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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to __________

Commission File No. 001-31720

PIPER JAFFRAY COMPANIES

(Exact Name of Registrant as specified in its Charter)

DELAWARE	**30-0168701**
(State or Other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*
800 Nicollet Mall, Suite 1000 Minneapolis, Minnesota	**55402**
(Address of Principal Executive Offices)	*(Zip Code)*

(612) 303-6000
(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 ☑ No ☐

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 405 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 ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

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

As of April 27, 2016, the registrant had 16,094,194 shares of Common Stock outstanding.

Piper Jaffray Companies

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS.*

Piper Jaffray Companies

Consolidated Statements of Financial Condition

(Amounts in thousands, except share data)	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Cash and cash equivalents	**$ 49,140**	$ 189,910
Cash and cash equivalents segregated for regulatory purposes	**47,042**	81,022
Receivables:		
Customers	**29,697**	41,167
Brokers, dealers and clearing organizations	**185,779**	147,949
Securities purchased under agreements to resell	**117,172**	136,983
Financial instruments and other inventory positions owned	**426,042**	283,579
Financial instruments and other inventory positions owned and pledged as collateral	**675,876**	707,355
Total financial instruments and other inventory positions owned	**1,101,918**	990,934
Fixed assets (net of accumulated depreciation and amortization of $61,284 and $51,874, respectively)	**20,815**	18,984
Goodwill	**289,862**	217,976
Intangible assets (net of accumulated amortization of $52,099 and $48,803, respectively)	**41,845**	30,530
Investments	**163,701**	163,861
Other assets	**131,444**	119,202
Total assets	**$ 2,178,415**	$ 2,138,518
Liabilities and Shareholders' Equity		
Short-term financing	**$ 459,043**	$ 446,190
Senior notes	**175,000**	175,000
Payables:		
Customers	**44,641**	37,364
Brokers, dealers and clearing organizations	**170,931**	48,131
Securities sold under agreements to repurchase	**51,632**	45,319
Financial instruments and other inventory positions sold, but not yet purchased	**264,653**	239,155
Accrued compensation	**106,075**	251,638
Other liabilities and accrued expenses	**53,503**	62,901
Total liabilities	**1,325,478**	1,305,698
Shareholders' equity:		
Common stock, $0.01 par value:		
Shares authorized: 100,000,000 at March 31, 2016 and December 31, 2015;		
Shares issued: 19,512,638 at March 31, 2016 and 19,510,858 at December 31, 2015;		
Shares outstanding: 13,267,785 at March 31, 2016 and 13,311,016 at December 31, 2015	**195**	195
Additional paid-in capital	**773,117**	752,066
Retained earnings	**281,577**	279,140
Less common stock held in treasury, at cost: 6,244,853 at March 31, 2016 and 6,199,842 shares at December 31, 2015	**(249,117)**	(247,553)
Accumulated other comprehensive loss	**(592)**	(189)
Total common shareholders' equity	**805,180**	783,659
Noncontrolling interests	**47,757**	49,161
Total shareholders' equity	**852,937**	832,820
Total liabilities and shareholders' equity	**$ 2,178,415**	$ 2,138,518

See Notes to the Consolidated Financial Statements

Piper Jaffray Companies
Consolidated Statements of Operations
(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended March 31, 2016	2015
Revenues:		
Investment banking	**$ 103,938**	$ 87,077
Institutional brokerage	**32,049**	36,036
Asset management	**13,848**	20,522
Interest	**8,829**	12,205
Investment income	**937**	12,591
Total revenues	**159,601**	168,431
Interest expense	**6,045**	6,560
Net revenues	**153,556**	161,871
Non-interest expenses:		
Compensation and benefits	**104,436**	95,857
Outside services	**8,451**	8,184
Occupancy and equipment	**7,718**	6,783
Communications	**7,330**	6,328
Marketing and business development	**7,004**	6,982
Trade execution and clearance	**1,762**	1,997
Restructuring and integration costs	**6,773**	—
Intangible asset amortization expense	**3,296**	1,773
Other operating expenses	**3,344**	2,675
Total non-interest expenses	**150,114**	130,579
Income before income tax expense	**3,442**	31,292
Income tax expense	**256**	9,490
Net income	**3,186**	21,802
Net income applicable to noncontrolling interests	**749**	4,830
Net income applicable to Piper Jaffray Companies	**$ 2,437**	$ 16,972
Net income applicable to Piper Jaffray Companies' common shareholders	**$ 2,124**	$ 15,810
Earnings per common share		
Basic	**$ 0.16**	$ 1.03
Diluted	**$ 0.16**	$ 1.03
Weighted average number of common shares outstanding		
Basic	**13,160**	15,294
Diluted	**13,172**	15,332

See Notes to the Consolidated Financial Statements

Piper Jaffray Companies

Consolidated Statements of Comprehensive Income

(Unaudited)

(Amounts in thousands)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Net income	**$ 3,186**	$ 21,802
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	**(403)**	(475)
Comprehensive income	**2,783**	21,327
Comprehensive income applicable to noncontrolling interests	**749**	4,830
Comprehensive income applicable to Piper Jaffray Companies	**$ 2,034**	$ 16,497

See Notes to the Consolidated Financial Statements

Piper Jaffray Companies

Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Operating Activities:		
Net income	**$ 3,186**	$ 21,802
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization of fixed assets	**1,458**	1,215
Deferred income taxes	**6,436**	10,162
Stock-based and deferred compensation	**10,064**	13,756
Amortization of intangible assets	**3,296**	1,773
Amortization of forgivable loans	**2,051**	1,280
Decrease/(increase) in operating assets:		
Cash and cash equivalents segregated for regulatory purposes	**33,980**	(2,008)
Receivables:		
Customers	**12,748**	(16,842)
Brokers, dealers and clearing organizations	**(36,899)**	(41,203)
Securities purchased under agreements to resell	**17,899**	(77,542)
Net financial instruments and other inventory positions owned	**(85,486)**	(90,662)
Investments	**(8,051)**	(18,070)
Other assets	**(17,559)**	(25,932)
Increase/(decrease) in operating liabilities:		
Payables:		
Customers	**7,277**	21,594
Brokers, dealers and clearing organizations	**122,800**	150,890
Securities sold under agreements to repurchase	**2,809**	—
Accrued compensation	**(133,238)**	(128,977)
Other liabilities and accrued expenses	**(17,075)**	3,633
Net cash used in operating activities	**(74,304)**	(175,131)
Investing Activities:		
Business acquisitions, net of cash acquired	**(70,230)**	—
Purchases of fixed assets, net	**(1,331)**	(1,896)
Net cash used in investing activities	**(71,561)**	(1,896)

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Piper Jaffray Companies
Consolidated Statements of Cash Flows – Continued
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Financing Activities:		
Increase in short-term financing	**$ 12,853**	$ 139,755
Increase in securities sold under agreements to repurchase	**5,416**	66,581
Increase in noncontrolling interests	**7,262**	1,805
Repurchase of common stock	**(19,445)**	(42,566)
Excess/(reduced) tax benefit from stock-based compensation	**(895)**	3,662
Proceeds from stock option exercises	**—**	1,562
Net cash provided by financing activities	**5,191**	170,799
Currency adjustment:		
Effect of exchange rate changes on cash	**(96)**	(257)
Net decrease in cash and cash equivalents	**(140,770)**	(6,485)
Cash and cash equivalents at beginning of period	**189,910**	15,867
Cash and cash equivalents at end of period	**$ 49,140**	$ 9,382
Supplemental disclosure of cash flow information –		
Cash paid during the period for:		
Interest	**$ 6,067**	$ 6,427
Income taxes	**$ 19,827**	$ 15,871
Non-cash investing activities –		
Issuance of common stock for the acquisition of Simmons & Company International:		
25,525 shares for the three months ended March 31, 2016	**$ 1,074**	$ —
Non-cash financing activities –		
Issuance of restricted common stock for annual equity award:		
843,889 shares and 550,650 shares for the three months ended March 31, 2016 and 2015, respectively	**$ 35,089**	$ 30,429

See Notes to the Consolidated Financial Statements

Piper Jaffray Companies
Notes to the Consolidated Financial Statements
(Unaudited)

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Piper Jaffray Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 1 *Organization and Basis of Presentation*

Organization

Piper Jaffray Companies is the parent company of Piper Jaffray & Co. ("Piper Jaffray"), a securities broker dealer and investment banking firm; Piper Jaffray Ltd., a firm providing securities brokerage and mergers and acquisitions services in Europe headquartered in London, England; Simmons & Company International Limited ("SCIL"), a firm providing mergers and acquisitions services to the energy industry headquartered in Aberdeen, Scotland; Advisory Research, Inc. ("ARI"), which provides asset management services to separately managed accounts, closed-end and open-end funds and partnerships; Piper Jaffray Investment Group Inc., which consists of entities providing alternative asset management services; Piper Jaffray Financial Products Inc., Piper Jaffray Financial Products II Inc. and Piper Jaffray Financial Products III Inc., entities that facilitate derivative transactions; and other immaterial subsidiaries. Piper Jaffray Companies and its subsidiaries (collectively, the "Company") operate in two reporting segments: Capital Markets and Asset Management. A summary of the activities of each of the Company’s business segments is as follows:

Capital Markets

The Capital Markets segment provides institutional sales, trading and research services and investment banking services. Institutional sales, trading and research services focus on the trading of equity and fixed income products with institutions, government and non-profit entities. Revenues are generated through commissions and sales credits earned on equity and fixed income institutional sales activities, net interest revenues on trading securities held in inventory, and profits and losses from trading these securities. Investment banking services include management of and participation in underwritings, merger and acquisition services and public finance activities. Revenues are generated through the receipt of advisory and financing fees. Also, the Company generates revenue through strategic trading and investing activities, which focus on investments in municipal bonds, mortgage-backed securities, U.S. government agency securities, and merchant banking activities involving equity or debt investments in late stage private companies. The Company has created alternative asset management funds in energy, merchant banking and senior living in order to invest firm capital and to manage capital from outside investors. The Company receives management and performance fees for managing these funds.

Asset Management

The Asset Management segment provides traditional asset management services with product offerings in equity securities and master limited partnerships to institutions and individuals. Revenues are generated in the form of management and performance fees. Revenues are also generated through investments in the partnerships and funds that the Company manages.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Pursuant to this guidance, certain information and disclosures have been omitted that are included within complete annual financial statements. Except as disclosed herein, there have been no material changes in the information reported in the financial statements and related disclosures in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The consolidated financial statements include the accounts of Piper Jaffray Companies, its wholly owned subsidiaries, and all other entities in which the Company has a controlling financial interest. Noncontrolling interests represent equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Jaffray Companies. Noncontrolling interests include the minority equity holders’ proportionate share of the equity in the Company's alternative asset management funds. All material intercompany balances have been eliminated.

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best information available, actual results could differ from those estimates.

Note 2 *Accounting Policies and Pronouncements*

Summary of Significant Accounting Policies

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for a full description of the Company's significant accounting policies. Changes to the Company's significant accounting policies are described below.

Principles of Consolidation

The Company consolidates entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a variable interest entity ("VIE") or a voting interest entity.

VIEs are entities in which (i) the total equity investment at risk is not sufficient to enable the entity to finance its activities independently or (ii) the at-risk equity holders do not have the normal characteristics of a controlling financial interest. A controlling financial interest in a VIE is present when an enterprise has one or more variable interests that have both (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The enterprise with a controlling financial interest is the primary beneficiary and consolidates the VIE.

Voting interest entities lack one or more of the characteristics of a VIE. The usual condition for a controlling financial interest is ownership of a majority voting interest for a corporation or a majority of kick-out rights for a limited partnership.

When the Company does not have a controlling financial interest in an entity but exerts significant influence over the entity’s operating and financial policies (generally defined as owning a voting or economic interest of between 20 percent to 50 percent), the Company's investment is accounted for under the equity method of accounting. If the Company does not have a controlling financial interest in, or exert significant influence over, an entity, the Company accounts for its investment at fair value, if the fair value option was elected, or at cost.

Adoption of New Accounting Standards

Consolidation

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"). ASU 2015-02 makes several modifications to the consolidation guidance for VIEs and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. It was effective for the Company as of January 1, 2016. The adoption of ASU 2015-02 resulted in the deconsolidation of certain investment partnerships with assets (and the related noncontrolling interests) of approximately $9.4 million. There was no impact to the Company’s retained earnings upon adoption. In addition, certain entities previously consolidated as voting interest entities became consolidated VIEs under the amended guidance.

Piper Jaffray Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Future Adoption of New Applicable Accounting Standards

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-09") which supersedes current revenue recognition guidance, including most industry-specific guidance. ASU 2014-09 requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services, and also requires additional disclosures regarding the nature, amount, timing and uncertainty of revenue that is recognized. The guidance, as stated in ASU 2014-09, is effective for annual and interim periods beginning after December 15, 2016. In August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date by one year, with early adoption on the original effective date permitted. The FASB has subsequently issued various ASUs which amend specific areas of guidance in ASU 2014-09. The Company is evaluating the impact of the new guidance on its consolidated financial statements.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in ASU 2016-01 address certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for annual and interim periods beginning after December 15, 2017. Except for the early application guidance outlined in ASU 2016-01, early adoption is not permitted. The Company is evaluating the impact of the new guidance on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability on the consolidated statements of financial position and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018. The Company is evaluating the impact of the new guidance on its consolidated financial statements.

Stock-Based Compensation

In March 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 makes targeted amendments to the accounting for share-based payments to employees. Under ASU 2016-09, entities will be required to recognize the income tax effects of awards in the income statement when the awards vest or are settled, rather than as additional paid-in-capital. As of March 31, 2016, the Company had $6.1 million of excess tax benefits recorded as additional paid-in-capital. ASU 2016-09 also amends the guidance regarding the employer’s statutory income tax withholding requirements and allows an entity to make an accounting policy election for forfeitures. ASU 2016-09 is effective for annual and interim periods beginning after December 15, 2016. The Company is evaluating the impact of the new guidance on its consolidated financial statements.

Note 3 *Acquisitions*

The following acquisitions were accounted for pursuant to FASB Accounting Standards Codification Topic 805, "Business Combinations." Accordingly, the purchase price of each acquisition was allocated to the acquired assets and liabilities assumed based on their estimated fair values as of the respective acquisition dates. The excess of the purchase price over the net assets acquired was allocated between goodwill and intangible assets within the Capital Markets segment.

Simmons & Company International

On February 26, 2016, the Company completed the purchase of Simmons & Company International ("Simmons"), an employee-owned investment bank and broker dealer focused on the energy industry. The economic value of the acquisition was approximately $140.0 million and was completed pursuant to the Securities Purchase Agreement dated November 16, 2015, as amended. The acquisition of Simmons supports the Company's strategy to expand its investment banking business into the energy sector and also grow its advisory business.

The Company acquired net assets with a fair value of $118.5 million as described below. As part of the purchase price, the Company issued 1,149,340 restricted shares valued at $48.2 million as equity consideration on the acquisition date. These restricted shares cliff vest after three years, and the employees must fulfill service requirements in exchange for the rights to the shares. Compensation expense will be amortized on a straight-line basis over the requisite service period of one or three years (a weighted average service period of 2.7 years). The fair value of the restricted stock was determined using the market price of the Company's common stock on the date of the acquisition.

The Company also entered into acquisition-related compensation arrangements with certain employees of $20.6 million which consisted of cash ($9.0 million) and restricted stock ($11.6 million) for retention purposes. Compensation expense related to these arrangements will be amortized on a straight-line basis over the requisite service period of three years. Additional cash compensation may be available to certain investment banking employees subject to exceeding an investment banking revenue threshold during the three year post-acquisition period to the extent they are employed by the Company at the time of payment. Amounts estimated to be payable, if any, related to this performance award plan will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period of three years.

The Company recorded $71.9 million of goodwill on the consolidated statements of financial condition, of which $61.7 million is expected to be deductible for income tax purposes. The final goodwill recorded on the Company's consolidated statements of financial condition may differ from that reflected herein as a result of measurement period adjustments. In management's opinion, the goodwill represents the reputation and operating expertise of Simmons.

Identifiable intangible assets purchased by the Company consisted of customer relationships and the Simmons trade name with acquisition-date fair values currently estimated to be $13.8 million and $0.8 million, respectively. The Company anticipates finalizing the fair value of Simmons intangible assets in the second quarter of 2016. Transaction costs of $0.5 million were incurred for the three months ended March 31, 2016, and are included in restructuring and integration costs on the consolidated statements of operations.

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition:

(Dollars in thousands)

Assets:		
Cash and cash equivalents	$	47,201
Receivables:		
Customers		1,278
Brokers, dealers and clearing organizations		931
Fixed assets		1,981
Goodwill		71,900
Intangible assets		14,597
Investments		995
Other assets		3,599
Total assets acquired		142,482
Liabilities:		
Accrued compensation		16,284
Other liabilities and accrued expenses		7,693
Total liabilities assumed		23,977
Net assets acquired	$	118,505

Piper Jaffray Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Simmons' results of operations have been included in the Company's consolidated financial statements prospectively beginning on the date of acquisition. The acquisition has been fully integrated with the Company's existing operations. Accordingly, post-acquisition revenues and net income are not discernible. The following unaudited pro forma financial data assumes the acquisition had occurred at the beginning of the comparable prior period presented. Pro forma results have been prepared by adjusting the Company's historical results to include Simmons' results of operations adjusted for the following changes: amortization expense was adjusted to account for the acquisition-date fair value of intangible assets; compensation and benefits expenses were adjusted to reflect such expenses based on the Company's compensation arrangements and the restricted stock issued as equity consideration; and the income tax effect of applying the Company's statutory tax rates to Simmons' results of operations. The consolidated Company's unaudited pro forma information presented does not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable periods presented, does not contemplate anticipated operational efficiencies of the combined entities, nor does it indicate the results of operations in future periods.

	Three Months Ended March 31,	
(Dollars in thousands)	**2016**	**2015**
Net revenues	**$ 161,353**	$ 187,982
Net income/(loss) applicable to Piper Jaffray Companies	**(222)**	15,490

River Branch Holdings LLC and BMO Capital Markets GKST Inc.

On September 30, 2015, the Company acquired the assets of River Branch Holdings LLC ("River Branch"), an equity investment banking boutique focused on the financial institutions sector. The purchase was completed pursuant to the Asset Purchase Agreement dated July 11, 2015.

On October 9, 2015, the Company completed the purchase of BMO Capital Markets GKST Inc. ("BMO GKST"), a municipal bond sales, trading and origination business of BMO Financial Corp. The purchase was completed pursuant to the Stock Purchase Agreement dated July 19, 2015.

The Company recorded $6.1 million of goodwill on the consolidated statements of financial condition related to these acquisitions and $7.5 million of identifiable intangible assets consisting of customer relationships. In management's opinion, the goodwill represents the reputation and operating expertise of River Branch and BMO GKST.

The results of operations of River Branch and BMO GKST have been included in the Company's consolidated financial statements prospectively from the respective dates of acquisition. The terms of these transactions were not disclosed as the acquisitions did not have a material impact on the Company's consolidated financial statements.

Piper Jaffray Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 4 *Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased*

(Dollars in thousands)	March 31, 2016	December 31, 2015
Financial instruments and other inventory positions owned:		
Corporate securities:		
Equity securities	**$ 4,791**	$ 9,505
Convertible securities	**17,039**	18,460
Fixed income securities	**59,735**	48,654
Municipal securities:		
Taxable securities	**125,692**	111,591
Tax-exempt securities	**509,219**	416,966
Short-term securities	**72,164**	33,068
Mortgage-backed securities	**117,891**	121,794
U.S. government agency securities	**155,894**	188,140
U.S. government securities	**—**	7,729
Derivative contracts	**39,493**	35,027
Total financial instruments and other inventory positions owned	**1,101,918**	990,934
Less noncontrolling interests (1)	**(54,047)**	(43,397)
	$ 1,047,871	$ 947,537
Financial instruments and other inventory positions sold, but not yet purchased:		
Corporate securities:		
Equity securities	**$ 21,949**	$ 15,740
Fixed income securities	**43,553**	39,909
U.S. government agency securities	**13,584**	21,267
U.S. government securities	**180,462**	159,037
Derivative contracts	**5,105**	3,202
Total financial instruments and other inventory positions sold, but not yet purchased	**264,653**	239,155
Less noncontrolling interests (2)	**(11,457)**	(4,586)
	$ 253,196	$ 234,569

(1) Noncontrolling interests attributable to third party ownership in a consolidated municipal bond fund consist of $12.5 million and $7.5 million of taxable municipal securities, $40.6 million and $35.1 million of tax-exempt municipal securities, and $0.9 million and $0.8 million of derivative contracts as of March 31, 2016 and December 31, 2015, respectively.

(2) Noncontrolling interests attributable to third party ownership in a consolidated municipal bond fund consist of U.S. government securities as of March 31, 2016 and December 31, 2015.

At March 31, 2016 and December 31, 2015, financial instruments and other inventory positions owned in the amount of $675.9 million and $707.4 million, respectively, had been pledged as collateral for short-term financings and repurchase agreements.

Financial instruments and other inventory positions sold, but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price, thereby creating a liability to purchase the security in the market at prevailing prices. The Company is obligated to acquire the securities sold short at prevailing market prices, which may exceed the amount reflected on the consolidated statements of financial condition. The Company economically hedges changes in the market value of its financial instruments and other inventory positions owned using inventory positions sold, but not yet purchased, interest rate derivatives, credit default swap index contracts, U.S. treasury bond and Eurodollar futures and exchange traded options.

Piper Jaffray Companies
Notes to the Consolidated Financial Statements
(Unaudited)

Derivative Contract Financial Instruments

The Company uses interest rate swaps, interest rate locks, credit default swap index contracts, U.S. treasury bond and Eurodollar futures and equity option contracts as a means to manage risk in certain inventory positions. The Company also enters into interest rate swaps to facilitate customer transactions. The following describes the Company's derivatives by the type of transaction or security the instruments are economically hedging.

Customer matched-book derivatives: The Company enters into interest rate derivative contracts in a principal capacity as a dealer to satisfy the financial needs of its customers. The Company simultaneously enters into an interest rate derivative contract with a third party for the same notional amount to hedge the interest rate and credit risk of the initial client interest rate derivative contract. In certain limited instances, the Company has only hedged interest rate risk with a third party, and retains uncollateralized credit risk as described below. The instruments use interest rates based upon either the London Interbank Offer Rate ("LIBOR") index or the Securities Industry and Financial Markets Association ("SIFMA") index.

Trading securities derivatives: The Company enters into interest rate derivative contracts and uses U.S. treasury bond and Eurodollar futures to hedge interest rate and market value risks associated with its fixed income securities. These instruments use interest rates based upon either the Municipal Market Data ("MMD") index, LIBOR or the SIFMA index. The Company also enters into credit default swap index contracts to hedge credit risk associated with its taxable fixed income securities and option contracts to hedge market value risk associated with its convertible securities.

Derivatives are reported on a net basis by counterparty (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) when a legal right of offset exists and on a net basis by cross product when applicable provisions are stated in master netting agreements. Cash collateral received or paid is netted on a counterparty basis, provided a legal right of offset exists. The total absolute notional contract amount, representing the absolute value of the sum of gross long and short derivative contracts, provides an indication of the volume of the Company's derivative activity and does not represent gains and losses. The following table presents the gross fair market value and the total absolute notional contract amount of the Company's outstanding derivative instruments, prior to counterparty netting, by asset or liability position:

	March 31, 2016			December 31, 2015		
(Dollars in thousands) **Derivative Category**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**
Interest rate						
Customer matched-book	**$ 445,897**	**$ 425,503**	**$ 3,989,068**	$ 406,888	$ 386,284	$ 4,392,440
Trading securities	**5**	**6,907**	**301,800**	—	7,685	290,600
Credit default swap index						
Trading securities	**4,905**	**1,341**	**116,902**	5,411	530	94,270
Futures and equity options						
Trading securities	**502**	**—**	**12,925,612**	164	149	2,345,037
	$ 451,309	**$ 433,751**	**$ 17,333,382**	$ 412,463	$ 394,648	$ 7,122,347

(1) *Derivative assets are included within financial instruments and other inventory positions owned on the consolidated statements of financial condition.*

(2) *Derivative liabilities are included within financial instruments and other inventory positions sold, but not yet purchased on the consolidated statements of financial condition.*

The Company's derivative contracts do not qualify for hedge accounting, therefore, unrealized gains and losses are recorded on the consolidated statements of operations. The gains and losses on the related economically hedged inventory positions are not disclosed below as they are not in qualifying hedging relationships. The following table presents the Company's unrealized gains/(losses) on derivative instruments:

(Dollars in thousands)		Three Months Ended March 31,	
Derivative Category	**Operations Category**	**2016**	**2015**
Interest rate derivative contract	Investment banking	**$ (1,172)**	$ (520)
Interest rate derivative contract	Institutional brokerage	**1,744**	679
Credit default swap index contract	Institutional brokerage	**389**	4,607
Futures and equity option derivative contracts	Institutional brokerage	**29**	35
		$ 990	$ 4,801

Credit risk associated with the Company's derivatives is the risk that a derivative counterparty will not perform in accordance with the terms of the applicable derivative contract. Credit exposure associated with the Company's derivatives is driven by uncollateralized market movements in the fair value of the contracts with counterparties and is monitored regularly by the Company's financial risk committee. The Company considers counterparty credit risk in determining derivative contract fair value. The majority of the Company's derivative contracts are substantially collateralized by its counterparties, who are major financial institutions. The Company has a limited number of counterparties who are not required to post collateral. Based on market movements, the uncollateralized amounts representing the fair value of the derivative contract can become material, exposing the Company to the credit risk of these counterparties. As of March 31, 2016, the Company had $28.2 million of uncollateralized credit exposure with these counterparties (notional contract amount of $186.1 million), including $20.0 million of uncollateralized credit exposure with one counterparty.

Note 5 *Fair Value of Financial Instruments*

Based on the nature of the Company's business and its role as a "dealer" in the securities industry or as a manager of alternative asset management funds, the fair values of its financial instruments are determined internally. The Company's processes are designed to ensure that the fair values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, unobservable inputs are developed based on an evaluation of all relevant empirical market data, including prices evidenced by market transactions, interest rates, credit spreads, volatilities and correlations and other security-specific information. Valuation adjustments related to illiquidity or counterparty credit risk are also considered. In estimating fair value, the Company may utilize information provided by third party pricing vendors to corroborate internally-developed fair value estimates.

The Company employs specific control processes to determine the reasonableness of the fair value of its financial instruments. The Company's processes are designed to ensure that the internally-estimated fair values are accurately recorded and that the data inputs and the valuation techniques used are appropriate, consistently applied, and that the assumptions are reasonable and consistent with the objective of determining fair value. Individuals outside of the trading departments perform independent pricing verification reviews as of each reporting date. The Company has established parameters which set forth when the fair value of securities are independently verified. The selection parameters are generally based upon the type of security, the level of estimation risk of a security, the materiality of the security to the Company's financial statements, changes in fair value from period to period, and other specific facts and circumstances of the Company's securities portfolio. In evaluating the initial internally-estimated fair values made by the Company's traders, the nature and complexity of securities involved (e.g., term, coupon, collateral, and other key drivers of value), level of market activity for securities, and availability of market data are considered. The independent price verification procedures include, but are not limited to, analysis of trade data (both internal and external where available), corroboration to the valuation of positions with similar characteristics, risks and components, or comparison to an alternative pricing source, such as a discounted cash flow model. The Company's valuation committee, comprised of members of senior management and risk management, provides oversight and overall responsibility for the internal control processes and procedures related to fair value measurements.

The following is a description of the valuation techniques used to measure fair value.

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of 90 days or less. Actively traded money market funds are measured at their net asset value and classified as Level I.

Financial Instruments and Other Inventory Positions Owned

The Company records financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased at fair value on the consolidated statements of financial condition with unrealized gains and losses reflected on the consolidated statements of operations.

Equity securities – Exchange traded equity securities are valued based on quoted prices from the exchange for identical assets or liabilities as of the period-end date. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level I. Non-exchange traded equity securities (principally hybrid preferred securities) are measured primarily using broker quotations, prices observed for recently executed market transactions and internally-developed fair value estimates based on observable inputs and are categorized within Level II of the fair value hierarchy.

Convertible securities – Convertible securities are valued based on observable trades, when available. Accordingly, these convertible securities are categorized as Level II.

Corporate fixed income securities – Fixed income securities include corporate bonds which are valued based on recently executed market transactions of comparable size, internally-developed fair value estimates based on observable inputs, or broker quotations. Accordingly, these corporate bonds are categorized as Level II.

Taxable municipal securities – Taxable municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II. Certain illiquid taxable municipal securities are valued using market data for comparable securities (maturity and sector) and management judgment to infer an appropriate current yield or other model-based valuation techniques deemed appropriate by management based on the specific nature of the individual security and are therefore categorized as Level III.

Tax-exempt municipal securities – Tax-exempt municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II. Certain illiquid tax-exempt municipal securities are valued using market data for comparable securities (maturity and sector) and management judgment to infer an appropriate current yield or other model-based valuation techniques deemed appropriate by management based on the specific nature of the individual security and are therefore categorized as Level III.

Short-term municipal securities – Short-term municipal securities include auction rate securities, variable rate demand notes, and other short-term municipal securities. Variable rate demand notes and other short-term municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II. Auction rate securities with limited liquidity are categorized as Level III and are valued using discounted cash flow models with unobservable inputs such as the Company's expected recovery rate on the securities.

Mortgage-backed securities – Mortgage-backed securities are valued using observable trades, when available. Certain mortgage-backed securities are valued using models where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data. These mortgage-backed securities are categorized as Level II. Other mortgage-backed securities, which are principally collateralized by residential mortgages, have experienced low volumes of executed transactions resulting in less observable transaction data. Certain mortgage-backed securities collateralized by residential mortgages are valued using cash flow models that utilize unobservable inputs including credit default rates, prepayment rates, loss severity and valuation yields. As judgment is used to determine the range of these inputs, these mortgage-backed securities are categorized as Level III.

U.S. government agency securities – U.S. government agency securities include agency debt bonds and mortgage bonds. Agency debt bonds are valued by using either direct price quotes or price quotes for comparable bond securities and are categorized as Level II. Mortgage bonds include bonds secured by mortgages, mortgage pass-through securities, agency collateralized mortgage-obligation ("CMO") securities and agency interest-only securities. Mortgage pass-through securities, CMO securities and interest-only securities are valued using recently executed observable trades or other observable inputs, such as prepayment speeds and therefore are generally categorized as Level II. Mortgage bonds are valued using observable market inputs, such as market yields ranging from 180-300 basis points ("bps") on spreads over U.S. treasury securities, or models based upon prepayment expectations ranging from 8%-20% conditional prepayment rate ("CPR"). These securities are categorized as Level II.

U.S. government securities – U.S. government securities include highly liquid U.S. treasury securities which are generally valued using quoted market prices and therefore categorized as Level I. The Company does not transact in securities of countries other than the U.S. government.

Derivatives – Derivative contracts include interest rate swaps, interest rate locks, credit default swap index contracts, U.S. treasury bond and Eurodollar futures and equity option contracts. These instruments derive their value from underlying assets, reference rates, indices or a combination of these factors. The Company's equity option derivative contracts are valued based on quoted prices from the exchange for identical assets or liabilities as of the period-end date. To the extent these contracts are actively traded and valuation adjustments are not applied, they are categorized as Level I. The Company's credit default swap index contracts are valued using market price quotations and are classified as Level II. The majority of the Company's interest rate derivative contracts, including both interest rate swaps and interest rate locks, are valued using market standard pricing models based on the net present value of estimated future cash flows. The valuation models used do not involve material subjectivity as the methodologies do not entail significant judgment and the pricing inputs are market observable, including contractual terms, yield curves and measures of volatility. These instruments are classified as Level II within the fair value hierarchy. Certain interest rate locks transact in less active markets and were valued using valuation models that included the previously mentioned observable inputs and certain unobservable inputs that required significant judgment, such as the premium over the MMD curve. These instruments are classified as Level III.

Investments

The Company's investments valued at fair value include equity investments in private companies and partnerships, investments in registered mutual funds, warrants of public and private companies and private company debt. Investments in registered mutual funds are valued based on quoted prices on active markets and classified as Level I. Company-owned warrants, which have a cashless exercise option, are valued based upon the Black-Scholes option-pricing model and certain unobservable inputs. The Company applies a liquidity discount to the value of its warrants in public and private companies. For warrants in private companies, valuation adjustments, based upon management's judgment, are made to account for differences between the measured security and the stock volatility factors of comparable companies. Company-owned warrants are reported as Level III assets. Investments in private companies are valued based on an assessment of each underlying security, considering rounds of financing, third party transactions and market-based information, including comparable company transactions, trading multiples (e.g., multiples of revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA")) and changes in market outlook, among other factors. These securities are generally categorized as Level III.

Fair Value Option – The fair value option permits the irrevocable fair value option election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The fair value option was elected for certain merchant banking and other investments at inception to reflect economic events in earnings on a timely basis. Merchant banking and other equity investments of $18.2 million and $19.7 million, included within investments on the consolidated statements of financial condition, are accounted for at fair value and are classified as Level III assets at March 31, 2016 and December 31, 2015, respectively. The realized and unrealized gains from fair value changes included in earnings as a result of electing to apply the fair value option to certain financial assets were $0.3 million and $0.8 million for the three months ended March 31, 2016 and 2015, respectively.

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The following table summarizes quantitative information about the significant unobservable inputs used in the fair value measurement of the Company's Level III financial instruments as of March 31, 2016:

	Valuation Technique	Unobservable Input	Range	Weighted Average
Assets:				
Financial instruments and other inventory positions owned:				
Municipal securities:				
Tax-exempt securities	Discounted cash flow	Debt service coverage ratio (2)	5 - 60%	19.4%
Short-term securities	Discounted cash flow	Expected recovery rate (% of par) (2)	66 - 94%	91.0%
Mortgage-backed securities:				
Collateralized by residential mortgages	Discounted cash flow	Credit default rates (3)	2 - 8%	4.2%
		Prepayment rates (4)	3 - 25%	7.9%
		Loss severity (3)	20 - 95%	65.8%
		Valuation yields (3)	2 - 7%	5.0%
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve (1)	6.5 bps	6.5 bps
Investments at fair value:				
Equity securities in private companies	Market approach	Revenue multiple (2)	2 - 5 times	4.0 times
		EBITDA multiple (2)	10 - 12 times	10.4 times
Liabilities:				
Financial instruments and other inventory positions sold, but not yet purchased:				
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve (1)	3 - 51 bps	15.3 bps

Sensitivity of the fair value to changes in unobservable inputs:

(1) Significant increase/(decrease) in the unobservable input in isolation would result in a significantly lower/(higher) fair value measurement.

(2) Significant increase/(decrease) in the unobservable input in isolation would result in a significantly higher/(lower) fair value measurement.

(3) Significant changes in any of these inputs in isolation could result in a significantly different fair value. Generally, a change in the assumption used for credit default rates is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally inverse change in the assumption for valuation yields.

(4) The potential impact of changes in prepayment rates on fair value is dependent on other security-specific factors, such as the par value and structure. Changes in the prepayment rates may result in directionally similar or directionally inverse changes in fair value depending on whether the security trades at a premium or discount to the par value.

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The following table summarizes the valuation of the Company’s financial instruments by pricing observability levels defined in FASB Accounting Standards Codification Topic 820, "Fair Value Measurement" ("ASC 820") as of March 31, 2016:

(Dollars in thousands)	Level I	Level II	Level III	Counterparty and Cash Collateral Netting (1)	Total
Assets:					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 4,031	$ 760	$ —	$ —	$ 4,791
Convertible securities	—	17,039	—	—	17,039
Fixed income securities	—	59,735	—	—	59,735
Municipal securities:					
Taxable securities	—	125,692	—	—	125,692
Tax-exempt securities	—	508,042	1,177	—	509,219
Short-term securities	—	71,416	748	—	72,164
Mortgage-backed securities	—	—	117,891	—	117,891
U.S. government agency securities	—	155,894	—	—	155,894
Derivative contracts	87	451,217	5	(411,816)	39,493
Total financial instruments and other inventory positions owned	4,118	1,389,795	119,821	(411,816)	1,101,918
Cash equivalents	766	—	—	—	766
Investments at fair value	36,922	—	110,477	—	147,399
Total assets	$ 41,806	$ 1,389,795	$ 230,298	$ (411,816)	$ 1,250,083
Liabilities:					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 17,837	$ 4,112	$ —	$ —	$ 21,949
Fixed income securities	—	43,553	—	—	43,553
U.S. government agency securities	—	13,584	—	—	13,584
U.S. government securities	180,462	—	—	—	180,462
Derivative contracts	—	428,343	5,408	(428,646)	5,105
Total financial instruments and other inventory positions sold, but not yet purchased	$ 198,299	$ 489,592	$ 5,408	$ (428,646)	$ 264,653

(1) Represents cash collateral and the impact of netting on a counterparty basis. The Company had no securities posted as collateral to its counterparties.

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The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2015:

(Dollars in thousands)	Level I	Level II	Level III	Counterparty and Cash Collateral Netting (1)	Total
Assets:					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 7,569	$ 1,936	$ —	$ —	$ 9,505
Convertible securities	—	18,460	—	—	18,460
Fixed income securities	—	48,654	—	—	48,654
Municipal securities:					
Taxable securities	—	105,775	5,816	—	111,591
Tax-exempt securities	—	415,789	1,177	—	416,966
Short-term securities	—	32,348	720	—	33,068
Mortgage-backed securities	—	670	121,124	—	121,794
U.S. government agency securities	—	188,140	—	—	188,140
U.S. government securities	7,729	—	—	—	7,729
Derivative contracts	164	412,299	—	(377,436)	35,027
Total financial instruments and other inventory positions owned	15,462	1,224,071	128,837	(377,436)	990,934
Cash equivalents	130,138	—	—	—	130,138
Investments at fair value	34,874	—	107,907	—	142,781
Total assets	$ 180,474	$ 1,224,071	$ 236,744	$ (377,436)	$ 1,263,853
Liabilities:					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 13,489	$ 2,251	$ —	$ —	$ 15,740
Fixed income securities	—	39,909	—	—	39,909
U.S. government agency securities	—	21,267	—	—	21,267
U.S. government securities	159,037	—	—	—	159,037
Derivative contracts	149	387,351	7,148	(391,446)	3,202
Total financial instruments and other inventory positions sold, but not yet purchased	$ 172,675	$ 450,778	$ 7,148	$ (391,446)	$ 239,155

(1) Represents cash collateral and the impact of netting on a counterparty basis. The Company had no securities posted as collateral to its counterparties.

The Company's Level III assets were $230.3 million and $236.7 million, or 18.4 percent and 18.7 percent of financial instruments measured at fair value at March 31, 2016 and December 31, 2015, respectively. The value of transfers between levels are recognized at the beginning of the reporting period. There were $14.3 million of transfers of financial assets out of Level III for the three months ended March 31, 2016, of which $9.1 million primarily related to the deconsolidation of certain investment partnerships as discussed in Note 2, and $5.2 million related to taxable municipal securities for which valuation inputs became observable. There were no other significant transfers between Level I, Level II or Level III for the three months ended March 31, 2016.

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The following tables summarize the changes in fair value associated with Level III financial instruments held at the beginning or end of the periods presented:

(Dollars in thousands)	**Balance at December 31, 2015**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses) (1)	Unrealized gains/ (losses) (1)	**Balance at March 31, 2016**	**Unrealized gains/ (losses) for assets/ liabilities held at March 31, 2016 (1)**
Assets:									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Taxable securities	**$ 5,816**	$ —	$ (611)	$ —	$ (5,216)	$ 11	$ —	**$ —**	**$ —**
Tax-exempt securities	**1,177**	—	—	—	—	—	—	**1,177**	**—**
Short-term securities	**720**	—	—	—	—	—	28	**748**	**28**
Mortgage-backed securities	**121,124**	26,519	(27,213)	—	—	1,067	(3,606)	**117,891**	**(730)**
Derivative contracts	**—**	—	—	—	—	—	5	**5**	**5**
Total financial instruments and other inventory positions owned	**128,837**	26,519	(27,824)	—	(5,216)	1,078	(3,573)	**119,821**	**(697)**
Investments at fair value	**107,907**	9,301	—	—	(9,088)	—	2,357	**110,477**	**2,357**
Total assets	**$ 236,744**	$ 35,820	$ (27,824)	$ —	$ (14,304)	$ 1,078	$ (1,216)	**$ 230,298**	**$ 1,660**
Liabilities:									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 7,148**	$ —	$ (9,882)	$ —	$ —	$ 9,882	$ (1,740)	**$ 5,408**	**$ 4,534**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 7,148**	$ —	$ (9,882)	$ —	$ —	$ 9,882	$ (1,740)	**$ 5,408**	**$ 4,534**

(1) *Realized and unrealized gains/(losses) related to financial instruments, with the exception of customer matched-book derivatives, are reported in institutional brokerage on the consolidated statements of operations. Realized and unrealized gains/(losses) related to customer matched-book derivatives are reported in investment banking. Realized and unrealized gains/(losses) related to investments are reported in investment banking revenues or investment income on the consolidated statements of operations.*

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(Dollars in thousands)	**Balance at December 31, 2014**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses) (1)	Unrealized gains/ (losses) (1)	**Balance at March 31, 2015**	**Unrealized gains/ (losses) for assets/ liabilities held at March 31, 2015 (1)**
Assets:									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	**$ 1,186**	$ —	$ —	$ —	$ —	$ —	$ (10)	**$ 1,176**	**$ (10)**
Short-term securities	**720**	—	—	—	—	—	—	**720**	**—**
Mortgage-backed securities	**124,749**	119,826	(98,947)	—	—	2,490	(241)	**147,877**	**517**
Derivative contracts	**140**	520	—	—	—	(520)	1,082	**1,222**	**1,222**
Total financial instruments and other inventory positions owned	**126,795**	120,346	(98,947)	—	—	1,970	831	**150,995**	**1,729**
Investments at fair value	**74,165**	—	(182)	—	—	182	13,303	**87,468**	**13,303**
Total assets	**$ 200,960**	$ 120,346	$ (99,129)	$ —	$ —	$ 2,152	$ 14,134	**$ 238,463**	**$ 15,032**
Liabilities:									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 7,822**	$ (5,814)	$ —	$ —	$ —	$ 5,814	$ 404	**$ 8,226**	**$ 4,318**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 7,822**	$ (5,814)	$ —	$ —	$ —	$ 5,814	$ 404	**$ 8,226**	**$ 4,318**

(1) Realized and unrealized gains/(losses) related to financial instruments, with the exception of customer matched-book derivatives, are reported in institutional brokerage on the consolidated statements of operations. Realized and unrealized gains/(losses) related to customer matched-book derivatives are reported in investment banking. Realized and unrealized gains/(losses) related to investments are reported in investment banking revenues or investment income on the consolidated statements of operations.

The carrying values of the Company's cash, securities either purchased or sold under agreements to resell, receivables and payables either from or to customers and brokers, dealers and clearing organizations and short-term financings approximate fair value due to their liquid or short-term nature.

Note 6 *Variable Interest Entities*

The Company has investments in and/or acts as the managing partner of various partnerships, limited liability companies, or registered mutual funds. These entities were established for the purpose of investing in securities of public or private companies, or municipal debt obligations, or providing financing to senior living facilities, and were initially financed through the capital commitments or seed investments of the members.

VIEs are entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities. The determination as to whether an entity is a VIE is based on the structure and nature of each entity. The Company also considers other characteristics such as the power through voting rights or similar rights to direct the activities of an entity that most significantly impact the entity's economic performance and how the entity is financed.

The Company is required to consolidate all VIEs for which it is considered to be the primary beneficiary. The determination as to whether the Company is considered to be the primary beneficiary is based on whether the Company has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Effective January 1, 2016, the Company adopted ASU 2015-02. Prior to the adoption of ASU 2015-02, the primary beneficiary analysis differed for entities which qualified for the deferral under previous consolidation guidance (i.e., asset managers and investment companies). For these entities, the Company was considered to be the primary beneficiary if it absorbed a majority of the VIE's expected losses, received a majority of the VIE's expected residual returns, or both.

Consolidated VIEs

The Company's consolidated VIEs at March 31, 2016 include certain alternative asset management funds in which the Company has an investment and as the managing partner, is deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these funds. Prior to the adoption of ASU 2015-02, these entities lacked the characteristics of a VIE and were consolidated as voting interest entities.

The following table presents information about the carrying value of the assets and liabilities of the VIEs which are consolidated by the Company and included on the consolidated statements of financial condition at March 31, 2016. The assets can only be used to settle the liabilities of the respective VIE, and the creditors of the VIEs do not have recourse to the general credit of the Company. The assets and liabilities are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

(Dollars in thousands)	Alternative Asset Management Funds
Assets:	
Receivables from brokers, dealers and clearing organizations	$ 46,753
Financial instruments and other inventory positions owned and pledged as collateral	349,618
Investments	89,068
Other assets	9,819
Total assets	$ 495,258
Liabilities:	
Short-term financing	$ 179,236
Payables to brokers, dealers and clearing organizations	89,245
Financial instruments and other inventory positions sold, but not yet purchased	74,112
Other liabilities and accrued expenses	9,526
Total liabilities	$ 352,119

The Company has investments in a grantor trust which was established as part of a nonqualified deferred compensation plan. The Company is the primary beneficiary of the grantor trust. Accordingly, the assets and liabilities of the grantor trust are consolidated by the Company on the consolidated statements of financial condition. See Note 17 for additional information on the nonqualified deferred compensation plan.

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Nonconsolidated VIEs

The Company determined it is not the primary beneficiary of certain VIEs and accordingly does not consolidate them. These VIEs had net assets approximating $0.9 billion and $0.4 billion at March 31, 2016 and December 31, 2015, respectively. The Company's exposure to loss from these VIEs is $12.4 million, which is the carrying value of its capital contributions recorded in investments on the consolidated statements of financial condition at March 31, 2016. The Company had no liabilities related to these VIEs at March 31, 2016 and December 31, 2015, respectively. Furthermore, the Company has not provided financial or other support to these VIEs that it was not previously contractually required to provide as of March 31, 2016.

Note 7 *Receivables from and Payables to Brokers, Dealers and Clearing Organizations*

(Dollars in thousands)	**March 31, 2016**	**December 31, 2015**
Receivable arising from unsettled securities transactions	**$ 46,753**	$ 62,105
Deposits paid for securities borrowed	**63,819**	47,508
Receivable from clearing organizations	**5,068**	3,155
Deposits with clearing organizations	**60,877**	27,019
Securities failed to deliver	**6,341**	2,100
Other	**2,921**	6,062
Total receivables from brokers, dealers and clearing organizations	**$ 185,779**	$ 147,949

(Dollars in thousands)	**March 31, 2016**	**December 31, 2015**
Payable arising from unsettled securities transactions	**$ 161,648**	$ 34,445
Payable to clearing organizations	**65**	3,115
Securities failed to receive	**3,196**	4,468
Other	**6,022**	6,103
Total payable to brokers, dealers and clearing organizations	**$ 170,931**	$ 48,131

Deposits paid for securities borrowed approximate the market value of the securities. Securities failed to deliver and receive represent the contract value of securities that have not been delivered or received by the Company on settlement date.

Note 8 *Collateralized Securities Transactions*

The Company's financing and customer securities activities involve the Company using securities as collateral. In the event that the counterparty does not meet its contractual obligation to return securities used as collateral (e.g., pursuant to the terms of a repurchase agreement), or customers do not deposit additional securities or cash for margin when required, the Company may be exposed to the risk of reacquiring the securities or selling the securities at unfavorable market prices in order to satisfy its obligations to its customers or counterparties. The Company seeks to control this risk by monitoring the market value of securities pledged or used as collateral on a daily basis and requiring adjustments in the event of excess market exposure. The Company also uses unaffiliated third party custodians to administer the underlying collateral for the majority of its short-term financing to mitigate risk.

In a reverse repurchase agreement the Company purchases financial instruments from a seller, typically in exchange for cash, and agrees to resell the same or substantially the same financial instruments to the seller at a stated price plus accrued interest in the future. In a repurchase agreement, the Company sells financial instruments to a buyer, typically for cash, and agrees to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. Even though repurchase and reverse repurchase agreements involve the legal transfer of ownership of financial instruments, they are accounted for as financing arrangements because they require the financial instruments to be repurchased or resold at maturity of the agreement.

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In a securities borrowed transaction, the Company borrows securities from a counterparty in exchange for cash. When the Company returns the securities, the counterparty returns the cash. Interest is generally paid periodically over the life of the transaction.

In the normal course of business, the Company obtains securities purchased under agreements to resell, securities borrowed and margin agreements on terms that permit it to repledge or resell the securities to others, typically pursuant to repurchase agreements. The Company obtained securities with a fair value of approximately $184.7 million and $185.8 million at March 31, 2016 and December 31, 2015, respectively, of which $174.6 million and $175.8 million, respectively, had been pledged or otherwise transferred to satisfy its commitments under financial instruments and other inventory positions sold, but not yet purchased.

The following is a summary of the Company's securities sold under agreements to repurchase ("Repurchase Liabilities"), the fair market value of collateral pledged and the interest rate charged by the Company's counterparty, which is based on LIBOR plus an applicable margin, as of March 31, 2016:

(Dollars in thousands)	Repurchase Liabilities	Fair Market Value	Interest Rate
Term up to 30 day maturities:			
Mortgage-backed securities	$ 32,685	$ 47,153	2.18 - 2.37%
On demand maturities:			
U.S. government agency securities	1,912	2,020	0.65%
U.S. government securities	18,947	18,732	0.10%
	$ 53,544	$ 67,905	

Reverse repurchase agreements, repurchase agreements and securities borrowed and loaned are reported on a net basis by counterparty when a legal right of offset exists. The following table provides information about the offsetting of these instruments and related collateral amounts at March 31, 2016:

(Dollars in thousands) Description	Gross Recognized Assets	Gross Amount Offset on the Consolidated Statements of Financial Condition	Net Amounts Presented on the Consolidated Statements of Financial Condition	Gross Amounts Not Offset on the Consolidated Statements of Financial Condition		Net Amount
				Financial Instruments	Collateral Received (1)	
Reverse repurchase agreements	$ 119,084	$ (1,912)	$ 117,172	$ —	$ (117,172)	$ —
Securities borrowed (3)	63,819	—	63,819	—	(63,819)	—

(Dollars in thousands) Description	Gross Recognized Liabilities	Gross Amount Offset on the Consolidated Statements of Financial Condition	Net Amount Presented on the Consolidated Statements of Financial Condition	Gross Amount Not Offset on the Consolidated Statements of Financial Condition		Net Amount
				Financial Instruments	Collateral Pledged (2)	
Repurchase agreements	$ 53,544	$ (1,912)	$ 51,632	$ —	$ (51,632)	$ —

(1) Includes securities received by the Company from the counterparty. These securities are not included on the consolidated statements of financial condition unless there is an event of default.

(2) Includes the fair value of securities pledged by the Company to the counterparty. These securities are included on the consolidated statements of financial condition unless the Company defaults.

(3) Deposits paid for securities borrowed are included in receivables from brokers, dealers and clearing organizations on the consolidated statements of financial condition. See Note 7 for additional information on receivables from brokers, dealers and clearing organizations.

There were no gross amounts offset on the consolidated statements of financial condition for reverse repurchase agreements, securities borrowed or repurchase agreements at December 31, 2015, as a legal right of offset did not exist. The Company had no outstanding securities lending arrangements as of March 31, 2016 or December 31, 2015. See Note 4 for information related to the Company's offsetting of derivative contracts.

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Note 9 *Investments*

The Company's investments include investments in private companies and partnerships, registered mutual funds, warrants of public and private companies and private company debt.

(Dollars in thousands)	**March 31, 2016**	**December 31, 2015**
Investments at fair value	**$ 147,399**	$ 142,781
Investments at cost	**2,892**	3,299
Investments accounted for under the equity method	**13,410**	17,781
Total investments	**163,701**	163,861
Less investments attributable to noncontrolling interests (1)	**(33,562)**	(40,069)
	$ 130,139	$ 123,792

(1) Noncontrolling interests are attributable to third party ownership in a consolidated merchant banking fund.

At March 31, 2016, investments carried on a cost basis had an estimated fair market value of $4.8 million. Because valuation estimates were based upon management's judgment, investments carried at cost would be categorized as Level III assets in the fair value hierarchy, if they were carried at fair value.

Investments accounted for under the equity method include general and limited partnership interests. The carrying value of these investments is based on the investment vehicle's net asset value. The net assets of investment partnerships consist of investments in both marketable and non-marketable securities. The underlying investments held by such partnerships are valued based on the estimated fair value determined by management in our capacity as general partner or investor and, in the case of investments in unaffiliated investment partnerships, are based on financial statements prepared by the unaffiliated general partners.

Note 10 *Other Assets*

(Dollars in thousands)	**March 31, 2016**	**December 31, 2015**
Net deferred income tax assets	**$ 60,018**	$ 66,810
Fee receivables	**16,858**	18,362
Accrued interest receivables	**7,236**	6,145
Forgivable loans, net	**10,682**	10,234
Income tax receivables	**10,946**	—
Prepaid expenses	**7,590**	6,161
Other	**18,114**	11,490
Total other assets	**$ 131,444**	$ 119,202

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Note 11 *Goodwill and Intangible Assets*

(Dollars in thousands)	Capital Markets	Asset Management	Total
Goodwill			
Balance at December 31, 2015	**$ 21,132**	**$ 196,844**	**$ 217,976**
Goodwill acquired	71,900	—	71,900
Measurement period adjustment	(14)	—	(14)
Balance at March 31, 2016	**$ 93,018**	**$ 196,844**	**$ 289,862**
Intangible assets			
Balance at December 31, 2015	**$ 8,256**	**$ 22,274**	**$ 30,530**
Intangible assets acquired	14,597	—	14,597
Measurement period adjustment	14	—	14
Amortization of intangible assets	(1,909)	(1,387)	(3,296)
Balance at March 31, 2016	**$ 20,958**	**$ 20,887**	**$ 41,845**

The addition of goodwill and intangible assets during the three months ended March 31, 2016 related to the acquisition of Simmons, as discussed in Note 3. Management identified $14.6 million of intangible assets, consisting of customer relationships ($13.8 million) and the Simmons trade name ($0.8 million), which will be amortized over a weighted average life of 2.0 years and 5.0 years, respectively.

The following table summarizes the future aggregate amortization expense of the Company's intangible assets with determinable lives for the years ended:

(Dollars in thousands)	
Remainder of 2016	$ 12,180
2017	12,183
2018	6,516
2019	6,009
2020	1,427
Thereafter	670
Total	$ 38,985

Note 12 *Short-Term Financing*

	Outstanding Balance		Weighted Average Interest Rate	
(Dollars in thousands)	**March 31, 2016**	**December 31, 2015**	**March 31, 2016**	**December 31, 2015**
Commercial paper (secured)	**$ 279,807**	$ 276,894	**1.88%**	1.74%
Prime broker arrangement	**179,236**	169,296	**1.18%**	1.07%
Total short-term financing	**$ 459,043**	$ 446,190		

The Company issues secured commercial paper to fund a portion of its securities inventory. The commercial paper notes ("CP Notes") can be issued with maturities of 27 days to 270 days from the date of issuance. The CP Notes are issued under three separate programs, CP Series A, CP Series II A and CP Series III A, and are secured by different inventory classes. As of March 31, 2016, the weighted average maturity of CP Series A, CP Series II A and CP Series III A was 67 days, 6 days and 26 days, respectively. The CP Notes are interest bearing or sold at a discount to par with an interest rate based on LIBOR plus an applicable margin. CP Series III A includes a covenant that requires the Company's U.S. broker dealer subsidiary to maintain excess net capital of $120 million.

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The Company has established an arrangement to obtain financing with a prime broker related to its municipal bond funds. Financing under this arrangement is secured by certain securities, primarily municipal securities, and collateral limitations could reduce the amount of funding available under this arrangement. The prime broker financing activities are recorded net of receivables from trading activity. The funding is at the discretion of the prime broker subject to a notice period.

The Company has committed short-term bank line financing available on a secured basis and uncommitted short-term bank line financing available on both a secured and unsecured basis. The Company uses these credit facilities in the ordinary course of business to fund a portion of its daily operations and the amount borrowed under these credit facilities varies daily based on the Company's funding needs.

The Company's committed short-term bank line financing at March 31, 2016 consisted of a one-year $250 million committed revolving credit facility with U.S. Bank, N.A., which was renewed in December 2015. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires the Company's U.S. broker dealer subsidiary to maintain minimum net capital of $120 million, and the unpaid principal amount of all advances under this facility will be due on December 17, 2016. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis. At March 31, 2016, the Company had no advances against this line of credit.

The Company's uncommitted secured lines at March 31, 2016 totaled $185 million with two banks and are dependent on having appropriate collateral, as determined by the bank agreement, to secure an advance under the line. The availability of the Company's uncommitted lines are subject to approval by the individual banks each time an advance is requested and may be denied. At March 31, 2016, the Company had no advances against these lines of credit.

Note 13 *Senior Notes*

The Company has entered into variable and fixed rate senior notes with certain entities advised by Pacific Investment Management Company ("PIMCO"). The following table presents the outstanding balance by note class at March 31, 2016 and December 31, 2015, respectively.

	Outstanding Balance	
(Dollars in thousands)	**March 31, 2016**	**December 31, 2015**
Class A Notes	**$ 50,000**	$ 50,000
Class C Notes	**125,000**	125,000
Total senior notes	**$ 175,000**	$ 175,000

On October 8, 2015, the Company entered into a second amended and restated note purchase agreement ("Second Amended and Restated Note Purchase Agreement") under which the Company issued $125 million of fixed rate Class C Notes. The Class C Notes bear interest at an annual fixed rate of 5.06 percent, payable semi-annually and mature on October 9, 2018. The variable rate Class A Notes bear interest at a rate equal to three-month LIBOR plus 3.00 percent, adjusted and payable quarterly and mature on May 31, 2017. The unpaid principal amounts are due in full on the respective maturity dates and may not be prepaid by the Company.

The Second Amended and Restated Note Purchase Agreement includes customary events of default and covenants that, among other things, require the Company to maintain a minimum consolidated tangible net worth and regulatory net capital, limit the Company's leverage ratio and require the Company to maintain a minimum ratio of operating cash flow to fixed charges. With respect to the net capital covenant, the Company's U.S. broker dealer subsidiary is required to maintain minimum net capital of $120 million. At March 31, 2016, the Company was in compliance with all covenants.

The senior notes are recorded at amortized cost. As of March 31, 2016, the carrying value of the variable rate Class A Notes approximated fair value. As of March 31, 2016, the fair value of the fixed rate Class C Notes was approximately $128.4 million.

Note 14 *Contingencies and Commitments*

Legal Contingencies

The Company has been named as a defendant in various legal actions, including complaints and litigation and arbitration claims, arising from its business activities. Such actions include claims related to securities brokerage and investment banking activities, and certain class actions that primarily allege violations of securities laws and seek unspecified damages, which could be substantial. Also, the Company is involved from time to time in investigations and proceedings by governmental agencies and self-regulatory organizations ("SROs") which could result in adverse judgments, settlement, penalties, fines or other relief.

The Company has established reserves for potential losses that are probable and reasonably estimable that may result from pending and potential legal actions, investigations and regulatory proceedings. In many cases, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any potential loss, particularly where proceedings may be in relatively early stages or where plaintiffs are seeking substantial or indeterminate damages. Matters frequently need to be more developed before a loss or range of loss can reasonably be estimated.

Given uncertainties regarding the timing, scope, volume and outcome of pending and potential legal actions, investigations and regulatory proceedings and other factors, the amounts of reserves and ranges of reasonably possible losses are difficult to determine and of necessity subject to future revision. Subject to the foregoing, management of the Company believes, based on currently available information, after consultation with outside legal counsel and taking into account its established reserves, that pending legal actions, investigations and regulatory proceedings will be resolved with no material adverse effect on the consolidated statements of financial condition, results of operations or cash flows of the Company. However, if during any period a potential adverse contingency should become probable or resolved for an amount in excess of the established reserves, the results of operations and cash flows in that period and the financial condition as of the end of that period could be materially adversely affected. In addition, there can be no assurance that material losses will not be incurred from claims that have not yet been brought to the Company's attention or are not yet determined to be reasonably possible.

Several class action complaints were brought on behalf of a purported class of state, local and municipal government entities in connection with the bidding or sale of municipal investment contracts and municipal derivative products directly from one of the defendants or through a broker, from January 1, 1992, to the present. The complaints, which have been consolidated into a single nationwide class action entitled *In re Municipal Derivatives Antitrust Litigation*, MDL No. 1950 (Master Docket No. 08-2516), allege antitrust violations and are pending in the U.S. District Court for the Southern District of New York under the multi-district litigation rules. The consolidated complaint seeks unspecified treble damages under Section 1 of the Sherman Act. Several California municipalities also brought separate class action complaints in California federal court, and approximately eighteen California municipalities and two New York municipalities filed individual lawsuits that are not as part of class actions, all of which have since been transferred to the Southern District of New York and consolidated for pretrial purposes. All three sets of complaints assert similar claims under federal (and for the California and New York plaintiffs, state) antitrust claims. With respect to *In re Municipal Derivatives Antitrust Litigation,* Piper Jaffray entered into a settlement agreement with class representatives in the amount of $9.8 million to settle the MDL class action. This expense was incurred in the third quarter of 2015, and the settlement is subject to final court approval after notice to the class. Litigation in the separate California and New York individual cases is ongoing.

Operating Lease Commitments

The Company leases office space throughout the United States and in a limited number of foreign countries where the Company's international operations reside. Aggregate minimum lease commitments under operating leases as of March 31, 2016 are as follows:

(Dollars in thousands)		
Remainder of 2016	$	11,837
2017		14,025
2018		12,935
2019		11,285
2020		10,779
Thereafter		26,078
	$	86,939

Note 15 *Restructuring*

The Company incurred pre-tax restructuring charges of $6.0 million for the three months ended March 31, 2016 within the Capital Markets segment. The charges included severance, benefits and outplacement costs of $5.4 million and contract termination costs of $0.6 million primarily in conjunction with the Simmons acquisition discussed in Note 3.

Note 16 *Shareholders' Equity*

Share Repurchases

Effective August 14, 2015, the Company's board of directors authorized the repurchase of up to $150.0 million in common shares through September 30, 2017. During the three months ended March 31, 2016, the Company repurchased 351,791 shares at an average price of $35.14 per share for an aggregate purchase price of $12.4 million related to this authorization. The Company has $119.2 million remaining under this authorization.

The Company also purchases shares of common stock from restricted stock award recipients upon the award vesting as recipients sell shares to meet their employment tax obligations. The Company purchased 169,282 shares and 178,928 shares, or $7.1 million and $9.9 million of the Company's common stock for this purpose during the three months ended March 31, 2016 and 2015, respectively.

Issuance of Shares

The Company issues common shares out of treasury stock as a result of employee restricted share vesting and exercise transactions as discussed in Note 17. During the three months ended March 31, 2016 and 2015, the Company issued 476,062 shares and 518,106 shares, respectively, related to these obligations.

Noncontrolling Interests

The consolidated financial statements include the accounts of Piper Jaffray Companies, its wholly owned subsidiaries and other entities in which the Company has a controlling financial interest. Noncontrolling interests represent equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Jaffray Companies. Noncontrolling interests include the minority equity holders' proportionate share of the equity in a merchant banking fund of $34.9 million, a municipal bond fund with limited employee investors of $7.9 million and a senior living fund aggregating $5.0 million as of March 31, 2016. As of December 31, 2015, noncontrolling interests included the minority equity holders' proportionate share of the equity in a merchant banking fund of $31.8 million, a municipal bond fund with limited employee investors of $7.0 million and private investment vehicles aggregating $10.4 million.

Ownership interests in entities held by parties other than the Company's common shareholders are presented as noncontrolling interests within shareholders' equity, separate from the Company's own equity. Revenues, expenses and net income or loss are reported on the consolidated statements of operations on a consolidated basis, which includes amounts attributable to both the Company's common shareholders and noncontrolling interests. Net income or loss is then allocated between the Company and noncontrolling interests based upon their relative ownership interests. Net income applicable to noncontrolling interests is deducted from consolidated net income to determine net income applicable to the Company. There was no other comprehensive income or loss attributed to noncontrolling interests for the three months ended March 31, 2016 and 2015, respectively.

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The following table presents the changes in shareholders' equity for the three months ended March 31, 2016:

(Amounts in thousands, except share amounts)	Common Shares Outstanding	Common Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
Balance at December 31, 2015	**13,311,016**	**$ 783,659**	**$ 49,161**	**$ 832,820**
Net income	—	2,437	749	3,186
Amortization/issuance of restricted stock	—	37,120	—	37,120
Issuance of common stock as deal consideration for Simmons	25,525	2,647	—	2,647
Issuance of treasury shares for restricted stock vestings	450,537	—	—	—
Repurchase of common stock through share repurchase program	(351,791)	(12,364)	—	(12,364)
Repurchase of common stock for employee tax withholding	(169,282)	(7,081)	—	(7,081)
Reduced tax benefit from stock-based compensation	—	(895)	—	(895)
Shares reserved/issued for director compensation	1,780	60	—	60
Other comprehensive loss	—	(403)	—	(403)
Deconsolidation of investment partnerships (1)	—	—	(9,415)	(9,415)
Fund capital contributions, net	—	—	7,262	7,262
Balance at March 31, 2016	**13,267,785**	**$ 805,180**	**$ 47,757**	**$ 852,937**

(1) The Company deconsolidated certain investment partnerships upon adoption of ASU 2015-02. See Note 2 for further discussion.

Note 17 *Compensation Plans*

Stock-Based Compensation Plans

The Company maintains one stock-based compensation plan, the Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan"). The Company's equity awards are recognized on the consolidated statements of operations at grant date fair value over the service period of the award, net of estimated forfeitures.

The following table provides a summary of the Company's outstanding Incentive Plan equity awards (in shares or units) as of March 31, 2016:

Restricted Stock	
Annual grants	1,332,725
Sign-on grants	370,899
Simmons deal consideration (1)	1,146,596
	2,850,220
Restricted Stock Units	
Market condition leadership grants	356,242
Stock Options	146,560

(1) The Company issued restricted stock as part of deal consideration for Simmons. See Note 3 for further discussion.

Incentive Plan

The Incentive Plan permits the grant of equity awards, including restricted stock, restricted stock units and non-qualified stock options, to the Company's employees and directors for up to 8.2 million shares of common stock (0.9 million shares remained available for future issuance under the Incentive Plan as of March 31, 2016). The Company believes that such awards help align the interests of employees and directors with those of shareholders and serve as an employee retention tool. The Incentive Plan provides for accelerated vesting of awards if there is a severance event, a change in control of the Company (as defined in the Incentive Plan), in the event of a participant's death, and at the discretion of the compensation committee of the Company's board of directors.

Restricted Stock Awards

Restricted stock grants are valued at the market price of the Company's common stock on the date of grant and are amortized over the related requisite service period. The Company grants shares of restricted stock to current employees as part of year-end compensation ("Annual Grants") and as a retention tool. Employees may also receive restricted stock upon initial hiring or as a retention award ("Sign-on Grants").

The Company's Annual Grants are made each year in February. Annual Grants vest ratably over three years in equal installments. The Annual Grants provide for continued vesting after termination of employment, so long as the employee does not violate certain post-termination restrictions set forth in the award agreement or any agreements entered into upon termination. The Company determined the service inception date precedes the grant date for the Annual Grants, and that the post-termination restrictions do not meet the criteria for an in-substance service condition, as defined by FASB Accounting Standards Codification Topic 718, "Compensation – Stock Compensation" ("ASC 718"). Accordingly, restricted stock granted as part of the Annual Grants is expensed in the one-year period in which those awards are deemed to be earned, which is generally the calendar year preceding the February grant date. For example, the Company recognized compensation expense during fiscal 2015 for its February 2016 Annual Grant. If an equity award related to the Annual Grants is forfeited as a result of violating the post-termination restrictions, the lower of the fair value of the award at grant date or the fair value of the award at the date of forfeiture is recorded within the consolidated statements of operations as a reversal of compensation expense.

Sign-on Grants are used as a recruiting tool for new employees and are issued to current employees as a retention tool. These awards have both cliff and ratable vesting terms, and the employees must fulfill service requirements in exchange for rights to the awards. Compensation expense is amortized on a straight-line basis from the grant date over the requisite service period, generally one to five years. Employees forfeit unvested shares upon termination of employment and a reversal of compensation expense is recorded.

Annually, the Company grants stock to its non-employee directors. The stock-based compensation paid to non-employee directors is fully expensed on the grant date and included within outside services expense on the consolidated statements of operations.

Restricted Stock Units

The Company grants restricted stock units to its leadership team ("Leadership Grants"). The units will vest and convert to shares of common stock at the end of each 36-month performance period only if the Company's stock performance satisfies predetermined market conditions over the performance period. Under the terms of the grants, the number of units that will vest and convert to shares will be based on the Company's stock performance achieving specified market conditions during each performance period as described below. Compensation expense is amortized on a straight-line basis over the three-year requisite service period based on the fair value of the award on the grant date. The market condition must be met for the awards to vest and compensation cost will be recognized regardless if the market condition is satisfied. Employees forfeit unvested share units upon termination of employment with a corresponding reversal of compensation expense.

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Up to 50 percent of the award can be earned based on the Company's total shareholder return relative to members of a predetermined peer group and up to 50 percent of the award can be earned based on the Company's total shareholder return. The fair value of the awards on the grant date was determined using a Monte Carlo simulation with the following assumptions:

Grant Year	Risk-free Interest Rate	Expected Stock Price Volatility
2015	0.90%	29.8%
2014	0.82%	41.3%
2013	0.40%	44.0%

Because a portion of the award vesting depends on the Company's total shareholder return relative to a peer group, the valuation modeled the performance of the peer group as well as the correlation between the Company and the peer group. The expected stock price volatility assumptions were determined using historical volatility as correlation coefficients can only be developed through historical volatility. The risk-free interest rates were determined based on three-year U.S. Treasury bond yields.

Stock Options

The Company previously granted options to purchase Piper Jaffray Companies common stock to employees and non-employee directors in fiscal years 2004 through 2008. Employee and director options were expensed by the Company on a straight-line basis over the required service period, based on the estimated fair value of the award on the date of grant using a Black-Scholes option-pricing model. As described above pertaining to the Company's Annual Grants of restricted shares, stock options granted to employees were expensed in the calendar year preceding the annual February grant date. For example, the Company recognized compensation expense during fiscal 2007 for its February 2008 option grant. The maximum term of the stock options granted to employees and directors is ten years. The Company has not granted stock options since 2008.

Inducement Plan

The Company established the 2016 Employment Inducement Award Plan (the "Inducement Plan") in conjunction with the acquisition of Simmons. The Company will grant $11.6 million (up to 400,000 shares) in restricted stock under the Inducement Plan on May 15, 2016.

Stock-Based Compensation Activity

The Company recorded total compensation expense of $10.0 million and $13.8 million for the three months ended March 31, 2016 and 2015, respectively, related to employee restricted stock and restricted stock unit awards. Total compensation cost includes year-end compensation for Annual Grants and the amortization of Sign-on and Leadership Grants, less forfeitures. Forfeitures were immaterial for the three months ended March 31, 2016 and 2015, respectively. The tax benefit related to stock-based compensation costs totaled $3.9 million and $5.4 million for the three months ended March 31, 2016 and 2015, respectively.

The following table summarizes the changes in the Company's unvested restricted stock (including the restricted stock issued as part of the deal consideration for Simmons) under the Incentive Plan:

	Unvested Restricted Stock (in Shares)	Weighted Average Grant Date Fair Value
December 31, 2015	**1,287,915**	**$ 46.20**
Granted	2,042,264	41.84
Vested	(476,062)	46.32
Canceled	(3,897)	46.09
March 31, 2016	**2,850,220**	**$ 43.06**

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The following table summarizes the changes in the Company's unvested restricted stock units under the Incentive Plan:

	Unvested Restricted Stock Units	Weighted Average Grant Date Fair Value
December 31, 2015	**356,242**	**$ 22.18**
Granted	—	—
Vested	—	—
Canceled	—	—
March 31, 2016	**356,242**	**$ 22.18**

As of March 31, 2016, there was $59.3 million of total unrecognized compensation cost related to restricted stock and restricted stock units expected to be recognized over a weighted average period of 2.7 years.

The following table summarizes the changes in the Company's outstanding stock options:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
December 31, 2015	**157,201**	**$ 50.35**	**1.6**	**$ —**
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Expired	(10,641)	47.85		
March 31, 2016	**146,560**	**$ 50.53**	**1.7**	**$ 542,334**
Options exercisable at March 31, 2016	**146,560**	**$ 50.53**	**1.7**	**$ 542,334**

As of March 31, 2016, there was no unrecognized compensation cost related to stock options expected to be recognized over future years.

The intrinsic value of options exercised was $0.7 million and the resulting tax benefit realized was $0.3 million for the three months ended March 31, 2015. There were no options exercised during the three months ended March 31, 2016.

Deferred Compensation Plans

The Company maintains various deferred compensation arrangements for employees.

The nonqualified deferred compensation plan is an unfunded plan which allows certain highly compensated employees, at their election, to defer a percentage of their base salary, commissions and/or cash bonuses. The deferrals vest immediately and are non-forfeitable. The amounts deferred under this plan are held in a grantor trust. The Company invests, as a principal, in investments to economically hedge its obligation under the nonqualified deferred compensation plan. Investments in the grantor trust, consisting of mutual funds, totaled $20.7 million and $14.6 million as of March 31, 2016 and December 31, 2015, respectively, and are included in investments on the consolidated statements of financial condition. The compensation deferred by the employees is expensed in the period earned. The deferred compensation liability was $20.6 million and $14.5 million as of March 31, 2016 and December 31, 2015, respectively. Changes in the fair value of the investments made by the Company are reported in investment income and changes in the corresponding deferred compensation liability are reflected as compensation and benefits expense on the consolidated statements of operations.

The Piper Jaffray Companies Mutual Fund Restricted Share Investment Plan is a fully funded deferred compensation plan which allows eligible employees to elect to receive a portion of the incentive compensation they would otherwise receive in the form of restricted stock, instead in restricted mutual fund shares ("MFRS Awards") of investment funds. MFRS Awards are awarded to qualifying employees in February of each year, and represent a portion of their compensation for performance in the preceding year similar to the Company's Annual Grants. MFRS Awards vest ratably over three years in equal installments and provide for continued vesting after termination of employment so long as the employee does not violate certain post-termination restrictions set forth in the award agreement or any agreement entered into upon termination. Forfeitures are recorded as a reduction of compensation and benefits expense within the consolidated statements of operations.

The Company has also granted MFRS Awards to new employees as a recruiting tool. Employees must fulfill service requirements in exchange for rights to the awards. Compensation expense from these awards will be amortized on a straight-line basis over the requisite service period of two to five years.

The Company recorded total compensation expense of $3.4 million and $8.2 million for the three months ended March 31, 2016 and 2015, respectively, related to employee MFRS Awards. Total compensation cost includes year-end compensation for MFRS Awards and the amortization of sign-on MFRS Awards, less forfeitures. Forfeitures were immaterial for the three months ended March 31, 2016 and 2015, respectively. MFRS Awards are owned by employee recipients and as such are not included on the consolidated statements of financial condition.

Note 18 *Earnings Per Share*

The Company calculates earnings per share using the two-class method. Basic earnings per common share is computed by dividing net income/(loss) applicable to Piper Jaffray Companies' common shareholders by the weighted average number of common shares outstanding for the period. Net income/(loss) applicable to Piper Jaffray Companies' common shareholders represents net income/(loss) applicable to Piper Jaffray Companies reduced by the allocation of earnings to participating securities. Losses are not allocated to participating securities. All of the Company's unvested restricted shares are deemed to be participating securities as they are eligible to share in the profits (e.g., receive dividends) of the Company. The Company's unvested restricted stock units are not participating securities as they are not eligible to share in the profits of the Company. Diluted earnings per common share is calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive stock options.

The computation of earnings per share is as follows:

	Three Months Ended March 31,	
(Amounts in thousands, except per share data)	**2016**	**2015**
Net income applicable to Piper Jaffray Companies	**$ 2,437**	$ 16,972
Earnings allocated to participating securities (1)	**(313)**	(1,162)
Net income applicable to Piper Jaffray Companies' common shareholders (2)	**$ 2,124**	$ 15,810
Shares for basic and diluted calculations:		
Average shares used in basic computation	**13,160**	15,294
Stock options	**12**	38
Average shares used in diluted computation	**13,172**	15,332
Earnings per common share:		
Basic	**$ 0.16**	$ 1.03
Diluted	**$ 0.16**	$ 1.03

(1) Represents the allocation of earnings to participating securities. Losses are not allocated to participating securities. Participating securities include all of the Company's unvested restricted shares. The weighted average participating shares outstanding were 1,938,759 and 1,126,906 for the three months ended March 31, 2016 and 2015, respectively.

(2) Net income/(loss) applicable to Piper Jaffray Companies' common shareholders for diluted and basic EPS may differ under the two-class method as a result of adding the effect of the assumed exercise of stock options to dilutive shares outstanding, which alters the ratio used to allocate earnings to Piper Jaffray Companies' common shareholders and participating securities for purposes of calculating diluted and basic EPS.

The anti-dilutive effects from stock options were immaterial for the three months ended March 31, 2016 and 2015, respectively.

Piper Jaffray Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 19 *Segment Reporting*

Basis for Presentation

The Company structures its segments primarily based upon the nature of the financial products and services provided to customers and the Company's management organization. The Company evaluates performance and allocates resources based on segment pre-tax operating income or loss and segment pre-tax operating margin. Revenues and expenses directly associated with each respective segment are included in determining their operating results. Other revenues and expenses that are not directly attributable to a particular segment are allocated based upon the Company's allocation methodologies, including each segment's respective net revenues, use of shared resources, headcount or other relevant measures. Segment assets are based on those directly associated with each segment, and include an allocation of certain assets based on the most relevant measures applicable, including headcount and other factors. The substantial majority of the Company's net revenues and long-lived assets are located in the U.S.

Reportable segment financial results are as follows:

	Three Months Ended March 31,	
(Dollars in thousands)	**2016**	**2015**
Capital Markets		
Investment banking		
Financing		
Equities	**$ 6,566**	$ 36,007
Debt	**15,972**	20,988
Advisory services	**81,629**	30,498
Total investment banking	**104,167**	87,493
Institutional sales and trading		
Equities	**19,669**	18,905
Fixed income	**17,054**	21,217
Total institutional sales and trading	**36,723**	40,122
Management and performance fees	**965**	1,407
Investment income	**2,086**	14,705
Long-term financing expenses	**(2,292)**	(1,560)
Net revenues	**141,649**	142,167
Operating expenses (1)	**138,855**	116,203
Segment pre-tax operating income	**$ 2,794**	$ 25,964
Segment pre-tax operating margin	**2.0%**	18.3%

Continued on next page

Piper Jaffray Companies
Notes to the Consolidated Financial Statements
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31, 2016	2015
Asset Management		
Management and performance fees		
Management fees	**$ 12,883**	$ 19,107
Performance fees	**—**	8
Total management and performance fees	**12,883**	19,115
Investment income/(loss)	**(976)**	589
Net revenues	**11,907**	19,704
Operating expenses (1)	**11,259**	14,376
Segment pre-tax operating income	**$ 648**	$ 5,328
Segment pre-tax operating margin	**5.4%**	27.0%
Total		
Net revenues	**$ 153,556**	$ 161,871
Operating expenses (1)	**150,114**	130,579
Pre-tax operating income	**$ 3,442**	$ 31,292
Pre-tax operating margin	**2.2%**	19.3%

(1) *Operating expenses include intangible asset amortization expense as set forth in the table below:*

(Dollars in thousands)	Three Months Ended March 31, 2016	2015
Capital Markets	**$ 1,909**	$ 263
Asset Management	**1,387**	1,510
Total intangible asset amortization expense	**$ 3,296**	$ 1,773

Reportable segment assets are as follows:

(Dollars in thousands)	March 31, 2016	December 31, 2015
Capital Markets	**$ 1,925,541**	$ 1,870,272
Asset Management	**252,874**	268,246
	$ 2,178,415	$ 2,138,518

Note 20 *Net Capital Requirements and Other Regulatory Matters*

Piper Jaffray is registered as a securities broker dealer with the SEC and is a member of various SROs and securities exchanges. The Financial Industry Regulatory Authority ("FINRA") serves as Piper Jaffray's primary SRO. Piper Jaffray is subject to the uniform net capital rule of the SEC and the net capital rule of FINRA. Piper Jaffray has elected to use the alternative method permitted by the SEC rule, which requires that it maintain minimum net capital of the greater of $1.0 million or 2 percent of aggregate debit balances arising from customer transactions, as such term is defined in the SEC rule. Under its rules, FINRA may prohibit a member firm from expanding its business or paying dividends if resulting net capital would be less than 5 percent of aggregate debit balances. Advances to affiliates, repayment of subordinated debt, dividend payments and other equity withdrawals by Piper Jaffray are subject to certain notification and other provisions of SEC and FINRA rules.

At March 31, 2016, net capital calculated under the SEC rule was $215.0 million, and exceeded the minimum net capital required under the SEC rule by $214.0 million.

The Company's committed short-term credit facility and its senior notes include covenants requiring Piper Jaffray to maintain minimum net capital of $120 million. CP Notes issued under CP Series III A include a covenant that requires Piper Jaffray to maintain excess net capital of $120 million.

Piper Jaffray Ltd. and SCIL, broker dealer subsidiaries registered in the United Kingdom, are subject to the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority. As of March 31, 2016, Piper Jaffray Ltd. and SCIL were in compliance with the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority.

Piper Jaffray Hong Kong Limited is licensed by the Hong Kong Securities and Futures Commission, which is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance. At March 31, 2016, Piper Jaffray Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

Note 21 *Income Taxes*

The Company's effective income tax rate, excluding noncontrolling interests, for the three months ended March 31, 2016 was 9.5 percent, compared to 35.9 percent for the three months ended March 31, 2015. The effective income tax rate for the three months ended March 31, 2016 was unusually low due to the impact of tax-exempt municipal interest income representing a larger proportion of pre-tax income.

ITEM 2. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

The following information should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes and exhibits included elsewhere in this report. Certain statements in this report may be considered forward-looking. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These forward-looking statements include, among other things, statements other than historical information or statements of current condition and may relate to our future plans and objectives and results, and also may include our belief regarding the effect of various legal proceedings, as set forth under "Legal Proceedings" in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2015 and in our subsequent reports filed with the SEC. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including those factors discussed below under "External Factors Impacting Our Business" as well as the factors identified under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015, as updated in our subsequent reports filed with the SEC. These reports are available at our Web site at www.piperjaffray.com and at the SEC Web site at www.sec.gov. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

Explanation of Non-GAAP Financial Measures

We have included financial measures that are not prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These non-GAAP financial measures include adjustments to exclude (1) revenues and expenses related to noncontrolling interests, (2) amortization of intangible assets related to acquisitions, (3) compensation from acquisition-related agreements and (4) restructuring and acquisition integration costs. These adjustments affect the following financial measures: net revenues, compensation expenses, non-compensation expenses, net income applicable to Piper Jaffray Companies, earnings per diluted common share, return on average common shareholders' equity, segment net revenues, segment operating expenses, segment pre-tax operating income and segment pre-tax operating margin. Management believes that presenting these results and measures on an adjusted basis in conjunction with U.S. GAAP measures provides the most meaningful basis for comparison of our operating results across periods.

Executive Overview

Our business principally consists of providing investment banking, institutional brokerage, asset management and related financial services to corporations, private equity groups, public entities, non-profit entities and institutional investors in the United States and Europe. We operate through two reportable business segments: Capital Markets and Asset Management. Refer to our Annual Report on Form 10-K for the year ended December 31, 2015 for a full description of our business.

Over the last twelve months, we have made significant progress on our growth strategy, primarily by expanding into new industry sectors within equity capital markets and the expansion of our fixed income middle market sales platform. The following is a summary of our most recent significant activity:

- As part of our strategy to expand our investment banking business into the energy sector and grow our advisory business, on February 26, 2016, we completed the purchase of Simmons & Company International ("Simmons"), an employee-owned investment bank and broker dealer focused on the energy industry.

- In the second quarter of 2015, we began expansion of our financial institutions group through significant hiring in our Capital Markets segment.

- On September 30, 2015, we acquired the assets of River Branch Holdings LLC ("River Branch"), an equity investment banking boutique focused on the financial institutions sector. The acquisition further strengthened our mergers and acquisitions leadership in the middle markets and adds investment banking resources dedicated to banks, thrifts, and depository institutions, building upon the recent expansion of our financial institutions group.

- On October 9, 2015, we completed the acquisition of BMO Capital Markets GKST Inc. ("BMO GKST"), a municipal bond sales, trading and origination business of BMO Financial Corp. This acquisition expanded our fixed income institutional sales, trading and underwriting platforms. Additionally, it strengthened our strategic analytic and advisory capabilities, and supports our growing equity financial institutions group with their coverage of bank clients.

- For more information on our acquisitions, see Note 3 of our accompanying unaudited consolidated financial statements included in this report. We incurred $6.8 million of restructuring, integration and transaction costs in the three months ended March 31, 2016 principally related to the Simmons acquisition. We expect to incur additional restructuring and integration costs related to Simmons in the second quarter of 2016.

Results for the three months ended March 31, 2016

Net income applicable to Piper Jaffray Companies in the first quarter of 2016 was $2.4 million, or $0.16 per diluted common share, compared with $17.0 million, or $1.03 per diluted common share, for the prior-year period. For the twelve months ended March 31, 2016, we generated a rolling twelve month return on average common shareholders' equity of 4.7 percent, compared with 7.8 percent for the rolling twelve months ended March 31, 2015. Net revenues for the three months ended March 31, 2016 were $153.6 million, a decrease of 5.1 percent from $161.9 million reported in the year-ago period, as higher advisory services revenues were more than offset by declines in equity and debt financing revenues, asset management revenues and investment income. For the three months ended March 31, 2016, non-compensation expenses were $45.7 million, up 31.6 percent compared with $34.7 million in the first quarter of 2015. Non-compensation expenses in the first quarter of 2016 included restructuring and integration costs, intangible amortization expense and other incremental costs related to our recent acquisitions of Simmons, BMO GKST and River Branch.

For the three months ended March 31, 2016, adjusted net income applicable to Piper Jaffray Companies was $10.6 million(1), or $0.70(1) per diluted common share, compared with $18.8 million(1), or $1.14(1) per diluted common share, for the prior-year period. For the twelve months ended March 31, 2016, we generated an adjusted rolling twelve month return on average common shareholders' equity of 7.2 percent(2), compared with 8.8 percent(2) for rolling twelve months ended March 31, 2015. Adjusted net revenues for the three months ended March 31, 2016 were $152.2 million(1), a decrease of 2.3 percent from $155.7 million(1) reported in the year-ago period. For the three months ended March 31, 2016, adjusted non-compensation expenses were $35.0 million(1), up 10.6 percent from $31.6 million(1) for the three months ended March 31, 2015.

(1) Reconciliation of U.S. GAAP to adjusted non-GAAP financial information

(Amounts in thousands, except per share data)	*Three Months Ended March 31, 2016*	*2015*
Net revenues:		
Net revenues – U.S. GAAP basis	***$ 153,556***	*$ 161,871*
Adjustments:		
Revenue related to noncontrolling interests	***(1,349)***	*(6,132)*
Adjusted net revenues	***$ 152,207***	*$ 155,739*
Non-compensation expenses:		
Non-compensation expenses – U.S. GAAP basis	***$ 45,678***	*$ 34,722*
Adjustments:		
Non-compensation expenses related to noncontrolling interests	***(600)***	*(1,302)*
Restructuring and integration costs	***(6,773)***	*—*
Amortization of intangible assets related to acquisitions	***(3,296)***	*(1,773)*
Adjusted non-compensation expenses	***$ 35,009***	*$ 31,647*
Net income applicable to Piper Jaffray Companies:		
Net income applicable to Piper Jaffray Companies – U.S. GAAP basis	***$ 2,437***	*$ 16,972*
Adjustments:		
Compensation from acquisition-related agreements	***2,020***	*764*
Restructuring and integration costs	***4,138***	*—*
Amortization of intangible assets related to acquisitions	***2,014***	*1,083*
Adjusted net income applicable to Piper Jaffray Companies	***$ 10,609***	*$ 18,819*
Earnings per diluted common share:		
Earnings per diluted common share – U.S. GAAP basis	***$ 0.16***	*$ 1.03*
Adjustments:		
Compensation from acquisition-related agreements	***0.13***	*0.05*
Restructuring and integration costs	***0.27***	*—*
Amortization of intangible assets related to acquisitions	***0.13***	*0.07*
Adjusted earnings per diluted common share	***$ 0.70***	*$ 1.14*

(2) Adjusted return on average common shareholders' equity is computed by dividing adjusted net income applicable to Piper Jaffray Companies for the last 12 months by average monthly common shareholders' equity. For a detailed explanation of the components of adjusted net income, see "Reconciliation of U.S. GAAP to adjusted non-GAAP financial information" in footnote (1).

External Factors Impacting Our Business

Performance in the financial services industry in which we operate is highly correlated to the overall strength of economic conditions and financial market activity. Overall market conditions are a product of many factors, which are beyond our control and mostly unpredictable. These factors may affect the financial decisions made by investors, including their level of participation in the financial markets. In turn, these decisions may affect our business results. With respect to financial market activity, our profitability is sensitive to a variety of factors, including the demand for investment banking services as reflected by the number and size of equity and debt financings and merger and acquisition transactions, the volatility of the equity and fixed income markets, changes in interest rates (especially rapid and extreme changes) and credit spreads, overall market liquidity, the level and shape of various yield curves, the volume and value of trading in securities, overall equity valuations, and the demand for asset management services.

Factors that differentiate our business within the financial services industry may also affect our financial results. For example, our capital markets business focuses on a middle-market clientele in specific industry sectors. If the business environment for our focus sectors is impacted disproportionately as compared to the economy as a whole, our business and results of operations will be negatively impacted. In addition, our business could be affected differently than overall market trends. Given the variability of the capital markets and securities businesses, our earnings may fluctuate significantly from period to period, and results for any individual period should not be considered indicative of future results.

Outlook for the remainder of 2016

We continue to encounter mixed signals relative to the strength of the recovery for the U.S. economy. In 2016, we believe the U.S. economy will continue its sluggish growth pattern. Risks to continued growth include, among other factors, ongoing or accelerating weakness in major international economies and significant geopolitical events (including terrorism) or conflicts, which could adversely impact the rate of growth in the U.S. and could inject volatility into the U.S. equity and debt markets. The 2016 U.S. presidential election also could influence the volatility or direction of markets based on investors' assessment of the outcome and the overall political outlook in the United States.

Equity markets experienced several periods of heightened volatility during the first quarter of 2016 which adversely impacted equity capital raising, and may incur additional bouts of volatility during the year given the mixed outlook for the U.S. economy coupled with global economic and geopolitical risks. While higher volatility typically benefits our equity sales and trading business, market volatility as experienced in the first quarter or prolonged market correction may be disruptive to our capital raising activities. If volatility subsides for a period of time, we may expect to see stronger capital raising activity emerge prior to year-end.

We saw a constructive start to the year in the municipal market with market-wide municipal issuance volumes up sequentially from the fourth quarter of 2015. We believe that municipal debt underwriting activity for the remainder of 2016 is sustainable at current levels or higher, as a lower interest rate environment generally drives refinancing activity and results in an accommodative market for our services. Fixed income client trading activity was relatively strong in the first quarter of 2016, however, periods of interest rate uncertainty may reduce activity in our fixed income institutional brokerage business. We generally anticipate maintaining a conservative bias in managing our inventories and hedging strategies as we assess the quality and direction of the market on an ongoing basis.

Asset management revenues will continue to be affected by broad market trends (e.g., passive versus active management), and dependent upon valuations and our investment performance, all of which can impact the amount of net flows of assets under management. Our exposure to energy through a dedicated energy fund, our MLP strategies and energy holdings in our domestic strategies, has adversely impacted our assets under management. Sharp fluctuations in the price of oil may continue to increase the volatility of energy-related equity holdings in 2016. A stabilization or a steady improvement of oil prices would have a beneficial impact on our business.

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Results of Operations

To provide comparative information of our operating results for the periods presented, a discussion of adjusted segment results follows the discussion of our total consolidated U.S. GAAP results. Our adjusted segment results exclude certain revenue and expenses required under U.S. GAAP. See the sections titled "Explanation of Non-GAAP Financial Measures" and "Segment Performance" in this Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion and reconciliations.

Financial Summary for the three months ended March 31, 2016 and March 31, 2015

The following table provides a summary of the results of our operations on a U.S. GAAP basis and the results of our operations as a percentage of net revenues for the periods indicated.

	Three Months Ended March 31,			As a Percentage of Net Revenues for the Three Months Ended March 31,	
(Dollars in thousands)	**2016**	**2015**	**2016 v2015**	**2016**	**2015**
Revenues:					
Investment banking	**$ 103,938**	$ 87,077	19.4 %	**67.7%**	53.8%
Institutional brokerage	**32,049**	36,036	(11.1)	**20.9**	22.3
Asset management	**13,848**	20,522	(32.5)	**9.0**	12.7
Interest	**8,829**	12,205	(27.7)	**5.7**	7.5
Investment income	**937**	12,591	(92.6)	**0.6**	7.8
Total revenues	**159,601**	168,431	(5.2)	**103.9**	104.1
Interest expense	**6,045**	6,560	(7.9)	**3.9**	4.1
Net revenues	**153,556**	161,871	(5.1)	**100.0**	100.0
Non-interest expenses:					
Compensation and benefits	**104,436**	95,857	8.9	**68.0**	59.2
Outside services	**8,451**	8,184	3.3	**5.5**	5.1
Occupancy and equipment	**7,718**	6,783	13.8	**5.0**	4.2
Communications	**7,330**	6,328	15.8	**4.8**	3.9
Marketing and business development	**7,004**	6,982	0.3	**4.6**	4.3
Trade execution and clearance	**1,762**	1,997	(11.8)	**1.1**	1.2
Restructuring and integration costs	**6,773**	—	N/M	**4.4**	—
Intangible asset amortization expense	**3,296**	1,773	85.9	**2.1**	1.1
Other operating expenses	**3,344**	2,675	25.0	**2.2**	1.7
Total non-interest expenses	**150,114**	130,579	15.0	**97.8**	80.7
Income before income tax expense	**3,442**	31,292	(89.0)	**2.2**	19.3
Income tax expense	**256**	9,490	(97.3)	**0.2**	5.9
Net income	**3,186**	21,802	(85.4)	**2.1**	13.5
Net income applicable to noncontrolling interests	**749**	4,830	(84.5)	**0.5**	3.0
Net income applicable to Piper Jaffray Companies	**$ 2,437**	$ 16,972	(85.6)%	**1.6%**	10.5%

N/M – Not meaningful

For the three months ended March 31, 2016, we recorded net income applicable to Piper Jaffray Companies of $2.4 million. Net revenues for the three months ended March 31, 2016 were $153.6 million, a 5.1 percent decrease compared to $161.9 million in the year-ago period. In the first quarter of 2016, investment banking revenues were $103.9 million, compared with $87.1 million in the prior-year period, as higher advisory services revenues were partially offset by a decline in equity and debt financing revenues. For the three months ended March 31, 2016, institutional brokerage revenues decreased to $32.0 million, compared with $36.0 million in the first quarter of 2015, due to lower fixed income institutional brokerage revenues. In the first quarter of 2016, asset management fees of $13.8 million were down 32.5 percent compared with $20.5 million in the first quarter of 2015 due primarily to lower management fees from both our value equity and master limited partnership ("MLP") product offerings resulting from decreased assets under management. For the three months ended March 31, 2016, net interest income was $2.8 million, compared with $5.6 million in the prior-year period. The decrease primarily resulted from the liquidation of our municipal bond fund with outside investors in the second half of 2015, and additional interest expense on our senior notes due to an increase in the amount of debt outstanding and a higher interest rate as we shifted from variable to fixed rate through our refinancing in late 2015. In the first quarter of 2016, investment income was $0.9 million, compared with $12.6 million in the prior-year period, as we experienced higher investment gains on our firms investments in the first quarter of 2015. Non-interest expenses were $150.1 million for the three months ended March 31, 2016, up 15.0 percent compared to $130.6 million in the prior year. The first quarter of 2016 included additional compensation expenses from business expansion over the past year, $6.8 million of acquisition-related restructuring and integration costs, and an additional $1.5 million of intangible amortization expense resulting from our recent acquisitions.

Consolidated Non-Interest Expenses

Compensation and Benefits – Compensation and benefits expenses, which are the largest component of our expenses, include salaries, incentive compensation, benefits, stock-based compensation, employment taxes, income associated with the forfeiture of stock-based compensation and other employee costs. A portion of compensation expense is comprised of variable incentive arrangements, including discretionary incentive compensation, the amount of which fluctuates in proportion to the level of business activity, increasing with higher revenues and operating profits. Other compensation costs, primarily base salaries and benefits, are more fixed in nature. The timing of incentive compensation payments, which generally occur in February, has a greater impact on our cash position and liquidity than is reflected on our consolidated statements of operations.

For the three months ended March 31, 2016, compensation and benefits expenses increased to $104.4 million, compared with $95.9 million in the corresponding period of 2015. Compensation and benefits expenses as a percentage of net revenues was 68.0 percent in the first quarter of 2016, compared with 59.2 percent in the first quarter of 2015. The increased compensation ratio was attributable to significant hiring efforts surrounding our financial institutions group as well as a change in our mix of revenues, as we recorded significantly higher advisory revenues in the first quarter of 2016, which have a higher payout rate.

Outside Services – Outside services expenses include securities processing expenses, outsourced technology functions, outside legal fees, fund expenses associated with our consolidated alternative asset management funds and other professional fees. Outside services expenses were $8.5 million in the first quarter of 2016, compared with $8.2 million in the corresponding period of 2015. Excluding the portion of expenses from non-controlled equity interests in our consolidated alternative asset management funds, outside services expenses increased 10.9 percent due primarily to higher professional fees.

Occupancy and Equipment – For the three months ended March 31, 2016, occupancy and equipment expenses increased 13.8 percent to $7.7 million, compared with $6.8 million for the three months ended March 31, 2015. The increase was primarily the result of incremental occupancy expenses from our acquisitions of River Branch and BMO GKST completed during the third and fourth quarters of 2015, respectively, and our acquisition of Simmons completed during the first quarter of 2016.

Communications – Communication expenses include costs for telecommunication and data communication, primarily consisting of expenses for obtaining third party market data information. For the three months ended March 31, 2016, communication expenses increased 15.8 percent to $7.3 million, compared with $6.3 million for the three months ended March 31, 2015, due to higher market data services, resulting in part from our financial institutions group expansion, and additional headcount associated with our acquisitions of River Branch, BMO GKST, and Simmons.

Marketing and Business Development – Marketing and business development expenses include travel and entertainment costs, advertising and third party marketing fees. For the three months ended March 31, 2016, marketing and business development expenses were $7.0 million, flat compared with the corresponding period of 2015.

Trade Execution and Clearance – For the three months ended March 31, 2016, trade execution and clearance expenses were $1.8 million, compared with $2.0 million in the corresponding period of 2015.

Restructuring and Integration Costs – In the first quarter of 2016, we recorded restructuring and integration costs of $6.8 million primarily related to the acquisition of Simmons. The expenses consisted of $5.4 million of severance, benefits and outplacement costs, $0.8 million of transaction costs, and $0.6 million of contract termination costs. We expect to incur additional restructuring and integration costs related to Simmons in the second quarter of 2016.

Intangible Asset Amortization Expense – Intangible asset amortization expense includes the amortization of definite-lived intangible assets consisting of customer relationships and the Simmons trade name. For the three months ended March 31, 2016, intangible asset amortization expense was $3.3 million, compared with $1.8 million in the three months ended March 31, 2015. The increase was due to incremental intangible amortization expense for the acquisitions of River Branch and BMO GKST, as well as incremental intangible asset amortization expense related to identifiable intangible assets associated with the acquisition of Simmons.

Other Operating Expenses – Other operating expenses include insurance costs, license and registration fees, expenses related to our charitable giving program and litigation-related expenses, which consist of the amounts we reserve and/or pay out related to legal and regulatory matters. Other operating expenses were $3.3 million in the first quarter of 2016, compared with $2.7 million in the first quarter of 2015. The increase was due to incremental expenses associated with the acquisitions of River Branch, BMO GKST, and Simmons.

Income Taxes – For the three months ended March 31, 2016, our provision for income taxes was $0.3 million equating to an effective tax rate, excluding noncontrolling interests, of 9.5 percent, compared with $9.5 million in the prior-year period equating to an effective tax rate, excluding noncontrolling interests, of 35.9 percent. The reduced effective tax rate was due to the impact of tax-exempt municipal interest income representing a larger proportion of pre-tax income.

Segment Performance

We measure financial performance by business segment. Our two reportable segments are Capital Markets and Asset Management. We determined these segments based upon the nature of the financial products and services provided to customers and our management organization. Segment pre-tax operating income and segment pre-tax operating margin are used to evaluate and measure segment performance by our chief operating decision maker in deciding how to allocate resources and in assessing performance in relation to our competitors. Revenues and expenses directly associated with each respective segment are included in determining segment operating results. Revenues and expenses that are not directly attributable to a particular segment are allocated based upon our allocation methodologies, generally based on each segment's respective net revenues, use of shared resources, headcount or other relevant measures.

Throughout this section, we have presented segment results on both a U.S. GAAP and non-GAAP basis. Management believes that presenting adjusted segment pre-tax operating income and adjusted segment pre-tax operating margin in conjunction with the U.S. GAAP measures provides a more meaningful basis for comparison of its operating results and underlying trends between periods.

Adjusted segment pre-tax operating income and adjusted segment pre-tax operating margin exclude (1) revenues and expenses related to noncontrolling interests, (2) amortization of intangible assets related to acquisitions, (3) compensation from acquisition-related agreements and (4) restructuring and acquisition integration costs. For U.S. GAAP purposes, these items are included in each of their respective line items on the consolidated statements of operations.

Capital Markets

The following table sets forth the Capital Markets adjusted segment financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP pre-tax operating income and pre-tax operating margin for the periods presented:

	Three Months Ended March 31,							
	2016				2015			
		Adjustments (1)				Adjustments (1)		
(Dollars in thousands)	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP
Investment banking								
Financing								
Equities	$ 6,566	$ —	$ —	$ 6,566	$ 36,007	$ —	$ —	$ 36,007
Debt	15,972	—	—	15,972	20,988	—	—	20,988
Advisory services	81,629	—	—	81,629	30,498	—	—	30,498
Total investment banking	104,167	—	—	104,167	87,493	—	—	87,493
Institutional sales and trading								
Equities	19,669	—	—	19,669	18,905	—	—	18,905
Fixed income	17,054	—	—	17,054	21,217	—	—	21,217
Total institutional sales and trading	36,723	—	—	36,723	40,122	—	—	40,122
Management and performance fees	965	—	—	965	1,407	—	—	1,407
Investment income	737	1,349	—	2,086	8,573	6,132	—	14,705
Long-term financing expenses	(2,292)	—	—	(2,292)	(1,560)	—	—	(1,560)
Net revenues	140,300	1,349	—	141,649	136,035	6,132	—	142,167
Operating expenses	126,276	600	11,979	138,855	113,601	1,302	1,300	116,203
Segment pre-tax operating income	$ 14,024	$ 749	$ (11,979)	$ 2,794	$ 22,434	$ 4,830	$ (1,300)	$ 25,964
Segment pre-tax operating margin	10.0%			2.0%	16.5%			18.3%

(1) *The following is a summary of the adjustments needed to reconcile our consolidated U.S. GAAP segment pre-tax operating income and segment pre-tax operating margin to the adjusted segment pre-tax operating income and adjusted segment pre-tax operating margin:*

Noncontrolling interests – The impacts of consolidating noncontrolling interests in our alternative asset management funds and private equity investment vehicles are not included in adjusted segment pre-tax operating income and adjusted segment pre-tax operating margin.

Other adjustments – The following table sets forth the items not included in adjusted segment pre-tax operating income and adjusted segment pre-tax operating margin for the periods presented:

	Three Months Ended March 31,	
(Dollars in thousands)	*2016*	*2015*
Compensation from acquisition-related agreements	*$ 3,306*	*$ 1,037*
Restructuring and integration costs	*6,764*	*—*
Amortization of intangible assets related to acquisitions	*1,909*	*263*
	$ 11,979	*$ 1,300*

Capital Markets adjusted net revenues were $140.3 million for the three months ended March 31, 2016, compared with $136.0 million in the prior-year period.

Investment banking revenues comprise all of the revenues generated through equity and debt financing and advisory services activities, which include mergers and acquisitions, equity private placements, debt advisory, and municipal financial advisory transactions. To assess the profitability of investment banking, we aggregate investment banking fees with the net interest income or expense associated with these activities.

In the first quarter of 2016, investment banking revenues increased 19.1 percent to $104.2 million, compared with $87.5 million in the corresponding period of the prior year. For the three months ended March 31, 2016, equity financing revenues were $6.6 million, a decrease of 81.8 percent compared with $36.0 million in the prior-year period, due to fewer completed transactions and lower revenue per transaction as market volatility negatively impacted the volume of equity capital raising in the market. During the first quarter of 2016, we completed 7 equity financings, raising $1.2 billion for our clients, compared with 35 equity financings, raising $6.5 billion for our clients in the comparable year-ago period. Debt financing revenues for the three months ended March 31, 2016 were $16.0 million, down 23.9 percent compared with $21.0 million in the year-ago period, due to lower public finance revenues from fewer completed transactions as municipal issuance volumes decreased compared to the first quarter of 2015. During the first quarter of 2016, we completed 103 negotiated municipal issues with a total par value of $2.6 billion, compared with 142 negotiated municipal issues with a total par value of $3.7 billion during the prior-year period. For the three months ended March 31, 2016, advisory services revenues were $81.6 million, up significantly compared to $30.5 million in the first quarter of 2015, due to more completed transactions and higher revenue per transaction. We completed 36 transactions with an aggregate enterprise value of $5.9 billion in the first quarter of 2016, compared with 16 transactions with an aggregate enterprise value of $1.8 billion in the first quarter of 2015.

Institutional sales and trading revenues comprise all of the revenues generated through trading activities, which consist of facilitating customer trades, executing competitive municipal underwritings and our strategic trading activities in municipal bonds, mortgage-backed securities and U.S. government agency securities. To assess the profitability of institutional brokerage activities, we aggregate institutional brokerage revenues with the net interest income or expense associated with financing, economically hedging and holding long or short inventory positions. Our results may vary from quarter to quarter as a result of changes in trading margins, trading gains and losses, net interest spreads, trading volumes and the timing of transactions based on market opportunities.

For the three months ended March 31, 2016, adjusted institutional brokerage revenues were $36.7 million, compared with $40.1 million in the prior-year period. Equity institutional brokerage revenues increased 4.0 percent to $19.7 million in the first quarter of 2016, compared with $18.9 million in the corresponding period of 2015. For the three months ended March 31, 2016, adjusted fixed income institutional brokerage revenues were $17.1 million, down 19.6 percent compared with $21.2 million in the prior-year period, due to lower trading gains as volatility in credit spreads during the quarter negatively impacted certain asset classes. This decline was partially offset by incremental revenues associated with our acquisition of BMO GKST.

Management and performance fees include the fees generated from our municipal bond, merchant banking and senior living funds with outside investors. For the three months ended March 31, 2016, management and performance fees were $1.0 million, compared with $1.4 million in the prior-year period. In the third quarter of 2015, we closed the municipal bond fund and completed its liquidation in October 2015.

Adjusted investment income includes realized and unrealized gains and losses on investments in our merchant banking fund, municipal bond fund, and other firm investments. For the three months ended March 31, 2016, adjusted investment income was $0.7 million, compared to $8.6 million in the corresponding period of 2015. In the first quarter of 2015, we recorded higher gains on these investments.

Long-term financing expenses primarily represent interest paid on our senior notes. For the three months ended March 31, 2016, long-term financing expenses were $2.3 million, compared with $1.6 million in the prior-year period, as we increased the amount of outstanding principal on our senior notes in the fourth quarter of 2015 from $125 million to $175 million.

Capital Markets adjusted segment pre-tax operating margin for the three months ended March 31, 2016 was 10.0 percent, compared with 16.5 percent for the corresponding period of 2015. The decrease in adjusted pre-tax operating margin was primarily due to additional expenses associated with our financial institutions group expansion and recent acquisitions, as well as an increased compensation ratio resulting from a change in our mix of revenues. Revenue production from these growth initiatives often takes time to ramp to full productivity, which negatively impacts operating margin.

Asset Management

The following table sets forth the Asset Management segment financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP pre-tax operating income and pre-tax operating margin for the periods presented:

	Three Months Ended March 31,							
	2016				2015			
		Adjustments (1)				Adjustments (1)		
(Dollars in thousands)	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP
Management fees								
Value equity	$ 7,713	$ —	$ —	$ 7,713	$ 10,859	$ —	$ —	$ 10,859
MLP	5,170	—	—	5,170	8,248	—	—	8,248
Total management fees	12,883	—	—	12,883	19,107	—	—	19,107
Performance fees								
Value equity	—	—	—	—	8	—	—	8
MLP	—	—	—	—	—	—	—	—
Total performance fees	—	—	—	—	8	—	—	8
Total management and performance fees	12,883	—	—	12,883	19,115	—	—	19,115
Investment income/(loss)	(976)	—	—	(976)	589	—	—	589
Total net revenues	11,907	—	—	11,907	19,704	—	—	19,704
Operating expenses	9,863	—	1,396	11,259	12,652	—	1,724	14,376
Segment pre-tax operating income/(loss)	$ 2,044	$ —	$ (1,396)	$ 648	$ 7,052	$ —	$ (1,724)	$ 5,328
Segment pre-tax operating margin	17.2%			5.4%	35.8%			27.0%
Adjusted segment pre-tax operating margin excluding investment income/(loss) (2)	23.4%				33.8%			

(1) *Other Adjustments – The following table sets forth the items not included in adjusted segment pre-tax operating income and adjusted segment pre-tax operating margin for the periods presented:*

	Three Months Ended March 31,	
(Dollars in thousands)	*2016*	*2015*
Compensation from acquisition-related agreements	*$ —*	*$ 214*
Restructuring and integration costs	*9*	*—*
Amortization of intangible assets related to acquisitions	*1,387*	*1,510*
	$ 1,396	*$ 1,724*

(2) *Management believes that presenting adjusted segment pre-tax operating margin excluding investment income/(loss) provides the most meaningful basis for comparison of Asset Management operating results across periods.*

Management and performance fee revenues comprise the revenues generated through management and investment advisory services performed for separately managed accounts, registered funds and partnerships. Investment performance and client asset inflows and outflows have a direct effect on management and performance fee revenues. Management fees are generally based on the level of assets under management ("AUM") measured monthly or quarterly, and an increase or reduction in AUM, due to market price fluctuations or net client asset flows, will result in a corresponding increase or decrease in management fees. Fees vary with the type of assets managed and the vehicle in which they are managed. Performance fees are earned when the investment return on AUM exceeds certain benchmark targets or other performance targets over a specified measurement period. The level of performance fees earned can vary significantly from period to period and these fees may not necessarily be correlated to changes in total AUM. The majority of performance fees, if earned, are generally recorded in the fourth quarter of the applicable year or upon withdrawal of client assets. At March 31, 2016, approximately five percent of our AUM was eligible to earn performance fees.

For the three months ended March 31, 2016, management fees were $12.9 million, a decrease of 32.6 percent, compared with $19.1 million in the prior-year period, due to lower management fees from both our value equity and MLP product offerings. In the first quarter of 2016, management fees related to our value equity strategies were $7.7 million, down 29.0 percent compared to $10.9 million in the corresponding period of 2015. The decrease was due to lower AUM resulting from net client outflows and market depreciation, as well as a lower average effective revenue yield. The average effective revenue yield (total annualized management fees as a percentage of our average month-end AUM) for our value equity strategies was 73 basis points for the first quarter of 2016, compared with 77 basis points for the prior-year period. Management fees from our MLP strategies decreased 37.3 percent in the first quarter of 2016 to $5.2 million, compared with $8.2 million in the first quarter of 2015. The decline in management fees resulting from lower AUM, driven by a drop-off in MLP valuations, was offset in part by a higher average effective revenue yield. The average effective revenue yield for our MLP strategies was 63 basis points for the three months ended March 31, 2016, compared to 58 basis points for the corresponding period in the prior year. The increased average effective revenue yield was due to more assets from individual investors in open-ended mutual funds, which earn higher fees.

Investment income/(loss) includes gains and losses from our investments in registered funds and private funds or partnerships that we manage. For the three months ended March 31, 2016, investment loss was $1.0 million compared with income of $0.6 million for the prior-year period.

Adjusted segment pre-tax operating margin for the three months ended March 31, 2016 was 17.2 percent, compared to 35.8 percent for the three months ended March 31, 2015. Excluding investment income/(loss) on firm capital invested in our strategies, adjusted operating margin declined from 33.8 percent in the first quarter of 2015 to 23.4 percent in the first quarter of 2016, due to lower management fees.

The following table summarizes the changes in our AUM for the periods presented:

(Dollars in millions)	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015	Twelve Months Ended March 31, 2016
Value Equity			
Beginning of period	**$ 4,954**	**$ 5,758**	**$ 5,636**
Net outflows	(901)	(311)	(1,162)
Net market appreciation/(depreciation)	(70)	189	(491)
End of period	**$ 3,983**	**$ 5,636**	**$ 3,983**
MLP			
Beginning of period	**$ 3,924**	**$ 5,711**	**$ 5,777**
Net inflows/(outflows)	(137)	182	115
Net market depreciation	(265)	(116)	(2,370)
End of period	**$ 3,522**	**$ 5,777**	**$ 3,522**
Total			
Beginning of period	**$ 8,878**	**$ 11,469**	**$ 11,413**
Net outflows	(1,038)	(129)	(1,047)
Net market appreciation/(depreciation)	(335)	73	(2,861)
End of period	**$ 7,505**	**$ 11,413**	**$ 7,505**

Total AUM was $7.5 billion at March 31, 2016. Value equity AUM declined to $4.0 billion at March 31, 2016, compared with $5.0 billion at December 31, 2015 due to net client outflows of $0.9 billion during the quarter. The asset management industry has experienced an ongoing trend of investors favoring passive investment vehicles over active management. Our first quarter AUM outflows in 2016 reflected the impact of this trend as a large investor in our all cap product shifted to a passive investment. In addition, performance in our small-mid-cap value strategy has lagged its relative benchmark which has contributed to client outflows. MLP AUM decreased to $3.5 billion at March 31, 2016 as we experienced market depreciation during the quarter and deleveraging in closed-end mutual funds we manage.

Recent Accounting Pronouncements

Recent accounting pronouncements are set forth in Note 2 to our unaudited consolidated financial statements, and are incorporated herein by reference.

Critical Accounting Policies

Our accounting and reporting policies comply with GAAP and conform to practices within the securities industry. The preparation of financial statements in compliance with GAAP and industry practices requires us to make estimates and assumptions that could materially affect amounts reported in our consolidated financial statements. Critical accounting policies are those policies that we believe to be the most important to the portrayal of our financial condition and results of operations and that require us to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by us to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical, including whether the estimates are significant to the consolidated financial statements taken as a whole, the nature of the estimates, the ability to readily validate the estimates with other information (e.g., third party or independent sources), the sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be used under GAAP.

We believe that of our significant accounting policies, the following are our critical accounting policies:

- Valuation of Financial Instruments
- Goodwill and Intangible Assets
- Compensation Plans
- Income Taxes

See the "Critical Accounting Policies" section and Note 2, "Summary of Significant Accounting Policies" to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 for further information. See also Note 2, "Accounting Policies and Pronouncements" in the notes to our unaudited consolidated financial statements included in this report for changes to our significant accounting policies.

Liquidity, Funding and Capital Resources

Liquidity is of critical importance to us given the nature of our business. Insufficient liquidity resulting from adverse circumstances contributes to, and may be the cause of, financial institution failure. Accordingly, we regularly monitor our liquidity position and maintain a liquidity strategy designed to enable our business to continue to operate even under adverse circumstances, although there can be no assurance that our strategy will be successful under all circumstances.

The majority of our tangible assets consist of assets readily convertible into cash. Financial instruments and other inventory positions owned are stated at fair value and are generally readily marketable in most market conditions. Receivables and payables with brokers, dealers and clearing organizations usually settle within a few days. As part of our liquidity strategy, we emphasize diversification of funding sources to the extent possible while considering tenor and cost. Our assets are financed by our cash flows from operations, equity capital, and our funding arrangements. The fluctuations in cash flows from financing activities are directly related to daily operating activities from our various businesses. One of our most important risk management disciplines is our ability to manage the size and composition of our balance sheet. While our asset base changes due to client activity, market fluctuations and business opportunities, the size and composition of our balance sheet reflect our overall risk tolerance, our ability to access stable funding sources and the amount of equity capital we hold.

Certain market conditions can impact the liquidity of our inventory positions, requiring us to hold larger inventory positions for longer than expected or requiring us to take other actions that may adversely impact our results.

A significant component of our employees' compensation is paid in annual discretionary incentive compensation. The timing of these incentive compensation payments, which generally are made in February, has a significant impact on our cash position and liquidity.

We currently do not pay cash dividends on our common stock.

Effective August 14, 2015, our board of directors authorized the repurchase of up to $150.0 million in common shares through September 30, 2017. During the three months ended March 31, 2016, we repurchased 351,791 shares of our common stock at an average price of $35.14 per share for an aggregate purchase price of $12.4 million related to this authorization. The Company has $119.2 million remaining under this authorization.

We also purchase shares of common stock from restricted stock award recipients upon the award vesting as recipients sell shares to meet their employment tax obligations. During the first quarter of 2016, we purchased 169,282 shares or $7.1 million of our common shares for this purpose.

Leverage

The following table presents total assets, adjusted assets, total shareholders' equity and tangible shareholders' equity with the resulting leverage ratios as of:

(Dollars in thousands)	**March 31, 2016**	December 31, 2015
Total assets	**$ 2,178,415**	$ 2,138,518
Deduct: Goodwill and intangible assets	**(331,707)**	(248,506)
Deduct: Assets from noncontrolling interests	**(103,184)**	(88,590)
Adjusted assets	**$ 1,743,524**	$ 1,801,422
Total shareholders' equity	**$ 852,937**	$ 832,820
Deduct: Goodwill and intangible assets	**(331,707)**	(248,506)
Deduct: Noncontrolling interests	**(47,757)**	(49,161)
Tangible common shareholders' equity	**$ 473,473**	$ 535,153
Leverage ratio (1)	**2.6**	2.6
Adjusted leverage ratio (2)	**3.7**	3.4

(1) Leverage ratio equals total assets divided by total shareholders' equity.

(2) Adjusted leverage ratio equals adjusted assets divided by tangible common shareholders' equity.

Adjusted assets and tangible common shareholders' equity are non-GAAP financial measures. Goodwill and intangible assets are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as we believe that goodwill and intangible assets do not constitute operating assets which can be deployed in a liquid manner. Amounts attributed to noncontrolling interests are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as they represent assets and equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Jaffray Companies. We view the resulting measure of adjusted leverage, also a non-GAAP financial measure, as a more relevant measure of financial risk when comparing financial services companies.

Funding and Capital Resources

The primary goal of our funding activities is to ensure adequate funding over a wide range of market conditions. Given the mix of our business activities, funding requirements are fulfilled through a diversified range of short-term and long-term financing. We attempt to ensure that the tenor of our borrowing liabilities equals or exceeds the expected holding period of the assets being financed. Our ability to support increases in total assets is largely a function of our ability to obtain funding from external sources. Access to these external sources, as well as the cost of that financing, is dependent upon various factors, including market conditions, the general availability of credit and credit ratings. We currently do not have a credit rating, which could adversely affect our liquidity and competitive position by increasing our financing costs and limiting access to sources of liquidity that require a credit rating as a condition to providing the funds.

Short-term financing

Our day-to-day funding and liquidity is obtained primarily through the use of commercial paper issuance, repurchase agreements, prime broker agreement, and bank lines of credit, and is typically collateralized by our securities inventory. These funding sources are critical to our ability to finance and hold inventory, which is a necessary part of our institutional brokerage business. The majority of our inventory is liquid and is therefore funded by overnight or short-term facilities. Certain of these short-term facilities (i.e., committed line and commercial paper) have been established to mitigate changes in the liquidity of our inventory based on changing market conditions. In the case of our committed line, it is available to us regardless of changes in market liquidity conditions through the end of its term, although there may be limitations on the type of securities available to pledge. Our commercial paper program helps mitigate changes in market liquidity conditions given it is not an overnight facility, but provides funding with a term of 27 to 270 days. Our funding sources are also dependent on the types of inventory that our counterparties are willing to accept as collateral and the number of counterparties available. Funding is generally obtained at rates based upon the federal funds rate and/or the London Interbank Offer Rate.

Commercial Paper Program – Our U.S. broker dealer subsidiary, Piper Jaffray & Co., issues secured commercial paper to fund a portion of its securities inventory. This commercial paper is issued under three separate programs, CP Series A, CP Series II A and CP Series III A, and is secured by different inventory classes, which is reflected in the interest rate paid on the respective program. The programs can issue with maturities of 27 to 270 days. CP Series III A includes a covenant that requires Piper Jaffray & Co. to maintain excess net capital of $120 million. The following table provides information about our commercial paper programs at March 31, 2016:

(Dollars in millions)	CP Series A	CP Series II A	CP Series III A
Maximum amount that may be issued	$ 300.0	$ 150.0	$ 125.0
Amount outstanding	157.4	29.9	92.5
Weighted average maturity, in days	67	6	26
Weighted average maturity at issuance, in days	112	100	36

Prime Broker Arrangement – Our municipal securities strategic trading activities are principally operated in a fund structure vehicle. We also previously managed a municipal bond fund with third party investors, which was liquidated in the second half of 2015. We have established an arrangement to obtain overnight financing by a single prime broker related to our strategic trading activities in municipal securities and the alternative asset management fund that we previously managed with outside investors. Financing under this arrangement is secured by certain securities, primarily municipal securities, and collateral limitations could reduce the amount of funding available under this arrangement. Our prime broker financing activities are recorded net of receivables from trading activity. This funding is at the discretion of the prime broker and could be denied subject to a notice period. At March 31, 2016, we had $179.2 million of financing outstanding under this prime broker arrangement.

Committed Lines – Our committed line is a one-year $250 million revolving secured credit facility. We use this credit facility in the ordinary course of business to fund a portion of our daily operations, and the amount borrowed under the facility varies daily based on our funding needs. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires Piper Jaffray & Co. to maintain minimum net capital of $120 million, and the unpaid principal amount of all advances under the facility will be due on December 17, 2016. This credit facility has been in place since 2008 and we renewed the facility for another one-year term in the fourth quarter of 2015. At March 31, 2016, we had no advances against this line of credit.

Uncommitted Lines – We use uncommitted lines in the ordinary course of business to fund a portion of our daily operations, and the amount borrowed under our uncommitted lines varies daily based on our funding needs. Our uncommitted secured lines total $185 million with two banks and are dependent on having appropriate collateral, as determined by the bank agreement, to secure an advance under the line. Collateral limitations could reduce the amount of funding available under these secured lines. We also have an uncommitted unsecured facility with one of these banks. All of these uncommitted lines are discretionary and are not a commitment by the bank to provide an advance under the line. More specifically, these lines are subject to approval by the respective bank each time an advance is requested and advances may be denied, which may be particularly true during times of market stress or market perceptions of our exposures. We manage our relationships with the banks that provide these uncommitted facilities in order to have appropriate levels of funding for our business. At March 31, 2016, we had no advances against these lines of credit.

The following tables present the average balances outstanding for our various short-term funding sources by quarter for 2016 and 2015, respectively.

	Average Balance for the Three Months Ended				
(Dollars in millions)	**Mar. 31, 2016**	**Dec. 31, 2015**	**Sept. 30, 2015**	**June 30, 2015**	**Mar. 31, 2015**
Funding source:					
Repurchase agreements	**$ 30.5**	$ 25.5	$ 32.1	$ 76.9	$ 66.4
Commercial paper	**279.2**	277.5	276.8	256.3	245.1
Prime broker arrangement	**159.0**	109.4	139.8	242.8	167.1
Short-term bank loans	**0.8**	0.3	0.2	11.9	28.4
Total	**$ 469.5**	$ 412.7	$ 448.9	$ 587.9	$ 507.0

The average funding in the first quarter of 2016 increased to $469.5 million, compared with $412.7 million during the fourth quarter of 2015. In the first quarter of 2016 we experienced cash outflows as a result of our annual discretionary incentive compensation payouts and the cash payment for the acquisition of Simmons. These cash outflows reduced our available excess cash and increased our average short-term funding in the quarter. The reduction in average funding compared to the corresponding period of 2015, is related to a decrease in average inventory balances.

The following table presents the maximum daily funding amount by quarter for 2016 and 2015, respectively.

(Dollars in millions)	**2016**	**2015**
First Quarter	$ 576.4	$ 949.8
Second Quarter		$ 876.0
Third Quarter		$ 666.1
Fourth Quarter		$ 531.7

Senior Notes

We have entered into variable and fixed rate senior notes with certain entities advised by Pacific Investment Management Company ("PIMCO"). The following table presents the outstanding balance by note class at March 31, 2016 and 2015, respectively.

	Outstanding Balance	
(Dollars in thousands)	**March 31, 2016**	**December 31, 2015**
Class A Notes	**$ 50,000**	$ 50,000
Class C Notes	**125,000**	125,000
Total senior notes	**$ 175,000**	$ 175,000

On October 8, 2015, we entered into a second amended and restated note purchase agreement ("Second Amended and Restated Note Purchase Agreement") under which we issued $125 million of fixed rate Class C Notes. The Class C Notes bear interest at an annual fixed rate of 5.06 percent, payable semi-annually and mature on October 9, 2018. The $50 million of variable rate Class A Notes issued in 2014 bear interest at a rate equal to three-month LIBOR plus 3.00 percent, adjusted and payable quarterly and mature on May 31, 2017. The unpaid principal amounts of the senior notes are due in full on the respective maturity dates and may not be prepaid.

The Second Amended and Restated Note Purchase Agreement includes customary events of default and covenants that, among other things, require us to maintain a minimum consolidated tangible net worth and minimum regulatory net capital, limit our leverage ratio and require maintenance of a minimum ratio of operating cash flow to fixed charges. With respect to the net capital covenant, our U.S. broker dealer subsidiary is required to maintain minimum net capital of $120 million. At March 31, 2016, we were in compliance with all covenants.

Contractual Obligations

Our contractual obligations have not materially changed from those reported in our Annual Report on Form 10-K for the year ended December 31, 2015, except for our operating lease obligations. On April 5, 2016, we entered into a new lease agreement for our capital markets business in Chicago, Illinois. In addition, we acquired several leases in connection with our acquisition of Simmons.

(Dollars in millions)	Remainder of 2016	2017 - 2018	2019 - 2020	2021 and thereafter	Total
Operating lease obligations	$ 11.8	$ 27.0	$ 22.1	$ 26.1	$ 87.0

Capital Requirements

As a registered broker dealer and member firm of FINRA, our U.S. broker dealer subsidiary is subject to the uniform net capital rule of the SEC and the net capital rule of FINRA. We have elected to use the alternative method permitted by the uniform net capital rule, which requires that we maintain minimum net capital of the greater of $1.0 million or 2 percent of aggregate debit balances arising from customer transactions, as this is defined in the rule. FINRA may prohibit a member firm from expanding its business or paying dividends if resulting net capital would be less than 5 percent of aggregate debit balances. Advances to affiliates, repayment of subordinated liabilities, dividend payments and other equity withdrawals are subject to certain approvals, notifications and other provisions of the uniform net capital rules. We expect that these provisions will not impact our ability to meet current and future obligations. At March 31, 2016, our net capital under the SEC's uniform net capital rule was $215.0 million, and exceeded the minimum net capital required under the SEC rule by $214.0 million.

Although we operate with a level of net capital substantially greater than the minimum thresholds established by FINRA and the SEC, a substantial reduction of our capital would curtail many of our Capital Markets revenue producing activities.

At March 31, 2016, Piper Jaffray Ltd. and Simmons & Company International Limited, our broker dealer subsidiaries registered in the United Kingdom, were subject to, and were in compliance with, the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority pursuant to the Financial Services Act of 2012.

Piper Jaffray Hong Kong Limited is licensed by the Hong Kong Securities and Futures Commission, which is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance. At March 31, 2016, Piper Jaffray Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

Off-Balance Sheet Arrangements

In the ordinary course of business we enter into various types of off-balance sheet arrangements. The following table summarizes our off-balance sheet arrangements for the periods presented:

	Expiration Per Period at December 31,						Total Contractual Amount	
(Dollars in thousands)	2016	2017	2018	2019 - 2020	2021 - 2022	Later	March 31, 2016	December 31, 2015
Customer matched-book derivative contracts (1) (2)	$ 32,527	$ 40,950	$ —	$ 70,476	$ 67,690	$ 3,777,425	**$ 3,989,068**	$ 4,392,440
Trading securities derivative contracts (2)	232,050	40,000	—	—	—	29,750	**301,800**	290,600
Credit default swap index contracts (2)	—	—	—	92,500	—	24,402	**116,902**	94,270
Futures and equity option derivative contracts (2) (4)	11,925,612	1,000,000	—	—	—	—	**12,925,612**	2,345,037
Investment commitments (3)	—	—	—	—	—	—	**25,239**	32,819

(1) Consists of interest rate swaps. We have minimal market risk related to these matched-book derivative contracts; however, we do have counterparty risk with two major financial institutions, which is mitigated by collateral deposits. In addition, we have a limited number of counterparties (contractual amount of $186.1 million at March 31, 2016) who are not required to post collateral. The uncollateralized amounts, representing the fair value of the derivative contracts, expose us to the credit risk of these counterparties. At March 31, 2016, we had $28.2 million of credit exposure with these counterparties, including $20.0 million of credit exposure with one counterparty.

(2) We believe the fair value of these derivative contracts is a more relevant measure of the obligations because we believe the notional or contract amount overstates the expected payout. At March 31, 2016 and December 31, 2015, the net fair value of these derivative contracts approximated $34.4 million and $31.8 million, respectively.

(3) The investment commitments have no specified call dates. The timing of capital calls is based on market conditions and investment opportunities.

(4) Our maximum future financial exposure related to Eurodollar futures derivative contracts (with an outstanding absolute notional contract amount of $12.9 billion) is limited to $0.4 million as of March 31, 2016.

Derivatives

Derivatives' notional or contract amounts are not reflected as assets or liabilities on our consolidated statements of financial condition. Rather, the fair value of the derivative transactions are reported on the consolidated statements of financial condition as assets or liabilities in financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased, as applicable. For a complete discussion of our activities related to derivative products, see Note 4, "Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased," in the notes to our unaudited consolidated financial statements.

Loan Commitments

We may commit to bridge loan financing for our clients. We had no loan commitments outstanding at March 31, 2016.

Investment Commitments

Our private equity and principal investments, including those made as part of our merchant banking activities, are made through investments in limited partnerships or limited liability companies that provide financing or make investments in private equity funds. We commit capital or act as the managing partner of these entities.

We have committed capital to certain entities and these commitments generally have no specified call dates. We had $25.2 million of commitments outstanding at March 31, 2016, of which $16.1 million relate to an affiliated merchant banking fund and $8.5 million relate to an affiliated fund, which provides financing for senior living facilities.

Risk Management

Risk is an inherent part of our business. The principal risks we face in operating our business include: strategic risk, market risk, liquidity risk, credit risk, operational risk, human capital risk, and legal, regulatory and compliance risks. The extent to which we properly identify and effectively manage each of these risks is critical to our financial condition and profitability. We have a formal risk management process to identify, assess and monitor each risk and mitigating controls in accordance with defined policies and procedures. The risk management functions are independent of our business lines. Our management takes an active role in the risk management process, and the results are reported to senior management and the Board of Directors.

The audit committee of the Board of Directors oversees the risk management process as well as policies that have been developed by management to monitor and control our primary financial risk exposures. Our Chief Executive Officer and Chief Financial Officer meet with the audit committee on a quarterly basis to discuss our market, credit and liquidity risks and other risk-related topics.

We use internal committees to assist in governing risk and ensure that our business activities are properly assessed, monitored and managed. Our financial risk committee oversees risk management practices, including defining acceptable risk tolerances and approving risk management policies. Membership is comprised of our Chief Executive Officer, Chief Financial Officer, General Counsel, Treasurer, Head of Market and Credit Risk, Head of Public Finance, Head of Fixed Income Services and Firm Investments and Trading, and Head of Equities. Designated members of this committee also convene an executive risk committee which meets on a regular basis to monitor and discuss our primary financial risk exposures. We also have committees which manage risks related to our asset management strategies and principal investments. Membership is comprised of various levels of senior management. Other committees that help evaluate and monitor risk include underwriting, leadership team and operating committees. These committees help manage risk by ensuring that business activities are properly managed and within a defined scope of activity. Our valuation committee, comprised of members of senior management and risk management, provide oversight and overall responsibility for the internal control processes and procedures related to fair value measurements. Additionally, our operational risk committees address and monitor risk related to information systems and security, legal, regulatory and compliance matters, and third parties such as vendors and service providers.

With respect to market risk and credit risk, the cornerstone of our risk management process is daily communication among traders, trading department management and senior management concerning our inventory positions, including those associated with our strategic trading activities, and overall risk profile. Our risk management functions supplement this communication process by providing their independent perspectives on our market and credit risk profile on a daily basis. The broader objectives of our risk management functions are to understand the risk profile of each trading area, to consolidate risk monitoring company-wide, to assist in implementing effective hedging strategies, to articulate large trading or position risks to senior management, and to ensure accurate fair values of our financial instruments.

Risk management techniques, processes and strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, and any risk management failures could expose us to material unanticipated losses.

Strategic Risk

Strategic risk represents the risk associated with executive management failing to develop and execute on the appropriate overall objectives and strategic vision which demonstrates a commitment to the Company's culture, appropriately responds to external factors in the marketplace, and is in the best interests of our clients, employees and shareholders.

Our leadership team is responsible for managing our strategic risks. The Board of Directors oversees the leadership team in setting and executing our strategic plan.

Market Risk

Market risk represents the risk of financial volatility that may result from the change in value of a financial instrument due to fluctuations in its market price. Our exposure to market risk is directly related to our role as a financial intermediary for our clients, to our market-making activities and our strategic trading activities. Market risks are inherent to both cash and derivative financial instruments. The scope of our market risk management policies and procedures includes all market-sensitive financial instruments.

Our different types of market risk include:

Interest Rate Risk — Interest rate risk represents the potential volatility from changes in market interest rates. We are exposed to interest rate risk arising from changes in the level and volatility of interest rates, changes in the shape of the yield curve, changes in credit spreads, and the rate of prepayments on our interest-earning assets (including client margin balances, investments, inventories, and resale agreements) and our funding sources (including client cash balances, short-term financing, senior notes and repurchase agreements), which finance these assets. Interest rate risk is managed by selling short U.S. government securities, agency securities, corporate debt securities and derivative contracts. See Note 4 of our accompanying unaudited consolidated financial statements for additional information on our derivative contracts. Our interest rate hedging strategies may not work in all market environments and as a result may not be effective in mitigating interest rate risk.

Equity Price Risk — Equity price risk represents the potential loss in value due to adverse changes in the level or volatility of equity prices. We are exposed to equity price risk through our trading activities in the U.S. market. We attempt to reduce the risk of loss inherent in our market-making and in our inventory of equity securities by establishing limits on the notional level of our inventory and by managing net position levels within those limits.

Value-at-Risk ("VaR")

We use the statistical technique known as VaR to measure, monitor and review the market risk exposures in our trading portfolios. VaR is the potential loss in value of our trading positions, excluding non-controlling interests, due to adverse market movements over a defined time horizon with a specified confidence level. We perform a daily VaR analysis on substantially all of our trading positions, including fixed income, equities, convertible bonds, mortgage-backed securities and all associated economic hedges. These positions encompass both customer-related and strategic trading activities, which focus on proprietary investments in municipal bonds, and mortgage-backed securities. A VaR model provides a common metric for assessing market risk across business lines and products. Changes in VaR between reporting periods are generally due to changes in levels of risk exposure, volatilities and/or correlations among asset classes and individual securities.

We use a Monte Carlo simulation methodology for VaR calculations. We believe this methodology provides VaR results that properly reflect the risk profile of all our instruments, including those that contain optionality, and also accurately models correlation movements among all of our asset classes. In addition, it provides improved tail results as there are no assumptions of distribution, and can provide additional insight for scenario shock analysis.

Model-based VaR derived from simulation has inherent limitations including: reliance on historical data to predict future market risk; VaR calculated using a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day; and published VaR results reflect past trading positions while future risk depends on future positions.

The modeling of the market risk characteristics of our trading positions involves a number of assumptions and approximations. While we believe that these assumptions and approximations are reasonable, different assumptions and approximations could produce materially different VaR estimates. When comparing our VaR numbers to those of other firms, it is important to remember that different methodologies, assumptions and approximations could produce significantly different results.

The following table quantifies the model-based VaR simulated for each component of market risk for the periods presented, which are computed using the past 250 days of historical data. When calculating VaR we use a 95 percent confidence level and a one-day time horizon. This means that, over time, there is a one in 20 chance that daily trading net revenues will fall below the expected daily trading net revenues by an amount at least as large as the reported VaR. Shortfalls on a single day can exceed reported VaR by significant amounts. Shortfalls can also accumulate over a longer time horizon, such as a number of consecutive trading days. Therefore, there can be no assurance that actual losses occurring on any given day arising from changes in market conditions will not exceed the VaR amounts shown below or that such losses will not occur more than once in a 20-day trading period.

(Dollars in thousands)	**March 31, 2016**	December 31, 2015
Interest Rate Risk	**$ 722**	$ 608
Equity Price Risk	**142**	119
Diversification Effect (1)	**(74)**	(66)
Total Value-at-Risk	**$ 790**	$ 661

(1) Equals the difference between total VaR and the sum of the VaRs for the two risk categories. This effect arises because the two market risk categories are not perfectly correlated.

We view average VaR over a period of time as more representative of trends in the business than VaR at any single point in time. The table below illustrates the daily high, low and average VaR calculated for each component of market risk during the three months ended March 31, 2016 and the year ended December 31, 2015, respectively.

(Dollars in thousands)	High	Low	Average
For the Three Months Ended March 31, 2016			
Interest Rate Risk	$ 722	$ 388	$ 534
Equity Price Risk	283	128	165
Diversification Effect (1)			(78)
Total Value-at-Risk	$ 790	$ 457	$ 621

(Dollars in thousands)	High	Low	Average
For the Year Ended December 31, 2015			
Interest Rate Risk	$ 853	$ 415	$ 582
Equity Price Risk	618	31	314
Diversification Effect (1)			(133)
Total Value-at-Risk	$ 1,128	$ 487	$ 763

(1) Equals the difference between total VaR and the sum of the VaRs for the two risk categories. This effect arises because the two market risk categories are not perfectly correlated. Because high and low VaR numbers for these risk categories may have occurred on different days, high and low numbers for diversification benefit would not be meaningful.

Trading losses exceeded our one-day VaR on seven occasions during the first quarter of 2016.

The aggregate VaR as of March 31, 2016 was higher than the reported VaR on December 31, 2015. The increase in VaR was due to an increase in inventories, particularly Eurodollar future derivative contracts, and cyclical increases in municipal securities, to accommodate and facilitate customer trading for the three months ended March 31, 2016.

In addition to VaR, we also employ additional measures to monitor and manage market risk exposure including net market position, duration exposure, option sensitivities, and inventory turnover. All metrics are aggregated by asset concentration and are used for monitoring limits and exception approvals. In times of market volatility, we also perform ad hoc stress tests and scenario analysis as market conditions dictate. Unlike our VaR, which measures potential losses within a given confidence level, stress scenarios do not have an associated implied probability. Rather, stress testing is used to estimate the potential loss from market moves outside our VaR confidence levels.

Liquidity Risk

We are exposed to liquidity risk in our day-to-day funding activities, by holding potentially illiquid inventory positions and in our role as a remarketing agent for variable rate demand notes.

See the section entitled "Liquidity, Funding and Capital Resources" in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this Quarterly Report on Form 10-Q for information regarding our liquidity and how we manage liquidity risk.

Our inventory positions, including those associated with strategic trading activities, subject us to potential financial losses from the reduction in value of illiquid positions. Market risk can be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Depending on the specific security, the structure of the financial product, and/or overall market conditions, we may be forced to hold a security for substantially longer than we had planned or forced to liquidate into a challenging market if funding becomes unavailable.

Credit Risk

Credit risk refers to the potential for loss due to the default or deterioration in credit quality of a counterparty, customer, borrower or issuer of securities we hold in our trading inventory. The nature and amount of credit risk depends on the type of transaction, the structure and duration of that transaction and the parties involved.

Credit spread risk arises from the possibility that changes in credit spreads will affect the value of financial instruments. Credit spreads represent the credit risk premiums required by market participants for a given credit quality (e.g., the additional yield that a debt instrument issued by a AA-rated entity must produce over a risk-free alternative). Changes in credit spreads result from potential changes in an issuer's credit rating or the market's perception of the issuer's credit worthiness. We are exposed to credit spread risk with the debt instruments held in our trading inventory, including those held for strategic trading activites. We enter into transactions to hedge our exposure to credit spread risk through the use of derivatives and certain other financial instruments. These hedging strategies may not work in all market environments and as a result may not be effective in mitigating credit spread risk.

We are exposed to credit risk in our role as a trading counterparty to dealers and customers, as a holder of securities and as a member of exchanges and clearing organizations. The risk of default depends on the creditworthiness of the counterparty and/or issuer of the security. We mitigate this risk by establishing and monitoring individual and aggregate position limits for each counterparty relative to potential levels of activity, holding and marking to market collateral on certain transactions and conducting business through clearing organizations, which guarantee performance. Our risk management functions also evaluate the potential risk associated with institutional counterparties with whom we hold repurchase and resale agreement facilities, stock borrow or loan facilities, derivatives, TBAs and other documented institutional counterparty agreements that may give rise to credit exposure.

Our client activities involve the execution, settlement and financing of various transactions. Client activities are transacted on a delivery versus payment, cash or margin basis. Our credit exposure to institutional client business is mitigated by the use of industry-standard delivery versus payment through depositories and clearing banks. Credit exposure associated with our customer margin accounts in the U.S. is monitored daily. Our risk management functions have credit risk policies establishing appropriate credit limits and collateralization thresholds for our customers utilizing margin lending.

We are subject to concentration risk if we hold large individual securities positions, execute large transactions with individual counterparties or groups of related counterparties, extend large loans to individual borrowers or make substantial underwriting commitments. Concentration risk can occur by industry, geographic area or type of client. Securities purchased under agreements to resell consist primarily of securities issued by the U.S. government or its agencies. The counterparties to these agreements typically are primary dealers of U.S. government securities and major financial institutions. Inventory and investment positions taken and commitments made, including underwritings, may result in exposure to individual issuers and businesses. Potential concentration risk is carefully monitored through review of counterparties and borrowers and is managed through the use of policies and limits established by senior management.

We have concentrated counterparty credit exposure with five non-publicly rated entities totaling $28.2 million at March 31, 2016. This counterparty credit exposure is part of our matched-book derivative program related to our public finance business, consisting primarily of interest rate swaps. One derivative counterparty represents 70.9 percent, or $20.0 million, of this exposure. Credit exposure associated with our derivative counterparties is driven by uncollateralized market movements in the fair value of the interest rate swap contracts and is monitored regularly by our financial risk committee. We attempt to minimize the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by senior management.

Operational Risk

Operational risk is the risk of loss, or damage to our reputation, resulting from inadequate or failed processes, people and systems or from external events. We rely on the ability of our employees and our systems, both internal and at computer centers operated by third parties, to process a large number of transactions. Our systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control. In the event of a breakdown or improper operation of our systems or improper action by our employees or third party vendors, we could suffer financial loss, a disruption of our businesses, regulatory sanctions and damage to our reputation. We also face the risk of operational failure or termination of any of the exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk.

Our operations rely on secure processing, storage and transmission of confidential and other information in our internal and outsourced computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have an information security impact. The occurrence of one or more of these events could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We take protective measures and endeavor to modify them as circumstances warrant.

In order to mitigate and control operational risk, we have developed and continue to enhance policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization. We also have business continuity plans in place that we believe will cover critical processes on a company-wide basis, and redundancies are built into our systems as we have deemed appropriate. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our various businesses are operating within established corporate policies and limits.

Human Capital Risk

Our business is a human capital business and our success is dependent upon the skills, expertise and performance of our employees. Our ability to compete effectively in the marketplace is dependent upon attracting and retaining qualified individuals who are motivated to serve the best interests of our clients, thereby serving the best interests of our company. Attracting and retaining employees depends, among other things, on our company's culture, management, work environment, geographic locations and compensation.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of non-compliance with applicable legal and regulatory requirements and loss to our reputation we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. We are generally subject to extensive regulation in the various jurisdictions in which we conduct our business. We have established procedures that are designed to ensure compliance with applicable statutory and regulatory requirements, such as public company reporting obligations, regulatory net capital requirements, sales and trading practices, potential conflicts of interest, use and safekeeping of customer funds and securities, anti-money laundering, privacy and recordkeeping.We have also established procedures that are designed to require that our policies relating to ethics and business conduct are followed. The legal and regulatory focus on the financial services industry presents a continuing business challenge for us.

Our business also subjects us to the complex income tax laws of the jurisdictions in which we have business operations, and these tax laws may be subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. We must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes.

Effects of Inflation

Because our assets are liquid and generally short-term in nature, they are not significantly affected by inflation. However, the rate of inflation affects our expenses, such as employee compensation, office space leasing costs and communications charges, which may not be readily recoverable in the price of services we offer to our clients. To the extent inflation results in rising interest rates and has other adverse effects upon the securities markets, it may adversely affect our financial position and results of operations.

ITEM 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

The information under the caption "Risk Management" in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 4. *CONTROLS AND PROCEDURES.*

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer to allow timely decisions regarding disclosure.

During the first quarter of our fiscal year ending December 31, 2016, there was no change in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS.*

The following supplements and amends our discussion set forth under Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Municipal Derivatives Litigation

Several class action complaints were brought on behalf of a purported class of state, local and municipal government entities in connection with the bidding or sale of municipal investment contracts and municipal derivative products directly from one of the defendants or through a broker, from January 1, 1992, to the present. The complaints, which have been consolidated into a single nationwide class action entitled *In re Municipal Derivatives Antitrust Litigation*, MDL No. 1950 (Master Docket No. 08-2516), allege antitrust violations and are pending in the U.S. District Court for the Southern District of New York under the multi-district litigation rules. The consolidated complaint seeks unspecified treble damages under Section 1 of the Sherman Act. Several California municipalities also brought separate class action complaints in California federal court, and approximately eighteen California municipalities and two New York municipalities filed individual lawsuits that are not as part of class actions, all of which have since been transferred to the Southern District of New York and consolidated for pretrial purposes. All three sets of complaints assert similar claims under federal (and for the California and New York plaintiffs, state) antitrust claims. With respect to *In re Municipal Derivatives Antitrust Litigation,* Piper Jaffray entered into a settlement agreement with class representatives in the amount of $9.8 million to settle the MDL class action. This expense was incurred in the third quarter of 2015, and the settlement is subject to final court approval after notice to the class. Litigation in the separate California and New York individual cases is ongoing.

ITEM 1A. *RISK FACTORS.*

The discussion of our business and operations should be read together with the risk factors contained in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. These risk factors describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner.

ITEM 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.*

The table below sets forth the information with respect to purchases made by or on behalf of Piper Jaffray Companies or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the quarter ended March 31, 2016.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares Yet to be Purchased Under the Plans or Programs (1)
Month #1 (January 1, 2016 to January 31, 2016)	347,742	$ 35.05	347,742	$ 119 million
Month #2 (February 1, 2016 to February 28, 2016)	168,619	$ 41.81	—	$ 119 million
Month #3 (March 1, 2016 to March 31, 2016)	4,712 (2)	$ 44.24	4,049	$ 119 million
Total	521,073	$ 37.32	351,791	$ 119 million

(1) Effective August 14, 2015, the Company's board of directors authorized the repurchase of up to $150.0 million in common shares through September 30, 2017.

(2) Consists of 4,049 shares of common stock repurchased on the open market pursuant to a 10b5-1 plan established with an independent agent at an average price of $43.72 per share, and 663 shares of common stock withheld from recipients of restricted stock to pay taxes upon the vesting of the restricted stock at an average price per share of $47.47.

ITEM 6. *EXHIBITS.*

Exhibit Number	Description	Method of Filing
2.1	First Amendment to Securities Purchase Agreement dated February 25, 2016 among Piper Jaffray Companies, Piper Jaffray & Co., Simmons & Company International, SCI JV LP, SCI GP, LLC, and Simmons & Company International Holdings LLC (*excluding schedules and exhibits, which the registrant agrees to furnish supplementally to the Securities and Exchange Commission upon request*).	Filed herewith
4.1	Piper Jaffray Companies 2016 Employment Inducement Award Plan. †	(1)
4.2	Form of Restricted Stock Agreement for grants under the Piper Jaffray Companies 2016 Employment Inducement Award Plan. †	(2)
10.1	Consulting Agreement for Services of Independent Contractor dated November 16, 2015 by and between Piper Jaffray & Co. and Michael E. Frazier. †	Filed herewith
10.2	Restricted Stock Agreement dated November 16, 2015 by and between Piper Jaffray Companies and Michael E. Frazier. †	Filed herewith
10.3	Piper Jaffray Companies Amended and Restated Mutual Fund Restricted Share Investment Plan, effective as of February 16, 2016. †	Filed herewith
10.4	Form of Performance Share Unit Agreement for 2016 Leadership Team Grants under the Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan. †	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman and Chief Executive Officer.	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.	Filed herewith
32.1	Section 1350 Certifications.	Filed herewith
101	Interactive data files pursuant to Rule 405 Registration S-T: (i) the Consolidated Statements of Financial Condition as of March 31, 2016 and December 31, 2015, (ii) the Consolidated Statements of Operations for the three months ended March 31, 2016 and 2015, (iii) the Consolidated Statements of Comprehensive Income for the three months ended March 31, 2016 and 2015, (iv) the Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2015 and (v) the notes to the Consolidated Financial Statements.	Filed herewith

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† This exhibit is a management contract or compensatory plan or agreement.

(1) Filed as Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission of February 25, 2016, and incorporated by reference herein.

(2) Filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission of February 25, 2016, and incorporated by reference herein.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on May 4, 2016.

PIPER JAFFRAY COMPANIES

By	/s/ Andrew S. Duff
Its	Chairman and Chief Executive Officer
By	/s/ Debbra L. Schoneman
Its	Chief Financial Officer

Exhibit Index

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† This exhibit is a management contract or compensatory plan or agreement.

(1) Filed as Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission of February 25, 2016, and incorporated by reference herein.

(2) Filed as Exhibit 4.5 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission of February 25, 2016, and incorporated by reference herein.

FIRST AMENDMENT
TO
SECURITIES PURCHASE AGREEMENT

This First Amendment to Securities Purchase Agreement (this "**First Amendment**"), dated as of February 25, 2016, is made among (i) Piper Jaffray Companies, a Delaware corporation ("**Parent**"), (ii) Piper Jaffray & Co., a Delaware corporation ("**Buyer**"), (iii) Simmons & Company International, a Texas corporation ("**TexCo**"), (iv) SCI JV LP, a Texas limited partnership ("**Seller**"), (v) SCI GP, LLC, a Texas limited liability company ("**GP Seller**"), and (vi) Simmons & Company International Holdings LLC, a Texas limited liability company ("**Seller HoldCo**" and together with Seller and GP Seller, the "**Seller Parties**"). Capitalized terms used herein but not otherwise defined herein shall have the respective meanings assigned to such terms in that certain Securities Purchase Agreement, dated November 16, 2015, by and among the Parent, Buyer, TexCo, and the Seller Parties (as amended, the "**Purchase Agreement**").

A. Parent, Buyer, TexCo, and the Seller Parties have entered into the Purchase Agreement, which sets forth such parties' rights and obligations with respect to the transactions contemplated thereunder.

B. Parent, Buyer, TexCo, and the Seller Parties desire to amend the Purchase Agreement to reflect recent discussions and agreements as more fully described below.

NOW THEREFORE, in consideration of the premises set forth above, which are incorporated in this First Amendment as if fully set forth below, and the representations, warranties, covenants and agreements contained in this First Amendment, and intending to be legally bound hereby, Parent, Buyer, TexCo, and the Seller Parties agree as follows:

1. **Holders and Proportionate Shares**. Schedule I to the Purchase Agreement is hereby deleted and replaced in its entirety by Schedule I attached hereto.

2. **Contemplated Employment Agreements**. Schedule III to the Purchase Agreement is hereby deleted and replaced in its entirety by Schedule III attached hereto. For the avoidance of doubt, there is no Schedule II attached to this First Amendment.

3. **Excluded Assets**. Schedule V to the Purchase Agreement is hereby deleted and replaced in its entirety by Schedule V attached hereto. For the avoidance of doubt, there is no Schedule IV attached to this First Amendment.

4. **Initial Incentive Pool Employees and Allocations**. Schedule 6.10 to the Purchase Agreement is hereby deleted and replaced in its entirety by Schedule 6.10 attached hereto.

5. **Separation and Severance Agreement**. Pursuant to Section 6.1 of the Purchase Agreement, Buyer hereby consents to TexCo's entry into that certain Separation Agreement and General Release, as amended, attached hereto as Exhibit A, (the "**Shareholder Termination Agreement**"). TexCo and the Seller Parties represent and warrant to Buyer that all of the vested and unvested shares of TexCo previously issued to the counterparty to such Shareholder Termination Agreement have been redeemed and cancelled by TexCo as contemplated by such Shareholder Termination Agreement and are no longer issued or outstanding as of the date hereof. All amounts contemplated to be paid by TexCo or any of its affiliates, including future conditional payments, under the Shareholder Termination Agreement shall be reflected as liabilities in the calculation of Estimated Closing Working Capital and Closing Working Capital (whether or not such amounts would otherwise constitute current Liabilities in accordance with Applicable Accounting Standards) to the extent such amounts remain unpaid as of the Closing.

6. **Certain Other Severance Arrangements**. In addition to the matters subject to the Shareholder Termination Agreement, the parties hereto understand and acknowledge that the employment of certain employees of TexCo and its subsidiaries has been or may be terminated (whether before or after the

Closing) with the mutual consent of the parties, as described on Annex A-1. Parent, Buyer, TexCo or their Affiliates have incurred or may incur severance and other separation-related costs or other Liabilities, including severance payments, separation payments, payments of accrued but unpaid compensation, payments in lieu of notice, statutory redundancy payments, payments of or in lieu of Employment-Related Retention, payments made to secure a separation-related release or to resolve employment claims, in connection with such terminations (the "**Agreed Severance Costs**"). The parties agree that (a) Buyer will bear the portion of the Agreed Severance Costs expressly described on Annex A-2 hereto (the "**Buyer-Paid Severance Costs**") and (b) Seller will bear all Agreed Severance Costs other than the Buyer-Paid Severance Costs (the "**Seller-Paid Severance Costs**"). In order to give effect to such agreement:

a. Up to $200,000 of post-Closing Seller-Paid Severance Costs relating to the person listed on Annex A-3 will be funded using Rescinded Retention Awards (as defined below) in accordance with Section 7 and Annex B-2 (the portion of Seller-Paid Severance Costs so funded, the "**Offset Severance Costs**").

b. The foregoing allocation of the Agreed Severance Costs is to be reflected through the Closing Working Capital adjustment as follows: (i) any Buyer-Paid Severance Costs or Offset Severance Costs in each case that remain unpaid as of the Closing shall not be reflected as liabilities in the calculation of Estimated Closing Working Capital and Closing Working Capital, (ii) the calculation of Estimated Closing Working Capital and Closing Working Capital shall be increased (i.e. resulting in a positive adjustment) in an amount equal to any Buyer-Paid Severance Costs that are or have been paid by TexCo or one of its subsidiaries as of or prior to the Closing and (iii) any Seller-Paid Severance Costs that have not been paid by TexCo or its subsidiaries as of the Closing shall be reflected as liabilities in the calculation of Estimated Closing Working Capital and Closing Working Capital (whether or not such amounts would otherwise constitute current Liabilities in accordance with Applicable Accounting Standards). For the avoidance of doubt, the amounts used in the calculation of Estimated Closing Working Capital for purposes of the Closing will be subject to adjustment pursuant to Section 1.4 of the Purchase Agreement.

c. Section 10.1(d) of the Purchase Agreement is hereby amended by inserting "Seller-Paid Severance Costs," immediately after the word "any" appearing at the beginning thereof.

For the avoidance of doubt, nothing in this First Amendment is intended to limit or qualify Section 6.9(e) of the Purchase Agreement.

7. **Retention Pool, Incentive Pool**. Notwithstanding anything to the contrary in the Purchase Agreement, any person whose employment with TexCo or one of its subsidiaries is terminated at or prior to the Closing (or who has failed to enter into or has rescinded their offer letter with Buyer providing for Employment-Related Retention as of the Closing) and any person or category of persons identified on Annex A-1 hereto (whether or not terminated at or prior to Closing) will not receive any Employment-Related Retention and will not be an Incentive Pool Employee (unless otherwise determined in accordance with Section 6.10(a) of the Purchase Agreement). Annex B-1 sets forth certain Employment-Related Retention Awards that were never actually awarded or which have been rescinded or forfeited pursuant to the foregoing sentence (collectively, the "Rescinded Retention Awards"). None of Parent, Buyer or their Affiliates shall be obligated to pay or issue any of the Rescinded Retention Awards. The amounts that otherwise would have constituted Rescinded Retention Awards will be reallocated as provided in Annex B-2. Notwithstanding Section 6.9(g) of the Purchase Agreement or anything else to the contrary, Buyer and its Affiliates will not be obligated to pay the Rescinded Retention Awards and the amount of the Rescinded Retention Awards shall not increase the Incentive Pool except as set forth on Annex B-2. Section 6.9(g) is hereby amended to reflect that the grants of Employment-Related Retention will include an aggregate of $8,940,000 of restricted cash (rather than $9,140,000) and an aggregate of $11,614,000 of restricted Parent Common Stock (rather than $12,089,000).

8. **Bonus Payments**. Notwithstanding Section 6.9(i) of the Purchase Agreement, Seller and Buyer agree that a certain portion of accrued bonuses will be paid in August 2016 (rather than within 75 days after Closing), as more fully described on Annex C.

9. **James Baker Share Transfer**. Pursuant to Section 6.1 of the Purchase Agreement, Buyer consents to TexCo's entry into that certain Waiver of and Addendum to the Simmons & Company International Second Amended and Restated Shareholders' Agreement in the form previously approved by Buyer, subject to the transferees' concurrent execution of Owner Support Agreements and Equity Consideration Restricted Stock Agreements in the form previously approved by Buyer.

10. **ScotCo Dividend**. The distribution by ScotCo of £5,250,000 pursuant to a previously declared dividend, as contemplated by Section 6.18 of the Purchase Agreement, shall be subject to the availability of distributable profits and to ScotCo's compliance with applicable regulatory capital requirements and may be reduced by the directors of ScotCo in order to ensure satisfaction of such requirements.

11. **Amendment to TexCo Shareholders' Agreement**. Notwithstanding Section 6.17 of the Purchase Agreement or Schedule 6.17 to the Purchase Agreement, the parties hereto agree that the Second Amended and Restated Shareholders' Agreement, dated June 30, 2011, by and between TexCo and the TexCo Holders, as amended by that certain Amendment No. 1 to the Second Amended and Restated Shareholders' Agreement, dated June 30, 2012, shall not be terminated, and shall instead be amended and restated, with TexCo being removed as a party automatically as part of the Pre-Closing Restructuring. Parent, Buyer, the Relevant Companies and their Affiliates shall have no further Liability in connection therewith.

12. **Owner Representative**. Seller, as Owner Representative, hereby consents to and approves this First Amendment on behalf of each of the Owner Parties, and waives on behalf of each Owner Party any objection or right of dissent arising from the execution of this First Amendment.

13. **Effect of Amendment**. This First Amendment is effective as an amendment to the Purchase Agreement pursuant to and in accordance with Section 11.1 thereof, and is binding on each of the parties thereto. Except as expressly provided in this First Amendment, all of the terms and provisions of the Purchase Agreement are and will remain in full force and effect and are hereby ratified and confirmed by each of the applicable parties thereto. On and after the date hereof, each reference in the Purchase Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein" or words of like import, and each reference to the Purchase Agreement in any other agreements, documents or instruments executed and delivered pursuant to, or in connection with, the Purchase Agreement or the Ancillary Documents, will mean and be a reference to, unless the context otherwise requires, the Purchase Agreement as amended hereby.

14. **General Terms**. Articles 11 and 12 of the Purchase Agreement apply to this First Amendment, *mutatis mutandis*.

15. **Counterparts**. This First Amendment may be executed in two or more counterparts, and delivered by facsimile or other form of electronic communication, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date first written above.

PARENT:

PIPER JAFFRAY COMPANIES

By: /s/Debbra L. Schoneman
Name: Debbra L. Schoneman
Title: Chief Financial Officer

BUYER:

PIPER JAFFRAY & CO.

By: /s/Debbra L. Schoneman
Name: Debbra L. Schoneman
Title: Chief Financial Officer

IN WITNESS WHEREOF, the parties have executed this First Amendment as of the date first written above.

TEXCO:

SIMMONS & COMPANY INTERNATIONAL

By: /s/Frederick W. Charlton
Name: Frederick W. Charlton
Title: Managing Director

SELLER:

SCI JV LP

BY: SCI GP, LLC, its general partner

BY: SIMMONS & COMPANY INTERNATIONAL HOLDINGS LLC, its sole member

BY: SIMMONS & COMPANY INTERNATIONAL, its sole member

By: /s/Frederick W. Charlton
Name: Frederick W. Charlton
Title: Managing Director

GP SELLER:

SCI GP, LLC

BY: SIMMONS & COMPANY INTERNATIONAL HOLDINGS LLC, its sole member

BY: SIMMONS & COMPANY INTERNATIONAL, its sole member

By: /s/Frederick W. Charlton
Name: Frederick W. Charlton
Title: Managing Director

SELLER HOLDCO:

SIMMONS & COMPANY INTERNATIONAL HOLDINGS LLC

BY: SIMMONS & COMPANY INTERNATIONAL HOLDINGS LLC, its sole member

By: /s/Frederick W. Charlton
Name: Frederick W. Charlton
Title: Managing Director

Exhibit 10.1

CONSULTING AGREEMENT FOR SERVICES OF INDEPENDENT CONTRACTOR

THIS CONSULTING AGREEMENT (this "Agreement") is made and entered into as of November 16, 2015, (the "Effective Date") by and between Piper Jaffray & Co., a Delaware corporation (the "Company"), a registered broker-dealer and FINRA member firm, and Michael E. Frazier, an individual (the "Contractor"), as a material inducement to the Company to enter into that certain Securities Purchase Agreement, dated November 16, 2015, by and among the Company, Simmons & Company International, a Texas corporation (together with any successors in interest, "Simmons"), and certain affiliates (the "Purchase Agreement"), pursuant to which the Company has agreed to purchase all of the outstanding equity interests of Simmons& Company International LP, a Delaware limited partnership (the "Purchase"), and in connection with which the Contractor shall receive shares of restricted common stock of Piper Jaffray Companies, a Delaware corporation and the Company's parent ("Parent"), as a portion of Contractor's consideration in the Purchase (the "Equity Consideration"). All capitalized terms used but not defined herein shall be defined as in the Purchase Agreement to the extent defined therein.

IT IS AGREED:

1. Contractor Relationship. In accordance with the mutual intentions of the Company and the Contractor, the Contractor hereby agrees to be engaged as and the Company hereby agrees to engage the Contractor as an independent contractor to the Company effective as of the Closing Date. Contractor's primary point of contact at the Company will be Andrew S. Duff, Chairman and Chief Executive Officer of the Company. All of the terms and conditions of this Agreement shall be interpreted in light of such independent contractor relationship. There is no intention of the parties to create by this Agreement an employer-employee relationship and no such relationship is created hereby.

2. Term. The term of this Agreement shall commence upon the closing of the Purchase (the "Closing Date") contemplated by the Purchase Agreement, and continue until the one-year anniversary of the Closing Date (the "Initial Term"). The term of this Agreement may be earlier terminated pursuant to paragraph 18 of this Agreement or may be extended by the parties mutually entering into a written agreement extending the length of this Agreement. The period during which Contractor provides services under this Agreement shall be referred to as the "Term." The date upon which this Agreement terminates or expires pursuant to its term shall be referred to as the "Termination Date." Notwithstanding any provision in this Agreement to the contrary, this Agreement shall not take effect and shall be null and void, and neither party shall have any obligations under this Agreement if for any reason the Purchase is not consummated.

3. Exclusivity of Services. During the Term, and in consideration of the Company effecting the Purchase, issuing the Equity Consideration to the Contractor and agreeing to hold the Contractor's registrations and assume supervisory responsibility for the Contractor, and in consideration for the promises and covenants herein, the Contractor agrees that the Contractor shall provide the Consulting Services (as defined below) exclusively to the Company and shall not offer the Consulting Services or any similar services to any other investment bank, broker-dealer, investment advisory services firm, asset manager, or other financial services firm, without receiving prior written approval from the Company. The Contractor agrees that any determination by the Company in response to any such request for approval shall be within the sole discretion of the Company. The Contractor represents and warrants that he has no outstanding consulting agreement or obligation that is in conflict with this (or any other) provision of this Agreement and further represents and warrants that it will not enter into any such conflicting agreement or obligation during the Term. Nothing herein prohibits the Contractor from (i) continuing to sit on the Board of Directors or committees of not-for-profit organizations on which he serves as of the Effective Date of this Agreement, (ii) making investment decisions with respect to the Contractor's own assets or any other assets of which the Contractor is a custodian, beneficiary, grantor or trustee, or (iii) owning a passive investment interest of no more than five percent in a publicly traded company.

4. Conflict of Interest Prohibited. The Contractor represents and warrants that currently there is no conflict of interest between any of the Contractor's other activities and the Consulting Services to be provided pursuant to this Agreement. The Contractor covenants and agrees he shall use his reasonable best efforts to ensure that no such conflict shall arise during the Term, but in the event of such a conflict, the Contractor further covenants and agrees that he will notify the Company of any conflict or potential conflict of interest as soon as reasonably practicable and, in any event, within five business days of becoming aware of the conflict or potential conflict.

5. Services. The Contractor shall perform consulting services for and as requested by the Company broadly relating to the ongoing business activities of Simmons and the Company, including but not limited to the provision of investment banking services and strategic advice relating to the business activities and operations of Simmons and the Company, assistance with the transition of client relationships and the marketing and brand awareness of Simmons and the Company, or other services requested by the Company or approved in accordance with this Agreement (the "Consulting Services").

6. Securities Licenses and Registrations. The Company agrees that during the Term, it shall hold the Contractor's Series 7, Series 63, Series 24, and Series 79 licenses with the Financial Industry Regulatory Authority (FINRA) and Contractor shall be registered with FINRA as an associated person of the Company. The Contractor agrees and warrants to the Company that he shall promptly advise the Company of any actions or events that require that his Form U-4 be updated.

7. Cooperation. The Contractor agrees to reasonably cooperate with the Company and any of its affiliates, at their cost and expense, in any legal or regulatory matters (including regulatory inquiries that are not formal investigations) brought by or against them or any officers, directors, employees, agents, assigns, insurers, representatives, counsel, administrators, predecessors, successors and shareholders before any court, arbitrator, mediator, regulator government agency or self-regulatory agency. By agreeing to reasonably cooperate with the Company and any of its affiliates in any such matters, the Contractor agrees, among other things, to make himself reasonably available at mutually agreeable dates and times, provide documents within his possession or control, and provide testimony if the Contractor is called to provide it at a deposition, trial or arbitration. The Company will compensate the Contractor at a mutually agreed upon rate.

8. Facilities. The Company and the Contractor acknowledge and agree that the business of Simmons and the Company is highly regulated and that the security of Company-Related Information (as defined below) is critical. As such, the Company shall provide the Contractor with access to office space (including, during the Initial Term, the office that Contractor occupied as an employee of Sigma at the time of the closing of the Purchase), meeting rooms, office services, administrative support, computer and other equipment at the Simmons facility to perform the Contractor's obligations to the Company under this Agreement. The Company shall provide the Contractor with an e-mail address, a laptop and a mobile device. The Contractor agrees to conduct any and all Company business on the Company's network so that the Company can meet its regulatory requirements.

9. Payments and Expense Reimbursements. In consideration of the Contractor providing the Consulting Services described herein and his agreement to comply at all times with his obligations under this Agreement, the Company will pay the Contractor a consulting fee in the amount of $100,000 per month, payable on the last day of each month for which Consulting Services have been performed.

During the Term, the Contractor is responsible for paying all ordinary and necessary expenses incurred by the Contractor in providing the Consulting Services, except as specifically provided in this Agreement. The Company shall reimburse the Contractor monthly for travel and other reasonable expenses he incurs in connection with performing the Consulting Services up to a maximum of $60,000 per year. The Contractor shall obtain the prior written approval of the Chief Financial Officer of the Company to obtain reimbursement for any travel or other expenses incurred in excess of $10,000 in any given month. To obtain expense reimbursement, the Contractor shall submit to the Chief Financial Officer of the Company, or his or her designee, an invoice describing the Consulting Services rendered and expenses incurred under this Agreement. The Company shall pay to the Contractor invoiced amounts within thirty (30) days after receipt of each invoice.

The Company shall report these payments to the Contractor on a Form 1099.

10. Contractor Responsible for Own Agents and Employees. All Consulting Services under this Agreement shall be personally provided by the Contractor, and the Contractor may not utilize any agents, employees or subcontractors without the express written consent of the Company. The Company shall have no duty, liability or responsibility, of any kind, to or for (i) the acts or omissions of the Contractor with respect to any matter other than the Consulting Services of the Contractor on behalf of the Company, or (ii) the acts or omissions of any agents, employees or subcontractors

that he utilizes or employs in accordance with or in contravention of this paragraph 10, regardless of whether such acts or omissions were committed in connection with providing Consulting Services on behalf of the Company.

11. Contractor Responsible for Taxes and Related Indemnification. The Company will not withhold FICA, income taxes, or any other taxes from the fees due to the Contractor under this Agreement. The Contractor is solely responsible for the payment of any and all taxes that are or may become due from the Contractor with respect to any fees paid to the Contractor by the Company. Without limiting any of the foregoing, the Contractor agrees to accept exclusive liability for the payment of taxes or contributions for unemployment insurance or old age pensions or annuities or social security payments which are measured by the wages, salaries or other remuneration paid to the Contractor or the employees of the Contractor, if any, and to reimburse and indemnify the Company for such taxes or contributions or penalties which the Company may be compelled to pay. The Contractor also agrees to comply with all valid administrative regulations respecting the assumption of liability for such taxes and contributions.

12. Contractor Work Product Owned by Company. All information developed under this Agreement of whatever type during the Term relating to the Consulting Services performed by or on behalf of the Contractor under this Agreement shall be the sole and exclusive property of the Company. The Contractor hereby irrevocably grants, assigns, and transfers to the Company all right title and interest in and to the information developed by the Contractor under this Agreement, including but not limited to, all worldwide copyrights, patents, trade secrets, trademarks, and other intellectual property rights, free of encumbrances. The Contractor shall cooperate with the Company, including executing any documents, required to effectuate this assignment.

13. Confidential Information. The Contractor acknowledges that solely as a result of the Contractor's relationship with the Company and the performance of the Contractor's duties, as meted out by the Contractor under this Agreement, the Contractor will have access to and become acquainted with information of a confidential, proprietary and trade secret nature relating to the business, clients, and customers of Simmons, the Company and its or their affiliates that the Contractor has acquired or becomes acquainted with during the Contractor's employment and/or engagement by the Company, Simmons, and its or their affiliates, including without limitation, any confidential client list, confidential business information, confidential materials relating to the practices or procedures of Simmons, the Company or an affiliate, including, without limitation, the investment advice, methodologies, strategies, business plan and clients lists of Simmons, the Company and its or their affiliates or any other proprietary information of Simmons, the Company or an affiliate ("Company-Related Information"). Company-Related Information shall not include such information which (i) is now or hereafter becomes generally available to the public, so long as the public availability does not arise out of a violation of this Agreement; or (ii) which a third party discloses to Contractor, provided the source of such information was not bound by a contractual obligation of confidentiality to the Company or any other party.

14. Restrictive Covenants. In consideration of the Company effecting the Purchase, issuing the Equity Consideration to Contractor and agreeing to hold the Contractor's registrations and assume supervisory responsibility for the Contractor, and the Company-Related Information and key relationships to which the Contractor will have access in his performance of Consulting Services under this Agreement, and the other promises and covenants herein, the Contractor agrees not to engage in any Restricted Activities during the Term and the periods following the termination of this Agreement specified below. The Contractor acknowledges and agrees that his violation of this covenant would cause irreparable damage to the Company and that the Company will not have an adequate remedy at law. Therefore, the obligations of the Contractor under this paragraph 14 shall be enforceable by a decree of specific performance issued by any court of competent jurisdiction, and appropriate injunctive relief may be applied for and granted in connection therewith without proof of actual damages. Such remedies shall, however, be cumulative and not exclusive and shall be in addition to any other remedies which the Company may have under this Agreement or otherwise. For the purpose of this paragraph 14, references to the Company shall include any of the Company's affiliates.

For the purpose of this Agreement, "Restricted Activities" consist of each of the following:

(i) during the Term or at any time thereafter, except in connection with the performance of the Contractor's Consulting Services for the benefit of the Company, use, disclose or misappropriate any Company-Related Information unless the Company or an affiliate consents otherwise in writing;

(ii) during the Term and during the Applicable Post-Consulting Restricted Period, directly or indirectly, on behalf of the Contractor or any other person (including but not limited to any Talent Competitor (as defined below)), solicit, induce or encourage any person then employed, or employed within the 180-day period preceding the Agreement's termination, by the Company or an affiliate to terminate or otherwise modify their employment relationship with the Company;

(iii) during the Term and during the Applicable Post-Consulting Restricted Period, on behalf of the Contractor or any other person (including but not limited to any Talent Competitor (as defined below)), hire, retain or employ in any capacity any person then employed, or employed within the 180-day period preceding the termination of this Agreement, by the Company or an affiliate;

(iv) during the Term and during the Applicable Post-Consulting Restricted Period, directly or indirectly, on behalf of the Contractor or any other person (including but not limited to any Talent Competitor (as defined below)), solicit or otherwise seek to divert any customer, client or account of the Company or an affiliate away from engaging in business with the Company or an affiliate. For purposes of this subparagraph, "customer, client or account" shall include the following: then-current customers, clients, or accounts of the Company or an affiliate as of the date of the termination of this Agreement;

(v) during the Term and for 12 months thereafter, without the prior written consent of the Company or an affiliate, (x) become a director, officer, employee, partner, consultant or independent contractor of, or otherwise work or provide services for, a Talent Competitor (as defined below) doing business in the same geographic or market area(s) in which the Company or an affiliate is also doing business, or (y) acquire any material ownership or similar financial interest in any such Talent Competitor;

(vi) during the Term or at any time thereafter, make disparaging, derogatory, or defamatory statements about the Company or an affiliate in any public forum or media; and

(vii) during the Term or at any time thereafter, fail to cooperate reasonably with and provide full and accurate information to the Company and its counsel with respect to any matter (including any audit, tax proceeding, litigation, investigation or governmental proceeding) with respect to which the Contractor may have actual knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by the Contractor.

For purposes of this paragraph 14, the "Applicable Post-Consulting Restricted Period" means 24 months following any termination of the Consulting Agreement (not including any period of notice provided by the Contractor).

For purposes of this paragraph 14, a "Talent Competitor" means any corporation, partnership, limited liability company or other business association, organization or entity that engages in the investment banking or securities brokerage business including, but not limited to, investment banks, sell-side broker dealers, mergers and acquisitions or strategic advisory firms, merchant banks, hedge funds, private equity firms, venture capital firms, asset managers and investment advisory firms.

Notwithstanding anything to the contrary in the foregoing, nothing in this paragraph 14 shall prevent the Contractor from owning a passive investment interest of no more than five percent in a publicly-traded company.

15. Return of Property and Documents. All documents and other property that come into the Contractor's possession pursuant to this Agreement, including documents produced or created by the Contractor, shall be and shall remain the exclusive property of the Company. The Contractor shall return or destroy (so long as such destruction is not inconsistent with regulatory requirements and internal documentation requirements) all such documents, including all copies thereof, and other property to the Company upon the Company's request and upon the Termination Date.

16. Compliance with Company Policies and Procedures. In consideration of the Company agreeing to hold the Contractor's registrations and allowing the Contractor to become an associated person of the Company, the Contractor will be subject to and agrees to comply with all Company ethics and compliance policies and procedures including but not limited to the following policies (current copies of which have been made available to Contractor prior to the date of this Agreement): the Company's Code of Ethics and Business Conduct, the Information Barriers Policy, Personal

Trading Policy, and the Firm Employee Family Member Policy (disclosure of Outside Securities Accounts, Outside Business Activities, Outside Board Affiliations and Private Securities Transactions). The Contractor's individual and immediate family members' securities accounts must be disclosed and approved by the Company. All trading activity in these accounts must be pre-approved by the Chief Administrative Officer of Investment Banking. In addition, the Contractor will be required to fulfill all Company training requirements as is required for the performance of the Consulting Services hereunder. In addition, the Contractor acknowledges and agrees that current regulations require the Contractor to disclose to the Company any outside business activities and/or outside employment the Contractor is contemplating engaging in during the Term, and all such contemplated outside business activities and/or outside employment shall be subject to the Company's review and prior approval.

17. Termination by Death or Disability. This Agreement shall automatically terminate as a result of the Contractor's death or his disability. In the event that the Contractor dies or becomes disabled, the Contractor's primary beneficiary or his estate will be entitled to receive the payments described in paragraph 9 through the Termination Date and the Equity Consideration shall vest immediately.

18. Termination. The Company may terminate this Agreement for any reason and at any time prior to the Termination Date upon no less than 30 days' written notice. If the Company exercises its right to terminate the Agreement, any obligation it may otherwise have under this Agreement shall cease immediately; provided that if the Company terminates this Agreement for any reason other than as a result of a Material Contractor Breach, then Company shall be obligated to pay the fees described in paragraph 9 until the end of the Initial Term and the Equity Consideration shall continue to vest in accordance with its terms. If the Company gives notice of its intention to terminate this Agreement as a result of a Material Contractor Breach, and such breach is not cured by the Contractor within 30 days' prior written notice being provided by the Company to the Contractor of such breach, then the Company may terminate this Agreement and shall have no further obligation to pay the fees described in paragraph 9 from the date the termination becomes effective and the Equity Consideration shall be forfeited. Immediately upon termination of this Agreement for any reason, the Contractor shall offer to resign from all positions then held as a director or officer of the Company or any of its affiliates, with such resignation to be accepted or rejected in the sole discretion of the Company or any of its affiliates and any relevant boards of directors.

The Contractor may terminate this Agreement for any reason and at any time prior to the Termination Date upon no less than 30 days' written notice. If the Contractor exercises his right to terminate the Agreement, any obligation the Contractor may otherwise have under this Agreement shall cease immediately; provided that if the Contractor terminates this Agreement for any reason other than as a result of a Material Company Breach, then the Company shall have no further obligation to pay the fees described in paragraph 9 from the date the termination becomes effective and the Equity Consideration shall be forfeited. If the Contractor gives written notice of his intention to terminate this Agreement as a result of a Material Company Breach, and such breach is not cured by the Company within 20 days after receipt of such notice, then Contractor may terminate this Agreement and the Company shall be obligated to pay the fees described in paragraph 9 until the end of the Initial Term and the Equity Consideration shall continue to vest in accordance with its terms. Immediately upon termination of this Agreement for any reason, the Contractor shall offer to resign from all positions then held as a director or officer of the Company or any of its affiliates, with such resignation to be accepted or rejected in the sole discretion of the Company or any of its affiliates and any relevant boards of directors.

For the purpose of this paragraph 18, "Material Contractor Breach" shall mean (i) Contractor's continued failure (other than any such failure resulting from incapacity due to physical or mental illness) to substantially perform the Consulting Services for the Company or an affiliate after written demand for substantial performance is delivered to the Contractor; the Contractor shall be provided thirty (30) days to attempt to remedy the deficiencies identified by the Company or an affiliate in its written demand; (ii) the Contractor's commission of a felony if such felony is related to the Contractor's ability to perform the Consulting Services for the Company or affiliate and/or it would reasonably be expected to result in reputational or material financial harm to the Company or an affiliate; (iii) Contractor's engagement in illegal acts or willful or gross misconduct that materially impairs the Contractor's ability to perform the Consulting Services for the Company or an affiliate and/or it would reasonably be expected that such illegal acts or misconduct, or the Company's continued engagement of the Contractor, would result in civil or regulatory liability, or reputational or material financial harm to the Company or an affiliate; (iv) the Contractor's material violation of any written policy of the Company or an Affiliate; (v) the Contractor's material violation of any securities law, rule or regulation applicable to the Company;

or (vi) Contractor's engagement in conduct that would subject Contractor to statutory disqualification pursuant to Section 15(b) of the Exchange Act and the regulations promulgated thereunder.

For the purpose of this paragraph 19, "Material Company Breach" shall mean the Company's failure to make the payments required under paragraph 9 within 30 days of such payment being due.

19. Independent Contractor Status; No Agency. The Contractor's relationship to the Company shall be that of an independent contractor. The Contractor's performance of the Consulting Services shall not entitle Contractor to the benefits that are extended to Company employees, including leave, holidays, insurance (including medical, dental, life, or disability insurance), retirement plans, or any other form of employee benefits. The Contractor shall not act as an executive officer of the Company. The Contractor shall have no authority or right, express or implied, to assume or create any obligation or responsibility on behalf of the Company or to bind the Company in any manner without the express authorization of the Company. The Contractor will not represent the contrary, either expressly or implicitly, to anyone. The Contractor agrees that the Contractor is responsible for controlling the means by which the Consulting Services are completed. Such means are subject to the Contractor's discretion, which discretion must be exercised consistent with the goal of providing the Consulting Services in a timely manner and in accordance with the terms of this Agreement.

20. Indemnification. The Contractor hereby agrees to indemnify and hold harmless the Company and its affiliates, and their officers, agents and employees, from and against any and all liability, loss, damage, cost and expense (including legal fees and costs) on account of any claim, suit or action made or brought against the Company, or their officers, agents or employees, arising from the Contractor's gross negligence or willful misconduct (each as determined by a court) relating to the Consulting Services performed or materials provided by the Contractor hereunder.

21. No Assignments by Contractor. Neither party may assign or transfer any rights under this Agreement without the other party's prior written consent, and any attempt of assignment or transfer without such consent shall be void.

22. Provisions Surviving Termination of Contract. Certain obligations described in this Agreement shall survive the termination of this Agreement and shall remain operative in perpetuity, including without limitation those obligations in paragraphs 13, 14, and 15.

23. Texas Law Governs. This Agreement shall be deemed to have been executed and delivered within the State of Texas, and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with, and governed by, the laws of the state of Texas without regard to principles of conflict of laws.

24. Venue. The Parties agree that any claim or controversy that arises out of or relates to this Agreement, or the breach of it by any party, will be settled by a court or other applicable governing body of competent jurisdiction. Each party expressly waives all rights to trial by jury in any action, suit, or proceeding brought to resolve any disputes between or among any of the parties, whether arising in contract, tort, or otherwise, arising out of, connected with, related or incidental to this Agreement, or the parties' breach or performance under this Agreement.

25. Prevailing Party Attorneys' Fees. If the parties are required to arbitrate or litigate any dispute arising under this Agreement, the prevailing party may recover his/its attorneys' fees as may be awarded.

26. Complete Agreement; Waiver. This Agreement (including all exhibits) signed by the parties as of the date hereof is the complete agreement between the parties hereto with respect to the performance of Consulting Services by the Contractor during the Term. This Agreement cannot be amended or modified except in a writing signed by the parties. The failure of the Company to insist upon performance of any provision of this Agreement shall not be construed as a waiver of the right to insist on strict performance of the same provision in the future.

27. Severability. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or applications and, to this end, the provisions of this Agreement are declared to be severable.

28. Waiver of Breach. No waiver of any breach of any term or provision of this Agreement shall be construed to be, or shall be, a waiver of any other breach of this Agreement. No waiver shall be binding unless in writing and signed by the party waiving the breach.

29. Notice. Any notice required to be given pursuant to this Agreement shall be deemed to have been sufficiently given either when served personally or when sent by overnight courier or certified mail addressed to any party, with such notice being effective on the day it is sent. Notices to the Company and/or PJC shall be addressed to Ann McCague and Christine Esckilsen, Piper Jaffray & Co., Mail Stop J09N02, 800 Nicollet Mall, Suite 1000, Minneapolis, MN 55402 (or another address designated by proper notice under this Agreement). Notices to the Contractor shall be addressed to the Contractor at his last known home address or may otherwise be provided by hand delivery to the Contractor personally.

30. Compliance with Law. The Contractor shall comply with any and all applicable laws and regulations including but not limited to health, safety and security rules and regulations which are now in effect or which may become applicable to the Consulting Services provided hereunder.

31. Mutual Drafters. Each party has cooperated in the drafting and preparation of this Agreement. Hence, this Agreement shall not be construed against any party on the basis that the party prepared the same.

32. Advice of Counsel. In entering this Agreement, the Contractor and the Company represent that they have had the opportunity to engage attorneys of their own choice to advise and explain the terms of this Agreement, and that those terms are fully understood and voluntarily accepted by both parties.

33. Headings Not Controlling. Headings of the provisions of this Agreement are included herein for ease of reference only and shall have no effect in the interpretation or construction hereof.

[signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

PIPER JAFFRAY & CO.

BY: /s/ Christine N. Esckilsen
Christine N. Esckilsen
Managing Director

MICHAEL E. FRAZIER

/s/ Michael E. Frazier

PIPER JAFFRAY COMPANIES

RESTRICTED STOCK AGREEMENT

(*Relating to Equity Consideration under the Securities Purchase Agreement described below*)

Name of Recipient: Michael Frazier
Vesting Schedule pursuant to Section 3: The Shares covered by this Agreement will vest on the third anniversary of the Date of Issuance as defined below, subject to the terms of this Agreement.

This is a Restricted Stock Agreement ("**Agreement**") between Piper Jaffray Companies, a Delaware corporation (the "**Company**"), and the above-named individual (the "**Recipient**"). This Agreement is being entered into by the Company and Recipient pursuant to that certain Securities Purchase Agreement (the "**Securities Purchase Agreement**"), dated November 16, 2015, by and among Piper Jaffray & Co., Simmons & Company International, and other related entities. All capitalized terms used but not defined herein shall be defined as in the Securities Purchase Agreement to the extent defined therein.

The Company and Recipient hereby agree as follows:

Terms and Conditions

1. **Issuance of Restricted Shares.**

(a) The Securities Purchase Agreement contemplates that "Equity Consideration" consisting of shares of the common stock, par value $0.01 per share, of the Company, will be issued to the Recipient as of the Closing Date (the date of such issuance, the "**Date of Issuance**") , upon and subject to the terms and conditions of this Agreement and the Securities Purchase Agreement and in consideration for the Recipient's obligations to perform certain consulting services for the Company under and pursuant to that certain Consulting Agreement ("**Consulting Agreement**"), dated as of the date hereof, between Recipient and the Company. Any and all of such shares, when issued pursuant to the Securities Purchase Agreement, shall automatically be subject to the restrictions provided for in this Agreement and are referred to collectively as the "**Restricted Shares**" and each as a "**Restricted Share**." Recipient and the Company acknowledge that (1) this Agreement will be binding immediately upon its execution, but, notwithstanding any provision of this Agreement to the contrary, this Agreement will not be effective or operative until the Closing Date (except for Section 2, which shall be effective immediately) and (2) if the Securities Purchase Agreement is terminated prior to the Closing for any reason whatsoever, Recipient shall have no right to any Restricted Shares and this Agreement will not become effective and all of the terms and provisions of this Agreement shall be null and void.

(b) The Restricted Shares will be evidenced by a book entry made in the records of the Company's transfer agent in the name of Recipient (unless Recipient requests a certificate evidencing the Restricted Shares). All restrictions provided for in this Agreement will apply to each Restricted Share and to any other securities distributed with respect to that Restricted Share or for which such Restricted Share may be exchanged in connection with a Corporate Transaction as provided in Section 3(f)(1) of this Agreement. Unless otherwise expressly permitted by the Company, the Restricted Shares may not (until such Restricted Shares have vested in Recipient in accordance with all terms and conditions of this Agreement) be assigned or transferred other than by will or the laws of descent and distribution and shall not be subject to pledge, hypothecation, execution, attachment or similar process. Each Restricted Share will remain restricted and subject to cancellation unless and until that Restricted Share has vested in Recipient in accordance with all of the terms and conditions of this Agreement. Each book entry (or stock certificate if requested by Recipient) evidencing any Restricted Share shall contain such notations or legends and stock transfer instructions or limitations as specified in Section 10 and as may be determined or authorized by the Company as provided therein. If a certificate evidencing any Restricted Share is requested by Recipient prior to vesting of such Restricted Shares, the Company may, in its sole discretion, retain custody of the certificate until vesting and require, as a condition to issuing a certificate prior to vesting, that Recipient tender to the Company a stock power duly executed in blank relating to such custody.

2. <u>Representations and Warranties related to the Securities Purchase Agreement.</u> Recipient represents and warrants to the Company, as of the date hereof and as of the Date of Issuance, as follows:

(a) Recipient has been provided the opportunity to ask questions and receive answers concerning the Company and the transaction in which the Restricted Shares are being issued, and to obtain any other information Recipient deems necessary to verify the accuracy of the information provided to Recipient; and has otherwise acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire the Restricted Shares. Recipient is acquiring the Restricted Shares for Recipient's own account for investment purposes only and not with a current view to, or for resale in connection with, any "distribution" thereof for purposes of the Securities Act of 1933, as amended (the "**Securities Act**").

(b) Recipient is aware of the provisions of Rule 144 promulgated by the Securities and Exchange Commission (the "**SEC**") under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of the issuer) in a nonpublic offering subject to the satisfaction of certain conditions.

(c) Recipient understands that the Restricted Shares have not been registered under any state, federal, or other securities laws, nor has any prospectus been filed with respect thereto, and that such shares may not be offered or sold without compliance with applicable securities laws, whether through registration of the offer and sale of such shares, the filing of, and obtaining of a final receipt for, a prospectus in respect of such offer and sale of such shares, or in reliance upon one or more exemptions from registration or prospectus requirements available under applicable securities laws.

(d) Recipient is an "accredited investor" as defined in Rule 501 promulgated under the Securities Act and, if a citizen or resident of any member state of the European Union, a "qualified investor" as defined in the Prospectus Directive. Recipient has such knowledge and experience in financial, tax, and business matters in general, and investments in securities in particular, that Recipient is capable of evaluating the merits and risks relating to Recipient's acquisition of the Restricted Shares and making an informed investment decision with respect to such acquisition. Recipient is not subject to any Applicable Legal Requirement that would prohibit the issuance of or require the registration of the Restricted Shares.

(e) Recipient has read this Agreement and has discussed the limitations upon Recipient's ability to dispose of the Restricted Shares with Recipient's own counsel, to the extent he has felt necessary. Recipient has consulted with his own counsel and accountant for advice concerning the various legal, tax, and economic considerations relating to such investment, including the limitations on trading the Restricted Shares and the resale restrictions imposed by applicable securities laws, to the extent he has felt necessary. Recipient acknowledges that neither the Company nor any of its Affiliates has made any representation regarding any holding periods or other resale restrictions applicable to the Restricted Shares and that Recipient is solely responsible for determining what the restrictions are and for compliance therewith. Recipient understands that the holding period provided by Rule 144 may not begin to run until the Restricted Shares have fully vested.

(f) Recipient has an understanding of the financial condition, results of operations, assets, liabilities, properties and projected operations of the Company and its Affiliates and, in making his determination to proceed with the transactions contemplated by this Agreement, Recipient has relied on the information he deems necessary resulting from his own independent investigation and verification and the representations and warranties of the Company and its Affiliates expressly and specifically set forth in the Securities Purchase Agreement.

Recipient shall immediately notify the Company if any of the representations and warranties in this <u>Section 2</u> cease to be true and correct in all respects at any time prior to the Closing.

3. **<u>Vesting</u>**.

(a) <u>Generally</u>. Subject to the other provisions of this Section 3 and Section 5, the Restricted Shares shall vest as provided for in the Vesting Schedule at the beginning of this Agreement.

(b) <u>Event of Death</u>: If Recipient's Consulting Agreement with the Company or an Affiliate terminates because of Recipient's death, then the unvested Restricted Shares will immediately and automatically vest in full. As used in this Agreement, "**Affiliate**" means any entity in which the Company has, directly or indirectly through one or more intermediaries, a controlling interest or which has, directly or indirectly through one or more intermediaries, a controlling interest in the Company, within the meaning of Treasury Regulation § 1.409A-1(b)(5)(iii)(E).

(c) <u>Event of Disability</u>: If Recipient's Consulting Agreement with the Company or an Affiliate terminates because of Recipient's long-term disability (as defined in the Company's long-term disability plan, a "**Disability**"), then the unvested Restricted Shares will continue vesting during Recipient's Disability period in accordance with the Vesting Schedule in this Agreement. In the event of Recipient's death after such Disability but prior to vesting of the Restricted Shares, the Restricted Shares will immediately and automatically vest in full.

(d) <u>Termination by Company Other than for Material Breach or Recipient for Material Breach</u>: If Recipient's Consulting Agreement with the Company or an Affiliate is terminated by the Company or an Affiliate in the absence of a Material Contractor Breach (as defined in the Consulting Agreement), or is terminated by the Recipient because of a Material Company Breach (as defined in the Consulting Agreement), then the unvested Restricted Shares shall immediately and automatically vest in full. For the avoidance of doubt, an election by either party not to enter into an agreement extending the Initial Term or any subsequent Term of the Consulting Agreement shall not be considered a termination of the Consulting Agreement for purposes of this Agreement.

(e) <u>Termination by Company for Material Breach or Recipient Other than for Material Breach</u>: If Recipient's Consulting Agreement with the Company or an Affiliate is terminated by the Company or an Affiliate because of a Material Contractor Breach, or is terminated by Recipient in the absence of a Material Company Breach, then the unvested Restricted Shares shall cease vesting and be cancelled in accordance with Section 5 of this Agreement. For the avoidance of doubt, an election by either party not to enter into an agreement extending the Initial Term or any subsequent Term of the Consulting Agreement shall not be considered a termination of the Consulting Agreement for purposes of this Agreement.

(f) <u>Change in Control</u>: If a Change in Control occurs, then the following provisions shall apply:

(1) In the event of a Change in Control that is a Corporate Transaction (as defined in Section 3 (f)(4)(C) below), if the corporation resulting from the Corporate Transaction (as described in Section 3(f)(4)(C) below and referred to as the "**Surviving Entity**") continues or assumes this Agreement (with appropriate adjustments as a result of the Corporate Transaction to the number and type of securities subject to this Agreement (which shall thereafter be considered the "Restricted Shares" for purposes of this Agreement) that preserves the intrinsic value of the Restricted Shares immediately prior to the effective time of the Corporate Transaction consistent with the treatment of other shares of the Company's common stock), then this Agreement shall automatically continue in effect in accordance with its terms and conditions (including, for the avoidance of doubt, the provisions relating to vesting, cancellation, restricted activities and stockholder rights).

(2) If and to the extent that this Agreement is not continued or assumed in connection with a Corporate Transaction as provided in and pursuant to Section 3(f)(1) above, then the unvested Restricted Shares shall vest in full immediately and automatically prior to the effective time of the Corporate Transaction.

(3) If a Change in Control other than a Corporate Transaction occurs, then the unvested Restricted Shares shall vest in full immediately and automatically upon such Change in Control.

(4) For purposes of this Agreement, a Change in Control shall mean the happening of any of the following events:

(A) An acquisition (whether directly or indirectly or pursuant to a series of related transactions) by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 ("**Exchange Act**")) (a "**Person**") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Company (the "**Outstanding Company Common Stock**") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, or (z) any acquisition pursuant to a transaction which complies with clauses (i), (ii) and (iii) of Section 3(f)(4)(C);

(B) A change in the composition of the Company's board of directors (the "**Board**") such that the individuals who, as of the Date of Issuance, constitute the Board (such Board shall be hereinafter referred to as the "**Incumbent Board**") cease for any reason to constitute at least a majority of the Board; *provided*, *however*, that for purposes of this Section 3(f)(4)(B), any individual who becomes a member of the Board subsequent to the Date of Issuance, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, *provided*, *further*, that any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board;

(C) Consummation of a reorganization, merger or consolidation involving the Company or of a sale or other disposition of all or substantially all of the assets of the Company ("**Corporate Transaction**"); excluding, however, such a Corporate Transaction pursuant to which (i) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to such Corporate Transaction and was not acquired in anticipation of or substantially related to such Corporate Transaction, and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(D) The approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(g) Company Discretion: Notwithstanding any other provision of this Agreement to the contrary, the Company may, in its sole discretion, declare at any time that the unvested Restricted Shares, or any portion thereof, shall vest immediately or, to the extent they otherwise would be cancelled, shall vest in the numbers and on such dates as the Company may determine in its sole discretion.

4. **Effect of Vesting**. Notwithstanding Section 6 or any other provision in this Agreement to the contrary, upon the vesting of any Restricted Shares, such vested Restricted Shares will no longer be subject to cancellation as provided in Section 5 of this Agreement. Promptly after vesting, the Company will deliver to the Recipient the Restricted Shares that have vested, as evidenced by a book entry made in the records of the Company's transfer agent in the name of Recipient with a notice of issuance provided to Recipient (unless Recipient requests a certificate evidencing such Shares).

5. **Cancellation of Unvested Restricted Shares; Recourse for Securities Purchase Agreement Obligations**. If (i) Recipient attempts to pledge, encumber, assign, transfer or otherwise dispose of any of the Restricted Shares or the Restricted Shares become subject to attachment or any similar involuntary process in violation of this Agreement, in each case prior to vesting and except as permitted by Section 1(b) of this Agreement, or (ii) if Recipient's Consulting Agreement with the Company or an Affiliate is terminated by the Company or an Affiliate because of a Material Contractor Breach or is terminated by Recipient in the absence of a Material Company Breach (*provided however*, an election by either party to not enter into an agreement extending the Initial Term or any subsequent Term of the Consulting Agreement shall not be considered a termination of the Consulting Agreement for purposes of this Agreement), or (iii) if Recipient breaches prior to the vesting of the Restricted Shares any of the restrictive covenants set forth in Section 6 of this Agreement or Section 3.3 of the Recipient's Owner Support Agreement, or (iv) any liquidated monetary Damages recoverable by the indemnified parties under Section 10.1 of the Securities Purchase Agreement have not been recovered from the Escrow Amount prior to the vesting of the Restricted Shares, then any Restricted Shares that have not previously vested (except, in the case of the foregoing clause (iv), the Restricted Shares shall be cancelled solely to the extent necessary to satisfy Recipient's Allocated Share of such Damages and the remaining Restricted Shares shall not be cancelled) shall cease to vest and shall be cancelled immediately, Recipient shall thereafter have no right, title or interest whatsoever in such unvested Restricted Shares, and, if the Company does not have custody of any and all certificates representing Restricted Shares so cancelled, Recipient shall immediately return to the Company any and all certificates representing Restricted Shares so cancelled. Additionally, Recipient will deliver to the Company a stock power duly executed in blank relating to any and all certificates representing such cancelled Restricted Shares to the Company in accordance with the previous sentence or, if such stock power has previously been tendered to the Company, the Company will be authorized to deem such previously tendered stock power delivered, and the Company will be authorized to cancel any and all certificates representing Restricted Shares so cancelled and to cause a book entry to be made in the records of the Company's transfer agent in the name of Recipient (or a new stock certificate to be issued, if requested by Recipient) evidencing any Restricted Shares that vested prior to cancellation of unvested Restricted Shares under this Section 5. If the Restricted Shares are evidenced by a book entry made in the records of the Company's transfer agent, then the Company will be authorized to cause such book entry to be adjusted to reflect the number of Restricted Shares so cancelled. As used herein, "**Allocated Share**" means Recipient's Proportionate Share of the total Equity Consideration.

6. **<u>Restricted Activities</u>**. In consideration of the issuance of the Restricted Shares, Recipient hereby agrees to comply with and be bound by the following restrictive covenants from and after the Closing (each a "**Restricted Activity**" and together the "**Restricted Activities**"):

(a) Recipient will not, either during the term of the Consulting Agreement or at any time thereafter, except in connection with the performance of Recipient's Consulting Services or other duties for the benefit of the Company, use, disclose or misappropriate any Company-Confidential Information (as defined below) unless the Company or an Affiliate consents otherwise in writing. "**Company-Confidential Information**" shall have the same meaning as provided in the Company's Code of Ethics and Business Conduct, and shall include without limitation any confidential, secret or proprietary knowledge or information of the Company or an Affiliate that Recipient has acquired or become acquainted with during Recipient's Consulting Agreement with the Company, any employment with any "**Relevant Company**" as defined in the Securities Purchase Agreement or an Affiliate of either;

(b) Recipient will not, during the term of the Consulting Agreement and during the Applicable Non-Solicit Period, directly or indirectly, on behalf of Recipient or any other person (including but not limited to any Talent Competitor (as defined below)), solicit, induce or encourage any person then employed, or employed within the 180-day period preceding the Recipient's termination, by the Company or an Affiliate to terminate or otherwise modify their employment relationship with the Company;

(c) Recipient will not, during the term of the Consulting Agreement and during the Applicable Non-Solicit Period, on behalf of the Recipient or any other person (including but not limited to any Talent Competitor (as defined below)), hire, retain or employ in any capacity any person then employed, or employed within the 180-day period preceding the Recipient's termination, by the Company or any Affiliate;

(d) Recipient will not, during the term of the Consulting Agreement and during the Applicable Non-Solicit Period, directly or indirectly, on behalf of Recipient or any other person (including but not limited to any Talent Competitor), solicit or otherwise seek to divert any customer, client or account of the Company or an Affiliate away from engaging in business with the Company or an Affiliate. For the purpose of this subparagraph, "**customer, client or account**" shall include then-current customers, clients or accounts of the Company or an Affiliate as of the date of Recipient's termination of employment with the Company or an Affiliate;

(e) Recipient will not, during the term of the Consulting Agreement and during the Applicable Non-Compete Period, without the prior written consent of the Company or an Affiliate, (x) become a director, officer, employee, partner, consultant or independent contractor of, or otherwise work or provide services for, a Talent Competitor doing business in the same geographic or market area(s) in which the Company or an Affiliate is also doing business, or (y) acquire any material ownership or similar financial interest in any such Talent Competitor; for the avoidance of doubt, nothing in this Section 6(e) shall prevent Recipient from owning a passive investment interest of no more than five percent in a publicly traded company; and

(f) Recipient will not, either during the term of the Consulting Agreement or at any time thereafter, fail to cooperate reasonably with and provide full and accurate information to the Company and its counsel with respect to any matter (including any audit, tax proceeding, litigation, investigation or governmental proceeding) with respect to which Recipient may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by Recipient.

For purposes of this Section 6, a "**Talent Competitor**" means any corporation, partnership, limited liability company or other business association, organization or entity that engages in the investment banking business or securities brokerage business, including but not limited to investment banks, sell-side broker dealers, mergers and acquisitions or strategic advisory firms, merchant banks, hedge funds, private equity firms, venture capital firms, asset managers and investment advisory firms.

For purposes of this Section 6, a "**Applicable Non-Solicit Period**" means the 24-month period following the termination of the Consulting Agreement.

For purposes of this Section 6, a "**Applicable Non-Compete Period**" means the 12-month period following the termination of the Consulting Agreement.

For the avoidance of doubt, the obligations of Recipient under this Section 6 shall survive cancellation or vesting of the Restricted Shares and shall continue in accordance with its terms (including the time limitations set forth above) however, once vested, such Restricted Shares shall not be subject to forfeiture or cancellation in any manner whatsoever for a subsequent violation of such terms, and the obligations of Recipient under this Section 6 shall not be deemed a lien or restriction on such Restricted Shares. The lapsing of the restrictions in this Section 6 shall not affect any similar provisions of set forth in any other agreement, which shall apply in accordance with their terms in addition to the foregoing provisions.

7. **Stockholder Rights.** As of the Date of Issuance, Recipient shall have all of the rights of a holder the Company's common stock (including voting rights) with respect to the Restricted Shares, except as otherwise specifically provided in this Agreement.

8. **Tax Withholding.** The parties hereto recognize that the Company or an Affiliate may be obligated to withhold federal and state taxes or other taxes upon the vesting of the Restricted Shares, or, in the event that Recipient elects under Section 83(b) of the Internal Revenue Code of 1986, as amended from time to time (together with any regulations promulgated thereunder, the "**Code**") to report the receipt of the Restricted Shares as income in the year of receipt. Recipient agrees that, at such time, if the Company or an Affiliate is required to withhold such taxes, Recipient will promptly pay, in cash upon demand (or in any other manner permitted by the Company), to the Company or an Affiliate such amounts as shall be necessary to satisfy such obligation. Notwithstanding the preceding sentence, in the event and to the extent that the Company or an Affiliate is required to withhold for federal and state taxes or other taxes upon the vesting of the Restricted Shares then Recipient may, to the extent permitted by applicable law, satisfy the obligation for the payment of such taxes by directing the Company to retain Restricted Shares otherwise deliverable under this Agreement (up to Recipient's minimum required tax withholding rate) based upon the then trading market value of such shares. Recipient further acknowledges that the Company has directed Recipient to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which Recipient may reside, and the tax consequences of Recipient's death.

9. **Injunctive Relief**. In the event of a breach by Recipient of Recipient's obligations under this Agreement, including but not limited to a commission by Recipient of a Restricted Activity as described in Section 6, in addition to being entitled to exercise all rights granted by law, including recovery of damages, the Company will be entitled to specific performance of its rights under this Agreement. Recipient acknowledges that a violation or attempted violation of the obligations set forth herein will cause immediate and irreparable damage to the Company, and therefore agrees that the Company shall be entitled as a matter of right to an injunction, from any court of competent jurisdiction, restraining any violation or further violation of such obligations (without posting any bond or other security).

10. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. Prior to the vesting of the Restricted Shares, the book entry or certificate representing the Restricted Shares shall contain a notation or bear the following legends (as well as any other notations or legends required by applicable corporate and securities laws) noting the existence of the restrictions and the Company's rights to reacquire the Restricted Shares set forth in this Agreement:

> "THE SHARES REPRESENTED BY THIS [BOOK ENTRY] [CERTIFICATE] MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.
>
> THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY FEDERAL, STATE OR OTHER SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, OR ASSIGNED EXCEPT (i) PURSUANT TO REGISTRATIONS THEREOF UNDER SUCH LAWS, OR (ii) IF, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY, THE PROPOSED TRANSFER MAY BE EFFECTED IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS WITHOUT SUCH REGISTRATIONS."

Upon request of recipient following the vesting of the Restricted Shares, such legend may be replaced such that the book entry or certificate representing such Restricted Shares (x) shall contain a notation or bear a legend noting that such Restricted Shares have not been registered under any federal, state or other securities laws and the corresponding limitations on transfer as summarized above, but (y) shall no longer contain any legend that such Restricted Shares are subject to the terms of this Agreement.

(b) Stop-Transfer Notices. Recipient agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Restricted Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of the Restricted Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom the Restricted Shares shall have been so transferred.

11. No Promise of Future Awards or Employment. Recipient acknowledges that this Agreement issues restricted stock to Recipient, but does not impose any obligation on the Company to make any future grants or issue any future awards to Recipient. This Agreement shall not give Recipient a right to employment with the Company or any other rights beyond those expressly provided in the Consulting Agreement, and the Company may terminate the Consulting Agreement for any reason in accordance with its terms, and otherwise deal with Recipient without regard to this Agreement.

12. Binding Effect. This Agreement shall be binding in all respects on the heirs, administrators, representatives, executors and successors of Recipient, and on the Company and its successors and assigns.

13. Choice of Law. This Agreement and the relationship between the parties shall be governed by the laws of the State of Delaware, without giving effect to choice-of-law principles. The parties hereto hereby agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement, the Securities Purchase Agreement or the transactions contemplated hereunder or thereunder shall

NOT be subject to arbitration of any nature whatsoever, notwithstanding any arbitration provision applicable to the Consulting Agreement between the Recipient and the Company or its Affiliates.

14. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTACT, TORT, OR OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

15. Modification. In the event that any one or more of the Restricted Activities described in Section 6 above shall be held to be unenforceable, invalid or illegal for any reason including, but not limited to, being excessively broad as to duration, geographical scope, activity or subject, such restriction shall be construed or modified by limiting and reducing it, so as to provide the Company with the maximum protection of its business interests and the intent of the parties as set forth herein and yet be valid and enforceable under the applicable law as it shall then exist. If any such restriction held to be unenforceable, invalid or illegal cannot be so construed or modified, such finding shall not affect the enforceability of any of the other restrictions contained herein.

16. Entire Agreement. This Agreement, the Securities Purchase Agreement and the other documents referenced herein or therein together set forth the entire agreement and understanding of the parties hereto with respect to the issuance and sale of the Restricted Shares and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance and sale of the Restricted Shares.

17. Amendment and Waiver. This Agreement may be amended, modified, or canceled only by a written instrument executed by the parties. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any other act other than that specifically waived.

18. Acknowledgement of Voluntary Election; Fairness. By executing this Agreement, Recipient acknowledges his or her voluntary election to receive and accept the Restricted Shares subject to all of the terms and conditions set forth in this Agreement, and agrees to be bound thereby, including, without limitation, the terms and conditions specifying the circumstances under which the Restricted Shares shall cease to vest and shall be cancelled. Recipient further acknowledges and agrees that such terms and conditions are fair and reasonable in light of the circumstances under which the Restricted Shares are being issued.

[*Signature Page Follows*]

IN WITNESS WHEREOF, Recipient has executed this Agreement as of the date first set forth above.

IMPORTANT ACKNOWLEDGEMENT: *By signing this Agreement, Recipient voluntarily elects to receive and accept the Restricted Shares subject to all of the terms and conditions set forth in this Agreement, and specifically acknowledges and agrees that the Restricted Shares may cease to vest and be cancelled under certain circumstances, as specified in Section 5. Recipient also acknowledges and agrees that such terms and conditions are fair and reasonable under the circumstances.*

RECIPIENT

/s/ Michael Frazier
Michael Frazier

IN WITNESS WHEREOF, the Company has executed this Agreement as of the date first set forth above.

PIPER JAFFRAY COMPANIES

By /s/ Andrew S. Duff
Its: Chairman and Chief Executive Officer

PIPER JAFFRAY COMPANIES
MUTUAL FUND RESTRICTED SHARE INVESTMENT PLAN
(Amended and Restated as of February 16, 2016)

1. Plan and Purpose.

Piper Jaffray Companies (the "Company") has established the Piper Jaffray Companies Mutual Fund Restricted Share Investment Plan (the "Plan") to enable the Company to attract, retain, motivate and reward key employees, and to increase the awareness of the products and services offered by affiliates of the Company, by allowing employees to invest a portion of the incentive compensation they otherwise would receive in the form of restricted stock or other equity instead in mutual fund interests of funds managed by affiliates of the Company or other funds as approved by the Compensation Committee of the Board of Directors (the "Committee").

2. Nature of the Plan.

The Plan provides for restricted property transfers subject to Section 83 of the Internal Revenue Code of 1986, as amended ("Code"). Because Section 83 of the Code applies, awards and payments hereunder are not subject to Section 409A of the Code.

3. Eligibility.

The Plan shall be available to U.S. employees (each an "Employee") of the Company and its subsidiaries (an "Affiliate") who are eligible to receive, and do receive, a restricted stock or other equity grant under the Piper Jaffray Companies Amended 2003 Annual and Long-Term Incentive Plan.

4. Elections To Receive Restricted Mutual Fund Shares.

(a) Election. An Employee who is eligible under this Plan may elect to receive a portion of the award that would otherwise have been made to the Employee under the Piper Jaffray Companies Amended 2003 Annual and Long-Term Incentive Plan (the "Long-Term Incentive Plan") in the form of restricted stock or other equity, instead in the form of restricted shares of selected mutual funds managed by an Affiliate of the Company, or other mutual funds or exchange traded funds as approved by the Committee (referred to as "Restricted Mutual Fund Shares").

(b) Form of the Election. Any such election shall be made at such time, on such form and in accordance with such rules as may be prescribed for this purpose by the Company. While an Employee is not required to elect to receive any portion of an award in Restricted Mutual Fund Shares, an election to receive a portion of an award in Restricted Mutual Fund Shares must relate to at least ten percent (10%) and not more than fifty percent (50%) of his or her award under the Long-Term Incentive Plan; *provided, however*, that the Compensation Committee of the Board of Directors may specifically authorize an Employee to receive up to seventy-five percent (75%) of an award in Restricted Mutual Fund Shares.

(c) No Reallocation. Unless otherwise determined by the Company, no reallocation in the selected mutual funds or exchange traded funds shall be permitted after the Employee has completed and submitted the election form and the deadline for the submitting election forms, if any, has passed. Such election by the Employee shall also be irrevocable.

5. Mutual Funds Distributed As Restricted Mutual Fund Shares.

The Company shall select the funds in which Restricted Mutual Fund Shares will be issued in any award cycle from among the mutual funds that are managed by an Affiliate of the Company and from among other mutual funds and exchange traded funds that have been approved for such purpose by the Committee. The Company may, from time to time and in its sole discretion, add to, remove or substitute such funds, provided that only the Committee may approve the inclusion of mutual funds or exchange traded funds other than those managed by an Affiliate of the Company among the funds from which the Company may select for any award cycle.

6. Terms of the Restricted Mutual Fund Shares.

An Employee who makes an election to receive Restricted Mutual Fund Shares shall be issued and required to execute a Mutual Fund Restricted Share Agreement ("Agreement") in the form attached hereto as Exhibit A, which shall set forth the terms applicable to such Restricted Mutual Fund Shares.

7. Administration.

(a) Administration and Discretionary Authority. The Company shall administer the Plan and awards under the Plan. The Global Head of Human Capital of the Company shall have the full and final discretionary authority and responsibility to interpret and construe the Plan and the Agreements, to adopt and revise rules and policies relating to the Plan and to make any other determinations necessary or advisable for the administration of the Plan and awards under the Plan. The interpretations and determinations of the Global Head of Human Capital shall be binding on all persons, including Employees. By electing to receive Restricted Mutual Fund Shares, the Employee is agreeing that the interpretations and determinations of the Global Head of Human Capital be given deference in all courts to the greatest extent allowed under law, and that they not be overturned or set aside by any court unless found to be arbitrary and capricious, or made in bad faith.

(b) Correction of Errors. Errors may occur in the administration and operation of the Plan, and the Company reserves the power to cause such equitable adjustments to be made to correct for such errors as it considers appropriate. Such adjustments will be final and binding on all persons.

8. Amendment and Termination.

(a) Amendment. The Company may amend the Plan or any Agreement at any time and for any reason by action of the Compensation Committee of the Board of Directors, or the Chief Executive Officer of the Company. However, the Company may not amend the Plan or any Agreement in a manner that has the effect of reducing any outstanding award (an award that has been granted but not yet paid), except for an amendment that is required by law or for which the failure to adopt the amendment would have adverse tax consequences to the Employee.

(b) Termination. The Company may terminate the Plan at any time and issue no further Restricted Mutual Fund Shares.

9. Miscellaneous.

(a) No Assignment of Benefits. Rights and benefits under this Plan with respect to an Employee may not be alienated, assigned, transferred, pledged or hypothecated by any person, at any time, or to any person whatsoever.

(b) Withholding. An Employee must make appropriate arrangements with the Company or an Affiliate of the Company for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the awards under the Plan. If no other arrangements are made, the Company or Affiliate may provide, at its discretion, for such withholding and tax payments as may be required, including, without limitation, by the reduction of other amounts payable to the Employee.

(c) Successors of Company. The rights and obligations of the Company or an Affiliate of the Company under the Plan will inure to the benefit of, and will be binding upon, the successors and assigns of the Company or any Affiliate.

(d) No Employment Rights. Nothing contained in the Plan or any Agreement, nor any action taken hereunder, will be construed as a contract of employment or as giving any Employee any right to continued employment with the Company or any Affiliate of the Company.

(e) Modification by Employment or Similar Agreement. The Company or an Affiliate of the Company may be a party to an employment or similar agreement with an Employee, the terms of which may enhance or modify in some respect the benefits provided under this Plan, including, but not necessarily limited to, an enhancement to or modification of the benefit amount, payment forms and/or other rights and features of the Plan. The Plan consists only of this document and other documents contemplated under this document, but not including such employment or similar agreement; and accordingly, any contractual rights that an Employee may have to any enhancement or modification called for under an employment or similar agreement are rights that derive from such agreement and not under the Plan.

(f) Governing Law. The Plan and all Awards granted and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws thereof.

(g) Gender, Singular and Plural. All pronouns and any variations thereof will be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

(h) Captions. The captions of the articles, paragraphs and sections of this document are for convenience only and will not control or affect the meaning or construction of any of its provisions.

(i) Validity. In the event any provision of the Plan or any Agreement is held invalid, void or unenforceable, the same will not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

(j) Waiver of Breach. The waiver by the Company of any breach of any provision of the Plan or any Agreement will not operate or be construed as a waiver of any subsequent breach by that Employee or any other Employee.

(k) Notice. Any notice or filing required or permitted to be given to the Company or the Employee under the Plan or any Agreement will be sufficient if in writing and hand delivered, or sent by registered or certified mail, in the case of Company, to the principal office of Company, directed to the attention of the Head of Human Resources, and in the case of the Employee, to the last known address of the Employee indicated on the employment records of Company. Such notice will be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Notices to the Company may be permitted by electronic communication according to specifications established by the Company.

PIPER JAFFRAY COMPANIES
AMENDED AND RESTATED
2003 ANNUAL AND LONG-TERM INCENTIVE PLAN

PERFORMANCE SHARE UNIT AGREEMENT

Name of Employee:	
No. of Performance Share Units Covered:	Date of Issuance:

This is a Performance Share Unit Agreement ("Agreement") between Piper Jaffray Companies, a Delaware corporation (the "Company"), and the above-named employee of the Company (the "Employee").

Recitals

WHEREAS, the Company maintains the Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan, as amended from time to time (the "Plan");

WHEREAS, the Board of Directors of the Company has delegated to the Compensation Committee (the "Committee") the authority to determine the awards to be granted under the Plan; and

WHEREAS, the Committee or its delegee has determined that the Employee is eligible to receive an award under the Plan in the form of performance share units and has set the terms thereof;

NOW, THEREFORE, the Company hereby grants this award to the Employee under the terms set by the Committee as follows.

Terms and Conditions*

1. Grant of Performance Share Units.

(a) Subject to the terms and conditions of this Agreement, the Company has granted to the Employee the number of Performance Share Units specified at the beginning of this Agreement. These Performance Share Units are subject to the terms and conditions of this Agreement and are referred to collectively as the "Performance Share Units" and each as a "Performance Share Unit."

(b) The Performance Share Units granted to the Employee shall be credited to an account in the Employee's name. This account shall be a record of book-keeping entries only and shall be utilized solely as a device for the measurement and determination of the number of Shares to be granted to or in respect of the Employee pursuant to this Agreement.

2. Vesting. Except as provided in Section 4, the Performance Share Units will vest on the last day of the Performance Period to the extent such Performance Share Units are earned pursuant to Section 3.

3. Earned Performance Share Units.

(a) If the Employee remains continuously employed (including during the continuance of any leave of absence as approved by the Company or an Affiliate) by the Company or an Affiliate, the number of the Performance Share Units that will be earned pursuant to this Section 3(a) will be determined by reference to the

* Unless the context indicates otherwise, terms that are not defined in this Agreement shall have the meaning set forth in the Plan.

Company's Total Shareholder Return relative to the Total Shareholder Return of the Peer Group as provided in the table below:

Company Total Shareholder Return Relative to Peer Group	% of Performance Share Units Earned
Below 30th percentile	0%
30th percentile	15%
50th percentile	25%
70th percentile or above	50%

Note: Interpolation between points in the table above will be on a straight-line basis.

(b) If the Employee remains continuously employed (including during the continuance of any leave of absence as approved by the Company or an Affiliate) by the Company or an Affiliate, the number of the Performance Share Units that will be earned pursuant to this Section 3(b) will be determined by reference to the Company's Total Shareholder Return as provided in the table below:

Company Total Shareholder Return	% of Performance Share Units Earned
Below 15%	0%
15% -- 19.9%	12.5%
20% -- 24.9%	25%
25% -- 29.9%	37.5%
30% or greater	50%

(c) As used in this Agreement, the following terms have the meanings provided below:

(i) "Beginning Price" with respect to a company means the average closing price of a share of common stock of such company as reported by such company's primary national securities market or exchange at the end of each trading day during the 60 calendar days immediately prior to the first day of the Performance Period.

(ii) "Dividends" with respect to a company means the per share amount of each cash or stock dividend paid by such company with respect to its common stock during the Performance Period. All such dividends will be deemed to be reinvested in such company's common stock for purposes of calculating Total Shareholder Return hereunder.

(iii) "End Price" with respect to a company means the average closing price of a share of common stock of such company as reported by such company's primary national securities market or exchange at the end of each trading day during the last 60 calendar days of the Performance Period.

(iv) "Peer Group" means companies identified on Appendix A attached hereto. If, after the date of this Agreement and prior to the end of the Performance Period (A) a member of the Peer Group is acquired by a company not included in the Peer Group, then the acquired company will be removed from the Peer Group effective as of the beginning of the Performance Period; (B) a member of the Peer Group is acquired by a company that is included in the Peer Group, then the acquired company will be removed from the Peer Group effective as of the beginning of the Performance Period and the acquiring company (or its successor, by merger or otherwise) will remain a member of the Peer Group subject to the other terms of this Section 3(c)(iv); and (C) any member of the Peer Group ceases continuing operations or ceases to be traded on a national securities market or exchange (other than in connection with an acquisition of such company), then such company will continue to be a member of the Peer Group and the End Price for such company will be deemed to be zero.

(v) "Performance Period" means the 36-month period beginning on May 15, 2016 and ending on May 14, 2019.

(vi) "Total Shareholder Return" with respect to a company means ((End Price + Dividends) - Beginning Price) / Beginning Price.

(vii) The Beginning Price, End Price and amount of Dividends for the Company and each company that is part of the Peer Group may be adjusted by the Committee to account for any change in capitalization such as a stock split or a corporate transaction (such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of such company (including any extraordinary cash or stock dividend)) in the Committee's sole discretion.

(d) Notwithstanding the foregoing, if the Employee's employment with the Company or an Affiliate terminates because of the Employee's death or long-term disability (as defined in the Company's long-term disability plan, as the same may be amended hereafter, a "Disability"), then the number of Performance Share Units that will be earned will equal (i) the number of Performance Share Units that would otherwise be earned pursuant to Sections 3(a) and 3(b) but for the Employee's termination multiplied by (ii) a fraction, (x) the numerator of which is the number of days during the Performance Period up to and including the date of termination of the Employee's employment with the Company or an Affiliate and (y) the denominator of which is the total number of days in the Performance Period.

(e) Notwithstanding the foregoing, if the Employee's employment by the Company or an Affiliate terminates as a result of a Severance Event (as defined in the Company's Severance Plan, as the same may be amended hereafter, and as determined in the sole discretion of the Company), then the number of Performance Share Units that will be earned will equal (i) the number of Performance Share Units that would otherwise be earned pursuant to Sections 3(a) and 3(b) but for the Employee's termination multiplied by (ii) a fraction, (x) the numerator of which is the number of days during the Performance Period up to and including the date of termination of the Employee's employment with the Company or an Affiliate and (y) the denominator of which is the total number of days in the Performance Period.

(f) Notwithstanding the foregoing, if the Employee's employment by the Company or an Affiliate terminates under such circumstances determined to constitute retirement by the Committee in its sole discretion, then the number of Performance Share Units that will be earned will equal (i) the number of Performance Share Units that would otherwise be earned pursuant to Sections 3(a) and 3(b) but for the Employee's retirement [multiplied by (ii) a fraction, (x) the numerator of which is the number of days during the Performance Period up to and including the date of termination of the Employee's employment with the Company or an Affiliate and (y) the denominator of which is the total number of days in the Performance Period].[1]

(g) Except as expressly provided herein, no Performance Share Units will vest based on any termination of the Employee's employment by the Company or an Affiliate (whether voluntary or involuntary).

(h) The Performance Share Units that are earned pursuant to this Section 3 will be determined by the Committee's certification of attainment of the applicable Performance Goal hereunder as provided in Section 5.

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[1] This form of award agreement will be used in some circumstances with, and in other circumstances without, the bracketed language.

4. **Change in Control**. If a Change in Control occurs during the Performance Period, then, notwithstanding the other terms of this Agreement or Section 7 of the Plan:

(a) Each Performance Share Unit automatically will become one Share of Restricted Stock (each a "Restricted Share" and collectively the "Restricted Shares"), and, on the closing date of the Change in Control, Company will cause its transfer agent to make a book entry in the transfer agent's records in the name of the Employee (unless the Employee requests a certificate evidencing the Restricted Shares). All restrictions provided for in this Section 4 will apply to each Restricted Share and to any other securities distributed with respect to that Restricted Share. Each Restricted Share will remain restricted and subject to forfeiture to the Company unless and until that Restricted Share has vested in the Employee in accordance this Section 4. Each book entry (or stock certificate if requested by the Employee) evidencing any Restricted Share may contain such notations or legends and stock transfer instructions or limitations as may be determined or authorized by the Company in its sole discretion. If a certificate evidencing any Restricted Share is requested by the Employee, the Company may, in its sole discretion, retain custody of any such certificate throughout the period during which any restrictions are in effect and require, as a condition to issuing any such certificate, that the Employee tender to the Company a stock power duly executed in blank relating to such custody. The Company will not be required (i) to transfer on its books any Restricted Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of the Restricted Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom the Restricted Shares shall have been so transferred.

(b) If the Change in Control is a Corporate Transaction, the Company shall arrange for the surviving entity or acquiring entity (or the surviving or acquiring entity's parent company) to assume or continue the Award evidenced hereby or to substitute a similar award for the Award evidenced hereby, in each case as determined by the Committee in its sole discretion.

(c) If the Employee's employment with the Company or an Affiliate is terminated after the closing of the Change in Control and prior to the end of the Performance Period (i) by the Company or an Affiliate without Cause, (ii) by the Employee for Good Reason, (iii) in connection with the Employee's death or Disability or (iv) under such circumstances determined to constitute retirement by the Committee in its sole discretion, all unvested Restricted Shares will vest on the date of termination of the Employee's employment with the Company or an Affiliate.

(d) Provided the Employee remains continuously employed (including during the continuance of any leave of absence as approved by the Company or an Affiliate) by the Company or an Affiliate after the closing of the Change in Control through the end of the Performance Period, all unvested Restricted Shares as of the last day of the Performance Period will vest on such date.

(e) For purposes of this Agreement,

(i) "Good Reason" means (1) a material diminution of the Employee's duties; (2) a significant, adverse reduction in the Employee's title; or (3) any relocation of the Employee's principal place of business to a location more than a 30 mile radius from its current location; and

(ii) "Cause" means (1) the Employee's continued failure to substantially perform his or her duties with the Company or an Affiliate after written demand for substantial performance is delivered to the Employee; (2) the Employee's conviction of a crime (including a misdemeanor) that, in the Company's determination, impairs the Employee's ability to perform his or her duties with the Company or an Affiliate, (3) the Employee's violation of any policy of the Company or an Affiliate that the Company deems material; (4) the Employee's violation of any securities law, rule or regulation that the Company deems material; (5) the Employee's engagement in conduct that, in the Company's determination, exposes the Company or an Affiliate to civil or regulatory liability or injury to their reputations; (6) the Employee's engagement in conduct that would subject the Employee to statutory disqualification pursuant to Section 15

(b) of the Exchange Act and the regulations promulgated thereunder; or (7) the Employee's gross or willful misconduct, as determined by the Company.

5. Settlement.

(a) After any Performance Share Units vest in accordance with Section 2, the Company shall cause to be issued to the Employee, or to the Employee's designated beneficiary or estate in the event of the Employee's death, one Share in payment and settlement of each vested Performance Share Unit. The Committee shall certify the Total Shareholder Return of the Company and the number of Performance Share Units (if any) that are earned pursuant to the terms and conditions hereof, and the Company shall cause the Shares issuable in connection with the vesting of any such Performance Share Units to be issued, on or before the 15th day of the third calendar month after the date on which the vesting of Performance Share Units occurs, and the Employee shall have no power to affect the timing of such issuance. Such issuance shall be evidenced by a stock certificate or appropriate entry on the books of the Company or a duly authorized transfer agent of the Company, shall be subject to the tax withholding provisions of Section 8, and shall be in complete settlement and satisfaction of such vested Performance Share Units. Notwithstanding the foregoing, if the ownership of or issuance of Shares to the Employee as provided herein is not feasible due to applicable exchange controls, securities or tax laws or other provisions of applicable law, as determined by the Committee in its sole discretion the Employee or the Employee's legal representative shall receive cash proceeds in an amount equal to the Fair Market Value (as of the date the applicable Performance Share Units are vested) of the Shares otherwise issuable to the Employee or the Employee's legal representative, net of any amount required to satisfy withholding tax obligations as provided in Section 8.

(b) Upon the vesting of any Restricted Shares, such vested Restricted Shares will no longer be subject to forfeiture as provided in Section 6 and the Company will, or will cause its transfer agent to, remove all notations and legends and revoke all stock transfer instructions from the book entry or stock certificate evidencing the Restricted Shares so vested as may have been made or given as a result of the terms of this Agreement, and the Company will deliver to the Employee, or the Employee's designated beneficiary or estate in the event of the Employee's death, all certificates (or replacement certificates removing all legends contemplated hereby) in the Company's custody relating to the Restricted Shares.

(c) Notwithstanding the foregoing, if the common equity of the surviving entity or acquiring entity (or the surviving or acquiring entity's parent company) in any Corporate Transaction is not listed or quoted on an established securities market at the time of vesting of any Restricted Shares, the Company will deliver to the Employee or the Employee's designated beneficiary or estate in the event of the Employee's death, in lieu of shares of capital stock not subject to restrictions pursuant hereto, cash in an amount equal to the Fair Market Value (as of the date of closing of the Corporate Transaction) of the Restricted Shares vested pursuant to the terms hereof, net of any amount required to satisfy withholding tax obligations as provided in Section 8.

6. Forfeiture. If (i) the Employee attempts to pledge, encumber, assign, transfer or otherwise dispose of any of the Performance Share Units or, prior to vesting, any Restricted Shares without the Committee's prior written consent or other than by will or by the laws of descent and distribution, or if the Performance Share Units or Restricted Shares become subject to attachment or any similar involuntary process in violation of this Agreement; (ii) the Employee's employment with the Company or an Affiliate is terminated other than (1) due to the Employee's death or Disability, (2) as a result of a Severance Event, (3) under such circumstances determined to constitute retirement (as determined by the Committee in its sole discretion), (4) by the Company or an Affiliate without Cause following a Change in Control or (5) by the Employee for Good Reason following a Change in Control; or (iii) the Employee fails to comply with the terms and conditions of the Severance Plan and the applicable severance agreement with the Employee, including execution of a general release of all claims against the Company and any designated Affiliates and their respective agents, on a form provided by the Company for this purpose and within the timeframe designated by the Company, that becomes effective and enforceable, then any Performance Share Units or Restricted Shares (as applicable) that have not previously vested automatically will be forfeited by the Employee. Any Performance Share Units or Restricted Shares that are unvested as of the last day of the Performance Period also shall be forfeited.

7. Stockholder Rights. The Performance Share Units do not entitle the Employee to any rights of a stockholder of the Company, including the right to receive any dividends declared or paid by the Company. As of the date of issuance, the Employee shall have all of the rights of a stockholder of the Company with respect to any Restricted Shares issued pursuant hereto, except as otherwise specifically provided in this Agreement. The Employee's rights with respect to the Performance Share Units and Restricted Shares shall remain forfeitable at all times by the Employee until satisfaction of the vesting conditions set forth herein.

8. Tax Withholding. The parties hereto recognize that the Company or an Affiliate may be obligated to withhold federal and state taxes or other taxes upon the vesting of the Performance Share Units or Restricted Stock or, in the event that the Employee elects under Code Section 83(b) to report the receipt of the Restricted Shares as income in the year of receipt, upon the Employee's receipt of the Restricted Shares. The Employee agrees that, at such time, if the Company or an Affiliate is required to withhold such taxes, the Employee will promptly pay, in cash upon demand (or in any other manner permitted by the Committee in accordance with the terms of the Plan), to the Company or an Affiliate such amounts as shall be necessary to satisfy such obligation, and the issuance of Shares in connection with the vesting of any Performance Share Units shall be conditioned upon the prior payment by the Employee, or the establishment of arrangements satisfactory to the Committee for the payment by the Employee, of such obligation. The Employee further acknowledges that the Company has directed the Employee to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which the Employee may reside, and the tax consequences of the Employee's death.

9. Interpretation of This Agreement. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive upon the Company and the Employee. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

10. Not Part of Employment Contract; Discontinuance of Employment. The Employee acknowledges that this Agreement awards performance share units to the Employee, but does not impose any obligation on the Company to make any future grants or issue any future Awards to the Employee or otherwise continue the participation of the Employee under the Plan. This Agreement does not constitute a contract of employment, shall not give the Employee a right to continued employment with the Company or any Affiliate, and the Company or Affiliate employing the Employee may terminate his or her employment and otherwise deal with the Employee without regard to the effect it may have upon him or her under this Agreement.

11. Binding Effect. This Agreement shall be binding in all respects on the heirs, representatives, successors and assigns of the Employee.

12. Choice of Law. This Agreement is entered into under the laws of the State of Delaware and shall be construed and interpreted thereunder (without regard to its conflict-of-law principles).

13. Entire Agreement. This Agreement and the Plan set forth the entire agreement and understanding of the parties hereto with respect to the issuance of the Performance Share Units or Restricted Shares in lieu thereof and the administration of the Plan and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance of the Performance Share Units, Restricted Shares in lieu thereof and the administration of the Plan.

14. Securities Law Compliance. No Shares shall be delivered upon the vesting and settlement of any Performance Share Units unless and until the Company and/or the Employee shall have complied with all applicable federal, state or foreign registration, listing and/or qualification requirements and all other requirements of law or of any regulatory agencies having jurisdiction, unless the Committee has received evidence satisfactory to it that the Employee may acquire such shares pursuant to an exemption from registration under the applicable securities laws. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company reserves the right to legend any Share certificate or book entry, conditioning sales of such Shares upon compliance with applicable federal and state securities laws and regulations.

15. **Potential Clawback**. This Award and any compensation associated therewith is subject to the Company's Incentive Compensation Recovery Policy and may be made subject to forfeiture, recovery by the Company or other action pursuant to any compensation recovery policy adopted by the Board or the Committee at any time, including any amendment to the Company's Incentive Compensation Recovery Policy in effect as of the date hereof or in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder, or as otherwise required by law. This Agreement may be unilaterally amended by the Committee at any time to comply with any such compensation recovery policy.

16. **Amendment and Waiver**. Except as provided in this Agreement or in the Plan, this Agreement may be amended, waived, modified, or canceled only by a written instrument executed by the parties or, in the case of a waiver, by the party waiving compliance.

17. **Acknowledgment of Receipt of Copy**. By execution hereof, the Employee acknowledges having received a copy of the prospectus related to the Plan and instructions on how to access a copy of the Plan.

IN WITNESS WHEREOF, the Employee and the Company have executed this Agreement as of the date of issuance specified at the beginning of this Agreement.

EMPLOYEE

____

Printed name:

PIPER JAFFRAY COMPANIES

By

Its

List of companies contained in the KBW Capital Markets Index (KSX) as of May 15, 2016 (excluding Piper Jaffray Companies):

1. TD Ameritrade Holding Corp. (AMTD)
2. Franklin Resources, Inc. (BEN)
3. Blackrock Inc. (BLK)
4. CBOE Holdings, Inc. (CBOE)
5. CME Group, Inc. (CME)
6. Eaton Vance Corp. (EV)
7. Greenhill & Co. (GHL)
8. The Goldman Sachs Group, Inc. (GS)
9. Interactive Brokers Group, Inc. (IBKR)
10. Intercontinental Exchange, Inc. (ICE)
11. Investment Technology Group, Inc. (ITG)
12. Invesco Ltd. (IVZ)
13. Janus Capital Group Inc. (JNS)
14. KCG Holdings, Inc.
15. Lazard Ltd. (LAZ)
16. Legg Mason Inc. (LM)
17. Morgan Stanley (MS)
18. The NASDAQ OMX Group, Inc. (NDAQ)
19. Raymond James Financial Inc. (RJF)
20. The Charles Schwab Corporation (SCHW)
21. SEI Investments Company (SEIC)
22. State Street Corporation (STT)
23. T. Rowe Price Group Inc.

Exhibit 31.1

CERTIFICATIONS

I, Andrew S. Duff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Piper Jaffray Companies;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ Andrew S. Duff

Andrew S. Duff
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Debbra L. Schoneman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Piper Jaffray Companies;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ Debbra L. Schoneman

Debbra L. Schoneman
Chief Financial Officer

Exhibit 32.1

Certification Under Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Piper Jaffray Companies.

Dated: May 4, 2016

/s/ Andrew S. Duff

Andrew S. Duff
Chairman and Chief Executive Officer

/s/ Debbra L. Schoneman

Debbra L. Schoneman
Chief Financial Officer