INTL FCSTONE INC.
Form 10-Q
February 07, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

| | |
|---|---|
| x | QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |

For the Quarterly Period Ended December 31, 2012
OR

| | |
|---|---|
| o | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |

For the Transition Period From to
Commission File Number 000-23554

INTL FCStone Inc.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 59-2921318<br>(I.R.S. Employer<br>Identification No.) |

708 Third Avenue, Suite 1500
New York, NY 10017
(Address of principal executive offices) (Zip Code)
(212) 485-3500
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 305 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company.

| | | | |
|---|---|---|---|
| Large accelerated filer | o | Accelerated filer | x |
| Non-accelerated filer | o | Smaller reporting company | o |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of February 4, 2013, there were 19,092,344 shares of the registrant’s common stock outstanding.

Table of Contents

INTL FCStone Inc.
Quarterly Report on Form 10-Q for the Quarterly Period Ended December 31, 2012
Table Of Contents

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
INTL FCStone Inc.
Condensed Consolidated Balance Sheets

| (in millions, except par value and share amounts) | December 31, 2012 (Unaudited) | September 30, 2012 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $ 294.7 | $ 236.3 |
| Cash, securities and other assets segregated under federal and other regulations (including $41.4 and $72.8 at fair value at December 31, 2012 and September 30, 2012, respectively) | 381.7 | 357.5 |
| Deposits and receivables from: | | |
| Exchange-clearing organizations (including $1,430.2 and $1,510.0 at fair value at December 31, 2012 and September 30, 2012, respectively) | 1,478.7 | 1,619.8 |
| Broker-dealers, clearing organizations and counterparties (including $4.8 and $(0.7) at fair value at December 31, 2012 and September 30, 2012, respectively) | 126.0 | 127.4 |
| Receivables from customers, net | 143.7 | 68.9 |
| Notes receivable, net | 90.3 | 104.0 |
| Income taxes receivable | 7.7 | 11.9 |
| Financial instruments owned, at fair value | 151.1 | 171.7 |
| Physical commodities inventory | 133.9 | 131.6 |
| Deferred income taxes, net | 20.4 | 21.9 |
| Property and equipment, net | 18.9 | 18.9 |
| Goodwill and intangible assets, net | 57.2 | 54.7 |
| Other assets | 35.3 | 34.3 |
| Total assets | $ 2,939.6 | $ 2,958.9 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Accounts payable and other accrued liabilities (including $17.9 and $14.8 at fair value at December 31, 2012 and September 30, 2012, respectively) | $ 109.4 | $ 127.0 |
| Payables to: | | |
| Customers | 2,064.2 | 2,072.3 |
| Broker-dealers, clearing organizations and counterparties | 7.5 | 39.4 |
| Lenders under loans | 241.4 | 218.2 |
| Income taxes payable | 4.3 | 5.5 |
| Financial instruments sold, not yet purchased, at fair value | 187.5 | 175.4 |
| Deferred income taxes | — | 2.0 |
| Total liabilities | 2,614.3 | 2,639.8 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' Equity: | | |
| Preferred stock, $0.01 par value. Authorized 1,000,000 shares; no shares issued or outstanding | — | — |
| Common stock, $0.01 par value. Authorized 30,000,000 shares; 19,407,303 issued and 19,068,221 outstanding at December 31, 2012 and 19,214,219 issued and 18,984,951 outstanding at September 30, 2012 | 0.2 | 0.2 |
| Common stock in treasury, at cost - 339,082 shares at December 31, 2012 and 229,064 shares at September 30, 2012, respectively | (6.1) | (4.1) |
| Additional paid-in capital | 214.5 | 213.2 |

| | | |
|---|---|---|
| Retained earnings | 125.3 | 112.0 |
| Accumulated other comprehensive loss, net | (8.6) | (2.2) |
| Total stockholders' equity | 325.3 | 319.1 |
| Total liabilities and stockholders' equity | $ 2,939.6 | $ 2,958.9 |

See accompanying notes to condensed consolidated financial statements.

1

Table of Contents

INTL FCStone Inc.
Condensed Consolidated Income Statements
(Unaudited)

| (in millions, except share and per share amounts) | Three Months Ended December 31, 2012 | 2011 |
|---|---|---|
| Revenues: | | |
| Sales of physical commodities | $12,587.9 | $17,175.9 |
| Trading gains | 79.9 | 73.4 |
| Commission and clearing fees | 40.0 | 32.0 |
| Consulting and management fees | 8.3 | 6.2 |
| Interest income | 3.3 | 2.7 |
| Other income | 0.1 | 0.2 |
| Total revenues | 12,719.5 | 17,290.4 |
| Cost of sales of physical commodities | 12,593.8 | 17,194.1 |
| Operating revenues | 125.7 | 96.3 |
| Interest expense | 3.5 | 2.1 |
| Net revenues | 122.2 | 94.2 |
| Non-interest expenses: | | |
| Compensation and benefits | 46.7 | 45.8 |
| Clearing and related expenses | 25.0 | 22.7 |
| Introducing broker commissions | 8.4 | 5.8 |
| Communication and data services | 5.3 | 4.6 |
| Occupancy and equipment rental | 2.9 | 2.8 |
| Professional fees | 3.7 | 2.7 |
| Depreciation and amortization | 1.8 | 1.5 |
| Bad debts and impairments | 0.4 | 0.1 |
| Other | 9.2 | 8.9 |
| Total non-interest expenses | 103.4 | 94.9 |
| Income (loss) from operations, before tax | 18.8 | (0.7) |
| Income tax expense (benefit) | 5.5 | (0.2) |
| Net income (loss) | 13.3 | (0.5) |
| Add: Net loss attributable to noncontrolling interests | — | 0.1 |
| Net income (loss) attributable to INTL FCStone Inc. common stockholders | $13.3 | $(0.4) |
| Basic earnings per share: | | |
| Net income (loss) attributable to INTL FCStone Inc. common stockholders | $0.70 | $(0.02) |
| Diluted earnings per share: | | |
| Net income (loss) attributable to INTL FCStone Inc. common stockholders | $0.68 | $(0.02) |
| Weighted-average number of common shares outstanding: | | |
| Basic | 18,266,338 | 18,163,489 |
| Diluted | 18,778,675 | 18,163,489 |

See accompanying notes to condensed consolidated financial statements.

2

Table of Contents

INTL FCStone Inc.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

| (in millions) | Three Months Ended December 31, 2012 | 2011 |
|---|---|---|
| Net income (loss) | $13.3 | $(0.5) |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustment | (0.3) | (0.1) |
| Pension liabilities adjustment | 0.4 | 0.1 |
| Net unrealized loss on available-for-sale securities | (0.2) | (0.1) |
| Reclassification adjustment for gains included in net income | (6.3) | — |
| Other comprehensive loss | (6.4) | (0.1) |
| Comprehensive income (loss) | $6.9 | $(0.6) |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

INTL FCStone Inc.
Condensed Consolidated Cash Flows Statements
(Unaudited)

| (in millions) | Three Months Ended December 31, 2012 | 2011 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income (loss) | $13.3 | $(0.5) |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 1.8 | 1.5 |
| Provision for bad debts and impairments | 0.4 | 0.1 |
| Deferred income taxes | (0.4) | (0.6) |
| Amortization of debt issuance costs and debt discount | 0.3 | 0.4 |
| Amortization of stock-based compensation expense | 1.6 | 1.0 |
| Gain on sale of exchange memberships and common stock | (9.2) | — |
| Changes in operating assets and liabilities, net: | | |
| Cash, securities and other assets segregated under federal and other regulations | (24.2) | (354.7) |
| Deposits and receivables from exchange-clearing organizations | 141.1 | 473.6 |
| Deposits and receivables from broker-dealers, clearing organizations, and counterparties | 1.4 | 11.9 |
| Receivable from customers, net | (75.2) | 25.7 |
| Notes receivable from customers, net | 13.7 | 6.0 |
| Income taxes receivable | 4.2 | (0.3) |
| Financial instruments owned, at fair value | 11.6 | 76.6 |
| Physical commodities inventory | (2.3) | 47.0 |
| Other assets | (2.0) | 4.2 |
| Accounts payable and other accrued liabilities | (20.0) | (7.3) |
| Payable to customers | (8.0) | (99.3) |
| Payable to broker-dealers, clearing organizations and counterparties | (31.8) | 11.8 |
| Income taxes payable | 0.8 | 0.4 |
| Financial instruments sold, not yet purchased, at fair value | 12.1 | (164.4) |
| Net cash provided by operating activities | 29.2 | 33.1 |
| Cash flows from investing activities: | | |
| Deconsolidation of affiliates | — | 0.4 |
| Cash paid for acquisitions, net | — | (1.0) |
| Sale of exchange memberships and common stock | 10.1 | — |
| Purchase of property and equipment | (1.2) | (3.2) |
| Net cash used in investing activities | 8.9 | (3.8) |
| Cash flows from financing activities: | | |
| Net change in payable to lenders under loans | 23.2 | 38.5 |
| Payments related to earn-outs on acquisitions | (0.3) | (0.3) |
| Exercise of stock options | — | 0.3 |
| Share repurchases | (2.0) | — |
| Income tax expense on stock options and awards | (0.3) | — |
| Net cash provided by financing activities | 20.6 | 38.5 |
| Effect of exchange rates on cash and cash equivalents | (0.3) | (0.1) |
| Net increase in cash and cash equivalents | 58.4 | 67.7 |
| Cash and cash equivalents at beginning of period | 236.3 | 220.6 |

| | | |
|---|---|---|
| Cash and cash equivalents at end of period | $294.7 | $288.3 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | $2.5 | $2.1 |
| Income taxes paid, net of cash refunds | $1.3 | $1.4 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Identified intangible assets and goodwill on acquisitions | $3.1 | $1.2 |
| Additional consideration payable related to acquisitions, net | $3.4 | $0.9 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

INTL FCStone Inc.
Condensed Consolidated Statement of Stockholders’ Equity
(Unaudited)

| (in millions) | Common Stock | Treasury Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|
| Balances as of September 30, 2012 | $0.2 | $(4.1) | $213.2 | $112.0 | $ (2.2) | $319.1 |
| Net income | | | | 13.3 | | 13.3 |
| Other comprehensive loss | | | | | (6.4) | (6.4) |
| Exercise of stock options | | | (0.1) | | | (0.1) |
| Stock-based compensation | | | 1.4 | | | 1.4 |
| Share repurchases | | (2.0) | | | | (2.0) |
| Balances as of December 31, 2012 | $0.2 | $(6.1) | $214.5 | $125.3 | $ (8.6) | $325.3 |

See accompanying notes to condensed consolidated financial statements.

Table of Contents

INTL FCStone Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)
Note 1 – Basis of Presentation and Consolidation and Recently Issued Accounting Standards
INTL FCStone Inc., a Delaware corporation, and its consolidated subsidiaries (collectively “INTL” or “the Company”), form a financial services group focused on domestic and select international markets. The Company’s services include comprehensive risk management advisory services for commercial customers; execution of listed futures and options-on-futures contracts on all major commodity exchanges; structured over-the-counter (“OTC”) products in a wide range of commodities; physical trading and hedging of precious and base metals and select other commodities; trading of more than 130 foreign currencies; market-making in international equities; debt origination and asset management. The Company provides these services to a diverse group of more than 20,000 customers located throughout the world, including producers, processors and end-users of nearly all widely-traded physical commodities to manage their risks and enhance margins; to commercial counterparties who are end-users of the firm’s products and services; to governmental and non-governmental organizations; and to commercial banks, brokers, institutional investors and major investment banks.
Basis of Presentation and Consolidation
The accompanying condensed consolidated balance sheet as of September 30, 2012, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the condensed consolidated financial statements for the interim periods presented have been reflected as required by Rule 10-01 of Regulation S-X.
Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. It is suggested that these interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes contained in the Company’s Form 10-K for the fiscal year ended September 30, 2012 filed with the SEC.
These condensed consolidated financial statements include the accounts of INTL FCStone Inc. and all other entities in which the Company has a controlling financial interest. All material intercompany transactions and balances have been eliminated in consolidation.
The Company's fiscal year end is September 30, and the fiscal quarters end on December 31, March 31, June 30 and September 30. Unless otherwise stated, all dates refer to fiscal years and fiscal interim periods.
The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates and assumptions relate to fair value measurements for financial instruments and investments, revenue recognition, the provision for potential losses from bad debts, valuation of inventories, valuation of goodwill and intangible assets, incomes taxes and contingencies. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.
Recent Accounting Pronouncements
In June 2011, the Financial Accounting Standards Board ("FASB") issued new guidance on the presentation of comprehensive income. This guidance eliminates the current option to report comprehensive income and its components in the statement of changes in equity. Under this guidance, an entity can elect to present items of net income and comprehensive income in one continuous statement or in two separate, but consecutive, statements. In addition, the guidance requires entities to show the effects of items reclassified from accumulated other comprehensive loss to net income on the face of the financial statements. This guidance is effective for fiscal years

beginning after December 15, 2011 and interim and annual periods thereafter. Early adoption is permitted, but full retrospective application is required. This guidance was effective in the Company's first quarter of fiscal year 2013. In December 2011, the FASB issued guidance that deferred the portion of the original guidance that required a company to separately present within net income reclassification adjustments of items out of accumulated other comprehensive loss. The deferral is intended to be temporary until the FASB has time to reconsider these changes. The other provisions of this guidance became effective as originally planned by the FASB. The Company adopted this guidance in the

Table of Contents

first quarter of fiscal year 2013, and the Company elected the two statement approach. The application of this guidance relates to presentation only and did not have a significant impact on the Company's condensed consolidated financial statements.

On December 16, 2011, the FASB issued new guidance on the disclosures about offsetting assets and liabilities. While the FASB retained the existing offsetting models under U.S. GAAP, the new standard requires disclosures to allow investors to better compare and understand significant quantitative differences in financial statements prepared under U.S. GAAP. The new standard is effective for annual periods beginning on or after January 1, 2013, and interim periods within those annual periods. Retrospective application is required. This guidance is effective for the Company's fiscal year beginning October 1, 2013. The Company expects to adopt this guidance starting with the first quarter of fiscal year 2014. The adoption of this guidance is expected to change some of the Company's disclosures within the notes to its condensed consolidated financial statements.

In July 2012, the FASB issued final guidance on indefinite-lived intangible assets impairment testing. Under the guidance, entities testing indefinite-lived intangibles for impairment have the option of first performing a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If a company determines that it is more likely than not that the fair value of such an asset exceeds its carrying amount, it would not need to calculate the fair value of the asset in that year. However, if a company concludes otherwise, it must calculate the fair value of the asset, compare that value with its carrying amount and record an impairment charge, if any. The guidance does not revise the requirement to test indefinite-lived intangible assets annually for impairment. In addition, the guidance does not amend the requirement to test indefinite-lived intangible assets for impairment between annual tests if events or circumstances warrant, however, it does revise the examples of events and circumstances that an entity should consider. The guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The Company is currently evaluating the impact of this guidance, however, it is expected that the adoption of this guidance will not have a material impact on the Company's condensed consolidated financial statements.

Note 2 – Earnings per Share

The Company presents basic and diluted earnings per share ("EPS") using the two-class method which requires all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends and therefore participate in undistributed earnings with common stockholders be included in computing earnings per share. Under the two-class method, net earnings are reduced by the amount of dividends declared in the period for each class of common stock and participating security. The remaining undistributed earnings are then allocated to common stock and participating securities, based on their respective rights to receive dividends. Restricted stock awards granted to certain employees and directors and shares held in trust for the Provident Group acquisition contain non-forfeitable rights to dividends at the same rate as common stock, and are considered participating securities.

Basic EPS has been computed by dividing net income by the weighted-average number of common shares outstanding. The following is a reconciliation of the numerator and denominator of the diluted net income (loss) per share computations for the periods presented below.

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions, except share amounts) | 2012 | 2011 |
| Numerator: | | |
| Income (loss) from operations attributable to INTL FCStone Inc. stockholders | $13.3 | $(0.4) |
| Less: Allocation to participating securities | (0.5) | — |
| Income (loss) from operations allocated to common stockholders | $12.8 | $(0.4) |
| Diluted net income (loss) | $13.3 | $(0.4) |
| Less: Allocation to participating securities | (0.5) | — |
| Diluted net income (loss) allocated to common stockholders | $12.8 | $(0.4) |
| Denominator: | | |
| Weighted average number of: | | |
| Common shares outstanding | 18,266,338 | 18,163,489 |

| | | |
|---|---|---|
| Dilutive potential common shares outstanding: | | |
| Share-based awards | 512,337 | — |
| Diluted weighted-average shares | 18,778,675 | 18,163,489 |

Table of Contents

The dilutive effect of share-based awards is reflected in diluted net income (loss) per share by application of the treasury stock method, which includes consideration of unamortized share-based compensation expense required under the Compensation – Stock Compensation Topic of the ASC.
Options to purchase 1,490,547 and 1,284,102 shares of common stock for the three months ended December 31, 2012 and 2011, respectively, were excluded from the calculation of diluted earnings per share because they would have been anti-dilutive.
Note 3 – Assets and Liabilities, at Fair Value
The Company's financial and nonfinancial assets and liabilities reported at fair value are included within the following captions on the condensed consolidated balance sheets:

- Cash and cash equivalents
- Cash, securities and other assets segregated under federal and other regulations
- Deposits and receivables from exchange-clearing organizations, broker-dealers, clearing organizations and counterparties
- Financial instruments owned
- Accounts payable and other accrued liabilities
- Payables to customers
- Payables to broker-dealers, clearing organizations and counterparties
- Financial instruments sold, not yet purchased

Fair Value Hierarchy
The majority of financial assets and liabilities on the consolidated balance sheets are reported at fair value. Cash is reported at the balance held at financial institutions. Cash equivalents includes money market funds, which are valued at period-end at the net asset value provided by the fund's administrator, and certificates of deposit, which are stated at cost plus accrued interest, which approximates fair value. Cash, securities and other assets segregated under federal and other regulations include the value of cash collateral as well as the value of other pledged investments, primarily U.S. Treasury bills and obligations issued by government sponsored entities and commodities warehouse receipts. Deposits with and receivables from exchange-clearing organizations and broker-dealers, clearing organizations and counterparties and payables to customers and broker-dealers, clearing organizations and counterparties include the value of cash collateral as well as the value of money market funds and other pledged investments, primarily U.S. Treasury bills and obligations issued by government sponsored entities and mortgage-backed securities. These balances also include the fair value of exchange-traded futures and options-on-futures and exchange-cleared swaps and options determined by prices on the applicable exchange. Financial instruments owned and sold, not yet purchased include the value of U.S. and foreign government obligations, corporate debt securities, derivative financial instruments, commodities and mutual funds. The fair value of exchange common stock is determined by quoted market prices, and the fair value of exchange memberships is determined by recent sale transactions. Payable to lenders carry variable rates of interest and thus approximate fair value.
The fair value estimates presented in the financial statements are based on pertinent information available to management as of December 31, 2012 and September 30, 2012. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented in the financial statements.
Cash equivalents, securities, commodities warehouse receipts, derivative financial instruments, commodities leases, exchange common stock and contingent liabilities are carried at fair value, on a recurring basis, and are classified and disclosed into three levels within the fair value hierarchy. The Company did not have any fair value adjustments for assets or liabilities measured at fair value on a non-recurring basis during the three months ended December 31, 2012.
The three levels of the fair value hierarchy under the Fair Value Measurements and Disclosures Topic of the ASC are:
Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2 - Quoted prices for identical or similar assets or liabilities in markets that are less active, that is, markets in which there are few transactions for the asset or liability that are observable for substantially the full term; and

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Table of Contents

The following tables set forth the Company’s financial and nonfinancial assets and liabilities accounted for at fair value, on a recurring basis, as of December 31, 2012 and September 30, 2012 by level within the fair value hierarchy.

| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Netting and Collateral (1) | Total |
| Assets: | | | | | |
| Money market funds | $0.1 | $— | $— | $— | $0.1 |
| Certificate of deposits | 6.4 | — | — | — | 6.4 |
| Unrestricted cash equivalents | 6.5 | — | — | — | 6.5 |
| Commodities warehouse receipts | 18.4 | — | — | — | 18.4 |
| U.S. government obligations | — | 23.0 | — | — | 23.0 |
| Securities and other assets segregated under federal and other regulations | 18.4 | 23.0 | — | — | 41.4 |
| Money market funds | 731.8 | — | — | — | 731.8 |
| U.S. government obligations | — | 701.2 | — | — | 701.2 |
| Mortgage-backed securities | — | 6.5 | — | — | 6.5 |
| Derivatives | 1,950.8 | — | — | (1,960.1) | (9.3) |
| Deposits and receivables from exchange-clearing organizations | 2,682.6 | 707.7 | — | (1,960.1) | 1,430.2 |
| Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives | 0.8 | — | — | 4.0 | 4.8 |
| Common and preferred stock and American Depositary Receipts ("ADRs") | 27.9 | 17.3 | 0.9 | — | 46.1 |
| Exchangeable foreign ordinary equities and ADRs | 18.2 | — | — | — | 18.2 |
| Corporate and municipal bonds | — | — | 3.6 | — | 3.6 |
| U.S. government obligations | — | 0.3 | — | — | 0.3 |
| Foreign government obligations | 11.2 | — | — | — | 11.2 |
| Derivatives | 192.9 | 604.3 | — | (746.9) | 50.3 |
| Commodities leases | — | 45.1 | — | (34.8) | 10.3 |
| Commodities warehouse receipts | 5.3 | — | — | — | 5.3 |
| Exchange firm common stock | 3.0 | 0.4 | — | — | 3.4 |
| Mutual funds and other | 2.4 | — | — | — | 2.4 |
| Financial instruments owned | 260.9 | 667.4 | 4.5 | (781.7) | 151.1 |
| Total assets at fair value | $2,969.2 | $1,398.1 | $4.5 | $(2,737.8) | $1,634.0 |
| Liabilities: | | | | | |
| Accounts payable and other accrued liabilities - contingent liabilities | $— | $— | $17.9 | $— | $17.9 |
| Payables to exchange-clearing organizations, broker-dealers and counterparties - derivatives | 1,702.5 | — | — | (1,702.5) | — |
| Common and preferred stock and ADRs | 40.3 | 14.9 | — | — | 55.2 |
| Exchangeable foreign ordinary equities and ADRs | 6.2 | — | — | — | 6.2 |
| Derivatives | 199.4 | 591.6 | — | (754.2) | 36.8 |
| Commodities leases | — | 308.4 | — | (219.1) | 89.3 |
| | 245.9 | 914.9 | — | (973.3) | 187.5 |

| | | | | | |
|---|---|---|---|---|---|
| Financial instruments sold, not yet purchased | | | | | |
| Total liabilities at fair value | $1,948.4 | $914.9 | $17.9 | $(2,675.8 ) | $205.4 |

(1) Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level are included in that level.

9

Table of Contents

| (in millions) | September 30, 2012<br>Level 1 | Level 2 | Level 3 | Netting and Collateral (1) | Total |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Money market funds | $0.1 | $— | $— | $— | $0.1 |
| Certificate of deposits | 10.4 | — | — | — | 10.4 |
| Unrestricted cash equivalents | 10.5 | — | — | — | 10.5 |
| Commodities warehouse receipts | 22.3 | — | — | — | 22.3 |
| U.S. government obligations | — | 50.5 | — | — | 50.5 |
| Securities and other assets segregated under federal and other regulations | 22.3 | 50.5 | — | — | 72.8 |
| Money market funds | 335.1 | — | — | — | 335.1 |
| U.S. government obligations | — | 1,318.3 | — | — | 1,318.3 |
| Mortgage-backed securities | — | 7.0 | — | — | 7.0 |
| Derivatives | 3,344.3 | — | — | (3,494.7) | (150.4) |
| Deposits and receivables from exchange-clearing organizations | 3,679.4 | 1,325.3 | — | (3,494.7) | 1,510.0 |
| Deposits and receivables from broker-dealers, clearing organizations and counterparties - derivatives | 0.7 | 5.0 | — | (6.4) | (0.7) |
| Common and preferred stock and American Depositary Receipts ("ADRs") | 17.8 | 5.6 | 0.9 | — | 24.3 |
| Exchangeable foreign ordinary equities and ADRs | 10.0 | — | — | — | 10.0 |
| Corporate and municipal bonds | 0.3 | 0.6 | 3.6 | — | 4.5 |
| U.S. government obligations | — | 0.3 | — | — | 0.3 |
| Foreign government obligations | 14.8 | — | — | — | 14.8 |
| Derivatives | 315.6 | 785.3 | — | (1,047.0) | 53.9 |
| Commodities leases | — | 135.2 | — | (93.1) | 42.1 |
| Commodities warehouse receipts | 7.5 | — | — | — | 7.5 |
| Exchange firm common stock | 3.4 | 9.0 | — | — | 12.4 |
| Mutual funds and other | 1.9 | — | — | — | 1.9 |
| Financial instruments owned | 371.3 | 936.0 | 4.5 | (1,140.1) | 171.7 |
| Total assets at fair value | $4,084.2 | $2,316.8 | $4.5 | $(4,641.2) | $1,764.3 |
| Liabilities: | | | | | |
| Accounts payable and other accrued liabilities - contingent liabilities | $— | $— | $14.8 | $— | $14.8 |
| Payables to exchange-clearing organizations, broker-dealers and counterparties - derivatives | 3,562.3 | — | — | (3,562.3) | — |
| Common and preferred stock and ADRs | 16.4 | 5.9 | — | — | 22.3 |
| Exchangeable foreign ordinary equities and ADRs | 5.7 | — | — | — | 5.7 |
| Derivatives | 338.1 | 775.2 | — | (1,068.7) | 44.6 |
| Commodities leases | — | 220.0 | — | (117.2) | 102.8 |
| Financial instruments sold, not yet purchased | 360.2 | 1,001.1 | — | (1,185.9) | 175.4 |
| Total liabilities at fair value | $3,922.5 | $1,001.1 | $14.8 | $(4,748.2) | $190.2 |

(1) Represents cash collateral and the impact of netting across the levels of the fair value hierarchy. Netting among positions classified within the same level are included in that level.

Realized and unrealized gains and losses are included within ‘trading gains’ in the condensed consolidated income statements.

Table of Contents

Information on Level 3 Financial Assets and Liabilities

The Company's financial assets at fair value classified within level 3 of the fair value hierarchy as of December 31, 2012 and September 30, 2012 are summarized below:

| (in millions) | December 31, 2012 | September 30, 2012 |
|---|---|---|
| Total level 3 assets | $4.5 | $4.5 |
| Level 3 assets for which the Company bears economic exposure | $4.5 | $4.5 |
| Total assets | $2,939.6 | $2,958.9 |
| Total financial assets at fair value | $1,634.0 | $1,764.3 |
| Total level 3 assets as a percentage of total assets | 0.2 % | 0.2 % |
| Level 3 assets for which the Company bears economic exposure as a percentage of total assets | 0.2 % | 0.2 % |
| Total level 3 assets as a percentage of total financial assets at fair value | 0.3 % | 0.3 % |

The following tables set forth a summary of changes in the fair value of the Company's level 3 financial assets and liabilities during the three months ended December 31, 2012 and 2011, including a summary of unrealized gains (losses) during the respective periods on the Company's level 3 financial assets and liabilities still held as of December 31, 2012.

| | Level 3 Financial Assets and Financial Liabilities For the Three Months Ended December 31, 2012 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Balances at beginning of period | Realized gains (losses) during period | Unrealized gains (losses) during period | Purchases/ issuances | Settlements | Transfers in or (out) of Level 3 | Balances at end of period |
| Assets: | | | | | | | |
| Common stock and ADRs | $0.9 | $— | $ — | $— | $— | $— | $0.9 |
| Corporate and municipal bonds | 3.6 | — | — | — | — | — | 3.6 |
| | $4.5 | $— | $ — | $— | $— | $— | $4.5 |
| Liabilities: | | | | | | | |
| Contingent liabilities | $14.8 | $— | $ 0.3 | $3.1 | $(0.3) | $— | $17.9 |

| | Level 3 Financial Assets and Financial Liabilities For the Three Months Ended December 31, 2011 | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Balances at beginning of period | Realized gains (losses) during period | Unrealized gains (losses) during period | Settlements | Transfers in or (out) of Level 3 | Balances at end of period |
| Assets: | | | | | | |
| Common stock and ADRs | $1.1 | $ — | $— | $— | $— | $1.1 |
| Corporate and municipal bonds | 3.6 | — | (0.1) | — | — | 3.5 |
| Mutual funds and other | 0.4 | — | — | — | — | 0.4 |
| | $5.1 | $ — | $(0.1) | $— | $— | $5.0 |
| Liabilities: | | | | | | |
| Contingent liabilities | $22.3 | $ — | $0.9 | $(0.3) | $— | $22.9 |

In accordance with the Fair Value Measurements and Disclosures Topic of the ASC, the Company has estimated the fair value of debentures, for the single asset owning company of Suriwongse Hotel located in Chiang Mai, Thailand, on a recurring basis each period. The Company has classified its investment in the hotel within level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which include projected cash flows. These cash flows are discounted employing present value techniques. The Company estimates the fair value of its investment in these debentures by using a management-developed forecast, which is based on the income approach. The Company continues to evaluate the fair value of the debentures. There were no significant changes in the fair value of the debentures during the three months ended December 31, 2012 and 2011.

The Company is required to make additional future cash payments based on certain financial performance measures of its acquired businesses. The Company is required to remeasure the fair value of the cash earnout arrangements on a recurring basis in accordance with the guidance in the Business Combinations Topic of the ASC. The Company has classified its net liabilities

Table of Contents

for the contingent earnout arrangements within level 3 of the fair value hierarchy because the fair value is determined using significant unobservable inputs, which include projected cash flows. The estimated fair value of the contingent purchase consideration is based upon management-developed forecasts, a level 3 input in the fair value hierarchy. These cash flows are discounted employing present value techniques in arriving at the acquisition-date fair value. The discount rate was developed using market participant company data and there have been no significant changes in the discount rate environment. From the dates of acquisition to December 31, 2012, certain acquisitions have had changes in the estimates of undiscounted cash flows, based on actual performances fluctuating from estimates. During the three months ended December 31, 2012 and 2011, the fair value of the contingent consideration increased $0.3 million and $0.9 million, respectively, with the corresponding amount classified as 'other expense' within the condensed consolidated income statements.

The Company reports transfers in and out of levels 1, 2 and 3, as applicable, using the fair value of the securities as of the beginning of the reporting period in which the transfer occurred.

The Company did not have any transfers between level 1 and level 2 fair value measurements for the three months ended December 31, 2012 and 2011.

The Company has recorded unrealized gains, net of income tax expense, related to U.S. government obligations and corporate bonds classified as available-for-sale securities in other comprehensive income ("OCI") as of December 31, 2012. The following tables summarize the amortized cost basis, the aggregate fair value and gross unrealized holding gains and losses of the Company's investment securities classified as available-for-sale as of December 31, 2012 and September 30, 2012:

December 31, 2012

Amounts included in deposits with and receivables from exchange-clearing organizations:

| | Amortized | Unrealized Holding [1] | | Estimated |
|---|---|---|---|---|
| (in millions) | Cost | Gains | (Losses) | Fair Value |
| U.S. government obligations | $654.1 | $— | $— | $654.1 |
| Mortgage-backed securities | 6.4 | 0.1 | — | 6.5 |
| | $660.5 | $0.1 | $— | $660.6 |

(1) Unrealized gain/loss on U.S. government obligations as of December 31, 2012, is less than 0.1 million.

September 30, 2012

Amounts included in deposits with and receivables from exchange-clearing organizations:

| | Amortized | Unrealized Holding [1] | | Estimated |
|---|---|---|---|---|
| (in millions) | Cost | Gains | (Losses) | Fair Value |
| U.S. government obligations | $1,298.9 | $— | $— | $1,298.9 |
| Mortgage-backed securities | 6.8 | 0.1 | — | 6.9 |
| | $1,305.7 | $0.1 | $— | $1,305.8 |

(1) Unrealized gain/loss on U.S. government obligations as of September 30, 2012, is less than 0.1 million.

As of December 31, 2012 and September 30, 2012, investments in debt securities classified as available-for-sale ("AFS") mature as follows:

December 31, 2012

| | Due in | | Estimated |
|---|---|---|---|
| (in millions) | Less than 1 year | 1 year or more | Fair Value |
| U.S. government obligations | $654.1 | $— | $654.1 |
| Mortgage-backed securities | — | 6.5 | 6.5 |
| | $654.1 | $6.5 | $660.6 |

September 30, 2012

| | Due in | | Estimated |
|---|---|---|---|
| (in millions) | Less than 1 year | 1 year or more | Fair Value |
| U.S. government obligations | $1,298.9 | $— | $1,298.9 |

| | | | |
|---|---|---|---|
| Mortgage-backed securities | — | 6.9 | 6.9 |
| | $1,298.9 | $6.9 | $1,305.8 |

12

Table of Contents

There were no sales of AFS securities during the three months ended December 31, 2012 and 2011, and as a result, no realized gains or losses were recorded for the three months ended December 31, 2012 and 2011.
For the purposes of the maturity schedule, mortgage-backed securities, which are not due at a single maturity date, have been allocated over maturity groupings based on the expected maturity of the underlying collateral. Mortgage-backed securities may mature earlier than their stated contractual maturities because of accelerated principal repayments of the underlying loans.
The Company has also classified equity investments in exchange firms' common stock not pledged for clearing purposes as available-for-sale. The investments are recorded at fair value, with unrealized gains and losses recorded, net of taxes, as a component of OCI until realized. As of December 31, 2012, the cost and fair value of all the equity investments in exchange firms was $4.0 million and $3.4 million, respectively.
In June 2012, the board of LME Holdings Limited, the parent company of The London Metal Exchange (LME), entered into a framework agreement regarding the terms of a recommended cash offer for the entire issued and outstanding ordinary share capital of LME Holdings. In July 2012, the shareholders of LME Holdings voted to approve the sale of LME Holdings to the Hong Kong Exchanges & Clearing Limited. In December 2012, the Company received proceeds of $8.6 million from the sale of its shares in the LME. The shares of the LME were previously held by the Company as available-for-sale and the unrealized gain for those shares was reflected in OCI. For the three months ended December 31, 2012, the Company reclassified the unrealized gain remaining in accumulated OCI of approximately $6.3 million, net of income tax expense of $2.0 million, into the current period earnings.
The Company recorded unrealized losses of $0.4 million, net of income tax benefit of $0.2 million in OCI related to the remaining equity investments in exchange firms as of December 31, 2012. The Company monitors the fair value of exchange common stock on a periodic basis, and does not consider any current unrealized losses to be anything other than a temporary impairment.
In December 2012, the Chicago Mercantile Exchange ("CME") completed its acquisition of the Board of Trade of Kansas City, Missouri, Inc. ("KCBT"). The Company was required to hold certain exchange membership seats for clearing purposes and as a result, the associated KCBT shares were being held at cost on the condensed consolidated balance sheet. The Company received proceeds of $1.5 million and recognized a gain of $0.9 million before taxes, during the three months ended December 31, 2012, in connection with its class A shares of the KCBT held at the time of the acquisition.

Note 4 – Financial Instruments with Off-Balance Sheet Risk and Concentrations of Credit Risk

The Company is party to certain financial instruments with off-balance sheet risk in the normal course of its business. The Company has sold financial instruments that it does not currently own and will therefore be obliged to purchase such financial instruments at a future date. The Company has recorded these obligations in the condensed consolidated financial statements as of December 31, 2012 at the fair values of the related financial instruments. The Company will incur losses if the fair value of the underlying financial instruments increases subsequent to December 31, 2012. The total of $187.5 million as of December 31, 2012 includes $36.8 million for derivative contracts, which represents a liability to the Company based on their fair values as of December 31, 2012.

Derivatives

The Company utilizes derivative products in its trading capacity as a dealer in order to satisfy client needs and mitigate risk. The Company manages risks from both derivatives and non-derivative cash instruments on a consolidated basis. The risks of derivatives should not be viewed in isolation, but in aggregate with the Company's other trading activities. The majority of the Company's derivative positions are included in the consolidated balance sheets within 'financial instruments owned, at fair value', 'deposits and receivables from exchange-clearing organizations' and 'financial instruments sold, not yet purchased, at fair value'.
The Company continues to employ an interest rate risk management strategy, implemented in April 2010, that uses derivative financial instruments in the form of interest rate swaps to manage a portion of the aggregate interest rate position. The Company's objective is to invest the majority of customer segregated deposits in high quality, short-term investments and swap the resulting variable interest earnings into the medium-term interest stream, by using a strip of interest rate swaps that mature every quarter, in order to achieve the two year moving average of the two year swap

rate. The risk mitigation of these interest rate swaps is not within the documented hedging designation requirements of the Derivatives and Hedging Topic of the ASC, and as a result they are recorded at fair value, with changes in the fair value of the financial instruments recorded within 'trading gains' in the condensed consolidated income statements. As of December 31, 2012, approximately $625 million in notional principal of interest rate swaps were outstanding with a weighted-average life of 4 months.

Table of Contents

Listed below are the fair values of the Company's derivative assets and liabilities as of December 31, 2012 and September 30, 2012. Assets represent net unrealized gains and liabilities represent net unrealized losses.

| | December 31, 2012 | | September 30, 2012 | |
|---|---|---|---|---|
| (in millions) | Assets [(1)] | Liabilities [(1)] | Assets [(1)] | Liabilities [(1)] |
| Derivative contracts not accounted for as hedges: | | | | |
| Exchange-traded commodity derivatives | $1,919.2 | $1,665.3 | $3,325.6 | $3,565.3 |
| OTC commodity derivatives | 454.7 | 472.1 | 823.6 | 841.4 |
| Exchange-traded foreign exchange derivatives | 46.5 | 40.6 | 63.0 | 47.7 |
| OTC foreign exchange derivatives [(2)] | 309.2 | 289.9 | 215.4 | 196.6 |
| Exchange-traded interest rate derivatives | 1.2 | 4.4 | 0.9 | 2.6 |
| OTC interest rate derivatives | 1.1 | — | 1.6 | — |
| Equity index derivatives | 16.9 | 21.2 | 20.8 | 22.0 |
| Gross fair value of derivative contracts | 2,748.8 | 2,493.5 | 4,450.9 | 4,675.6 |
| Impact of netting and collateral | (2,703.0) | (2,456.7) | (4,548.1) | (4,631.0) |
| Total fair value included in ‘Deposits and receivables from exchange-clearing organizations’ | $(9.3) | | $(150.4) | |
| Total fair value included in 'Deposits and receivables from broker-dealers, clearing organizations and counterparties' | $4.8 | | $(0.7) | |
| Total fair value included in ‘Financial instruments owned, at fair value’ | $50.3 | | $53.9 | |
| Fair value included in ‘Financial instruments sold, not yet purchased, at fair value’ | | $36.8 | | $44.6 |

(1) As of December 31, 2012 and September 30, 2012, the Company’s derivative contract volume for open positions was approximately 3.1 million and 4.1 million contracts, respectively.

(2) In accordance with agreements with counterparties, the Company is allowed to periodically take advances against its open trade fair value. There were no advances against open trade fair value outstanding as of December 31, 2012 and September 30, 2012.

The Company’s derivative contracts are principally held in its Commodities and Risk Management Services ("C&RM") segment. The Company assists its C&RM segment customers in protecting the value of their future production by entering into option or forward agreements with them on an OTC basis. The Company also provides its C&RM segment customers with sophisticated option products, including combinations of buying and selling puts and calls. The Company mitigates its risk by offsetting the customer's transaction simultaneously with one of the Company's trading counterparties or with a similar but not identical position on the exchange. The risk mitigation of these offsetting trades is not within the documented hedging designation requirements of the Derivatives and Hedging Topic of the ASC. These derivative contracts are traded along with cash transactions because of the integrated nature of the markets for these products. The Company manages the risks associated with derivatives on an aggregate basis along with the risks associated with its proprietary trading and market-making activities in cash instruments as part of its firm-wide risk management policies. In particular, the risks related to derivative positions may be partially offset by inventory, unrealized gains in inventory or cash collateral paid or received.

The following table sets forth the Company's gains (losses) related to derivative financial instruments for the three months ended December 31, 2012 and 2011, in accordance with the Derivatives and Hedging Topic of the ASC. The gains (losses) set forth below are included within ‘trading gains’ in the condensed consolidated income statements.

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | 2012 | 2011 |
| Commodities | $30.6 | $34.1 |
| Foreign exchange | 2.6 | 4.7 |
| Interest rate | 0.1 | (1.0) |

| | | |
|---|---|---|
| Net gains (losses) from derivative contracts | $33.3 | $37.8 |

14

Table of Contents

Credit Risk

In the normal course of business, the Company purchases and sells financial instruments, commodities and foreign currencies as either principal or agent on behalf of its customers. If either the customer or counterparty fails to perform, the Company may be required to discharge the obligations of the nonperforming party. In such circumstances, the Company may sustain a loss if the fair value of the financial instrument or foreign currency is different from the contract value of the transaction.

The majority of the Company’s transactions and, consequently, the concentration of its credit exposure are with commodity exchanges, customers, broker-dealers and other financial institutions. These activities primarily involve collateralized and uncollateralized arrangements and may result in credit exposure in the event that a counterparty fails to meet its contractual obligations. The Company’s exposure to credit risk can be directly impacted by volatile financial markets, which may impair the ability of counterparties to satisfy their contractual obligations. The Company seeks to control its credit risk through a variety of reporting and control procedures, including establishing credit limits based upon a review of the counterparties’ financial condition and credit ratings. The Company monitors collateral levels on a daily basis for compliance with regulatory and internal guidelines and requests changes in collateral levels as appropriate.

The Company is a party to financial instruments in the normal course of its business through customer and proprietary trading accounts in exchange-traded and OTC derivative instruments. These instruments are primarily the execution of orders for commodity futures, options on futures and forward foreign currency contracts on behalf of its customers, substantially all of which are transacted on a margin basis. Such transactions may expose the Company to significant credit risk in the event margin requirements are not sufficient to fully cover losses which customers may incur. The Company controls the risks associated with these transactions by requiring customers to maintain margin deposits in compliance with individual exchange regulations and internal guidelines. The Company monitors required margin levels daily and, therefore, may require customers to deposit additional collateral or reduce positions when necessary. The Company also establishes credit limits for customers, which are monitored daily. The Company evaluates each customer’s creditworthiness on a case by case basis. Clearing, financing, and settlement activities may require the Company to maintain funds with or pledge securities as collateral with other financial institutions. Generally, these exposures to both customers and exchanges are subject to master netting, or customer agreements, which reduce the exposure to the Company by permitting receivables and payables with such customers to be offset in the event of a customer default. Management believes that the margin deposits held as of December 31, 2012 and September 30, 2012 were adequate to minimize the risk of material loss that could be created by positions held at that time. Additionally, the Company monitors collateral fair value on a daily basis and adjusts collateral levels in the event of excess market exposure. Generally, these exposures to both customers and counterparties are subject to master netting or customer agreements which reduce the exposure to the Company.

Derivative financial instruments involve varying degrees of off-balance sheet market risk whereby changes in the fair values of underlying financial instruments may result in changes in the fair value of the financial instruments in excess of the amounts reflected in the condensed consolidated balance sheets. Exposure to market risk is influenced by a number of factors, including the relationships between the financial instruments and the Company’s positions, as well as the volatility and liquidity in the markets in which the financial instruments are traded. The principal risk components of financial instruments include, among other things, interest rate volatility, the duration of the underlying instruments and changes in foreign exchange rates. The Company attempts to manage its exposure to market risk through various techniques. Aggregate market limits have been established and market risk measures are routinely monitored against these limits.

Note 5 – Receivables From Customers and Notes Receivable, net

Receivables from customers, net and notes receivable, net include an allowance for bad debts, which reflects the Company's best estimate of probable losses inherent in the receivables from customers and notes receivable. The Company provides for an allowance for doubtful accounts based on a specific-identification basis. The Company continually reviews its allowance for bad debts. The allowance for doubtful accounts related to receivables from customers was $1.3 million and $0.9 million as of December 31, 2012 and September 30, 2012, respectively. The allowance for doubtful accounts related to notes receivable was $0.1 million as of December 31, 2012 and

September 30, 2012, respectively.

The Company originates short-term notes receivable from customers with the outstanding balances being insured 90% to 98% by a third party, including accrued interest. The total balance outstanding under insured notes receivable was \$16.1 million and \$10.2 million as of December 31, 2012 and September 30, 2012, respectively.

See discussion of notes receivable related to commodity repurchase agreements in Note 10.

Note 6 – Physical Commodities Inventory

Physical commodities inventories are stated at the lower of cost or market ("LCM") using the weighted-average price and first-in first-out cost method. Cost includes finished commodity or raw material and processing costs related to the purchase and

Table of Contents

processing of inventories. Commodities in process include commodities in the process of being recycled. As of December 31, 2012 and September 30, 2012, $131.6 million and $129.1 million, respectively, of physical commodities inventory served as collateral under one of the Company's credit facilities, as detailed further in Note 9. The carrying values of the Company's inventory as of December 31, 2012 and September 30, 2012 are shown below.

| (in millions) | December 31, 2012 | September 30, 2012 |
|---|---|---|
| Commodities in process | $0.1 | $13.6 |
| Finished commodities | 133.8 | 118.0 |
| Physical commodities inventory | $133.9 | $131.6 |

As a result of declining market prices for some commodities, the Company has recorded LCM adjustments for physical commodities inventory of $1.0 million and $0.4 million as of December 31, 2012 and September 30, 2012, respectively. The adjustments are included within 'cost of sales of physical commodities' in the condensed consolidated income statements.

Note 7 – Goodwill

The carrying value of goodwill by segment is as follows:

| (in millions) | December 31, 2012 | September 30, 2012 |
|---|---|---|
| Commodity and Risk Management Services | $ 32.0 | $ 32.0 |
| Foreign Exchange | 6.3 | 6.3 |
| Securities | 5.3 | 5.3 |
| Goodwill | $ 43.6 | $ 43.6 |

Note 8 – Intangible Assets

The gross and net carrying values of intangible assets as of the balance sheet dates, by major intangible asset class are as follows:

| | December 31, 2012 | | | September 30, 2012 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Intangible assets subject to amortization | | | | | | |
| Noncompete agreement | $3.7 | $(3.3) | $0.4 | $3.7 | $(3.0) | $0.7 |
| Trade name | 0.7 | (0.6) | 0.1 | 0.7 | (0.5) | 0.2 |
| Software programs/platforms | 2.2 | (1.1) | 1.1 | 2.2 | (1.0) | 1.2 |
| Customer base | 12.7 | (1.9) | 10.8 | 9.6 | (1.8) | 7.8 |
| | 19.3 | (6.9) | 12.4 | 16.2 | (6.3) | 9.9 |
| Intangible assets not subject to amortization | | | | | | |
| Trade name | 1.2 | — | 1.2 | 1.2 | — | 1.2 |
| Total intangible assets | $20.5 | $(6.9) | $13.6 | $17.4 | $(6.3) | $11.1 |

Amortization expense related to intangible assets was $0.6 million for the three months ended December 31, 2012 and 2011.

Table of Contents

As of December 31, 2012, the estimated future amortization expense was as follows:

| (in millions) | |
|---|---|
| Fiscal 2013 (remaining nine months) | $2.1 |
| Fiscal 2014 | 1.7 |
| Fiscal 2015 | 1.4 |
| Fiscal 2016 | 1.0 |
| Fiscal 2017 | 1.0 |
| Fiscal 2018 and thereafter | 5.2 |
| | $12.4 |

Note 9 – Credit Facilities

As of December 31, 2012, the Company had four committed credit facilities under which the Company may borrow up to $385 million, subject to certain conditions. The amounts outstanding under these credit facilities are short term borrowings and carry variable rates of interest, thus approximating fair value.

A summary of the Company’s credit facilities in place as of December 31, 2012 is as follows:

- A three-year syndicated committed loan facility established on October 29, 2010 and amended on May 22, 2012 to increase the amount under which the Company is entitled to borrow up to $95 million, subject to certain conditions. The loan proceeds are used to finance working capital needs of the Company and certain subsidiaries. The line of credit is secured by a pledge of shares held in certain of the Company’s subsidiaries.
- A revolving syndicated committed loan facility established on September 22, 2010 and amended on January 29, 2013, to extend the expiration date until April 30, 2013, under which the Company’s subsidiary, INTL Commodities, Inc. ("INTL Commodities") is entitled to borrow up to $140 million, subject to certain conditions. The loan proceeds are used to finance the activities of INTL Commodities and are secured by its assets. The facility is guaranteed by the Company.
- An unsecured syndicated committed line of credit, established on June 21, 2010 and renewed by amendment on April 12, 2012, under which the Company's subsidiary, FCStone, LLC, may borrow up to $75 million. This line of credit is intended to provide short term funding of margin to commodity exchanges as necessary. This line of credit is subject to annual review, and the continued availability of this line of credit is subject to FCStone, LLC’s financial condition and operating results continuing to be satisfactory as set forth in the agreement. The facility is guaranteed by the Company.
- A syndicated committed borrowing facility established on August 10, 2012, and amended on September 14, 2012, under which the Company’s subsidiary, FCStone Merchant Services, LLC ("FCStone Merchants"), is entitled to borrow up to $75 million, subject to certain conditions. The loan proceeds are used to finance traditional commodity financing arrangements or the purchase of eligible commodities from sellers who have agreed to sell and later repurchase such commodities from FCStone Merchants, and are secured by its assets. The facility is guaranteed by the Company.

Credit facilities and outstanding borrowings as of December 31, 2012 and September 30, 2012 were as follows:

| (in millions) | | | | Amounts Outstanding | |
|---|---|---|---|---|---|
| Borrower | Security | Renewal / Expiration Date | Total Commitment | December 31, 2012 | September 30, 2012 |
| INTL FCStone Inc. | Certain pledged shares | October 1, 2013 | $95.0 | $78.0 | $ 48.0 |
| INTL Commodities | Certain commodities assets | April 30, 2013 | 140.0 | 107.0 | 107.0 |
| FCStone, LLC | None | April 11, 2013 | 75.0 | — | 20.0 |
| FCStone Merchants | Certain commodities assets | May 31, 2013 | 75.0 | 56.4 | 43.2 |
| | | | $385.0 | $241.4 | $ 218.2 |

All of the Company’s committed credit facilities are scheduled to expire during fiscal 2013 or shortly thereafter. The Company is currently in discussions with current and potential lenders to renew, extend or rearrange these facilities. While there is no guarantee that the Company will be successful in renewing, extending or rearranging these agreements as they expire, based on the Company's liquidity position and capital structure, the Company believes it will be able to do so. At this time, the Company

17

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Table of Contents

is unable to determine the duration, applicable interest rates or other costs associated with the renewal or replacement of these facilities.

The Company's facility agreements contain certain financial covenants relating to financial measures on a consolidated basis, as well as on a certain stand-alone subsidiary basis, including minimum net worth, minimum working capital, minimum regulatory capital, minimum net unencumbered liquid assets, minimum equity, minimum interest coverage and leverage ratios and maximum net loss. Failure to comply with any such covenants could result in the debt becoming payable on demand. As of December 31, 2012, the Company was in compliance with all of its covenants under its credit facilities.

Note 10 – Commodity and Other Repurchase Agreements

The Company's outstanding notes receivable in connection with the sale/repurchase agreements, whereby the customers sell certain commodity inventory and agree to repurchase the commodity inventory at a future date at either a fixed or floating rate, as of December 31, 2012 and September 30, 2012 were $66.7 million and $92.5 million, respectively.

The obligations outstanding related to commodities sold under repurchase agreements that are recorded within 'broker-dealers, clearing organizations and counterparties' as of December 31, 2012 and September 30, 2012 were $4.1 million and $37.0 million, respectively. The obligations outstanding related to commodities sold under repurchase agreements that are recorded within 'lenders under loans' as of December 31, 2012 and September 30, 2012 were $56.4 million and $43.2 million, respectively.

Note 11 – Commitments and Contingencies

Legal and Regulatory Proceedings

Certain conditions may exist as of the date that the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal and regulatory proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal and regulatory proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss had been incurred at the date of the financial statements and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Neither accrual nor disclosure is required for loss contingencies that are deemed remote. The Company accrues legal fees related to contingent liabilities as they are incurred.

In addition to the matters discussed below, from time to time and in the ordinary course of business, the Company is involved in various legal and regulatory actions and proceedings, including tort claims, contractual disputes, employment matters, workers' compensation claims and collections. The Company carries insurance that provides protection against certain types of claims, up to the policy limits of the insurance.

As of December 31, 2012 and September 30, 2012, the condensed consolidated balance sheets include loss contingency accruals recorded prior to September 30, 2012 and during the three months ended December 31, 2012, which are not material, individually or in the aggregate, to the Company's financial position or liquidity. During the three months ended December 31, 2012, the Company accrued expense related to loss contingencies of $1.5 million. In the opinion of management, possible exposure in these matters in excess of the amounts accrued, and in addition to the possible losses discussed below, is not material to the Company's earnings, financial position or liquidity.

The following is a summary of significant legal matters involving the Company.

Securities Litigation and Regulatory Proceedings

FCStone and certain officers of FCStone were named as defendants in an action filed in the United States District Court for the Western District of Missouri in July 2008. A consolidated amended complaint ("CAC") was subsequently filed in September 2009. As alleged in the CAC, the action purports to be brought as a class action on behalf of purchasers of FCStone common stock between November 15, 2007 and February 24, 2009. The CAC seeks to hold defendants liable under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934 and concerns disclosures included in FCStone's fiscal year 2008 public filings. Specifically, the CAC relates to FCStone's public disclosures regarding an interest rate hedge, a bad debt expense arising from unprecedented events in the cotton trading market, and certain disclosures beginning on November 3, 2008 related to losses it expected to incur arising primarily from a customer energy trading account. FCStone and the named officers moved to dismiss the action. The parties to the litigation reached an agreement in principle to settle this matter during May 2012. The

Table of Contents

proposed settlement would be at no cost to the Company after consideration of insurance, and is subject to approval by the court. The terms of the settlement are expected to be presented to the court for approval before July 2013.

In August 2008, a shareholder derivative action was filed against FCStone and certain directors of FCStone in the Circuit Court of Platte County, Missouri, alleging breaches of fiduciary duties, waste of corporate assets and unjust enrichment. An amended complaint was subsequently filed in May 2009 to add claims based upon the losses sustained by FCStone arising out of a customer energy trading account. In July 2009, the same plaintiff filed a motion for leave to amend the existing case to add a purported class action claim on behalf of the holders of FCStone common stock.

In July 2009, a purported shareholder class action complaint was filed against FCStone and its directors, as well as the Company in the Circuit Court of Clay County, Missouri. The complaint alleged that FCStone and its directors breached their fiduciary duties by failing to maximize stockholder value in connection with the contemplated acquisition of FCStone by the Company. This complaint was subsequently consolidated with the complaint filed in the Circuit Court of Platte County, Missouri. The plaintiffs subsequently filed an amended consolidated complaint which does not assert any claims against the Company. This complaint purports to be filed derivatively on FCStone and the Company's behalf and against certain of FCStone's current and former directors and officers and directly against the same individuals. The Company, FCStone and the defendants filed motions to dismiss on multiple grounds. The parties to the litigation reached an agreement in principle to settle this matter during October 2012. The proposed settlement would result in the Company incurring a legal cost of $250,000 after consideration of insurance, and is subject to approval by the court. The terms of the settlement are expected to be presented to the court for approval before July 2013.

As previously disclosed, the staff of the Fort Worth Regional Office of the SEC had conducted a formal investigation of FCStone's disclosures and accounting for losses associated with the customer energy trading account, which occurred prior to the Company's acquisition of FCStone on September 30, 2009. The Company cooperated fully with the SEC's staff in its investigation. During the quarter ended March 31, 2012, the Company was informed that the Staff of the SEC had closed its investigation of FCStone, and was not taking enforcement action against FCStone or any of its current or former officers.

In November 2011, the Commodity Futures Trading Commission ("CFTC") Division of Enforcement Staff ("Staff") requested the Company to voluntarily produce specified documents to the Staff in connection with its then informal investigation of the losses that occurred in 2008 in the customer energy trading account of FCStone, LLC. In September 2012, the Staff provided the Company with a Wells notice, indicating the Staff's intention to recommend that the CFTC bring certain charges against FCStone, LLC. The Company filed its Wells Submission with the Staff in October 2012. The Company is in ongoing discussions with the CFTC regarding this matter.

Sentinel Litigation

The Company's subsidiary, FCStone, LLC, had a portion of its excess segregated funds invested with Sentinel Management Group Inc. ("Sentinel"), a registered FCM and an Illinois-based money manager that provided cash management services to other FCMs. In August 2007, Sentinel halted redemptions to customers and sold certain of the assets it managed to an unaffiliated third party at a significant discount. On August 17, 2007, subsequent to Sentinel's sale of certain assets, Sentinel filed for bankruptcy protection and $15.5 million of FCStone, LLC's $21.9 million in invested funds were returned to it.

In August 2008, the bankruptcy trustee of Sentinel filed adversary proceedings against FCStone, LLC, and a number of other FCMs in the Bankruptcy Court for the Northern District of Illinois. The case was subsequently reassigned to the United States District Court, for the Northern District of Illinois. In the complaint, the trustee is seeking avoidance of alleged transfers or withdrawals of funds received by FCStone, LLC and other FCMs within 90 days prior to the filing of the Sentinel bankruptcy petition, as well as avoidance of post-petition distributions and disallowance of the proof of claim filed by FCStone, LLC. The trustee seeks recovery of pre- and post-petition transfers totaling approximately $15.5 million. In April 2009, the trustee filed an amended complaint adding a claim for unjust enrichment. FCStone, LLC answered the complaints and all parties entered into the discovery phase of the litigation. In January 2011, the trustee filed a motion for summary judgment on various counts in the adversary proceedings filed in August 2008 against FCStone, LLC and a number of other FCMs. In January 2012, FCStone, LLC filed a motion for summary judgment in its favor with respect to the transfer of approximately $1.1 million to its customer segregated account on August 17, 2007, pursuant to the "safe harbor" provisions of Section 546(e) of the U.S. Bankruptcy Code. In April 2012, FCStone, LLC filed a motion to dismiss a portion of the trustee's claims set forth in its amended complaint. The trial of this matter took place, as a test case, during October 2012. The trial court entered a judgment against FCStone, LLC on January 4, 2013. On January 17, 2013, the trial court entered an agreed order, staying execution and enforcement, pending an appeal of the judgment. By agreement, FCStone, LLC was required to post an appeal cash deposit of $8.0 million with the court, which was deposited on January 18, 2013. Based upon the merits of the Company's appeal, management believes a loss is not probable, and thus has not recorded a provision for this matter. The Company believes that if the appeal is unsuccessful, the resulting pre-tax loss to FCStone, LLC would be between $4 million and $6 million.

Table of Contents

Contractual Commitments

Contingent Liabilities - Acquisitions

Under the terms of the purchase agreements related to the acquisitions listed below, the Company has obligations to pay additional consideration if specific conditions and earnings targets are met. In accordance with the Business Combinations Topic of the ASC, the fair value of the additional consideration is recognized as a contingent liability as of the acquisition date. The contingent liability for these estimated additional purchase price considerations are included within ‘accounts payable and other accrued liabilities’ in the condensed consolidated balance sheets as of December 31, 2012 and September 30, 2012. The acquisition date fair value of additional consideration is remeasured to its fair value each reporting period, with changes in fair value recorded in current earnings.

The Company has recorded an estimated contingent liability of $3.1 million, relating to the December 2012 acquisition of the institutional accounts of Tradewire Securities, LLC, as described in Note 16.

The Company has a contingent liability relating to the November 2011 acquisition of Coffee Network, LLC, subsequently reorganized as a division of FCStone, LLC, which may result in the payment of additional purchase price consideration. The contingent liability recorded represents the fair value of the expected consideration to be paid, based on the forecasted adjusted pre-tax net earnings during the three annual periods following the closing of the acquisition plus a final contingent payment, and a discount rate being applied to those future payments. The present value of the estimated total purchase price, including contingent consideration, is less than $0.3 million as of December 31, 2012, of which less than $0.1 million has not been paid and is included within ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet.

The Company has a contingent liability relating to the October 2010 acquisition of Hencorp Becstone Futures, L.C., subsequently reorganized as a division of FCStone, LLC , which may result in the payment of additional purchase price consideration. The contingent liability recorded represents the fair value of the expected consideration to be paid, based on the forecasted adjusted pre-tax net earnings during the third and fourth fiscal years following the closing of the acquisition and a discount rate being applied to those future payments. The change in fair value for the three months ended December 31, 2012 was an increase of $0.1 million, included within ‘other expense’ in the condensed consolidated income statement. The present value of the estimated total purchase price, including contingent consideration, is $6.6 million as of December 31, 2012, of which $2.5 million has not been paid and is included within ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet.

The Company has a contingent liability relating to the July 2010 acquisition of the Hanley Companies, which may result in the payment of additional purchase price consideration. The contingent liability recorded represents contingent payments equal to 15% of the adjusted earnings before interest and taxes of the soft commodities derivatives business of the acquired Hanley Companies and INTL Hanley, LLC (the “Derivatives Division”) for the twelve-month period ending June 30, 2013 and a final contingent payment based on the cumulative adjusted earnings before taxes of the Derivatives Division for the three year period commencing on July 1, 2010, with a discount rate being applied to those future payments. Based on the purchase agreement, the remaining additional consideration is limited to a maximum of $10.0 million. The change in fair value for the three months ended December 31, 2012 was an increase of $0.2 million, included within ‘other expense’ in the condensed consolidated income statement. The present value of the estimated total purchase price, including contingent consideration, is $53.7 million as of December 31, 2012, of which $9.5 million has not been paid and is included within ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet.

The Company has a contingent liability relating to the April 2010 acquisition of the RMI Companies, subsequently reorganized as divisions of FCStone, LLC, which may result in the payment of additional consideration. The contingent liability recorded represents the fair value of expected consideration to be paid based on the forecasted sales during the twelve-month period ending March 31, 2013, and a discount rate being applied to that future payment. The change in fair value for the three months ended December 31, 2012 was an increase of $0.1 million, included within ‘other expense’ in the condensed consolidated income statement. The present value of the estimated total purchase price, including contingent consideration, is $15.2 million as of December 31, 2012, of which $3.0 million has not been paid and is included within ‘accounts payable and other liabilities’ in the condensed consolidated balance sheet.

Exchange Member Guarantees

The Company is a member of various exchanges that trade and clear futures and option contracts. Associated with its memberships, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchanges. While the rules governing different exchange memberships vary, in general the Company’s guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the

20

Table of Contents

condensed consolidated financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.

Note 12 – Capital and Other Regulatory Requirements

The Company's activities are subject to significant governmental regulation, both in the United States and overseas. The subsidiaries of the Company are in compliance with all of their regulatory requirements as of December 31, 2012, as follows:

| (in millions) | | | As of December 31, 2012 | |
|---|---|---|---|---|
| Subsidiary | Regulatory Authority | Requirement Type | Actual | Minimum Requirement |
| FCStone, LLC | CFTC | Net capital | $98.7 | $ 68.6 |
| FCStone, LLC | CFTC | Segregated funds | $1,574.7 | $ 1,550.6 |
| FCStone, LLC | CFTC | Secured funds | $74.1 | $ 62.5 |
| INTL FCStone (Europe) | FSA | Net capital | $43.0 | $ 21.4 |
| INTL FCStone (Europe) | FSA | Segregated funds | $90.6 | $ 88.5 |
| INTL Global Currencies Limited | FSA | Net capital | $19.4 | $ 0.5 |
| TRX Futures Limited | FSA | Capital adequacy | $8.2 | $ 3.0 |
| INTL FCStone Securities Inc. | SEC | Net capital | $2.0 | $ 1.0 |
| FCC Investments, Inc. | SEC | Net capital | $0.4 | $ 0.3 |
| FCStone Australia | Australian Securities and Investment Commission | Net capital | $2.0 | $ 1.0 |
| FCStone Australia | New Zealand Clearing Ltd | Capital adequacy | $11.5 | $ 0.8 |
| FCStone Europe | Central Bank of Ireland | Net capital | $2.0 | $ 0.5 |
| INTL FCStone DTVM Ltda. | Brazilian Central Bank and Securities and Exchange Commission of Brazil | Capital adequacy | $0.9 | $ 0.7 |

Certain other non-U.S. subsidiaries of the Company are also subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of December 31, 2012, these subsidiaries were in compliance with their local capital adequacy requirements.

Note 13 – Stock-Based Compensation

Stock-based compensation expense is included within 'compensation and benefits' in the condensed consolidated income statements and totaled $1.6 million and $1.0 million for the three months ended December 31, 2012 and 2011, respectively.

Stock Option Plan

The Company sponsored a stock option plan for its directors, officers, employees and consultants. The Company's current stock option plan expired on December 17, 2012. The Company's Board of Directors has approved a new stock option plan ("the 2013 Stock Option Plan"), which is subject to shareholder approval at the 2013 annual meeting of shareholders, and would authorize the Company to issue stock options covering up to 1.0 million shares of the Company's common stock. If shareholder approval is not obtained, the stock option plan shall terminate. Options may be granted prior to the obtaining of such shareholder approval, but the exercise of such options shall be conditioned upon such shareholder approval. As of December 31, 2012, there were 1.0 million shares authorized for future grant under this plan. The Company settles stock option exercises with newly issued shares of common stock.

Fair value is estimated at the grant date based on a Black-Scholes-Merton option-pricing model using the following weighted-average assumptions:

| | Three Months Ended December 31, 2012 |
|---|---|
| Expected stock price volatility | 35% |
| Expected dividend yield | —% |

| | |
|---|---|
| Risk free interest rate | 0.37% |
| Average expected life (in years) | 2.88 |

21

Table of Contents

Expected stock price volatility rates are based primarily on the historical volatility. The Company has not paid dividends in the past and does not currently expect to do so in the future. Risk free interest rates are based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option award. The average expected life represents the estimated period of time that options or awards granted are expected to be outstanding, based on the Company's historical share option exercise experience for similar option grants. The weighted average fair value of options issued during the three months ended December 31, 2012 was $4.31.
The following is a summary of stock option activity for the three months ended December 31, 2012:

| | Shares Available for Grant | Number of Options Outstanding | Weighted Average Price | Weighted Average Grant Date Fair Value | Weighted Average Remaining Term (in years) | Aggregate Intrinsic Value ($ millions) |
|---|---|---|---|---|---|---|
| Balances as of September 30, 2012 | 921,412 | 1,890,634 | $ 23.36 | $ 11.11 | 5.45 | $ 6.0 |
| Expiration of 2003 Plan | (828,321) | | | | | |
| Additional shares authorized | 1,000,000 | | | | | |
| Granted | (100,000) | 100,000 | $ 17.92 | $ 4.31 | | |
| Exercised | | (25,667) | $ 7.10 | $ 3.27 | | |
| Forfeited | 6,666 | (6,666) | $ 7.26 | $ 3.38 | | |
| Expired | 243 | (243) | $ 15.02 | $ 6.67 | | |
| Balances as of December 31, 2012 | 1,000,000 | 1,958,058 | $ 23.35 | $ 10.89 | 5.20 | $ 4.7 |
| Exercisable as of December 31, 2012 | | 831,845 | $ 24.07 | $ 10.07 | 2.32 | $ 3.4 |

The total compensation cost not yet recognized for non-vested awards of $11.5 million as of December 31, 2012 has a weighted-average period of 6.33 years over which the compensation expense is expected to be recognized. The total intrinsic value of options exercised during the three months ended December 31, 2012 and 2011 was $0.5 million, and $0.3 million, respectively.
Restricted Stock Plan
The Company sponsors a restricted stock plan for its directors, officers and employees. As of December 31, 2012, 1,243,127 shares were authorized for future grant under the 2012 restricted stock plan. Awards that expire or are canceled generally become available for issuance again under the plan. The Company utilizes newly issued shares of common stock to make restricted stock grants.
The following is a summary of restricted stock activity through December 31, 2012:

| | Shares Available for Grant | Number of Shares Outstanding | Weighted Average Grant Date Fair Value | Weighted Average Remaining Term (in years) | Aggregate Intrinsic Value ($ millions) |
|---|---|---|---|---|---|
| Balances as of September 30, 2012 | 1,420,114 | 512,124 | $ 22.09 | 1.81 | $ 9.8 |
| Granted | (177,034) | 177,034 | $ 17.84 | | |
| Vested | | (157,408) | $ 20.85 | | |
| Forfeited | 47 | (47) | $ 21.40 | | |
| Balances as of December 31, 2012 | 1,243,127 | 531,703 | $ 21.04 | 2.30 | $ 9.3 |

The total compensation cost not yet recognized of $9.7 million as of December 31, 2012 has a weighted-average period of 2.30 years over which the compensation expense is expected to be recognized. Compensation expense is amortized on a straight-line basis over the vesting period. Restricted stock grants are included in the Company's total issued and outstanding common shares.

Table of Contents

Note 14 – Other Expenses

Other expenses for the three months ended December 31, 2012 and 2011 are comprised of the following:

| | Three Months Ended December 31, | |
|---|---|---|
| (in millions) | 2012 | 2011 |
| Business development | $3.0 | $3.2 |
| Contingent consideration, net[1] | 0.7 | 1.3 |