

MEMORANDUM

TO: ALL
FROM: Warren Stephens
DATE: 9-15-08
SUBJECT: Market Turmoil/Opportunity

In my career this is the fourth crisis in the financial markets that I have lived through, but it is by far the one that has affected our industry the most. The disappearance of Bear Stearns, Merrill Lynch and Lehman in a matter of months has changed the investment banking industry forever. This has created a great opportunity for Stephens Inc., but I think a review of our philosophy and financial condition is warranted as we navigate the current situation.

First and foremost, Stephens Inc. and all of its related entities are very modestly leveraged. As I'm sure you've seen, the leverage ratio of the firms mentioned above was 30:1 or greater. This amount of leverage gave these firms very little margin for error and as the value of their assets came under pressure, they literally went broke (Merrill Lynch obviously did not, but.....). As a contrast, Stephens Inc. is leveraged 2:1 and our assets are primarily government securities.

One of the reasons for this modest leverage goes back to our beginnings and the philosophy of our founders. Dad and Uncle Witt told me one of their corporate goals was to be in business the next day. We are under no illusion that anyone would ride to our rescue so you cannot ever take a risk that could jeopardize the ability of the firm to survive. Sounds a little quaint and old fashioned, but today it looks right on the money, (so to speak!) Rest assured, we will continue to follow this maxim!

We never take pleasure in the demise of another firm. It is truly sad that these firms will disappear from the financial services industry. That said, we have an historic opportunity to selectively add good people to our firm. I think we need to be cautious in this endeavor as we are sure to be inundated with resumes and people who will all say how much they admire our firm. The test will be do they believe in OUR philosophy. We will not lever up our balance sheet. We will make money for our clients and ourselves with our brains and hard work.

I never thought these firms would disappear, but there could be others that follow. One thing I know for sure, this crisis will not affect Stephens Inc. Let's get to work for our clients and grow our business!