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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

NOV 28 2014

SEC FILE NUMBER
8-40771

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 10/01/13 AND ENDING 9/30/14 \*  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Sterne Agee Clearing, Inc.**

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**800 Shades Creek Parkway, Suite 700**

(No. and Street)

**Birmingham**

**AL**

**35209**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Fred Wagstaff

(205) 380-1716

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Warren Averett, LLC**

(Name - if individual, state last, first, middle name)

**2500 Acton Road**

**Birmingham**

**AL**

**35243**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

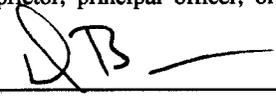
**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

12/4/14

**OATH OR AFFIRMATION**

We, Damon B. Joyner and C. Fred Wagstaff, III, swear (or affirm) that, to the best of our knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Sterne Agee Clearing, Inc., as of September 30, 2014, are true and correct. We further swear (or affirm) that neither the Company nor any partner, proprietor, principal officer, or director has any proprietary interests in any account classified as that of customer.



Signature

CEO, Sterne Agee Clearing, Inc.

Title



Signature

Treasurer and CFO, Sterne Agee Clearing, Inc.

Title



Notary Public

**CONTENTS OF REPORT**

This report contains (check all applicable boxes)

- X (a) Facing page
- X (b) Statement of Financial Condition
- (c) Statement of Operations
- (d) Statement of Changes in Financial Condition
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements for Broker-Dealers Pursuant to Rule 15c3-3
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation
- X (l) An Oath or Affirmation
- (m) A copy of the SIPC Supplemental Report
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

NOV 28 2014

**STERNE AGEE CLEARING, INC.**  
(A Wholly Owned Subsidiary of Sterne Agee Group, Inc.)

**Statement of Financial Condition**

**September 30, 2014**

**(With Report of Independent Registered Public Accounting Firm)**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Sterne Agee Clearing, Inc.

We have audited the accompanying statement of financial condition of Sterne Agee Clearing, Inc. (a Delaware corporation) as of September 30, 2014, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements. Sterne Agee Clearing, Inc.'s management is responsible for the statement of financial condition. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Sterne Agee Clearing, Inc. as of September 30, 2014 in accordance with accounting principles generally accepted in the United States of America.

*Warren Averett, LLC*

Birmingham, AL  
November 25, 2014

**STERNE AGEE CLEARING, INC.**  
(A Wholly Owned Subsidiary of Sterne Agee Group, Inc.)

Statement of Financial Condition

September 30, 2014

**Assets**

Cash and cash equivalents	\$ 517,398
Due from Parent	1,726,602
Due from affiliates	14,025
Furniture and equipment (less accumulated depreciation of \$276,555)	4,265
Other assets	<u>88,766</u>
Total assets	<u>\$ 2,351,056</u>

**Liabilities and Stockholder's Equity**

Other liabilities	\$ <u>137,262</u>
Total liabilities	<u>137,262</u>

Stockholder's equity:

Common stock, \$0.01 par value. 60,000 shares authorized, 2,500 shares issued and outstanding	25
Additional paid-in capital	467,410
Retained earnings	<u>1,746,359</u>
Total stockholder's equity	<u>2,213,794</u>
Total liabilities and stockholder's equity	<u>\$ 2,351,056</u>

See accompanying notes to statement of financial condition.

**STERNE AGEE CLARING, INC.**  
**(A Wholly Owned Subsidiary of Sterne Agee Group, Inc.)**

**Notes to Statement of Financial Condition**

**September 30, 2014**

**(1) Organization and Summary of Significant Accounting Policies**

**(a) *Description of Business and Principles of Consolidation***

Sterne Agee Clearing, Inc. (the Company), a wholly owned subsidiary of Sterne Agee Group, Inc. (SA Group or the Parent), is a registered broker/dealer with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). Its principal business activities include the execution of securities transactions for institutional and retail customers introduced by nonaffiliated registered broker/dealers, as well as the execution of securities transactions for nonaffiliated broker dealers. All securities transactions are settled through an affiliated clearing broker on a fully disclosed basis.

The Company contracts with Sterne, Agee & Leach, Inc. (SALI), an affiliate of the Company, to serve as the clearing and carrying broker, to clear and perform the majority of other back office operations, and to maintain and preserve all books and records required by applicable provisions of law and applicable rules of the SEC. Under the terms of the Company's agreement, the Company has ultimate responsibility for any loss, liability, damage, cost, or expense incurred as a result of the failure of any account to make timely payment for the securities purchased or timely and good delivery of securities sold on the account, although management expects no significant losses under this agreement.

**(b) *Use of Estimates in Statement of Financial Condition***

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

**(c) *Cash and Cash Equivalents***

Cash and cash equivalents include short-term highly liquid investments with original maturities of three months or less.

**(d) *Furniture and Equipment***

Furniture and equipment are carried at cost, less accumulated depreciation and amortization. The provision for depreciation and amortization is provided on a straight-line basis over the estimated useful lives of the assets.

**STERNE AGEE CLARING, INC.**  
**(A Wholly Owned Subsidiary of Sterne Agee Group, Inc.)**

**Notes to Statement of Financial Condition**

**September 30, 2014**

**(e) *Subsequent Events***

The Company has evaluated subsequent events and their potential effects on this statement of financial condition through the date of the issued statement of financial condition. The Company does not believe there are any material subsequent events that would require further recognition or disclosure to the September 30, 2014 statement of financial condition.

**(f) *Recent Accounting Pronouncements***

**Accounting Changes**

In October 2012, the Financial Accounting Standards Board (“FASB”) issued final guidance on technical corrections and improvements. The amendments are presented in two sections – Technical Corrections and Improvements (Section A) and Conforming Amendments Related to Fair Value Measurements (Section B). The amendments categorized in Section A are source literature amendments, guidance clarification and reference corrections, and relocated guidance. The amendments categorized in Section B are intended to conform terminology and clarify certain guidance in various Topics of the Codification to fully reflect the fair value measurement and disclosure requirements. The Company adopted the provisions of this guidance that did not have transition guidance as of October 1, 2013. The adoption of the guidance did not have a material effect on the Company’s financial condition. The Company will adopt the provisions that have transition guidance as of October 1, 2014. The adoption is not expected to materially affect the Company’s financial condition.

In January 2013, the FASB issued new balance sheet guidance related to clarifying the scope of disclosures about offsetting assets and liabilities. The update further defined that prior offsetting assets and liabilities guidance applies only to derivatives, repurchase and reverse purchase agreements, and securities borrowing and lending transactions that are either offset in accordance with specific criteria contained in the FASB guidance or subject to a master netting arrangement or similar agreement. The Company adopted the provisions of the new guidance on October 1, 2013. The adoption of this guidance did not have a material impact on the Company’s financial condition.

**Accounting Changes Issued Not Currently Effective**

In July 2013, the FASB issued final guidance on the presentation of certain unrecognized tax benefits in the financial statements. This guidance requires unrecognized tax benefits to be presented as a decrease in a deferred tax asset for a net operating loss carry forward, similar tax loss or tax credit carry forward if certain criteria are met. In situations in which a net operating loss carry forward, a similar tax loss or tax credit carry forward is not available at the reporting date under the tax law of the jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit will be presented in the statement of financial condition as a liability and will not be combined with deferred tax assets. This guidance is effective for the Company for fiscal year 2016. The adoption is not expected to materially affect the Company’s financial condition.

In August 2014, the FASB issued new accounting guidance that requires management to evaluate whether there are conditions and events that raise substantial doubt about an entity’s ability to continue as a going concern. The guidance is intended to incorporate into GAAP a requirement that management perform a going concern evaluation similar to the auditor’s evaluation required by

**STERNE AGEE CLARING, INC.**  
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**Notes to Statement of Financial Condition**

**September 30, 2014**

standards issued by the Public Company Accounting Oversight Board ("PCAOB") and American Institute of Certified Public Accountants ("AICPA"). The guidance is effective for the Company in fiscal year 2017. Early application is permitted. The adoption is not expected to materially affect the Company's financial condition.

In May 2014, the FASB and the International Accounting Standards Board ("IASB") jointly issued a comprehensive new revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP and International Financial Reporting Standards ("IFRS"). The standard's core principle is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The guidance may be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initial application recognized at the date of initial application for fiscal years and interim periods within those years beginning after December 15, 2016. Early application is not permitted. The Company is in the process of reviewing the potential impact the adoption of this guidance will have on its statement of financial condition.

**(2) Regulatory Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and which requires a ratio of aggregate indebtedness, as defined, of not more than 15 times net capital, as defined. At September 30, 2014, the Company had net capital of \$380,136, which was \$330,136 in excess of required net capital.

The Company claims an exemption from the provisions of the SEC's Customer Protection-Reserves and Custody of Securities Rule (Rule 15c3-3) pursuant to Section (k)(2)(ii) of that Rule.

**(3) Commitments and Contingencies**

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

**(4) Related-Party Transactions**

SALI and SA Group provide management, consulting, and financial services to the Company. Such services include, but are not necessarily limited to, advice and assistance concerning any and all aspects of the operation, planning, and financing of the Company.

SALI and SA Group provide office space, communications, and clearing services to the Company in the normal course of operations.

SALI serves as the custodian for the Company for securities, cash, and other property owned by or in fiduciary accounts.

Additionally, SALI, in its capacity as the clearing firm for the Company, charges clearing fees for such services.

**STERNE AGEE CLARING, INC.**  
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**Notes to Statement of Financial Condition**

**September 30, 2014**

**(5) Income Taxes**

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

Deferred tax assets and liabilities are determined under the asset-liability method based on the differing bases of assets and liabilities for financial reporting and income tax reporting purposes using enacted tax rates in effect for the applicable tax periods, accordingly the Company has recorded the following:

	September 30, 2014
Deferred tax asset:	
Federal	\$ 307,468
State	28,184
Total deferred tax asset before valuation allowance	335,652
Valuation allowance for net operating loss carryforwards	(330,123)
Deferred tax asset after valuation allowance	5,529
Deferred tax liability:	
Federal	(5,227)
State	(302)
Total deferred tax liability	(5,529)
Total	\$ -

The tax effects of each type of income and expense item that gave rise to deferred taxes are:

	September 30, 2014
Net operating loss carryforwards	\$ 285,983
Depreciation	1,540
Valuation allowance	(330,123)
Accrued bonus	48,129
Other	(5,529)
Total	\$ -

**STERNE AGEE CLARING, INC.**  
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**Notes to Statement of Financial Condition**

**September 30, 2014**

Based on estimated future taxable income, management believes it is more likely than not that the deferred tax assets after the valuation allowance will be fully utilized.

At September 30, 2014, the Company had gross U.S. federal net operating losses of approximately \$261,119 and state net operating loss carryforwards of approximately \$24,864. The federal and state operating loss carryforwards expire beginning October 1, 2035 and September 30, 2028, respectively.