exchange for debt and accrued interest	$—	$—
Shares issued in exchange for debt and accrued interest	$—	$—
Notes payable issued for accrued interest	$—	$—

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – THE COMPANY

TherapeuticsMD, Inc., a Nevada corporation, or TherapeuticsMD or the Company, h
owned subsidiaries, vitaMedMD, LLC, a Delaware limited liability company, or Vita
BocaGreenMD, Inc., a Nevada corporation, or BocaGreen. Unless the context otherv
TherapeuticsMD, VitaMed, and BocaGreen collectively are sometimes referred to as
“our,” or “us.”

Nature of Business

We are a women’s health care product company focused on creating and commercial
targeted exclusively for women. As of the date of these consolidated financial statem
focused on conducting the clinical trials necessary for regulatory approval and comm
our advanced hormone therapy pharmaceutical products. The drug candidates used in
are designed to alleviate the symptoms of and reduce the health risks resulting from r
hormone deficiencies, including hot flashes, osteoporosis, and vaginal dryness. We a
these hormone therapy drug candidates, which contain estradiol and progesterone alo
combination, with the aim of demonstrating equivalent clinical efficacy at lower dos
enabling an enhanced side effect profile compared with competing products. Our dru
created from a platform of hormone technology that enables the administration of ho
bioavailability alone or in combination. In addition, we manufacture and distribute b
prescription prenatal vitamins, as well as over-the-counter, or OTC, vitamins.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of our con
wholly owned subsidiaries, VitaMed and BocaGreen. All material intercompany bala
transactions have been eliminated in consolidation.

Cash

We maintain cash at financial institutions that at times may exceed the federally insu
$250,000 per financial institution. We have never experienced any losses related to t

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are customer obligations due under normal trade terms. W
receivable for uncollectible accounts and credit card charge-backs and provide an all
doubtful accounts, which is based upon a review of outstanding receivables, historica
information, and existing economic conditions. We consider trade accounts receivab
more than 90 days to be delinquent. We write off delinquent receivables against our
doubtful accounts based on individual credit evaluations, the results of collection eff
circumstances of customers. We record recoveries of accounts previously written off
allowance for doubtful accounts when received. To the extent data we use to calculat
does not accurately reflect bad debts; adjustments to these reserves may be required.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued

Inventories

Inventories represent packaged vitamins, nutritional products and supplements and ra which are valued at the lower of cost or market using the average-cost method. The c manufacturing the prescription products associated with the deferred revenue (as disc Recognition) are recorded as deferred costs and are included in inventory, until such deferred revenue is recognized.

Pre-Launch Inventory

Inventory costs associated with product candidates that have not yet received regulat capitalized if we believe there is probable future commercial use and future economi probability of future commercial use and future economic benefit cannot be reasonab then pre-launch inventory costs associated with such product candidates are expensed development expenses during the period the costs are incurred.

Fixed Assets

Equipment

We state equipment at cost, net of accumulated depreciation. We charge maintenance not significantly extend the useful lives of the respective assets, and repair costs to op as incurred. We compute depreciation using the straight-line method over the estimat the related assets, which range from three to seven years.

Leasehold Improvements

We state improvements at cost, net of accumulated depreciation. We compute deprec
straight-line method over the remaining term of the lease.

Intangible Assets

Patent and Trademarks

We have adopted the provisions of Financial Accounting Standards Board, or FASB
Standards Codification, or ASC, 350, *Intangible-Goodwill and Other*, or ASC 350. C
costs, net of accumulated amortization, include legal costs incurred for patent applica
accordance with ASC 350, once a patent is granted, we amortize the capitalized pate
remaining life of the patent using the straight-line method. If the patent is not granted
capitalized patent costs at that time. We review intangible assets for impairment annu
events or circumstances indicate that their carrying amount may not be recoverable. A
31, 2014, we had 4 issued patents (See Note 7).

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued

Impairment of Long-Lived Assets

We review the carrying values of property and equipment and long-lived intangible a impairment whenever events or changes in circumstances indicate that their carrying recoverable. Such events or circumstances include the following:

- significant declines in an asset's market price;
- significant deterioration in an asset's physical condition;
- significant changes in the nature or extent of an asset's use or operation;
- significant adverse changes in the business climate that could impact an asset's valu
- actions or assessments by regulators;
- accumulation of costs significantly in excess of original expectations related to the a
- construction of an asset;
- current-period operating or cash flow losses combined with a history of such losses
- demonstrates continuing losses associated with an asset's use; and
- expectations that it is more likely than not that an asset will be sold or otherwise disp
- significantly before the end of its previously estimated useful life.

If impairment indicators are present, we determine whether an impairment loss shou by testing the applicable asset or asset group's carrying value for recoverability. This long-lived assets to be grouped at the lowest level for which identifiable cash flows a

independent of the cash flows of other assets and liabilities, the determination of whi
judgment. We estimate the undiscounted future cash flows expected to be generated
eventual disposal of the assets and compare that estimate to the respective carrying v
determine if such carrying values are recoverable. This assessment requires the exerc
assessing the future use of and projected value to be derived from the eventual dispo
be held and used. In our assessments, we also consider changes in asset utilization, in
temporary idling of capacity and the expected timing for placing this capacity back in
the carrying value of the assets is not recoverable, then we record a loss for the differ
assets' fair value and respective carrying values. We determine the fair value of the a
"income approach" based upon a forecast of all the expected discounted future net ca
with the subject assets. Some of the more significant estimates and assumptions inclu
and growth, market share, projected selling prices, manufacturing cost, and discount
estimates upon historical experience, our commercial relationships, market condition
external information about future trends. We believe our current assumptions and est
reasonable and appropriate. Unanticipated events and changes in market conditions,
affect such estimates, resulting in the need for an impairment charge in future period
impairment of intangibles or long-lived assets during the years ended December 31,
2012.

Fair Value of Financial Instruments

Our financial instruments consist primarily of accounts receivable, accounts payable
expenses. The carrying amount of accounts receivable, accounts payable and accrued
approximates their fair value because of the short-term maturity of such instruments,
considered Level 1 assets under the fair value hierarchy.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued

Fair Value of Financial Instruments (continued)

We categorize our assets and liabilities that are valued at fair value on a recurring ba
three-level fair value hierarchy as defined by ASC 820, *Fair Value Measurements.* T
hierarchy gives the highest priority to quoted prices in active markets for identical as
(Level 1) and lowest priority to unobservable inputs (Level 3). Assets and liabilities
consolidated balance sheet at fair value are categorized based on a hierarchy of input

Level 1 unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 quoted prices for similar assets or liabilities in active markets or inputs that ar
the asset or liability, either directly or indirectly through market corroboration
the full term of the financial instrument; and

Level 3 unobservable inputs for the asset or liability.

At December 31, 2014, and 2013, we had no assets or liabilities that were valued at f
recurring basis.

The fair value of indefinite-lived assets is measured on a non-recurring basis using si
unobservable inputs (Level 3) in connection with our impairment test. There was no
intangible assets during the years ended December 31, 2014, 2013, and 2012.

Income Taxes

Based upon a change in our business model, deferred income taxes are determined b
loss from operations of our company starting October 4, 2011.

We account for income taxes under the asset and liability method. We recognize defe
liabilities for the estimated future tax consequences attributable to differences betwee
statement carrying amounts of existing assets and liabilities and their respective tax b
deferred tax assets and liabilities using enacted tax rates expected to apply to taxable
years in which the related temporary differences are expected to be recovered or settl
the effect on deferred tax assets and liabilities of a change in tax rates when the rate c
Valuation allowances are recorded to reduce deferred tax assets to the amount that w
not be realized.

In accordance with ASC 740, *Income Taxes*, we recognize the effect of uncertain inc
only if the positions are more likely than not of being sustained in an audit, based on
merits of the position. We measure recognized uncertain income tax positions using
that has a likelihood of being realized that is greater than 50%. Changes in recognitio
are reflected in the period in which those changes in judgment occur. At December 3
2012 we had no uncertain income tax positions.

We recognize both interest and penalties related to uncertain tax positions as part of
provision. At December 31, 2014 and 2013, we had no tax positions relating to open
were considered to be uncertain.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued

Income Taxes (continued)

Our tax returns are subject to review by the Internal Revenue Service three years afte
Currently, years filed after 2011 are subject to review.

Share-Based Compensation

We measure the compensation costs of share-based compensation arrangements base
fair value and recognize the costs in the financial statements over the period during v
are required to provide services. Share-based compensation arrangements include op
stock, restricted stock units, performance-based awards, share appreciation rights, an
purchase plans. As such, compensation cost is measured on the date of grant at fair v
such compensation amounts, if any, over the respective vesting periods of the award.
Black-Scholes-Merton option pricing model, or the Black-Scholes Model, an accepta
accordance with ASC 718, that requires the input of highly complex and subjective v
the expected life of the award and our expected stock price volatility over a period eq
than the expected life of the award.

Equity instruments ("instruments") issued to non-employees are recorded on the basi
the instruments, as required by ASC 505, *Equity Based Payments to Non-Employees*
505 defines the measurement date and recognition period for such instruments. In ge
measurement date is when either (a) a performance commitment, as defined, is reach
earlier of (i) the non-employee performance is complete or (ii) the instruments are ve
measured value related to the instruments is recognized over a period based on the fa
circumstances of each particular grant as defined in ASC 505.

We recognize the compensation expense for all share-based compensation granted ba
date fair value estimated in accordance with ASC 718. We generally recognize the co

expense on a straight-line basis over the employee's requisite service period.

Debt Discounts

Costs incurred from parties that are providing long-term financing, which include wa
connection with the underlying debt, are reflected as a debt discount based on the rel
the debt and warrants to the total proceeds. We generally amortize discounts over the
debt using the effective interest rate method.

Revenue Recognition

We recognize revenue on arrangements in accordance with ASC 605, *Revenue Recog*
recognize revenue only when the price is fixed or determinable, persuasive evidence
exists, the service is performed, and collectability is reasonably assured.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued

Revenue Recognition (continued)

Our OTC and prescription prenatal vitamin products are generally variations of the s slight modifications in formulation and marketing. The primary difference between o prescription prenatal vitamin products is the source of payment. Purchasers of our OT vitamin products pay for the product directly while purchasers of our prescription pre products pay for the product via third-party payers. Both OTC and prescription prena products share the same marketing support team utilizing similar marketing techniqu that is generated by us from major external customers is all generated from sales of o prenatal vitamin products which is disclosed in Note 13. There are no major external OTC prenatal vitamin or other products.

Over-the-Counter Products

We generate OTC revenue from product sales primarily to retail consumers. We reco from product sales upon shipment, when the rights of ownership and risk of loss have consumer. We include outbound shipping and handling fees in sales and bill them up include shipping expenses in cost of sales. A majority of our customers pay for our p cards, and we usually receive the cash settlement in two to three banking days. Credi minimize accounts receivable balances relative to sales. We provide an unconditiona money-back return policy under which we accept product returns from our retail and customers. We recognize our revenue from OTC sales, net of returns, sales discounts fees.

Prescription Products

We sell our name brand and generic prescription products primarily through drug wh pharmacies. We recognize revenue from prescription product sales, net of sales disco

and rebates.

We accept returns of unsalable product from customers within a return period of six
and up to twelve months following product expiration. Our prescription products cur
life of 24 months from the date of manufacture. Given the limited history of our pres
we currently cannot reliably estimate expected returns of the prescription products at
shipment. Accordingly, we defer recognition of revenue on prescription products unt
return no longer exists, which occurs at the earlier of the time the prescription produc
through patient prescriptions or expiration of the right of return.

We maintain various rebate programs in an effort to maintain a competitive position
and to promote sales and customer loyalty. The consumer rebate program is designed
user to return a coupon to us. If the coupon qualifies, we send a rebate check to the e
estimate the allowance for consumer rebates based on our experience and industry av
reviewed, and adjusted if necessary, on a quarterly basis.

F-12

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued

Revenue Recognition (continued)

Segment Reporting

We are managed and operated as one business, which is focused on creating and com
products targeted exclusively for women. Our business operations are managed by a
management team that reports to the President of our Company. We do not operate s
business with respect to any of our products and we do not prepare discrete financial
respect to separate products. All product sales are derived from sales in the United St
we view our business as one reportable operating segment.

Shipping and Handling Costs

We expense all shipping and handling costs as incurred. We include these costs in co
accompanying consolidated financial statements.

Advertising Costs

We expense advertising costs when incurred. Advertising costs were $698,871, $11,
during the years ended December 31, 2014, 2013 and 2012, respectively.

Research and Development Expenses

Research and development, or R&D, expenses include internal R&D activities, servi
contract research organizations, or CROs, costs of their clinical research sites, and ot
Internal R&D activity expenses include laboratory supplies, salaries, benefits, and no
share-based compensation expenses. Advance payments to be expensed in future R&
$1,175,082 and $2,606,405 for the years ended December 31, 2014 and 2013, respec
activity expenses include preclinical laboratory experiments and clinical trial studies
expenses include regulatory consulting and legal counsel. The activities undertaken b
consultants that were classified as research and development expenses include assisti
with, and advising our in-house staff with respect to various FDA submission proces
processes, and scientific writing matters, including preparing protocols and FDA sub
activities that were classified as research and development expenses related to desig
generate data for patents and to further the formulation development process for our
technologies. Outside legal counsel also provided professional research regarding the
of potential patents. These consulting and legal expenses were direct costs associated
reviewing, and undertaking work for our clinical trials and investigative drugs. We c
R&D activities and other activity expenses to operations as incurred. We make paym
based on agreed-upon terms, which may include payments in advance of a study star
expense nonrefundable advance payments for goods and services that will be used in
activities when the activity has been performed or when the goods have been receive
the payment is made. We review and accrue CRO expenses and clinical trial study ex
services performed and rely on estimates of those costs applicable to the completion
provided by CROs. Accrued CRO costs are subject to revisions as such studies progr
We charge revisions expense in the period in which the facts that give rise to the revi
known.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued

Earnings Per Share

We calculate earnings per share, or EPS, in accordance with ASC 260, *Earnings Per* requires the computation and disclosure of two EPS amounts: basic and diluted. We based on the weighted-average number of shares of common stock, par value $0.001 Common Stock, outstanding during the period. We compute diluted EPS based on th weighted-average number of shares of our Common Stock outstanding plus all poten shares of our Common Stock outstanding during the period. Such potentially dilutive Common Stock consist of options and warrants and were excluded from the calculati earnings per share because their effect would have been anti-dilutive due to the net lo

The table below presents the potentially dilutive securities that would have been incl calculation of diluted net loss per share allocable to common stockholders if they we for the periods presented.

	As of December 31,		
	2014	2013	2012
Stock options	16,792,443	15,632,742	13,733,488
Warrants	13,927,916	14,293,499	12,193,499
	30,720,359	29,926,241	25,926,987

Use of Estimates

Our consolidated financial statements have been prepared in accordance with accoun generally accepted in the United States of America, or GAAP. The preparation of the statements requires us to make significant estimates and judgments that affect the rep assets, liabilities, revenue, expenses, and related disclosure of contingent assets and l evaluate our estimates, including those related to contingencies, on an ongoing basis. estimates on historical experience and on various other assumptions that we believe t

under the circumstances, the results of which form the basis for making judgments ab
values of assets and liabilities that are not readily apparent from other sources. Actua
differ, at times in material amounts, from these estimates under different assumption

Recently Issued Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update, or ASU, No. 2014-
Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties
Ability to Continue as a Going Concern. ASU 2014-15 requires management to eval
are conditions and events that raise substantial doubt about the entity's ability to con
concern within one year after the financial statements are issued (or available to be is
applicable) and, if so, disclose that fact. ASU 2014-15 is effective for annual periods
December 15, 2016 and interim periods within annual periods beginning after Decem
Early adoption is permitted for annual or interim reporting periods for which the fina
have not previously been issued. We do not expect the adoption of the ASU 2014-15
effect on our consolidated financial statements and disclosures.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued

Recently Issued Accounting Pronouncements (continued)

In May 2014, the FASB and the International Accounting Standards Board (IASB) is
2014-09, Revenue from Contracts with Customers (Topic 606). The standard's core
company will recognize revenue when it transfers promised goods or services to cust
amount that reflects the consideration to which the company expects to be entitled in
those goods or services. In doing so, companies will need to use more judgment and
estimates than under previous guidance. These may include identifying performance
contract, estimating the amount of variable consideration to include in the transaction
allocating the transaction price to each separate performance obligations. ASU 2014-
public business entities, certain not-for-profit entities and certain employee benefit p
periods beginning after December 15, 2016, including interim periods within that per
adoption is not permitted under GAAP. We are currently evaluating the impact of AS
consolidated financial statements and disclosures.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentatio
Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax L
Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force),
The amendments in ASU 2013-11 provide guidance on the financial statement prese
unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, o
carryforward exists. An unrecognized tax benefit should be presented in the financial
reduction to a deferred tax asset for a net operating loss carryforward, a similar tax lo
carryforward with certain exceptions, in which case such an unrecognized tax benefi
presented in the financial statements as a liability. The amendments in ASU No. 201
new recurring disclosures. The amendments in ASU 2013-11 are effective for fiscal
periods within those years, beginning after December 15, 2013. The amendments in
did not have a material impact on our consolidated financial statements.

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210):
Offsetting Assets and Liabilities, or ASU 2011-11. ASU 2011-11 enhances current d
financial instruments and derivative instruments that are either offset on the statemen

position or subject to an enforceable master netting arrangement or similar agreemen
whether they are offset on the statement of financial position. Entities are required to
and gross information for these assets and liabilities in order to facilitate comparabili
financial statements prepared in conformity with GAAP and financial statements pre
of International Financial Reporting Standards. ASU 2011-11 is effective for annual
beginning on or after January 1, 2013, and interim periods within those years. ASU 2
have a material impact on our financial position or results of operations.

We do not believe there would have been a material effect on the accompanying con
statements had any other recently issued, but not yet effective, accounting standards
the current period.

Reclassifications

Certain 2013 and 2012 amounts have been reclassified to conform to current year pre

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – INVENTORY

Inventory consists of the following:

	December 31,	
	2014	2013
Finished product	$874,294	$621,679
Raw material	155,341	250,943
Deferred costs	152,478	170,996
TOTAL INVENTORY	$1,182,113	$1,043,618

NOTE 4 – OTHER CURRENT ASSETS

Other current assets consist of the following:

	December 31,	
	2014	2013
Prepaid consulting	$411,864	$530,596
Prepaid insurance	394,878	145,722
Prepaid research and development costs	299,498	1,267,588
Other receivables-related party (Note 12)	249,981	249,981
Other prepaid costs	181,186	23,806
Deferred financing costs	—	260,022
TOTAL OTHER CURRENT ASSETS	$1,537,407	$2,477,715

NOTE 5 – FIXED ASSETS

Fixed assets consist of the following:

	December 31,	
	2014	2013
Equipment	$132,150	$108,458
Furniture and fixtures	53,895	46,625
	186,045	155,083
Accumulated depreciation	(122,752)	(93,765)
TOTAL FIXED ASSETS	$63,293	$61,318

Depreciation expense for the years ended December 31, 2014, 2013, and 2012 was $
and $27,484, respectively. In December 2013, accumulated depreciation was reduced
associated with leasehold improvements of our previously leased office property.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 –PREPAID EXPENSE

Prepaid expense consists of the following:

	December 31,	
	2014	2013
Prepaid manufacturing costs	$899,000	$899,000
Prepaid research and development costs	463,720	824,221
Accreted prepaid costs	64,543	27,234
TOTAL PREPAID EXPENSE	$1,427,263	$1,750,455

NOTE 7 – INTANGIBLE ASSETS

The following table sets forth the gross carrying amount and accumulated amortizati
intangible assets as of December 31, 2014 and December 31, 2013:

	December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Amoun
Amortizing intangible assets:			
OPERA® software patent	$31,951	$ (2,496)	$29,45
Development costs of corporate website	91,743	(91,743)	—
Approved hormone therapy drug candidate patents	439,184	(19,401)	419,7
Non-amortizing intangible assets:			
Hormone therapy drug candidate patents (pending)	675,982	—	675,9
Multiple trademarks for vitamins/supplements	103,368	—	103,3
Total	$1,342,228	$ (113,640)	$1,228,

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – INTANGIBLE ASSETS

	December 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Amou
Amortizing intangible assets:			
OPERA® software patent	$31,951	$ (499)	$31,4
Development costs of corporate website	91,743	(89,661)	2,08
Non-amortizing intangible assets:			
Hormone therapy drug candidate patents (pending)	572,726	—	572,
Multiple trademarks for vitamins/supplements	59,328	—	59,3
Total	$755,748	$ (90,160)	$665,

We amortized the intangible asset related to development costs for corporate website which is the prescribed life for software and website development costs. We amortiz asset related to OPERA® using the straight-line method over the estimated useful lif 20 years, which is the life of the intellectual property patents. We amortize the appro therapy drug candidate patents using straight-line method over the estimated useful l approximately 20 years. During the years ended December 31, 2014 and 2013, there impairment recognized.

In addition to numerous pending patent applications, as of December 31, 2014, we h including:

- one method patent that relates to our OPERA® information technology platform, wh and is a U.S. jurisdiction patent with an expiration date in 2029; and

- 3 utility patents that relate to our combination progesterone and estradiol formulatio owned by us and are U.S. jurisdiction patents with expiration dates in 2032. We hav applications with respect to certain of these patents in Argentina, Australia, Canada,

Union, Mexico, Brazil, Japan, Russia, South Africa and South Korea.

Subsequent to December 31, 2014, 1 additional patent was issued related to our com
progesterone and estradiol formulations.

F-18

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 – INTANGIBLE ASSETS

Amortization expense was $23,480, $10,262 and $28,776 for the years ended Decem
2013, and 2012, respectively. As of December 31, 2014, the estimated amortization e
next five years is as follows:

Year Ending December 31,	Estimated Amortization
2015	$ 25,138
2016	$ 25,138
2017	$ 25,138
2018	$ 25,138
2019	$ 25,138

NOTE 8 – OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	December 31,	
	2014	2013
Accrued clinical trial costs	$1,706,542	$665,7
Accrued payroll, bonuses and commission costs	814,205	941,3
Accrued vacation costs	442,430	256,9
Accrued legal and accounting expense	276,470	224,5
Other accrued expenses[(1)]	185,965	177,9
Allowance for wholesale distributor fees	160,503	306,3
Accrued royalties	72,710	52,18
Allowance for coupons and returns	90,446	126,2
Accrued rent	91,368	—

Accrued financing costs	—	850,0
TOTAL OTHER CURRENT LIABILITIES	$3,840,639	$3,601

(1) In June 2008, we declared and paid a special dividend of $0.40 per share of our C all stockholders of record as of June 10, 2008, of which $41,359 remained unclaime stockholders at both December 31, 2014 and 2013.

NOTE 9 – NOTES PAYABLE

Issuance and Payment of Multiple Advance Revolving Credit Note

On January 31, 2013, we entered into a business loan agreement with Plato and Asso Plato, for a Multiple Advance Revolving Credit Note, or the Revolving Credit Note. Credit Note allowed us to draw down funding up to a $10,000,000 maximum princip stated interest rate of 6% per annum. Plato was able to make advances to us from tim Revolving Credit Note at our request, which advances were of a revolving nature and made, repaid, and made from time to time. Interest payments were due and payable o following the end of each calendar quarter in which any interest was accrued and unp on April 10, 2013, and the principal balance outstanding under the Revolving Credit with all accrued interest and other amounts payable under the Revolving Credit Note and payable on February 24, 2014. The Revolving Credit Note was secured by substa assets. On each of February 25 and March 13, 2013, $200,000 was drawn against the Note. On March 21, 2013, we repaid $401,085, which included accrued interest, and balance outstanding under the Revolving Credit Note as of December 31, 2013 and F when it expired. As additional consideration for the Revolving Credit Note, we grant warrant to purchase 1,250,000 shares of our Common Stock at an exercise price of $ Note 10).

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Borrowing under Business Loan Agreement and Promissory Note

In March 2011, VitaMed entered into a business loan agreement with First United Ba bank line of credit for which personal guarantees and cash collateral were required. P and cash collateral limited to $100,000 each were provided by Robert Finizio and Jo officers of our Company, and by Reich Family Limited Partnership, an entity control Krassan, also an officer of our Company. The bank line of credit accrued interest at t per annum based on a year of 360 days and was due on March 1, 2012. We negotiate extension with First United to the bank line of credit, which was executed on March the extension, borrowings bore interest at a rate of 2.35% and were due on March 1, November 13, 2012, the outstanding balance of $299,220 was repaid in full, and we of credit to reflect a $100,000 bank line of credit. In accordance with the amended li personal guarantee and cash collateral limited to $100,000 provided by the Reich Fa Partnership remained in place, while the personal guarantees and cash collateral were Finizio and Mr. Milligan. In February 2013, we borrowed $100,000 from First Unite amended bank line of credit. On April 25, 2013, we re-paid $100,735, which represe and interest that was due under the amended bank line of credit. On May 1, 2013, the line of credit expired and was not renewed. Accordingly, the personal guarantee was cash collateral was refunded to the Reich Family Limited Partnership. During the ye December 31, 2013 and 2012, we paid $735 and $7,366, respectively, of interest exp included in interest expense on the accompanying consolidated financial statements.

Issuance of January and February 2012 Promissory Notes

In January and February 2012, we issued 6% promissory notes in the aggregate princ $900,000, due March 1, 2012, which were subsequently increased to an aggregate pr $1,700,000. As discussed below in Issuance and Settlement of February 2012 Notes, notes were modified on February 24, 2012 through the issuance of secured promisso

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – NOTES PAYABLE (Continued)

Issuance and Settlement of February 2012 Promissory Notes

On February 24, 2012, we issued promissory notes, the February 2012 Notes, to an i
entity, both of which were stockholders of our company, in the principal amount of $
$1,357,110, respectively, and granted warrants to purchase an aggregate of 9,000,000
Common Stock pursuant to the terms of a Note Purchase Agreement, dated February
received an aggregate of $1,000,000 of new funding upon issuance of the February 2
related warrants and surrender by the holders of certain promissory notes, which we
in the aggregate amount of $1,700,000 plus the aggregate accrued interest of $15,124
"Prior Notes"). Under the February 2012 Notes, as amended, we borrowed an additio
during March, April, and May 2012.

We granted warrants to purchase an aggregate of 5,685,300 shares of Common Stock
of the modification of the Prior Notes and warrants to purchase an aggregate of 3,314
Common Stock in connection with the issuance of the February 2012 Notes. We dete
resulting modification of the Prior Notes was substantial in accordance with ASC
470-50, *Modifications and Extinguishments*. As such the modification was accounted
extinguishment and restructuring of the debt, and the 5,685,300 warrants issued in co
modification were expensed (see Warrant Activity during 2012 in NOTE 10 for more
value of the Prior Notes was estimated by calculating the present value of the future
discounted at a market rate of return for comparable debt instruments to be $1,517,74
debt discount of $197,383 and recognized a loss on extinguishment of debt of $10,30
represented the fair value of the 5,685,300 warrants net of the difference between the
of the Prior Notes and their fair value as of the date of the modification on the accom
consolidated financial statements.

On June 19, 2012, we settled an aggregate amount of $3,102,000 of principal and acc
the February 2012 Notes in exchange for the exercise of warrants to purchase 8,145,4
Common Stock. As discussed below in Issuance and Payment of June 2012 Notes, th
balance of $2,691,847 of the February 2012 Notes was modified on June 19, 2012 th
of the June 2012 Notes (as defined below) (see NOTE 10 for more details).

Issuance and Payment of June 2012 Promissory Notes

On June 19, 2012, we issued secured promissory notes, or the June 2012 Notes, to th
February 2012 Notes in the principal amounts of $2,347,128 and $2,344,719, pursua
Note Purchase Agreement. In connection with the June 2012 Notes, the holders of th
Notes surrendered the remaining balance of such notes in the aggregate amount of $1
$1,344,719, which sums included principal and accrued interest through June 19, 201
received an aggregate of $2,000,000 of new funding, or the June Funding, from the h
February 2012 Notes. The principal amount of each of the June 2012 Notes, plus any
advance made to us thereafter, together with accrued interest at the annual rate of 6%
lump sum payment on February 24, 2014. As security for our obligations under the J
we entered into a security agreement and pledged all of our assets, tangible and intan
described therein. We also granted warrants to purchase an aggregate of 7,000,000 sh
Common Stock in connection with the June Funding. On March 21, 2013, we repaid
June 2012 Notes, including accrued interest, leaving a balance of $21,595 in accrued
March 31, 2013. On April 25, 2013, the balance of accrued interest was paid in full.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – NOTES PAYABLE (Continued)

Issuance and Payment of Additional Promissory Notes in 2012

In August and September 2012, we issued 6% promissory notes in the amount of $1,
October 1, 2012, which due date was subsequently extended. These notes were paid
2012.

In September 2012, we issued a 6% promissory note for $200,000 due on October 15
was paid in full in October 2012.

Issuance and Payment of Additional Promissory Notes in 2011

In December 2011, we issued 4% promissory notes to Mr. Finizio and Mr. Milligan
$100,000 due March 1, 2012. These promissory notes were subsequently extended b
agreement to June 1, 2012. In June 2012, we paid the promissory note held by Mr. F
including $888 in accrued interest. Mr. Milligan's promissory note was extended to
On October 4, 2012, we paid Mr. Milligan's promissory note in full, including $1,51
interest.

Conversion of July 2011 Secured Notes

In July 2011, VitaMed issued two senior secured promissory notes, or the Secured N
amount of $500,000 and also entered into a security agreement under which VitaMe
assets to secure the obligation. The Secured Notes were assumed by us upon the mer
in October 2011 and bore interest at the rate of 6% per annum, were due on the one y
thereof, and were convertible into shares of our Common Stock at our option. We we
satisfy the obligations underlying the Secured Notes by delivering such number of sh

Common Stock calculated by dividing the then-outstanding principal balance by the
purposes of the Secured Notes, the "Share Price" meant the lower of the most recent
offered and sold shares of our Common Stock (not including any shares of our Comm
upon the exercise of options and/or warrants or upon the conversion of any convertib
the five-day average closing bid price immediately preceding the date of conversion.
we reached an agreement to convert the outstanding amount of the Secured Notes, re
principal and accrued interest through June 19, 2012, of $1,054,647 into an aggregat
shares of our Common Stock at $0.38 per share. This resulted in a beneficial convers
$6,716,504 as recorded in other income and expense on the accompanying consolida
statements. For the year ended December 31, 2012 we recorded an aggregate of $33,
expense on the accompanying consolidated financial statements.

Issuance, Payment and Conversion of VitaMed Promissory Notes

In June 2011, VitaMed issued promissory notes, or the VitaMed Notes, in the aggreg
amount of $500,000. In connection with the VitaMed Notes, VitaMed granted warra
equity interests in VitaMed that were equivalent to an aggregate of 613,718 shares of
Stock when the VitaMed Notes were assumed by us upon the merger with VitaMed.
Notes bore interest at a rate of 4% per annum and were due at the earlier of (i) the six
anniversary of the date of issuance and (ii) such time as VitaMed received the proce
note(s) issued in an amount of not less than $1,000,000, or the Funding. Upon the clo
Funding in July 2011, as more fully described above in Conversion of July 2011 Sec
the VitaMed Notes in the aggregate principal amount of $200,000 were paid in full.
agreement, the remaining VitaMed Notes in the aggregate principal amount of $300,
extended. In October 2011, one of the VitaMed Notes in the aggregate principal amo
was paid in full, and, by mutual agreement, certain of the VitaMed Notes in the aggr
amount of $100,000 were converted into 266,822 shares of our Common Stock at $0
which represented the fair value of our Common Stock on the date of conversion. In
VitaMed Note held by an unaffiliated individual was paid in full, including $2,160 in
The remaining VitaMed Notes, held by Mr. Milligan and by BF Investment Enterpri
owned by Brian Bernick, a director of our company, in the aggregate principal amou
were extended to October 15, 2012. On October 4, 2012, we re-paid the outstanding
full, including $5,341 in accrued interest.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 – NOTES PAYABLE (Continued)

Issuance, Payment and Conversion of VitaMed Promissory Notes (continued)

In September and October 2011, VitaMed issued convertible notes, or the VitaMed C
in the aggregate amount of $534,160. The VitaMed Convertible Notes bore interest a
per annum and were due December 1, 2011. On November 18, 2011, we entered into
Agreements with the holders of the VitaMed Convertible Notes, pursuant to which w
principal and accrued interest of the VitaMed Convertible Notes into 1,415,136 share
Stock at $0.38 per share, which represented the fair value of the shares of our Comm
date of conversion.

For the year ended December 31, 2012, we recorded an aggregate of $6,344 as intere
accompanying consolidated financial statements.

NOTE 10 – STOCKHOLDERS' EQUITY

Preferred Stock

At December 31, 2014, we had 10,000,000 shares of Preferred Stock, par value $0.0
issuance, of which no shares of Preferred Stock were issued or outstanding.

Common Stock

At December 31, 2014, we had 250,000,000 shares of Common Stock, par value $0.
issuance, of which 156,097,019 shares of our Common Stock were issued and outsta

Issuances During 2014

On July 29, 2014, we entered into an underwriting agreement with Goldman Sachs &
representative of the underwriters named therein, or the Goldman Sachs Underwriter
underwritten public offering of 8,565,310 shares of our Common Stock. The price to
offering was $4.67 per share. Under the terms of the underwriting agreement, we gra
Sachs Underwriters a 30-day option to purchase up to an additional 1,284,796 shares
Stock. On July 30, 2014, the Goldman Sachs Underwriters exercised their option to p
additional 1,284,796 shares of our Common Stock. Net proceeds from this offering w
$42.8 million, after deducting underwriting discounts and commissions and other off
payable by us. The offering closed on August 4, 2014.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

During the year ended December 31, 2014, certain individuals exercised stock optio
860,800 shares of our Common Stock. Stock options to purchase shares of our Comm
exercised as follows: (i) 724,193 options for $345,746 in cash and (ii) 136,607 optio
stock options' cashless provision, wherein 130,380 shares of Common Stock were is
during 2014, we issued 50,000 shares of Common Stock to an employee upon the ve
stock units that were granted in December 2013.

During the year ended December 31, 2014, certain individuals exercised warrants to
shares of our Common Stock for $181,000 in cash.

Issuances During 2013

On March 14, 2013, we entered into an underwriting agreement with Jefferies LLC a
representative of the underwriters named therein, or the Jefferies Underwriters, relati
and sale of 29,411,765 shares of our Common Stock. The price to the public in the o
per share. In addition, under the terms of the underwriting agreement, we granted the
Underwriters a 30-day option to purchase up to an additional 4,411,765 shares of our
The offering closed on March 20, 2013. On April 12, 2013, the Jefferies Underwriter
option to purchase an additional 1,954,587 shares of our Common Stock, which were
18, 2013. The net proceeds to us from this offering were approximately $48.5 millio
underwriting discounts and commissions and other offering expenses payable by us.

On September 25, 2013, we entered into an underwriting agreement with Stifel, Nico
Incorporated, as the representative of the underwriters named therein, or the Stifel U
relating to the issuance and sale of 13,750,000 shares of our Common Stock. The pri
the offering was $2.40 per share. The net proceeds to us from this offering were appr
million, after deducting underwriting discounts and commissions and other offering
by us. The offering closed on September 30, 2013.

During 2013 certain individuals exercised stock options to purchase an aggregate of
our Common Stock for approximately $31,000.

Issuances During 2012

During June 2012, we settled $3,102,000 in principal and accrued interest of the Feb
in exchange for the holders' exercise of a portion of the related warrants for an aggre
shares of Common Stock. During June 2012, we and the holders also agreed to conv
February 2012 Notes, and principal and accrued interest through June 19, 2012 totali
into 2,775,415 shares of Common Stock at $0.38 per share.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Issuances During 2012 (continued)

In September 2012, we entered into a Securities Purchase Agreement with multiple i
to the issuance and sale of Common Stock in a private placement. The private placer
October 2, 2012, through which we sold an aggregate of 3,953,489 shares of Commo
per share, for an aggregate purchase price of $8,500,001. In connection with the priv
Jefferies LLC served as our exclusive placement agent. Jefferies' compensation for t
a cash fee of $552,500. We also paid legal fees and expenses of the investors in the a
$52,016, resulting in net proceeds to us from the private placement of $7,895,485. Pu
terms of the Securities Purchase Agreement, we agreed to file a registration statemen
resale of these shares, which was filed on November 27, 2012.

During the year ended December 31, 2012, certain individuals exercised stock option
1,958,216 shares of Common Stock. Stock options to purchase shares of Common St
exercised as follows: (i) 1,691,393 options for $191,000 in cash and (ii) 266,823 opti
the stock options' cashless provision, wherein 240,395 shares of Common Stock wer

Warrants to Purchase Common Stock

As of December 31, 2014, we had warrants outstanding to purchase an aggregate of
of our Common Stock with a weighted-average contractual remaining life of 3.0 yea
prices ranging from $0.24 to $3.20 per share, resulting in a weighted average exercis
per share.

The valuation methodology used to determine the fair value of our warrants is the Bl
Model. The Black-Scholes Model requires the use of a number of assumptions, inclu
the stock price, the risk-free interest rate and the term of the warrant.

Warrant Activity During 2014

During the year ended December 31, 2014, we did not issue any warrants. As of Dec
unamortized costs associated with the Sancilio & Company, Inc., or SCI warrants iss
2012 totaled approximately $875,600.

Warrant Activity During 2013

In January 2013, we issued warrants to purchase 1,250,000 shares of our Common S
with the issuance of the Revolving Credit Note, or the Plato Warrant, (see NOTE 10
details). The Plato Warrant has an exercise price of $3.20 per share. The Plato Warra
October 31, 2013 and may be exercised prior to its expiration on January 31, 2019. T
with a fair value of approximately $1,711,956, was valued on the date of the grant us
years; a volatility of 44.29%; risk free rate of 0.88%; and a dividend yield of 0%. Du
ended December 31, 2014 and 2013, $260,027 and $1,451,934, respectively, was rec
costs in connection with the issuance of the Plato Warrant on the accompanying cons
statements.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Warrant Activity During 2013 (continued)

In May 2013, we entered into a consulting agreement with SCI, to develop drug platf
our hormone replacement drug candidates. These services include support of our effo
obtain U.S. Food and Drug Administration, or the FDA, approval for our drug candid
vaginal capsule for the treatment of vulvar and vaginal atrophy, or VVA. In connecti
agreement, SCI agreed to forfeit its rights to receive warrants to purchase 833,000 sh
Common Stock that were to be granted pursuant to the terms of a prior consulting ag
May 17, 2012. As consideration under the agreement, we agreed to issue to SCI a wa
850,000 shares of our Common Stock at $2.01 per share that has vested or will vest,
follows:

1. 283,333 shares were earned on May 11, 2013 upon acceptance of an Investigationa application by the FDA for an estradiol-based drug candidate in a softgel vaginal c treatment of VVA; however, pursuant to the terms of the consulting agreement, the vest until June 30, 2013. The fair value of $405,066 for the shares vested on June 3 determined by using the Black-Scholes Model on the date of vesting using a term o volatility of 45.89%; risk free rate of 1.12%; and a dividend yield of 0%. We recor $405,066 as non-cash compensation as of June 30, 2013;

2. 283,333 shares vested on June 30, 2013. The fair value of $462,196 for these share by using the Black-Scholes Model on the date of the vesting using a term of 5 year 45.84%; risk free rate of 1.41%; and a dividend yield of 0%. As of December 31, 2 $154,068 as prepaid expense-short term and $77,026 as prepaid expense-long term accompanying consolidated financial statements. During the years ended Decembe 2013, we recorded $154,068 and $77,034, respectively, as non-cash compensation accompanying consolidated financial statements; and

3. 283,334 shares will vest upon the receipt by us of any final FDA approval of a dru SCI helped us design. It is anticipated that this event will not occur before Decemb

Warrant Activity During 2012

In February 2012, we issued warrants for the purchase of an aggregate of 5,685,300 s
Stock in connection with the modification of certain existing promissory notes, or the
Warrants, and warrants for the purchase of an aggregate of 3,314,700 shares of our C
connection with the issuance of the February 2012 Notes, or the February 2012 Warr
9). Both the Modification Warrants and the February 2012 Warrants are exercisable
The Modification Warrants have a fair value of $10,505,247, and the February 2012
fair value of $6,124,873. Fair value was determined on the date of the issuance using
years; a volatility of 44.5%; risk free rate of 0.89%; and a dividend yield of 0%. We
value of the Modification Warrants as part of the loss on extinguishment of debt in th
consolidated financial statements. The relative fair value of the February 2012 Warra
was recorded as debt discount. As a result of the surrender of the February 2012 Not
2012, we expensed the remaining unamortized debt discount.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Warrant Activity During 2012

In March 2012, we issued warrants to purchase an aggregate of 31,000 shares of Cor unaffiliated individuals for services rendered. These warrants were valued on the dat using a term of five years; a volatility of 44.81%; risk free rate of 1.04%; and a divid we recorded $29,736 as consulting expense in the accompanying consolidated financ

In May 2012, we issued warrants to purchase an aggregate of 1,300,000 shares of Co unaffiliated entity for services to be rendered over approximately five years beginnin Services provided are to include (a) services in support of our drug development effo services in support our ongoing and future drug development and commercialization approval efforts, third-party investment and financing efforts, marketing efforts, cher manufacturing and controls efforts, drug launch and post-approval activities, and oth property and know-how transfer associated therewith; (b) services in support of our e successfully obtain New Drug Approval; and (c) other consulting services as mutuall from time to time in relation to new drug development opportunities. The warrants w $1,532,228 on the date of the issuance using an exercise price of $2.57; a term of five of 44.71%; risk free rate of 0.74%; and a dividend yield of 0%. At December 31, 201 $257,796 reported as prepaid expense-short term and $386,694 recorded as prepaid e During the years ended December 31, 2014, 2013 and 2012, we recorded $309,165, $ $218,045, respectively as non-cash compensation with respect to these warrants in th consolidated financial statements. The contract will expire upon the commercial mar product. We have determined that the process will take approximately five years. As amortizing the $1,532,228 over five years.

In June 2012, we issued warrant to purchase aggregate of 7,000,000 shares of Comm connection with the issuance of the June 2012 Notes, or the June 2012 Warrants, (see June 2012 Warrants issued, 6,000,000 are exercisable at $2.00 per share and 1,000,00 at $3.00 per share. The fair value of the June 2012 Warrants of $9,424,982 was deter of the issuance using a term of five years; a volatility of 44.64%; risk free rate of 0.7 yield of 0%. The relative fair value of the June 2012 Warrants of $1,649,890 was det the relative fair value calculation method on the date of the issuance. $547,210 was a

interest expense in 2012 and as a result of the repayment of the associated debt on M
remaining unamortized debt discount of $1,102,680 was amortized to interest expens

In June 2012, we issued warrants to purchase an aggregate of 1,500 shares of Comm
unaffiliated individuals for services rendered. The warrants were valued on the date
using a term of five years; a volatility of 44.78%; risk free rate of 0.72%; and a divid
total of $1,656 was recorded as consulting expense in the accompanying consolidate
statements.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Summary of our Warrant activity and related information for 2012-2014

	Number of Shares Under Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Balance at December 31, 2011	3,057,627	$ 0.36	7.9
Issued	17,332,500	$ 1.26	
Exercised	(8,145,486)	$ 0.38	
Expired	—		
Cancelled	(51,142)	$ 0.24	
Balance at December 31, 2012	12,193,499	$ 1.63	4.8
Issued	2,100,000	$ 2.72	
Exercised	—		
Expired	—		
Cancelled	—		
Balance at December 31, 2013	14,293,499	$ 1.79	3.9
Issued	—		
Exercised	(365,583)	$ 0.50	
Expired	—		
Cancelled	—		
Balance at December 31, 2014	13,927,916	$ 1.82	3.0
Vested and Exercisable at December 31, 2014	13,562,764	$ 1.83	2.9

The weighted average fair value per share of warrants issued and the assumptions us
Black-Scholes Model during the years ended December 31, 2014, 2013 and 2012 are
table below.

	2014	2013	2012
Weighted average fair value	$—	$2.83	$2.05
Risk-free interest rate	— %	0.88-1.12 %	0.72-1.04

Volatility	— %	44.29-45.89%	44.64-44.8
Term (in years)	—	5-6	5
Dividend yield	0.00%	0.00 %	0.00

The risk-free interest rate assumption is based upon observed interest rates on zero c
Treasury bonds whose maturity period is appropriate for the term.

Estimated volatility is a measure of the amount by which our stock price is expected
year during the term of the award. Our estimated volatility is an average of the histor
the stock prices of our peer entities whose stock prices were publicly available. Our e
estimated volatility is based on historical stock prices over a period equal to the term
used the historical volatility of peer entities due to the lack of sufficient historical dat
price during 2011-2014.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Options to Purchase Common Stock of the Company

In 2009, we adopted the 2009 Long Term Incentive Compensation Plan, or the 2009
financial incentives to employees, directors, advisers, and consultants of our compan
contribute towards the creation of or who have created stockholder value by providin
options and other stock and cash incentives, or the Awards. The Awards available un
consist of stock options, stock appreciation rights, restricted stock, restricted stock un
stock, performance units, and other stock or cash awards as described in the 2009 Pla
25,000,000 shares authorized for issuance thereunder. Prior to the merger with VitaM
had been issued under the 2009 Plan. As of December 31, 2014, there were Awards f
shares of our Common Stock issued under the 2009 Plan.

On February 23, 2012, we adopted the 2012 Stock Incentive Plan, or the 2012 Plan, a
plan that was amended in August 2013. The 2012 Plan was designed to serve as an in
retaining qualified and competent key employees, officers, directors, and certain con
advisors of our company. There are 10,000,000 shares of our Common Stock authori
thereunder. As of December 31, 2014, there were awards for 2,600,000 shares issued
Plan.

The valuation methodology used to determine the fair value of stock options is the B
Model. The Black-Scholes Model requires the use of a number of assumptions includ
the stock price, the risk-free interest rate, and the expected life of the stock options. T
used in the Black-Scholes Model during the years ended December 31, 2014, 2013 a
forth in the table below.

	2014	2013	2012
Risk-free interest rate	0.07-1.77 %	0.65-1.71 %	0.61-2.23
Volatility	68.05-82.29%	33.35-45.76%	40.77-46.01
Term (in years)	0.5-6.25	5-6.25	5-6.25
Dividend yield	0.00 %	0.00 %	0.00

The risk-free interest rate assumption is based upon observed interest rates on zero c
Treasury bonds whose maturity period is appropriate for the expected life. Estimated
measure of the amount by which the price of Common Stock is expected to fluctuate
the term of the award. Our estimated volatility is an average of the historical volatilit
prices of our peer entities whose stock prices were publicly available. Our calculatio
volatility is based on historical stock prices over a period equal to the term of the aw
historical volatility of our peer entities due to the lack of sufficient historical data on
The average expected life is based on the contractual term of the option using the sim

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – STOCKHOLDERS' EQUITY (Continued)

Options to Purchase Common Stock of the Company (continued)

A summary of activity under the 2009 and 2012 Plans and related information for 20

	Number of Shares Under Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years
Balance at December 31, 2011	10,590,161	$ 0.16	7.6
Granted	5,121,250	$ 2.80	
Exercised	(1,931,788)		
Expired	—		
Cancelled	(46,135)		
Balance at December 31, 2012	13,733,488	$ 1.16	7.7
Granted	2,583,677	$ 3.31	
Exercised	(75,423)		
Expired	(250)		
Cancelled	(608,750)		
Balance at December 31, 2013	15,632,742	$ 1.44	7.2
Granted	2,442,000	$ 4.71	
Exercised	(854,573)		
Expired	(250)		
Cancelled	(427,476)		
Balance at December 31, 2014	16,792,443	$ 1.88	6.9
Vested and Exercisable at December 31, 2014	13,276,462	$ 1.39	5.5

At December 31, 2014, our outstanding options had exercise prices ranging from $0.
share.

Share-based compensation expense for options recognized in our results for the years
31, 2014, 2013, and 2012 ($4,393,455, $3,200,655 and $1,832,061, respectively) is
vested and we estimated no forfeitures. ASC 718-10 requires forfeitures to be estima
grant and revised in subsequent periods if actual forfeitures differ from the estimates

At December 31, 2014, total unrecognized estimated compensation expense related t
granted prior to that date was approximately $5,160,000, which is expected to be rec
weighted-average period of 2.9 years. No tax benefit was realized due to a continued
operating losses. At December 31, 2013 and 2012, total unrecognized estimated com
related to unvested options granted prior to that date was approximately $3,921,000 a
respectively.

In December 2013, we granted a restricted stock unit, or the RSU, under our 2012 Pl
of 50,000 shares of our Common Stock having a fair value of $233,500. During the y
December 31, 2014 and 2013, we recorded $53,428 and $180,072, respectively, of n
compensation related to the RSU on the accompanying consolidated financial statem
vested and the shares of Common Stock underlying the RSU were issued in June 201

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 – INCOME TAXES

For the years ended December 31, 2014, 2013 and 2012, there was no provision for i
current or deferred.

At December 31, 2014, we have a federal net operating loss carry forward of approx
$105,529,416 available to offset future taxable income through 2034.

A reconciliation between taxes computed at the federal statutory rate and the consoli
rate is as follows:

	2014	2013	2012
Federal statutory tax rate	34.0 %	35.0 %	35.0
State tax rate, net of federal tax benefit	5.8 %	5.8 %	5.5
Adjustment in valuation allowances	(50.9)%	(32.4)%	(18.2
Permanent and other differences	11.1 %	(8.4)%	(22.3
Provision (Benefit) for Income Taxes	— %	— %	—

Our deferred tax asset and liability as presented in the accompanying consolidated fi
consist of the following:

	2014	2013	2012
Deferred Income Tax Assets:			
Net operating losses	$43,091,437	$14,773,537	$5,920
R&D Credit	0	547,511	186,3
Total deferred income tax asset	43,091,437	15,321,048	6,107
Valuation allowance	(43,091,437)	(15,321,048)	(6,10
Deferred Income Tax Assets, net	$—	$—	$—

We believe that it is more likely than not that we will not generate sufficient future ta
realize the tax benefits related to the deferred tax assets on our balance sheet and as s
allowance has been established against the deferred tax assets for the period ended D

Unrecognized Tax Benefits

As of the period ended December 31, 2014, we had no unrecognized tax benefits.

NOTE 12 – RELATED PARTIES

Loan Guaranty

In March 2011, VitaMed entered into a business loan agreement with First United fo
of credit for which personal guarantees and cash collateral were required. Personal g
collateral limited to $100,000 each were provided by Mr. Finizio, Mr. Milligan, and
Limited Partnership. See NOTES 9 and 10 for more details.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 – RELATED PARTIES (Continued)

Loans from Affiliates

In June 2011, VitaMed issued the VitaMed Notes in the aggregate principal amount which $100,000 was sold to affiliates. In June 2012, the affiliate notes were extended 2012 (one held by Mr. Milligan for $50,000 and one for $50,000 held by BF Investm is owned by Brian Bernick, a member of the board of directors of our company. On these VitaMed Notes were paid in full including $5,341 in accrued interest.

In December 2011, we issued 4% promissory notes to Mr. Finizio and Mr. Milligan aggregate of $100,000 ($50,000 each) with original due dates of March 1, 2012. The notes were extended by mutual agreement to June 1, 2012. In June 2012, the promiss Mr. Finizio was paid in full, including $888 in accrued interest. Mr. Milligan's prom extended to October 15, 2012. On October 4, 2012 this promissory note was paid in $1,519 in accrued interest.

Purchases by Related Parties

During 2012, we sold our products to Dr. Brian Bernick, a director of our company, $2,632, and $1,272 of receivables related thereto remained outstanding at December products were sold to Dr. Bernick during 2014 and 2013.

Agreements with Pernix Therapeutics, LLC

On February 29, 2012, Cooper C. Collins, president and largest shareholder of Perni LLC, or Pernix, was elected to serve on our board of directors. From time to time, w agreements with Pernix in the normal course of business. All such agreements are re

independent directors of our company or a committee consisting of independent dire company. During the years ended December 31, 2014, 2013, and 2012, we made pur and $404,000, respectively, from Pernix. At December 31, 2014, 2013, and 2012, the due Pernix of approximately $46,000, $46,000, and $308,000 outstanding, respective

Additionally, there were amounts due to us from Pernix for legal fee reimbursement litigation matter pursuant to a license and supply agreement in the amount of $249,9 years ended December 31, 2014 and 2013.

Warrants assigned to Related Party

In June 2012, a warrant to purchase 100,000 shares of our Common Stock was assig non-affiliated third party to the son of the Chairman of our board of directors.

NOTE 13 - BUSINESS CONCENTRATIONS

We purchase our products from several suppliers with approximately 82%, 98%, and purchases supplied from one vendor for the years ended December 31, 2014, 2013, a respectively.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - BUSINESS CONCENTRATIONS (Continued)

We sell our vitamins, prenatal dietary supplement products to wholesale distributors, pharmacies, specialty distributors, and chain drug stores that generally sell products t pharmacies, hospitals, other institutions and directly to retail customers. Revenue ge customers accounted for approximately 75%, 79%, and 28% of our recognized rever and 98% of our deferred revenue for the years ended December 31, 2014, 2013, and

For the years ended December 31, 2014, 2013 and 2012, we had four customers that than 10% of our sales – these customers are designated as customers “A”, “B”, “C” a and D generated $1,609,950, $1,586,903, $1,804,018 and $4,053,838, respectively, i $1,221,212, $1,711,417, $2,588,626, and $1,312,192, respectively, in sales in 2013; $490,092, $830,902, and $0, respectively, in sales in 2012.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Operating Lease

We lease administrative office space in Boca Raton, Florida pursuant to a 63 month operating lease that commenced on July 1, 2013 and expires on September 30, 2018. stipulates, among other things, average base monthly rents of $30,149 (inclusive of e expenses) and sales tax, for a total future minimum payments over the life of the leas

The straight line rental expense related to our current lease totaled $361,793 for the December 31, 2014, partially offset by the rent income of $41,613 for sublet space. T rental expense related to our current lease totaled $180,894 for the six months ended 2013, partially offset by rent income of $32,963 for sublet space. The rental expense lease which expired June 30, 2013 totaled $60,168 for the six months ended June 30, $106,315 for the year ended December 31, 2012.

As of December 31, 2014, future minimum rental payments under our office lease ar

Years Ending December 31,	
2015	$371,240
2016	382,377
2017	393,848
2018	302,748
2019	—
Total minimum lease payments	
Non-cancellable sub-lease income	—
Net minimum lease payments	$1,450,213

Legal Proceedings

From time to time, we are involved in litigation and proceedings in the ordinary cour are not currently involved in any legal proceeding that we believe would have a mate consolidated financial condition, results of operations, or cash flows.

Off-Balance Sheet Arrangements

As of December 31, 2014, 2013 and 2012, we had no off-balance sheet arrangements are reasonably likely to have current or future effect on our financial condition, chan condition, revenues or expenses, results of operations, liquidity, capital expenditures resources that are material to investors.

THERAPEUTICSMD, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for fiscal years 2014, 2013, and 2012 is as follo

	2014 Quarters			
(In thousands, except per share)	1st	2nd	3rd	4th
Revenues	$2,831	$3,752	$4,186	$4,257
Gross profit	$2,000	$2,859	$3,118	$3,377
Net loss	$(9,183)	$(10,899)	$(17,832)	$(16,30
Loss per common share, basic and diluted	$(0.06)	$(0.07)	$(0.12)	$(0.10

	2013 Quarters			
(In thousands, except per share)	1st	2nd	3rd	4th
Revenues	$1,537	$2,081	$2,295	$2,863
Gross profit	$1,157	$1,617	$1,646	$2,396
Net loss	$(6,376)	$(6,009)	$(7,673)	$(8,361)
Loss per common share, basic and diluted	$(0.06)	$(0.05)	$(0.06)	$(0.06)

	2012 Quarters			
(In thousands, except per share)	1st	2nd	3rd	4th
Revenues	$722	$819	$1,036	$1,241
Gross profit	$386	$447	$729	$908
Net loss	$(13,290)	$(11,850)	$(4,253)	$(5,727
Loss per common share, basic and diluted	$(0.16)	$(0.14)	$(0.04)	$(0.06

NOTE 16 – SUBSEQUENT EVENTS

On February 10, 2015, we entered into an underwriting agreement, or the Cowen Ag
Cowen and Company, LLC, as the representative of the several underwriters, or the
Underwriters, relating to an underwritten public offering of 13,580,246 shares of the

Stock, at a public offering price of $4.05 per share. Under the terms of the Cowen Ag
granted the Cowen Underwriters a 30-day option to purchase up to an aggregate of 2
additional shares of Common Stock, which option was exercised in full. The net proc
the offering were approximately $59.1 million, after deducting underwriting discoun
commissions and other estimated offering expenses payable by us. The offering clos
2015.

On February 18, 2015, we entered into an agreement to lease administrative office sp
Raton, Florida, pursuant to an addendum to our existing 63 month non-cancelable op
commencing on July 1, 2013 and expiring on September 30, 2018. This addendum w
beginning April 1, 2015 and will expire with the original lease term on September 30