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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2021

Commission File No. 001-31720

**PIPER SANDLER COMPANIES**

*(Exact Name of Registrant as specified in its Charter)*

**Delaware**

*(State or Other Jurisdiction of Incorporation or Organization)*

**30-0168701**

*(IRS Employer Identification No.)*

**800 Nicollet Mall, Suite 900**

**Minneapolis, Minnesota**

*(Address of Principal Executive Offices)*

**55402**

*(Zip Code)*

**(612) 303-6000**

*(Registrant's Telephone Number, Including Area Code)*

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange On Which Registered</u>
Common Stock, par value \$0.01 per share	PIPR	The New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes  No

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of the 17,485,346 shares of the registrant's Common Stock, par value \$0.01 per share, held by non-affiliates based upon the last sale price, as reported on the New York Stock Exchange, of the Common Stock on June 30, 2021 was approximately \$2.3 billion.

As of February 18, 2022, the registrant had 18,183,948 shares of Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the registrant's Proxy Statement for its 2022 Annual Meeting of Shareholders to be held on May 6, 2022.

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## PART I

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 31, 2021 (this "Form 10-K") contains forward-looking statements. 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 conditions 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 this Form 10-K and in our subsequent reports filed with the Securities and Exchange Commission ("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 "Risk Factors" in Part I, Item 1A of this Form 10-K, as well as those factors discussed under "External Factors Impacting Our Business" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K and in our subsequent reports filed with the SEC. 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.

#### ITEM 1. *BUSINESS.*

##### Overview

Piper Sandler Companies is an investment bank and institutional securities firm, serving the needs of corporations, private equity groups, public entities, non-profit entities and institutional investors in the U.S. and internationally. Founded in 1895, Piper Sandler Companies provides a broad set of products and services, including financial advisory services; equity and debt capital markets products; public finance services; equity research and institutional brokerage; fixed income services; and alternative asset management strategies. Our headquarters are located in Minneapolis, Minnesota and we have offices across the United States and international locations in London, Aberdeen and Hong Kong.

##### Our Business

We operate in one reportable segment providing investment banking and institutional sales, trading and research services for various equity and fixed income products.

- *Investment Banking* – For our corporate clients, we provide advisory services, which includes mergers and acquisitions ("M&A"); equity and debt private placements; and debt and restructuring advisory. We also help raise capital through equity and debt financings. We operate in the following focus sectors: healthcare; financial services; consumer; energy and power; diversified industrials and services; technology; and chemicals and materials, primarily focusing on middle-market clients. For our government and non-profit clients, we underwrite municipal issuances, provide municipal financial advisory and loan placement services, and offer various over-the-counter derivative products. Our public finance investment banking capabilities focus on state and local governments, cultural and social service non-profit entities, special districts, project financings, and the education, healthcare, hospitality, senior living, housing and transportation sectors.
- *Equity and Fixed Income Institutional Brokerage* – We offer both equity and fixed income advisory and trade execution services for institutional investors, corporations, and government and non-profit entities. Integral to our capital markets efforts, we have equity sales and trading relationships with institutional investors in North America and Europe that invest in our core sectors. Our research analysts provide investment ideas and support to our trading clients on over 1,000 companies. Fixed income services provides advice on balance sheet management, investment strategy and customized portfolio solutions. We provide fixed income sales and trading solutions to banks, registered investment advisors, public entities, credit unions, and insurance companies. We principally engage in trading activities to facilitate customer needs.
- *Alternative Asset Management Funds* – We have created alternative asset management funds in merchant banking and healthcare in order to invest firm capital and to manage capital from outside investors.

### ***Discontinued Operations***

In the third quarter of 2019, we sold our traditional asset management subsidiary, Advisory Research, Inc. ("ARI"). ARI's results have been presented herein as discontinued operations for the year ended December 31, 2019. For further information on our discontinued operations, see Note 4 to our consolidated financial statements in Part II, Item 8 of this Form 10-K.

### **Financial Information about Geographic Areas**

As of December 31, 2021, the substantial majority of our net revenues and long-lived assets were located in the U.S.

### **Competition**

Our business is subject to intense competition driven by large Wall Street and international firms, regional broker dealers, boutique and niche-specialty firms and alternative trading systems that effect securities transactions through various electronic venues. Competition is based on a variety of factors, including price, quality of advice and service, reputation, product selection, transaction execution, financial resources and investment performance. Many of our large competitors have greater financial resources than we have and may have more flexibility to offer a broader set of products and services than we can.

In addition, there is significant competition within the securities industry for obtaining and retaining the services of qualified employees. Our business is a human capital business, and attracting and retaining employees depends, among other things, on our company's culture, management, work environment, geographic locations and compensation.

### **Human Capital**

Piper Sandler Companies connects capital with opportunity to create value and build a better future, and our employees have been critical to achieving this mission throughout our operating history of more than 125 years. We believe that great people working together as a team are our competitive advantage, and it is crucial that we continue to attract and retain talented employees. As part of these efforts, we strive to offer a competitive compensation and benefits program and training and development opportunities, foster a community where everyone feels included and empowered to do their best work, and give employees the opportunity to give back to their communities.

As of December 31, 2021, we had 1,665 full-time employees, of which 1,587 were employed in the United States and 78 in the United Kingdom and Hong Kong. Approximately 1,220 of our employees were registered with the Financial Industry Regulatory Authority, Inc. ("FINRA") as of December 31, 2021. One key metric we use to benchmark our firm to industry peer companies is the number of investment banking managing directors. At December 31, 2021, we had 148 corporate investment banking managing directors.

*Compensation and Benefits Program* – Our compensation program is designed to attract, reward and retain employees who possess the skills necessary to support our business objectives and assist in the achievement of our strategic goals. We provide employees with competitive compensation packages that include base salary, annual incentive bonuses, length of service awards, and equity awards. For further information on the restricted shares we grant to employees as part of year-end compensation, see Note 19 to our consolidated financial statements in Part II, Item 8 of this Form 10-K. In addition to cash and equity compensation, we also offer benefits such as life and health (medical, dental and vision) insurance, paid time off, paid parental leave, health and wellness programs and a 401(k) plan. We believe our programs align both individual employees and long-term company performance with stockholder interests.

*Training and Development* – A core tenet of our talent system is to develop talent from within and to supplement with external candidates. We provide opportunities for employees to grow and build their careers through various training and development programs. We also have a talent and succession planning process, which is reviewed annually with our board of directors.

*Diversity and Inclusion ("D&I")* – At Piper Sandler Companies, we believe that diverse teams with unique backgrounds, skills and experiences yield more innovative solutions. This is reflected in our commitment to attract, retain and develop a diverse and talented workforce in a high-quality, equitable and inclusive environment. We are focused on building an inclusive culture through a variety of initiatives supported by our D&I committee, including mentorship and training. Our employee networks also serve as a source of inclusion and engagement for our employees, in addition to supporting our efforts to recruit a diverse workforce. Each employee network is sponsored and supported by senior leaders across the firm.

*Community Leadership* – We are committed to contributing our talents and resources to serve the communities in which we live and work through the Piper Sandler Foundation, various charitable campaigns, employee programs and volunteerism. We believe that this commitment assists in our efforts to attract and retain employees.

## **Regulation**

As a participant in the financial services industry, our business is regulated by U.S. federal and state regulatory agencies, self-regulatory organizations ("SROs") and securities exchanges, and by foreign governmental agencies, financial regulatory bodies and securities exchanges. We are subject to complex and extensive regulation of most aspects of our business, including the manner in which securities transactions are effected, net capital requirements, recordkeeping and reporting procedures, relationships and conflicts with customers, the handling of cash and margin accounts, conduct, experience and training requirements for certain employees, and the manner in which we prevent and detect money-laundering and bribery activities. The regulatory framework of the financial services industry is designed primarily to safeguard the integrity of the capital markets and to protect customers, not creditors or shareholders.

The laws, rules and regulations comprising this regulatory framework can (and do) change frequently, as can the interpretation and enforcement of existing laws, rules and regulations. Conditions in the global financial markets and economy, including the 2008 financial crisis, caused legislators and regulators to increase the examination, enforcement and rule-making activity directed toward the financial services industry. The intensity of the regulatory environment may correlate with the level and nature of our legal proceedings for a given period, and increased intensity could have an adverse effect on our business, financial condition, and results of operations.

Our U.S. broker dealer subsidiary (Piper Sandler & Co.) is registered as a securities broker dealer with the SEC and is a member of various SROs and securities exchanges. In July 2007, the National Association of Securities Dealers and the member regulation, enforcement and arbitration functions of the New York Stock Exchange ("NYSE") consolidated to form FINRA, which now serves as the primary SRO of Piper Sandler & Co., although the NYSE continues to have oversight over NYSE-related market activities. FINRA regulates many aspects of our U.S. broker dealer business, including registration, education and conduct of our broker dealer employees, examinations, rulemaking, enforcement of these rules and the federal securities laws, trade reporting and the administration of dispute resolution between investors and registered firms. We have agreed to abide by the rules of FINRA (as well as those of the NYSE and other SROs), and FINRA has the power to expel, fine and otherwise discipline Piper Sandler & Co. and its officers, directors and employees. Among the rules that apply to Piper Sandler & Co. are the uniform net capital rule of the SEC (Rule 15c3-1) and the net capital rule of FINRA. Both rules set a minimum level of net capital a broker dealer must maintain and also require that a portion of the broker dealer's assets be relatively liquid. Under the applicable FINRA rule, FINRA may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital falls below FINRA requirements. In addition, Piper Sandler & Co. is subject to certain notification requirements related to withdrawals of excess net capital. As a result of these rules, our ability to make withdrawals of capital from Piper Sandler & Co. may be limited. In addition, Piper Sandler & Co. is licensed as a broker dealer in each of the 50 states, requiring us to comply with applicable laws, rules and regulations of each state. Any state may revoke a license to conduct a securities business and fine or otherwise discipline broker dealers and their officers, directors and employees.

We also operate one entity that is authorized, licensed and regulated by the U.K. Financial Conduct Authority and registered under the laws of England and Wales, as well as an entity that is authorized, licensed and regulated by the Hong Kong Securities and Futures Commission and registered under the laws of Hong Kong. The U.K. Financial Conduct Authority and the Hong Kong Securities and Futures Commission regulate these entities (in their respective jurisdictions) in areas of capital adequacy, customer protection and business conduct, among others. We also have a subsidiary organized in Guernsey and regulated by the Guernsey Financial Services Commission ("GFSC").

Entities in the jurisdictions identified above are also subject to anti-money laundering regulations. Piper Sandler & Co. is subject to the USA PATRIOT Act of 2001, which contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations requiring us to implement standards for verifying client identification at the time the client relationship is initiated, monitoring client transactions and reporting suspicious activity. Our entities in Hong Kong, the United Kingdom and Guernsey are subject to similar anti-money laundering laws and regulations. We are also subject to the U.S. Foreign Corrupt Practices Act as well as other anti-bribery laws in the jurisdictions in which we operate. These laws generally prohibit companies and their intermediaries from engaging in bribery or making other improper payments to foreign officials for the purpose of obtaining or retaining business or gaining an unfair business advantage.

We maintain subsidiaries that are registered as investment advisors with the SEC and subject to regulation and oversight by the SEC. PSC Capital Partners LLC, Piper Sandler Advisors LLC, Piper Heartland Healthcare Capital LLC and Piper Sandler Finance Management LLC are asset management subsidiaries and registered investment advisors. As registered investment advisors, these entities are subject to requirements that relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between advisor and advisory clients, as well as general anti-fraud prohibitions. Piper Sandler & Co. is also a registered investment advisor and subject to these requirements. Parallel General Partners Limited is the general partner of several private equity limited partnerships; it and the limited partnerships are registered and regulated by the GFSC.

Certain of our businesses also are subject to compliance with laws and regulations of U.S. federal and state governments, non-U.S. governments, their respective agencies and/or various SROs or exchanges governing the privacy of client information. Any failure with respect to our practices, procedures and controls in any of these areas could subject us to regulatory consequences, including fines, and potentially other significant liabilities.

## Information About our Executive Officers

Information regarding our executive officers and their ages as of February 18, 2022, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Chad R. Abraham	53	Chief Executive Officer
Debra L. Schoneman	53	President
Timothy L. Carter	54	Chief Financial Officer
James P. Baker	54	Global Co-Head of Investment Banking and Capital Markets
Michael R. Dillahunt	53	Global Co-Head of Investment Banking and Capital Markets
Jonathan J. Doyle	56	Vice Chairman and Head of Financial Services Group
John W. Geelan	46	General Counsel and Secretary

**Chad R. Abraham** is our chief executive officer, a position he has held since January 2018. He previously served as global co-head of investment banking and capital markets from October 2010 to December 2017. Prior to that, he served as head of equity capital markets since November 2005. Mr. Abraham joined Piper Sandler Companies in 1991 in our investment banking group and was promoted to managing director and head of technology investment banking in 1999.

**Debra L. Schoneman** is our president, a position she has held since January 2018. She previously served as chief financial officer from May 2008 to December 2017, and global head of equities from June 2017 to December 2017. Prior to that, she served as treasurer from August 2006 until May 2008; and as finance director of our corporate and institutional services business from July 2002 until July 2004 when the role was expanded to include our public finance services division. Ms. Schoneman joined Piper Sandler Companies in 1990 in our accounting department.

**Timothy L. Carter** is our chief financial officer, a position he has held since January 2018. He previously served as senior vice president of finance from May 2017 to December 2017. Prior to that, he served as treasurer from May 2008 to May 2017, chief accounting officer from 2006 to May 2008, and controller from 1999 to 2006. Mr. Carter joined Piper Sandler Companies in 1995.

**James P. Baker** is our global co-head of investment banking and capital markets, a position he has held since January 2019. Prior to that, he served as our co-head of energy investment banking from February 2016 to December 2018. Mr. Baker joined Piper Sandler Companies in February 2016 in connection with our acquisition of Simmons & Company International, where Mr. Baker came to serve as a managing director and leader of its midstream/downstream investment banking group after joining in 2001. Prior to that, Mr. Baker was a director and chief financial officer at Koch Industries and led corporate finance and corporate development for Koch's energy businesses, and a director for Alton Geoscience where he provided consulting services to refining and marketing companies on the West Coast.

**Michael R. Dillahunt** is our global co-head of investment banking and capital markets, a position he has held since March 2021. Prior to that, he served as co-head of our diversified industrials and services group from 2011 to 2020, and as vice chairman of investment banking and chairman of M&A and private equity coverage from 2020 to March 2021. Mr. Dillahunt joined Piper Sandler Companies in 1998, prior to which he had been an M&A and corporate attorney at Milbank LLP.

**Jonathan J. Doyle** is our vice chairman, senior managing principal and head of the financial services group, a position he has held since January 2020. Mr. Doyle joined Piper Sandler Companies in connection with our acquisition of Sandler O'Neill, where Mr. Doyle served as a senior managing principal since January 2012, and partner since January 1995. Mr. Doyle began his career at Marine Midland Bank.

**John W. Geelan** is our general counsel and secretary. He served as assistant general counsel and assistant secretary from November 2007 until becoming general counsel in January 2013. Mr. Geelan joined Piper Sandler Companies in 2005.

## **Additional Information**

Our principal executive offices are located at 800 Nicollet Mall, Suite 900, Minneapolis, Minnesota 55402, and our general telephone number is (612) 303-6000. We maintain an Internet Web site at <http://www.pipersandler.com>. The information contained on and connected to our Web site is not incorporated into this Form 10-K. We make available free of charge on or through our Web site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and all other reports we file with the SEC, as soon as reasonably practicable after we electronically file these reports with, or furnish them to, the SEC. Such reports are also available on the SEC's Web site at <http://www.sec.gov>. "Piper Sandler," the "Company," "registrant," "we," "us" and "our" refer to Piper Sandler Companies and our subsidiaries. The Piper Sandler logo and the other trademarks, tradenames and service marks of Piper Sandler Companies mentioned in this report or elsewhere, including, but not limited to, PIPER SANDLER<sup>SM</sup>, PIPER JAFFRAY<sup>®</sup>, REALIZE THE POWER OF PARTNERSHIP<sup>®</sup>, SANDLER O'NEILL<sup>SM</sup>, SANDLER O'NEILL & PARTNERS<sup>SM</sup>, SANDLER O'NEILL MORTGAGE FINANCE<sup>SM</sup>, CORNERSTONE MACRO<sup>®</sup>, TRS<sup>SM</sup>, TRS ADVISORS<sup>SM</sup>, SIMMONS ENERGY | A DIVISION OF PIPER SANDLER<sup>®</sup>, SIMMONS ENERGY | A DIVISION OF PIPER JAFFRAY<sup>®</sup>, SIMMONS ENERGY<sup>®</sup>, SIMMONS & COMPANY INTERNATIONAL<sup>SM</sup>, SIMMONSCO-INTL<sup>SM</sup>, WEEDEN & CO.<sup>SM</sup>, PIPER SANDLER FINANCE<sup>SM</sup>, PIPER JAFFRAY FINANCE<sup>SM</sup>, PJIM<sup>®</sup>, PIPER SANDLER BIOINSIGHTS<sup>SM</sup>, PIPER JAFFRAY BIOINSIGHTS<sup>SM</sup>, BIOINSIGHTS<sup>SM</sup>, TAKING STOCK WITH TEENS<sup>®</sup>, HEALTHY ACTIVE AND SUSTAINABLE LIVING<sup>®</sup> and GUIDES FOR THE JOURNEY<sup>®</sup>, are the property of Piper Sandler Companies.



## ITEM 1A. **RISK FACTORS.**

In the normal course of our business activities, we are exposed to a variety of risks. The principal risks we face in operating our business include: strategic risks, market risks, human capital risks, liquidity risks, credit risks, operational risks, and legal and regulatory risks. A full description of each of these principal areas of risk, as well as the primary risk management processes that we use to mitigate our risk exposure in each, is discussed below under the caption "Risk Management" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K.

The following discussion sets forth the risk factors that we have identified in each area of principal risk as being the most material to our business, future financial condition, and results of operations. Although we discuss these risk factors primarily in the context of their potential effects on our business, financial condition or results of operations, you should understand that these effects can have further negative implications such as: reducing the price of our common stock; reducing our capital, which can have regulatory and other consequences; affecting the confidence that our clients and other counterparties have in us, with a resulting negative effect on our ability to conduct and grow our business; and reducing the attractiveness of our securities to potential purchasers, which may adversely affect our ability to raise capital and secure other funding or the prices at which we are able to do so. Further, additional risks beyond those discussed below and elsewhere in this Form 10-K or in other of our reports filed with, or furnished to, the SEC could adversely affect us. We cannot assure you that the risk factors herein or elsewhere in our other reports filed with, or furnished to, the SEC address all potential risks that we may face.

These risk factors also serve to describe factors which may cause our results to differ materially from those described in forward-looking statements included in this Form 10-K or in other documents or statements that make reference to this Form 10-K. Forward-looking statements, as further described in this Form 10-K under the heading "Cautionary Note Regarding Forward-Looking Statements," and other factors that may affect future results are discussed below under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K.

### **Strategic and Market Risk**

Our business success depends in large part upon the strategic decisions made by our executive management, the alignment of business plans developed to act upon those decisions, and the quality of implementation of these business plans. Strategic risk represents the risk associated with our executive management failing to develop and execute on the appropriate strategic vision which demonstrates a commitment to our culture, leverages our core competencies, appropriately responds to external factors in the marketplace, and is in the best interests of our company. In setting out and executing upon a strategic vision for our business, we are faced with a number of inherent risks, including risks relating to external events and market and economic conditions, competition, and business performance that could all negatively affect our ability to execute on our strategic decisions and, therefore, our future financial condition or results of operations. The risks related to external events and overall market and economic conditions are referred to as market, or systemic, risk. The following are those material risk factors that we have identified that could pose a risk to our strategic vision, and the market risks that may impact execution of our strategy.

***Developments in market and economic conditions have in the past adversely affected, and may in the future adversely affect, our business and profitability and cause volatility in our results of operations.***

Economic and market conditions have had, and will continue to have, a direct and material impact on our results of operations and financial condition because performance in the financial services industry is heavily influenced by the overall strength of economic conditions and financial market activity. For example:

- In 2021, our business benefited from the continued improvement in economic conditions and business confidence as the world continued to adapt to the ongoing COVID-19 pandemic. These conditions, combined with accommodative markets and near record-low interest rates, contributed to strong performance across our businesses. Although we currently believe that the U.S. economy will continue growing in 2022, the beginning of the year has been marked by significant market volatility and uncertainty. We believe that continued economic growth will be dependent on a number of factors, including, but not limited to, the continued positive trajectory of the course of the pandemic, a moderation of the pace of inflation and supply chain issues that developed during 2021, and the nature, magnitude, and duration of hostilities stemming from Russia's invasion of Ukraine, including the effects of sanctions and retaliatory cyber attacks on the world economy and markets. Widespread concern or doubts in the market about the pace or ability of normal economic activity to resume, the potential for prolonged conflict in Ukraine or the broader outbreak of armed conflict in Eastern Europe, the pace, impact, or effectiveness of the actions by the U.S. Federal Reserve intended to manage the rate of inflation through interest rate increases and the termination of the quantitative easing program, or the efficacy or adequacy of government measures enacted to support the U.S. and global economy, could

erode the outlook for macroeconomic conditions, economic growth, and business confidence, which would negatively impact our businesses.

- Our equities investment banking revenues from our advisory and equity capital markets businesses are directly related to macroeconomic conditions and corresponding financial market activity. Our equities investment banking business overall, but especially our capital markets business, has benefited from a recent cycle of strong financial market activity and company valuations. If the outlook for macroeconomic conditions were to become less certain or negative, that level of financial market activity would decrease, which would reduce our equities investment banking revenues. As an example, a significant portion of our equities investment banking revenues in recent years has been derived from advisory and capital markets engagements in our focus sectors, and activity in this area is highly correlated to the macroeconomic environment and market conditions. The first part of 2022 has seen significantly higher levels of volatility in global markets due to market participants' reactions to, and uncertainty surrounding, the magnitude and timing of actions to be taken by the U.S. Federal Reserve in response to heightened inflation, as well as Russia's invasion of Ukraine. This volatility has resulted in a decline in the level of activity in the financial markets. Continued market volatility or uncertainty related to actions taken or to be taken by the U.S. Federal Reserve, a decline in the global macroeconomic outlook, including as a result of Russia's invasion of Ukraine and the threat, or outbreak of more widespread armed conflict in Eastern Europe, or reduced expectations of U.S. economic growth and recovery from the COVID-19 pandemic would cause financial market activity to continue to decrease, which would negatively affect our equities investment banking revenues. In addition, global macroeconomic conditions and U.S. financial markets remain vulnerable to the potential risks posed by exogenous shocks, which could include, among other things, political or social unrest or financial uncertainty in the United States and the European Union, renewed concern about China's economy or financial sector, complications involving terrorism and armed conflicts around the world, or other challenges to global trade or travel. More generally, because our business is closely correlated to the macroeconomic outlook, a significant deterioration in that outlook or an exogenous shock would likely have an immediate and significant negative impact on our equities investment banking business and our overall results of operations.

It is difficult to predict the economic and market conditions for 2022, which are dependent upon the pace of global and U.S. economic recovery from COVID-19 and geopolitical events globally, including the nature, magnitude, and duration of armed conflict in Ukraine and Eastern Europe and other potential exogenous shocks. The first part of 2022 has seen significantly higher levels of volatility in global markets, which may continue during the year. Our smaller scale and the cyclical nature of the economy and the financial services industry leads to volatility in our financial results, including our operating margins, compensation ratios, business mix, and revenue and expense levels. Our financial performance may be limited by the fixed nature of certain expenses, the impact from unanticipated losses or expenses during the year, our business mix, and the inability to scale back costs in a timeframe to match decreases in revenue-related changes in market and economic conditions. As a result, our financial results may vary significantly from quarter to quarter and year to year.

***Developments in specific business sectors and markets in which we conduct our business have in the past adversely affected, and may in the future adversely affect, our business and profitability.***

Our results for a particular period may be disproportionately impacted by declines in specific sectors of the U.S. or global economy, or for certain products within the financial services industry, due to our business mix and focus areas. For example:

- Our equities investment banking business focuses on specific sectors, including healthcare, financial services, consumer, energy and power, diversified industrials and services, technology, and chemicals and materials. Volatility, uncertainty, or slowdowns in any of these sectors may adversely affect our business, sometimes disproportionately, and may cause volatility in the net revenues we receive from our corporate advisory and capital markets activities. Both the healthcare and financial services sectors are significant contributors to our overall results, and negative developments in either of these sectors, including but not limited to negative developments that result from legislative or regulatory actions, would materially and disproportionately impact our equities investment banking results, even if general economic conditions were strong. In addition, we may not participate, or may participate to a lesser degree than other firms, in sectors that experience significant activity, such as real estate, and our operating results may not correlate with the results of other firms that participate in these sectors.
- Our public finance investment banking business depends heavily upon conditions in the municipal market. It focuses on investment banking activity in sectors that include state and local governments, cultural and social service non-profit entities, special districts, project financings, and the education, healthcare, hospitality, senior living, housing and transportation sectors, with an emphasis on transactions with a par value of \$500 million or less. Concerns about U.S. economic growth could have a disproportionate impact on high-yield sectors, which could have a negative impact on

our public finance business. Further, the enactment, or the threat of enactment, of any legislation that alters the financing alternatives available to local or state governments or tax-exempt organizations through the elimination or reduction of tax-exempt bonds could have a negative impact on our results of operations in these businesses.

- Our fixed income institutional business derives its revenue from sales and trading activity in the municipal and taxable markets and from hybrid preferreds and government agency products. Our operating results for our fixed income institutional business may not correlate with the results of other firms or the fixed income market generally because we do not participate in significant segments of the fixed income markets such as credit default swaps, corporate high-yield bonds, currencies or commodities. Our client activity in the fixed income institutional business is currently concentrated in the banking industry.

***Financing and advisory services engagements are transactional in nature and do not generally provide for subsequent engagements.***

Even though we work to represent our clients at every stage of their lifecycle, we are typically retained on a short-term, engagement-by-engagement basis in connection with specific advisory or capital markets transactions. As a consequence, the timing of when fees are earned varies, and, therefore, our financial results from advisory and capital markets activities may experience volatility quarter to quarter based on equity market conditions as well as the macroeconomic business cycle more broadly. In particular, our revenues related to advisory transactions tend to be more unpredictable from quarter to quarter due to the one-time nature of the transaction and the size of the fee. As a result, high levels of revenue in one quarter will not necessarily be predictive of continued high levels of revenue in any subsequent period. If we are unable to generate a substantial number of new engagements and generate fees from the successful completion of those transactions, our business and results of operations could be adversely affected.

***The number of anticipated investment banking transactions may differ from actual results.***

The completion of anticipated investment banking transactions in our pipeline is uncertain and partially beyond our control, and our investment banking revenue is typically earned only upon the successful completion of a transaction. In most cases, we receive little or no payment for investment banking engagements that do not result in the successful completion of a transaction. For example, a client's acquisition transaction may be delayed or terminated because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or director or stockholder approvals, failure to secure necessary financing, adverse market conditions or unexpected financial or other issues in the client's or counterparty's business. More importantly, anticipated advisory or capital markets transactions may be delayed or terminated as a result of a decline in or uncertainty surrounding market or economic conditions. If parties fail to complete a transaction on which we are advising or an offering in which we are participating, we earn little or no revenue from the transaction and may have incurred significant expenses (e.g., travel and legal expenses) associated with the transaction. Accordingly, our business is highly dependent on market and economic conditions as well as the decisions and actions of our clients and interested third parties, and the number of engagements we have at any given time (and any characterization or description of our deal pipelines) is subject to change and may not necessarily result in future revenues.

***We may make strategic acquisitions, enter into new business opportunities, or engage in joint ventures, which could cause us to incur unforeseen expenses and have disruptive effects on our business and may not yield the benefits we expect.***

We may grow in part through corporate development or similar activities that could include acquisitions, joint ventures and minority investment stakes, and entering into new lines of business. There are a number of risks associated with these activities. Costs or difficulties relating to a transaction, including integration of products, employees, technology systems, accounting systems and management controls, or entry into a new business line, may be difficult to predict accurately and be greater than expected causing our estimates to differ from actual results. Importantly, we may be unable to retain key personnel after a transaction, including personnel who are critical to the success of the ongoing business. We may incur unforeseen liabilities of an acquired company or from entry into a new business line that could impose significant and unanticipated legal costs on us. We will need to successfully manage these risks in order to fully realize the anticipated benefits of these transactions.

Longer-term, our corporate development activities may require increased costs in the form of management personnel, financial and management systems and controls and facilities, which, in the absence of continued revenue growth, could cause our operating margins to decline. In addition, when we acquire a business, a substantial portion of the purchase price is often allocated to goodwill and other identifiable intangible assets. Our goodwill and intangible assets are tested at least annually for impairment. If, in connection with that test, we determine that a reporting unit's fair value is less than its carrying value, we would be required to recognize an impairment to the goodwill associated with that reporting unit. More generally, any

difficulties that we experience could disrupt our ongoing business, increase our expenses and adversely affect our operating results and financial condition. We also may be unable to achieve anticipated benefits and synergies from a transaction as fully as expected or within the expected time frame.

***We may not be able to compete successfully with other companies in the financial services industry who often have significantly greater resources than we do.***

The financial services industry remains highly competitive, and our revenues and profitability may suffer if we are unable to compete effectively. We generally compete on the basis of such factors as quality of advice and service, reputation, price, product selection, transaction execution and financial resources. Pricing and other competitive pressures in investment banking, including the use of multiple book runners, co-managers, and multiple financial advisors handling transactions, have affected and could continue to adversely affect our revenues.

We remain at a competitive disadvantage given our relatively small size compared to some of our competitors. Large financial services firms generally have a larger capital base, greater access to capital, and greater technology resources, affording them greater capacity for risk and potential for innovation, an extended geographic reach and flexibility to offer a broader set of products. For example, some of these firms are able to use their larger capital base to offer additional products or services to their investment banking clients, which can be a competitive advantage. With respect to our fixed income institutional brokerage and public finance investment banking businesses, it is more difficult for us to diversify and differentiate our product set, and our fixed income business mix currently is concentrated in investment grade fixed income products, potentially with less opportunity for growth than other firms which have grown their fixed income businesses by investing in, developing and offering non-traditional products (e.g., credit default swaps, interest rate products and currencies and commodities).

***Our institutional brokerage business is subject to pricing pressures.***

The ability to execute trades electronically and through alternative trading systems and competitive pressures on our clients have increased the pressure on trading commissions and spreads within the equities institutional brokerage business over the past few years. We expect to continue to experience pricing and other competitive pressures in our equities and fixed income institutional brokerage businesses in the future. In addition, we will need to continue to invest in these businesses in order to continue to meet our clients' needs and maintain sufficient scale.

***Our inability to identify and address actual, potential, or perceived conflicts of interest may negatively impact our reputation and have a material adverse effect on our business.***

We regularly address actual, potential or perceived conflicts of interest in our business, including situations where our services to a particular client or our own investments or other interests conflict, or are perceived to conflict, with the interests of another client. Appropriately identifying and dealing with conflicts of interest is complex and difficult, and we face the risk that our current policies, controls and procedures do not timely identify or appropriately manage such conflicts of interest. It is possible that actual, potential or perceived conflicts could give rise to client dissatisfaction, litigation or regulatory enforcement actions. Our reputation could be damaged if we fail, or appear to fail, to deal appropriately with potential or actual conflicts of interest. Client dissatisfaction, litigation, or regulatory enforcement actions arising from a failure to adequately deal with conflicts of interest, and the reputational harm suffered as a consequence, could have a material adverse effect on our business.

***Damage to our reputation could harm our business.***

Maintaining our reputation is critical to attracting and maintaining clients, customers, investors, and employees. If we fail to deal with, or appear to fail to deal with, issues that may give rise to reputational risk, such failure or appearance of failure could have a material adverse effect on our business and stock price. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering, cybersecurity, and the proper identification of the strategic, market, human capital, liquidity, credit, operational, legal and regulatory risks inherent in our business and products.

## **Human Capital Risk**

Our business is a human capital business, and, therefore, our future financial condition and results of operations are significantly dependent upon our employees and their actions. Our success depends on the skills, expertise, and performance of our employees. Human capital risks represent the risks posed if we fail to attract and retain qualified individuals who are motivated to serve the best interests of our clients, thereby serving the best interests of our company, as well as the risks posed if our culture fails to encourage such behavior. Human capital risk is also present where we fail to detect and prevent employees from acting contrary to our policies and procedures, for example, if an employee were to inadequately safeguard or misuse our clients' confidential information. Any failure by us in creating and maintaining a culture that emphasizes serving our clients' best interests or detecting or preventing employees from engaging in behaviors that run counter to that culture might lead to reputational damage for our firm. The following are those material human capital risk factors that we have identified that could pose a risk to us.

***Our ability to attract, develop and retain highly skilled and productive employees, develop the next generation of our business leadership, and instill and maintain a culture of ethics is critical to the success of our business.***

Historically, the market for qualified employees within the financial services industry has been marked by intense competition, and the performance of our business may suffer to the extent we are unable to attract, retain, and develop productive employees, given the relatively small size of our company and our employee base compared to some of our competitors and the geographic locations in which we operate. The primary sources of revenue in each of our business lines are fees earned on advisory and underwriting transactions and customer accounts managed by our employees, who have historically been recruited by other firms and in certain cases are able to take their client relationships with them when they change firms. In some areas of our business, a small number of employees are responsible for producing a significant amount of revenue, and the loss of any of these employees could adversely affect our results of operations.

Further, recruiting and retention success often depends on the ability to deliver competitive compensation, and we may be at a disadvantage to some competitors given our size and financial resources. Our inability or unwillingness to meet compensation needs or demands may result in the loss of some of our professionals or the inability to recruit additional professionals at compensation levels that are within our target range for compensation and benefits expense. Our ability to retain and recruit also may be hindered if we limit our aggregate annual compensation and benefits expense as a percentage of annual net revenues.

A vibrant and ethical corporate culture is critical to ensuring that our employees put our clients' interests first and are able to identify and manage potential conflicts of interest, while also creating an environment in which each of our employees feels empowered to develop and pursue their full potential. Our expectations for our corporate culture and ethics are instilled and maintained by the "tone at the top" set by our management and board of directors. Lapses in our corporate culture could lead to reputational damage or employee loss, either of which could adversely affect our results of operations.

Our business success depends in large part on the strategic decisions made by our leadership team, and the business plans developed and implemented by our senior business leaders. Our ability to identify, develop, and retain future senior business leaders, and our ability to develop and implement successful succession plans for our leadership team and other senior business leaders, is critical to our future success and results of operations.

***Our inability to effectively integrate and retain personnel in connection with our acquisitions may adversely affect our financial condition and results of operations.***

We invest time and resources in carefully assessing opportunities for acquisitions, and we have made acquisitions in the past several years to broaden the scope and depth of our human capital in various businesses. Despite diligence and integration planning, acquisitions still present certain risks, including the difficulties in integrating and bringing together different work cultures and employees, and retaining those employees for the period of time necessary to realize the anticipated benefits of the acquisition. Difficulties in integrating our acquisitions, including attracting and retaining talent to realize the expected benefits of these acquisitions, may adversely affect our financial condition and results of operations.

## **Liquidity and Credit Risk**

Two of our principal categories of risk as a broker dealer are liquidity and credit risk, each of which can have a material impact on our results of operations and viability as a business. We believe that the effective management of liquidity and credit is fundamental to the financial health of our firm. With respect to liquidity risk, it impacts our ability to timely access necessary funding sources in order to operate our business and our ability to timely divest securities that we hold in connection with our market-making and sales and trading activities. Credit risk, as distinguished from liquidity risk, is the potential for loss due to the default or deterioration in credit quality of a counterparty, customer, client, 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. The following are the material liquidity and credit risk factors that we have identified that could pose a risk to us.

***An inability to access capital readily or on terms favorable to us could impair our ability to fund operations and could jeopardize our financial condition and results of operations.***

Liquidity, or ready access to funds, is essential to our business. To fund our business, we rely on financing provided by Pershing LLC ("Pershing") under our fully disclosed clearing agreement, a clearing arrangement with banking financing, as well as other bank financing. The financing provided by Pershing and the broker dealer is at their discretion (i.e., uncommitted) and could be denied. In January 2021, we increased the size of our unsecured revolving credit facility from \$50 million to \$65 million to use for working capital and general corporate purposes. Our broker dealer subsidiary also renewed a \$100 million committed credit facility in December 2021 for an additional twelve months.

Our access to funding sources, particularly uncommitted funding sources, is dependent on factors we cannot control, such as economic downturns, the disruption of financial markets, the failure or consolidation of other financial institutions, negative news about the financial industry generally or us specifically. We could experience disruptions with our credit facilities in the future, including the loss of liquidity sources and/or increased borrowing costs, if lenders or investors develop a negative perception of our short- or long-term financial prospects, which could result from decreased business activity. Our liquidity also could be impacted by the activities resulting in concentration of risk, including investments in specific markets or products without liquidity. Our access to funds also may be impaired if regulatory authorities take significant action against us, or if we discover that one of our employees has engaged in serious unauthorized or illegal activity.

In the future, we may need to incur debt or issue equity in order to fund our working capital requirements, as well as to execute our growth initiatives that may include acquisitions and other investments. Similarly, our access to funding sources may be contingent upon terms and conditions that may limit or restrict our business activities and growth initiatives. In addition, we currently do not have a credit rating, which could adversely affect our liquidity and competitive position by increasing our borrowing costs and limiting access to sources of liquidity that require a credit rating as a condition to providing funds.

If we are unable to obtain necessary funding, or if the funding we obtain is on terms and conditions unfavorable to us, it could negatively affect our business activities and operations, and our ability to pursue certain growth initiatives and make certain capital decisions, including the decision whether to pay future dividends to our shareholders, as well as our future financial condition or results of operations.

***Concentration of risk increases the potential for significant losses.***

Concentration of risk increases the potential for significant losses in our sales and trading, alternative asset management, credit underwriting and syndication platform, and underwriting businesses. We have committed capital to these businesses, and we may take substantial positions in particular types of securities and/or issuers. This concentration of risk may cause us to suffer losses even when economic and market conditions are generally favorable for our competitors. Further, disruptions in the credit markets can make it difficult to hedge exposures effectively and economically.

***Our businesses, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by, third parties who owe us money, securities or other assets.***

The nature of our businesses exposes us to credit risk, or the risk that third parties who owe us money, securities or other assets will not perform their obligations. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. Deterioration in the credit quality of securities or obligations we hold could result in losses and adversely affect our ability to rehypothecate or otherwise use those securities or obligations for liquidity purposes. A significant downgrade in the credit ratings of our counterparties could also have a negative impact on our results. Default rates, downgrades and disputes with counterparties as to the valuation of collateral tend to increase in times of market stress and illiquidity. Although we review credit exposures to specific clients and counterparties and to specific industries that we believe may present credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee. Also, concerns about, or a default by, one institution generally leads to losses, significant liquidity problems, or defaults by other institutions, which in turn could adversely affect our business.

Particular activities or products within our business expose us to increased credit risk, including inventory positions, interest rate swap contracts with customer credit exposure, counterparty risk with one major financial institution related to customer interest rate swap contracts without customer credit exposure, investment banking and advisory fee receivables, liquidity providers on variable rate demand notes we remarket, and similar activities. With respect to interest rate swap contracts with customer credit exposure, we have retained the credit exposure with four non-publicly rated counterparties totaling \$20.7 million at December 31, 2021 as part of our matched-book interest rate swap program. In the event of a termination of the contract, the counterparty would owe us the applicable amount of the credit exposure. If our counterparty is unable to make its payment to us, we would still be obligated to pay our hedging counterparty, resulting in credit losses. Non-performance by our counterparties, clients and others, including with respect to our inventory positions and interest rate swap contracts with customer credit exposures, could result in losses, potentially material, and thus have a significant adverse effect on our business and results of operations.

In addition, reliance on revenues from hedge funds and hedge fund advisors, which are less regulated than many investment company and investment advisor clients, may expose us to greater risk of financial loss from unsettled trades than is the case with other types of institutional investors. Concentration of risk may result in losses to us even when economic and market conditions are generally favorable for others in our industry.

***An inability to readily divest trading positions may result in financial losses to our business.***

Timely divestiture of our trading positions, including equity, fixed income and other securities positions, can be impaired by decreased trading volume, increased price volatility, rapid changes in interest rates, concentrated trading positions, limitations on the ability to divest positions in highly specialized or structured transactions and changes in industry and government regulations. While we hold a security, we are vulnerable to valuation fluctuations and may experience financial losses to the extent the value of the security decreases and we are unable to timely divest or hedge our trading position in that security. The value may decline as a result of many factors, including issuer-specific, market or geopolitical events. In addition, in times of market uncertainty, the inability to divest inventory positions may have an impact on our liquidity as funding sources generally become more restrictive, which could limit our ability to pledge the underlying security as collateral. Our liquidity may also be impacted if we choose to facilitate liquidity for specific products and voluntarily increase our inventory positions in order to do so, exposing ourselves to greater market risk and potential financial losses from the reduction in value of illiquid positions.

***Our underwriting and alternative asset management activities expose us to risk of loss.***

We engage in a variety of activities in which we commit or invest our own capital, including underwriting and alternative asset management. In our role as underwriter for equity and fixed income securities, we commit to purchase securities from the issuer or one or more holders of the issuer's securities, and then sell those securities to other investors or into the public markets, as applicable. Our underwriting activities, including bought deal transactions and equity block trading activities, expose us to the risk of loss if the price of the security falls below the price we purchased the security before we are able to sell all of the securities that we purchased. For example, as an underwriter, or, with respect to equity securities, a block positioner, we may commit to purchasing securities from an issuer or one or more holders of the issuer's securities without having found purchasers for some or all of the securities. In those instances, we may find that we are unable to sell the securities at a price equal to or above the price at which we purchased the securities, or with respect to certain securities, at a price sufficient to cover our hedges. With respect to alternative asset management, our ability to withdraw our capital from these investments may be limited, and we may not be able to realize our investment objectives by sale or disposition at attractive prices, increasing our risk of losses. Our joint venture entities or other alternative asset management entities that underwrite and syndicate client debt

may hold a portion of such debt after syndication, and our invested capital is exposed to a risk of loss to the extent that the debt is ultimately not repaid.

Our results from these activities may vary from quarter to quarter. We may incur significant losses from our underwriting and alternative asset management due to equity or fixed income market fluctuations and volatility from quarter to quarter, or from a deterioration in specific business subsectors or the economy more generally. In addition, we may engage in hedging transactions that, if not successful, could result in losses; and the hedges we purchase to counterbalance market rate changes in certain inventory positions are not perfectly matched to the positions being hedged, which could result in losses.

***Use of derivative instruments as part of our financial risk management techniques may not effectively hedge the risks associated with activities in certain of our businesses.***

We use interest rate swaps and credit default swaps, interest rate locks, U.S. Treasury bond futures and options, and equity option contracts as a means to manage risk in certain inventory positions and to facilitate customer transactions. With respect to risk management, we enter into derivative contracts to hedge interest rate and market value risks associated with our security positions, including fixed income inventory positions that we hold for facilitating client activity. These instruments currently use interest rates based upon the Municipal Market Data ("MMD"), London Interbank Offered Rate ("LIBOR") or Securities Industry and Financial Markets Association ("SIFMA") index. Generally, we do not hedge all of our interest rate risk. In addition, these hedging strategies may not work in all market environments and as a result may not be effective in mitigating interest rate and market value risk, especially when market volatility reduces the correlation between a hedging vehicle and the securities inventory being hedged.

There are risks inherent in our use of these products, including counterparty exposure and basis risk. Counterparty exposure refers to the risk that the amount of collateral in our possession on any given day may not be sufficient to fully cover the current value of the swaps if a counterparty were to suddenly default. Basis risk refers to risks associated with swaps where changes in the value of the swaps may not exactly mirror changes in the value of the cash flows they are hedging. We may incur losses from our exposure to derivative interest rate products and the increased use of these products in the future.

***The use of estimates and valuations in measuring fair value involve significant estimation and judgment by management.***

We make various estimates that affect reported amounts and disclosures. Broadly, those estimates are used in measuring fair value of certain financial instruments, investments in private companies, accounting for goodwill and intangible assets, establishing provisions for potential losses that may arise from litigation, and regulatory proceedings and tax examinations. Estimates are based on available information and judgment. Therefore, actual results could differ from our estimates and that difference could have a material effect on our consolidated financial statements. With respect to accounting for goodwill and intangible assets, we complete our annual goodwill and intangible asset impairment testing in the fourth quarter of each year or earlier if impairment indicators are present. Impairment charges resulting from this valuation analysis could materially adversely affect our results of operations.

Financial instruments and other inventory positions owned, and financial instruments and other inventory positions sold but not yet purchased, are recorded at fair value, and unrealized gains and losses related to these financial instruments are reflected on our consolidated statements of operations. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity. Difficult market environments may cause financial instruments to become substantially more illiquid and difficult to value, increasing the use of valuation models. Our future results of operations and financial condition may be adversely affected by the valuation adjustments that we apply to these financial instruments.

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 valuation techniques require significant management estimation and judgment.



## 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. Such loss or reputational damage could negatively impact our future financial condition and results of operations. The following are those material operational risk factors that we have identified that could pose a risk to us.

***Our information and technology systems, including outsourced systems, are critical components of our operations, and failure of those systems or other aspects of our operations infrastructure may disrupt our business, cause financial loss and constrain our growth.***

We typically transact thousands of securities trades on a daily basis across multiple markets. Our data and transaction processing, financial, accounting and other technology and operating systems are essential to this task. A system malfunction (due to hardware failure, capacity overload, security incident, data corruption, etc.) or mistake made relating to the processing of transactions could result in financial loss, liability to clients, regulatory intervention, reputational damage and constraints on our ability to grow.

We operate under a fully disclosed model for all of our client clearing activities, and for all of our securities inventories with the exception of convertible securities. In a fully disclosed model, we act as an introducing broker for most customer transactions and rely on a clearing broker dealer to handle clearance and settlement of our customers' securities transactions. The clearing services provided by our clearing broker dealer, Pershing, are critical to our business operations, and similar to other important outsourced operations, any failure by the clearing agent with respect to the services we rely on it to provide could significantly disrupt and negatively impact our operations and financial results. We also contract with third parties for market data services, which constantly broadcast news, quotes, analytics and other relevant information to our employees, as well as other critical data processing activities. In the event that any of these service providers fails to adequately perform such services or the relationship between that service provider and us is terminated, we may experience a significant disruption in our operations, including our ability to timely and accurately process transactions or maintain complete and accurate records of those transactions.

Adapting or developing our technology systems to meet new regulatory requirements, client needs, geographic expansion and industry demands also is critical for our business. The introduction of new technologies presents new challenges on a regular basis. We have an ongoing need to upgrade and improve our various technology systems, including our data and transaction processing, financial, accounting, risk management, compliance, and trading systems. This need could present operational issues or require significant capital spending. It also may require us to make additional investments in technology systems and may require us to reevaluate the current value and/or expected useful lives of our technology systems, which could negatively impact our results of operations.

A disruption in the infrastructure that supports our business due to fire, natural disaster, health emergency (e.g., a disease pandemic), power or communication failure, act of terrorism or war may affect our ability to service and interact with our clients. If we are not able to implement contingency plans effectively, any such disruption could harm our results of operations.

***Protection of our sensitive and confidential information is critical to our operations, and failure of those systems may disrupt our business, damage our reputation, and cause financial losses.***

Our clients routinely provide us with sensitive and confidential information. Secure processing, storage and transmission of confidential and other information in our internal and outsourced computer systems and networks is critically important to our business. We take protective measures and endeavor to modify them as circumstances warrant. However, our computer systems, software and networks, and those of our clients, vendors, service providers, counterparties and other third parties, may be vulnerable to unauthorized access, cyber attacks, security breaches, computer viruses or other malicious code, inadvertent, erroneous or intercepted transmission of information (including by e-mail), human error, and other events that could have an information security impact. We work with our employees, clients, vendors, service providers, counterparties and other third parties to develop and implement measures designed to protect against such an event, but we may not be able to fully protect against such an event, and do not have, and may be unable to put in place, secure capabilities with all of these third parties and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. If one or more of such events occur, this potentially 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 those of third parties, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate

and remediate vulnerabilities or other exposures, and we may be subject to reputational harm as well as litigation, regulatory penalties, and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

***A failure to protect our computer systems, networks and information, and our clients' information, against cyber attacks, data breaches, and similar threats could impair our ability to conduct our businesses, result in the disclosure, theft or destruction of confidential information, damage our reputation and cause significant financial and legal exposure.***

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. There have been several highly publicized cases involving financial services companies, consumer-based companies and other companies, as well as governmental and political organizations, reporting breaches in the security of their websites, networks or other systems. We have not been immune from such events. Some of the publicized breaches have involved sophisticated and targeted cyber attacks intended to obtain unauthorized access to confidential information, destroy data, disrupt or degrade service, sabotage systems or cause other damage, including through the introduction of computer viruses, malware, ransomware, phishing, denial-of-service, and other means. There have also been several highly publicized cases where hackers have requested "ransom" payments in exchange for not disclosing customer information.

A successful penetration or circumvention of the security of our systems could cause serious negative consequences for us, including significant disruption of our operations and those of our clients, customers and counterparties; misappropriation of our confidential information or that of our clients, customers, counterparties or employees; or damage to our computers or systems and those of our clients, customers and counterparties; and could result in violations of applicable privacy and other laws, financial loss to us or to our customers, loss of confidence in our security measures, customer dissatisfaction, significant litigation exposure and reputational harm, all of which could have a material adverse effect on us.

We continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption. Despite our efforts to ensure the integrity of our systems and information, we have not been and may not be able to anticipate, detect or implement effective preventive measures against all cyber threats, especially because the techniques used are increasingly sophisticated, change frequently, and are often not recognized until months after the attack. Cyber attacks can originate from a variety of sources, including third parties who are affiliated with foreign governments or employees acting negligently or in a manner adverse to our interests. Third parties may seek to gain access to our systems either directly or using equipment or security passwords belonging to employees, customers, third party service providers or other users of our systems. In addition, due to our interconnectivity with third party vendors, central agents, exchanges, clearing houses and other financial institutions, we could be adversely impacted if any of them are subject to a successful cyber attack or other information security event.

Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks have been and may be vulnerable to unauthorized access, misuse, computer viruses or other malicious code and other events that could have a security impact. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities, exposures, or information security events. Due to the complexity and interconnectedness of our systems, the process of enhancing our protective measures can itself create a risk of systems disruptions and security issues.

The increased use of cloud technologies can heighten these and other operational risks. Certain aspects of the security of such technologies are unpredictable or beyond our control, and this lack of transparency may inhibit our ability to discover a failure by cloud service providers to adequately safeguard their systems and prevent cyber attacks that could disrupt our operations and result in misappropriation, corruption or loss of confidential and other information. In addition, there is a risk that encryption and other protective measures, despite their sophistication, may be defeated, particularly to the extent that new computing technologies vastly increase the speed and computing power available.

***Risk management processes may not fully mitigate exposure to the various risks that we face.***

We refine our risk management techniques, strategies and assessment methods on an ongoing basis. However, risk management techniques and strategies, both ours and those available to the market generally, may not be fully effective in identifying and mitigating our risk exposure in all economic market environments or against all types of risk. For example, we may fail to identify or anticipate particular risks that our systems are capable of identifying, or the systems that we use, and that are used within the industry generally, may not be capable of identifying certain risks, or every economic and financial outcome, or the specifics and timing of such outcomes. In addition, our risk management techniques and strategies seek to balance our ability to profit from our market-making and investing positions with our exposure to potential losses. Some of our strategies for managing risk are based upon our use of observed historical market behavior. We apply statistical and other tools to these observations to quantify our risk exposure. Any failures in our risk management techniques and strategies to accurately quantify

our risk exposure could limit our ability to manage risks. In addition, any risk management failures could cause our losses to be significantly greater than the historical measures indicate. Further, our quantified modeling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses.

***The financial services industry and the markets in which we operate are subject to systemic risk that could adversely affect our business and results.***

Participants in the financial services industry and markets increasingly are closely interrelated as a result of credit, trading, clearing, technology and other relationships between them. A significant adverse development with one participant (such as a bankruptcy or default) may spread to others and lead to significant concentrated or market-wide problems (such as defaults, liquidity problems or losses) for other industry participants, including us. Further, the control and risk management infrastructure of the markets in which we operate often is outpaced by financial innovation and growth in new types of securities, transactions and markets. Systemic risk is inherently difficult to assess and quantify, and its form and magnitude can remain unknown for significant periods of time.

***Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could materially affect our business.***

We have documented and tested our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors regarding our internal control over financial reporting. We are in compliance with Section 404 of the Sarbanes-Oxley Act as of December 31, 2021. However, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to maintain an effective internal control environment could materially adversely affect our business.

## **Legal and Regulatory Risk**

Legal and regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements and the loss to our reputation we may suffer as a result of failure to comply with laws, regulations, rules, related SRO standards and codes of conduct applicable to our business activities. It also includes the risk that legislation could reduce or eliminate certain business activities that we are currently engaged in, which could negatively impact our future financial condition or results of operations. The following are those material legal and regulatory risk factors that we have identified that could pose a risk to us.

***Our industry is exposed to significant legal liability, which could lead to substantial damages.***

We face significant legal risks in our businesses. These risks include potential liability under securities laws and regulations in connection with our capital markets, asset management and other businesses. The volume and amount of damages claimed in litigation, arbitrations, regulatory enforcement actions and other adversarial proceedings against financial services firms has historically been intense. Our experience has been that adversarial proceedings against financial services firms typically increase during and following a market downturn. We also are subject to claims from disputes with our employees and our former employees under various circumstances. Risks associated with legal liability often are difficult to assess or quantify and their existence and magnitude can remain unknown for significant periods of time, making the amount of legal reserves related to these legal liabilities difficult to determine and subject to future revision. Legal or regulatory matters involving our directors, officers or employees in their individual capacities also may create exposure for us because we may be obligated or may choose to indemnify the affected individuals against liabilities and expenses they incur in connection with such matters to the extent permitted under applicable law. In addition, like other financial services companies, we may face the possibility of employee fraud or misconduct. The precautions we take to prevent and detect this activity may not be effective in all cases and there can be no assurance that we will be able to deter or prevent fraud or misconduct. Exposures from and expenses incurred related to any of the foregoing actions or proceedings could have a negative impact on our results of operations and financial condition. In addition, future results of operations could be adversely affected if reserves relating to these legal liabilities are required to be increased or legal proceedings are resolved in excess of established reserves.

***Our business is subject to extensive regulation in the jurisdictions in which we operate, and a significant regulatory action against our company may have a material adverse financial effect on, cause significant reputational harm to, or result in other collateral consequences for our company.***

As a participant in the financial services industry, we are subject to complex and extensive regulation of many aspects of our business by U.S. federal and state regulatory agencies, SROs (including securities exchanges) and by foreign governmental agencies, regulatory bodies and securities exchanges. Specifically, our operating subsidiaries include broker dealer and related securities entities organized in the United States, the United Kingdom, and Hong Kong. Each of these entities is registered or licensed with the applicable local regulator and is subject to all of the applicable rules and regulations promulgated by those authorities. In addition, our asset management subsidiaries, PSC Capital Partners LLC, Piper Sandler Advisors LLC, Piper Heartland Healthcare Capital LLC and Piper Sandler Finance Management LLC, as well as Piper Sandler & Co., are registered as investment advisors with the SEC and subject to the regulation and oversight by the SEC, and we have an additional asset management subsidiary subject to regulation in Guernsey.

Generally, the requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us. These requirements are not designed to protect our shareholders. Consequently, broker dealer regulations often serve to limit our activities, through net capital, customer protection and market conduct requirements and restrictions on the businesses in which we may operate or invest. We also must comply with asset management regulations, including requirements related to fiduciary duties to clients, record-keeping and reporting and customer disclosures. Compliance with many of these regulations entails a number of risks, particularly in areas where applicable regulations may be newer or unclear. In addition, regulatory authorities in all jurisdictions in which we conduct business may intervene in our business and we, and our employees, could be fined or otherwise disciplined for violations or prohibited from engaging in some of our business activities.

Our business also subjects us to the complex income and payroll tax laws of the national and local 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 and other taxes. We are subject to contingent tax risk that could adversely affect our results of operations, to the extent that our interpretations of tax laws are disputed upon examination or audit, and are settled in amounts in excess of established reserves for such contingencies.

The effort to combat money laundering also has become a high priority in governmental policy with respect to financial institutions. The obligation of financial institutions, including ourselves, to identify their customers, watch for and report suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions, has required the implementation and maintenance of internal practices, procedures and controls which have increased, and may continue to increase, our costs. Any failure with respect to our programs in this area could subject us to serious regulatory consequences, including substantial fines, and potentially other liabilities. In addition, our international operations require compliance with anti-bribery laws, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010. These laws generally prohibit companies and their intermediaries from engaging in bribery or making other improper payments to foreign officials for the purpose of obtaining or retaining business or gaining an unfair business advantage. While our employees and agents are required to comply with these laws, we cannot ensure that our internal control policies and procedures will always protect us from intentional, reckless or negligent acts committed by our employees or agents, which acts could subject our company to fines or other regulatory consequences that could disrupt our operations and negatively impact our results of operations.

***Legislative and regulatory proposals could significantly curtail the revenue from certain products that we currently provide or otherwise have a material adverse effect on our results of operations.***

Proposed changes in laws or regulations relating to our business could decrease, perhaps significantly, the revenue that we receive from certain products or services that we provide, or otherwise have a material adverse effect on our results of operations. Both the healthcare and financial services sectors are significant contributors to our overall results, and negative developments in either of these sectors, including but not limited to negative developments that result from legislative or regulatory actions, could negatively affect our results of operations, even if general economic conditions were strong.

***The business operations that we conduct outside of the United States subject us to unique risks.***

When we conduct business outside the United States, we are subject to risks, including, without limitation, the risk that we will be unable to provide effective operational support to these business activities, the risk of noncompliance with foreign laws and regulations, and the general economic and political conditions in countries where we conduct business, which may differ significantly from those in the United States. For example, the effect of Brexit is still developing and could require us to obtain additional regulatory licenses or impose new restrictions on our ability to conduct business in Europe.

***Regulatory capital requirements may limit our ability to expand or maintain our present levels of business or impair our ability to meet our financial obligations.***

We are subject to the SEC's uniform net capital rule (Rule 15c3-1) and the net capital rule of FINRA, which may limit our ability to make withdrawals of capital from Piper Sandler & Co., our U.S. broker dealer subsidiary. The uniform net capital rule sets the minimum level of net capital a broker dealer must maintain and also requires that a portion of its assets be relatively liquid. FINRA may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital falls below its requirements. Underwriting commitments require a charge against net capital and, accordingly, our ability to make underwriting commitments may be limited by the requirement that we must at all times be in compliance with the applicable net capital regulations.

Piper Sandler Companies, our holding company, depends on dividends, distributions and other payments from our subsidiaries to fund its obligations. The regulatory restrictions described above may impede access to funds our holding company needs to make payments on any such obligations.

**Other Risks to Our Shareholders**

The following are additional risk factors that we have identified that could pose a material risk to us or our shareholders.

***We may change our dividend policy at any time and there can be no assurance that we will continue to declare cash dividends.***

Our current dividend policy is to return between 30 percent and 50 percent of our fiscal year adjusted net income to shareholders. Although we expect to pay dividends to our shareholders in accordance with our dividend policy, we have no obligation to pay any dividend, and our dividend policy may change at any time without notice. The declaration and payment of dividends is at the discretion of our board of directors in accordance with applicable law after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and capital uses, limitations imposed by our indebtedness, legal requirements and other factors that our board of directors deems relevant. As a result, we may not pay dividends at any rate or at all.

***Our stock price may fluctuate as a result of several factors, including but not limited to, changes in our revenues, operating results, and return on equity.***

We have experienced, and expect to experience in the future, fluctuations in the market price of our common stock due to factors that relate to the nature of our business, including but not limited to changes in our revenues, operating results, earnings per share, and return on equity. Our business, by its nature, does not produce steady and predictable earnings on a quarterly basis, which may cause fluctuations in our stock price that may be significant. Other factors that have affected, and may further affect, our stock price include changes in or news related to economic, political, or market events or conditions, changes in market conditions in the financial services industry, including developments in regulation affecting our business, a predominantly passive or quantitative shareholder base among the company's top twenty shareholders, failure to meet the expectations of market analysts, changes in recommendations or outlooks by market analysts, and aggressive short selling.

***Provisions in our amended and restated certificate of incorporation and amended and restated bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the market value of our common stock.***

Our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law contain provisions that are intended to deter abusive takeover tactics by making them unacceptably expensive to the raider and to encourage prospective acquirors to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include limitations on our shareholders' ability to act by written consent and to call special meetings. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15 percent or more of our outstanding common stock. We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal, and are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of our company and our shareholders.

**ITEM 1B. *UNRESOLVED STAFF COMMENTS.***

None.

**ITEM 2. *PROPERTIES.***

As of February 18, 2022, we conducted our operations through 65 principal offices in 31 states, and the District of Columbia, and in London, Aberdeen and Hong Kong. All of our offices are leased. Our principal executive office is located at 800 Nicollet Mall, Suite 900, Minneapolis, Minnesota 55402 and, as of February 18, 2022, comprises approximately 124,000 square feet of space under a lease which expires November 30, 2025, with an early termination option effective January 31, 2023.

**ITEM 3. *LEGAL PROCEEDINGS.***

Due to the nature of our business, we are involved in a variety of legal proceedings. These proceedings include litigation, arbitration and regulatory proceedings, which may arise from, among other things, underwriting or other transactional activity, client account activity, employment matters, regulatory examinations of our businesses and investigations of securities industry practices by governmental agencies and SROs. The securities industry is highly regulated, and the regulatory scrutiny applied to securities firms is intense, resulting in a significant number of regulatory investigations and enforcement actions and uncertainty regarding the likely outcome of these matters.

Litigation-related expenses include amounts we reserve and/or pay out as legal and regulatory settlements, awards or judgments, and fines. Parties who initiate litigation and arbitration proceedings against us may seek substantial or indeterminate damages, and regulatory investigations can result in substantial fines being imposed on us. We reserve for contingencies related to legal proceedings at the time and to the extent we determine the amount to be probable and reasonably estimable. However, it is inherently difficult to predict accurately the timing and outcome of legal proceedings, including the amounts of any settlements, judgments or fines. We assess each proceeding based on its particular facts, our outside advisors' assessment and our past experience with similar matters, and expectations regarding the current legal and regulatory environment and other external developments that might affect the outcome of a particular proceeding or type of proceeding. Subject to the foregoing, we believe, based on our current knowledge, after appropriate consultation with outside legal counsel and taking into account our established reserves, that pending legal actions, investigations and regulatory proceedings, will be resolved with no material adverse effect on our consolidated financial condition, results of operations or cash flows. However, there can be no assurance that our assessments will reflect the ultimate outcome of pending proceedings, and the outcome of any particular matter may be material to our operating results for any particular period, depending, in part, on the operating results for that period and the amount of established reserves. Reasonably possible losses in excess of amounts accrued at December 31, 2021 are not material. We generally have denied, or believe that we have meritorious defenses and will deny, liability in all significant cases currently pending against us, and we intend to vigorously defend such actions.

**ITEM 4. *MINE SAFETY DISCLOSURES.***

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

**Market Information**

Our common stock is listed on the New York Stock Exchange under the symbol "PIPR."

**Shareholders**

We had 9,527 shareholders of record and approximately 37,619 beneficial owners of our common stock as of February 18, 2022.

**Dividend Policy**

Our board of directors has approved a dividend policy with the intention of returning between 30 percent and 50 percent of our fiscal year adjusted net income to shareholders.

Our board of directors has declared an additional special cash dividend on our common stock of \$4.50 per share related to 2021 adjusted net income. This special dividend will be paid on March 11, 2022, to shareholders of record as of the close of business on March 2, 2022. Including this special cash dividend, we will have returned \$9.45 per share, or approximately 43 percent of our fiscal year 2021 adjusted net income to shareholders. In addition, our board of directors has declared a quarterly cash dividend on our common stock of \$0.60 per share to be paid on March 11, 2022, to shareholders of record as of the close of business on March 2, 2022.

Our board of directors is free to change our dividend policy at any time. Restrictions on our U.S. broker dealer subsidiary's ability to pay dividends are described in Note 22 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

**Purchases of Equity Securities**

The table below sets forth the information with respect to purchases made by or on behalf of Piper Sandler Companies or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the quarter ended December 31, 2021.

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares Yet to be Purchased Under the Plans or Programs (1)</b>
Month #1 (October 1, 2021 to October 31, 2021)	—	\$ —	—	\$ 85 million
Month #2 (November 1, 2021 to November 30, 2021)	3,403	\$ 188.01	—	\$ 85 million
Month #3 (December 1, 2021 to December 31, 2021)	5,031	\$ 177.52	—	\$ 85 million
<b>Total</b>	<b>8,434</b>	<b>\$ 181.75</b>	<b>—</b>	<b>\$ 85 million</b>

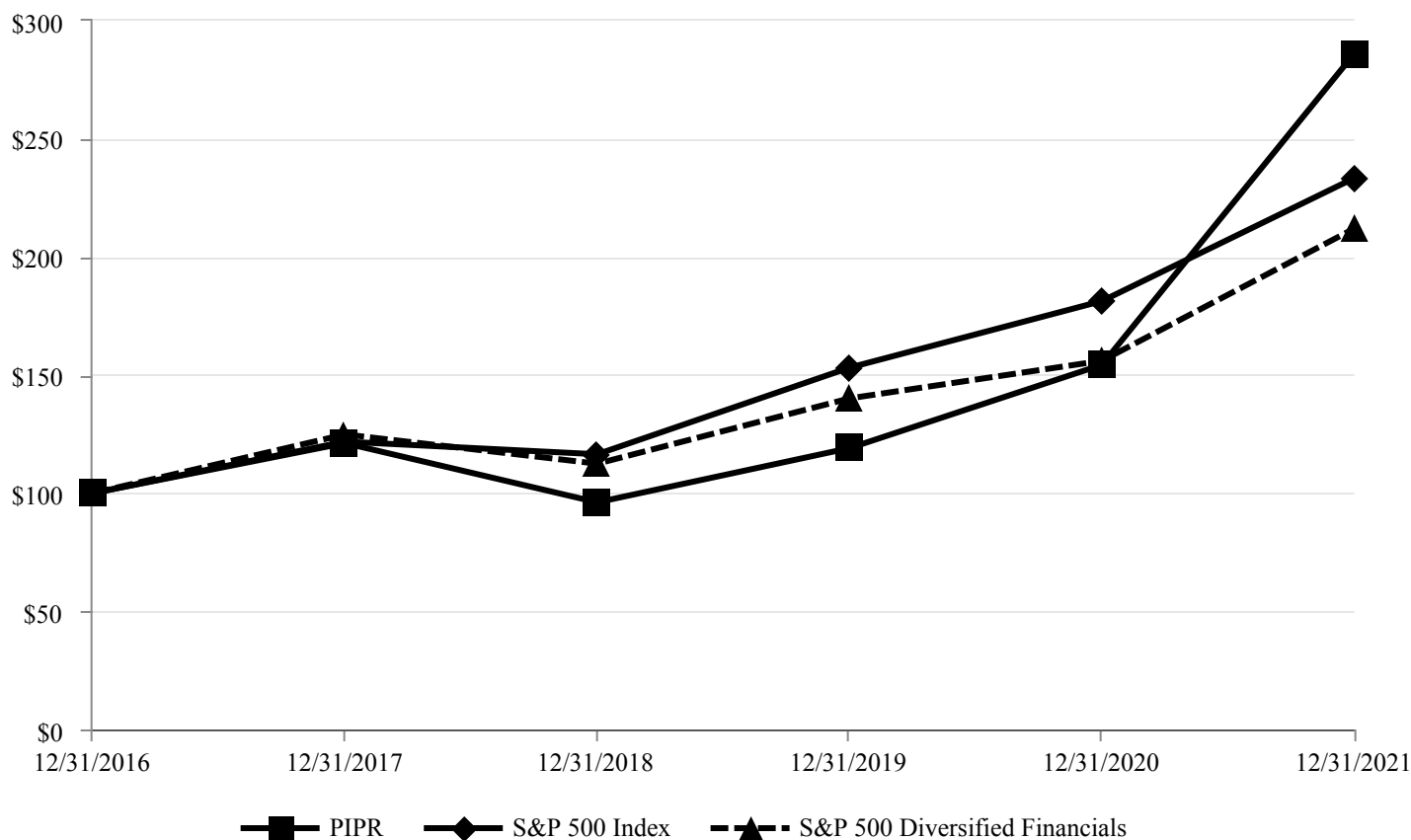
(1) Effective January 1, 2020, our board of directors authorized the repurchase of up to \$150.0 million of common stock, which expired on December 31, 2021. On November 18, 2021, our board of directors authorized the repurchase of up to \$150.0 million of common stock. This authorization is effective January 1, 2022 through December 31, 2023.

**Stock Performance Graph**

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act.

The following graph compares the performance of an investment in our common stock from December 31, 2016 through December 31, 2021, with the S&P 500 Index and the S&P 500 Diversified Financials Index. The graph assumes \$100 was invested on December 31, 2016 in each of our common stock, the S&P 500 Index and the S&P 500 Diversified Financials Index, and that all dividends were reinvested on the date of payment without payment of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

**FIVE YEAR TOTAL RETURN FOR PIPER SANDLER COMPANIES COMMON STOCK,  
THE S&P 500 INDEX AND THE S&P DIVERSIFIED FINANCIALS INDEX**



<u>Company/Index</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>
Piper Sandler Companies	\$ 100	\$ 121.22	\$ 96.14	\$ 119.10	\$ 154.39	\$ 286.14
S&P 500 Index	100	121.83	116.49	153.17	181.35	233.41
S&P 500 Diversified Financials	100	124.89	112.50	140.15	156.07	212.05

**ITEM 6. RESERVED.**



## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The following information should be read in conjunction with the accompanying audited consolidated financial statements and related notes and exhibits included elsewhere in this Form 10-K. Certain statements in this Form 10-K may be considered forward-looking. See "Cautionary Note Regarding Forward-Looking Statements" in this Form 10-K for additional information regarding such statements and related risks and uncertainties.

Item 7 in this Form 10-K discusses our 2021 and 2020 results and the year-over-year comparisons between 2021 and 2020. Discussion of our 2019 results and the year-over-year comparisons between 2020 and 2019 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 25, 2021.

### **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) interest expense on long-term financing from net revenues, (3) amortization of intangible assets related to acquisitions, (4) compensation and non-compensation expenses from acquisition-related agreements and (5) acquisition-related restructuring and integration costs. The adjusted weighted average diluted shares outstanding used in the calculation of non-GAAP earnings per diluted common share contains an adjustment to include the common shares for unvested restricted stock awards with service conditions granted pursuant to the acquisitions of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill"), The Valence Group ("Valence") and TRS Advisors LLC ("TRS"). These adjustments affect the following financial measures: net revenues, compensation expenses, non-compensation expenses, income tax expense, net income applicable to Piper Sandler Companies, earnings per diluted common share, non-interest expenses, pre-tax income and pre-tax margin. Management believes that presenting these results and measures on an adjusted basis in conjunction with the corresponding U.S. GAAP measures provides the most meaningful basis for comparison of our operating results across periods and enhances the overall understanding of our current financial performance by excluding certain items that may not be indicative of our core operating results. The non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP.

### **Executive Overview**

*Overview of Operations* – Our continuing operations principally consist of providing investment banking and institutional brokerage services to corporations, private equity groups, public entities, non-profit entities and institutional investors in the United States and Europe. We operate through one reportable business segment.

Investment banking services include financial advisory services, management of and participation in underwritings and municipal financing activities. Revenues are generated through the receipt of advisory and financing fees. Institutional sales, trading and research services focus on the trading of equity and fixed income products with institutions, corporations, 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, profits and losses from trading these securities, and research checks as clients pay us for research services and corporate access offerings. In order to invest firm capital and to manage capital from outside investors, we have created two alternative asset management funds in merchant banking and one alternative asset management fund in the healthcare sector. We receive management and performance fees for managing these funds, as well as investment gains and losses. We historically generated revenue through strategic trading activities, which focused on investments in municipal bonds; however, we ceased these activities in the first half of 2020.

*Discontinued Operations* – Discontinued operations includes the operating results of ARI, our traditional asset management subsidiary which we sold in the third quarter of 2019. See Note 4 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K for further discussion of our discontinued operations.

*Our Business Strategy* – Our long-term strategic objectives are to drive revenue growth, build a stronger and more durable platform, continue to gain market share, and maximize shareholder value. In order to meet these objectives, we are focused on the following:

- Continuing to transform our business and expand our deep sector expertise through strategic investments and selectively adding partners who share our client-centric culture and who can leverage our platform to better serve clients;
- Growing our investment banking platform through market share gains, accretive combinations, developing internal talent, and continued sector and geographic expansion. We also believe there is an opportunity to continue to capitalize on the strength of our U.S. franchises by expanding in Europe;
- Leveraging the scale within the equity brokerage and fixed income services platforms, driven by our expanded client base and product offerings, to grow market share; and
- Prudently managing capital to maintain our balance sheet strength with ample liquidity and flexibility through all market conditions.

*Strategic Activities* – Since early 2020, we have taken the following important steps in the execution of our business strategy.

- On February 4, 2022, we completed the acquisition of Cornerstone Macro, an independent research firm focused on providing macro research and equity derivatives trading to institutional investors. The transaction increases the scale of our institutional equities brokerage business and adds a highly ranked macro research platform.
- On January 5, 2022, we announced a definitive agreement to acquire Stamford Partners LLP ("Stamford Partners"), a specialist investment bank offering financial advisory and corporate development services in the European food and beverage and related consumer sectors. The transaction is expected to close in the first half of 2022, subject to obtaining required regulatory approvals and other customary closing conditions.
- During 2021, we continued to strengthen our specialty sector business within public finance, as illustrated by the special district group. We entered this space in late 2020 with six senior hires and currently have more than 20 dedicated professionals. We believe there is an opportunity to expand this expertise to more states and leverage our geographic reach and local relationships.
- We continued to grow organically by expanding sub-sector capabilities across business lines in 2021. Our corporate investment banking managing directors increased to 148, up seven percent from 2020, contributing to our larger and more diversified platform. In addition, our focus on high quality equity research and the build-out of a specialized sales and trading team are key differentiators in supporting our finance activity.
- On December 31, 2020, we completed the acquisition of TRS, an advisory firm offering restructuring and reorganization services to companies in public, private and governmental settings. The transaction expanded the scale of our restructuring advisory business.
- On April 3, 2020, we completed the acquisition of Valence, an investment bank offering mergers and acquisitions advisory services to companies and financial sponsors with a focus on the chemicals, materials and related sectors. The transaction added a new industry sector and expanded our presence in Europe.
- On January 3, 2020, we completed the acquisition of Sandler O'Neill, a full-service investment banking firm and broker dealer focused on the financial services industry. The acquisition of Sandler O'Neill expanded our advisory services revenues, diversified and enhanced scale in corporate financings, added a differentiated fixed income services business, and increased scale in our equity brokerage business.

**Financial Highlights**

	Year Ended December 31,		
	2021	2020	2021 v2020
<i>(Amounts in thousands, except per share data)</i>			
<b>U.S. GAAP</b>			
Net revenues	\$ 2,031,061	\$ 1,238,213	64.0 %
Compensation and benefits	1,305,166	877,462	48.7
Non-compensation expenses	284,383	292,203	(2.7)
Income from continuing operations before income tax expense	441,512	68,548	544.1
Net income applicable to Piper Sandler Companies	278,514	40,504	587.6
Earnings per diluted common share	\$ 16.43	\$ 2.72	504.0
<b>Ratios and margin</b>			
Compensation ratio	64.3 %	70.9 %	
Non-compensation ratio	14.0 %	23.6 %	
Pre-tax margin	21.7 %	5.5 %	
<b>Non-GAAP<sup>(1)</sup></b>			
Adjusted net revenues	\$ 1,980,457	\$ 1,234,960	60.4 %
Adjusted compensation and benefits	1,188,371	764,066	55.5
Adjusted non-compensation expenses	242,134	220,606	9.8
Adjusted operating income	549,952	250,288	119.7
Adjusted net income applicable to Piper Sandler Companies	399,037	177,555	124.7
Adjusted earnings per diluted common share	\$ 21.92	\$ 10.02	118.8
<b>Adjusted ratios and margin</b>			
Adjusted compensation ratio	60.0 %	61.9 %	
Adjusted non-compensation ratio	12.2 %	17.9 %	
Adjusted operating margin	27.8 %	20.3 %	

See the "Results of Operations" section for additional information.

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

(Amounts in thousands, except per share data)	<i>Year Ended December 31,</i>	
	<b>2021</b>	<b>2020</b>
<b>Net revenues:</b>		
Net revenues – U.S. GAAP basis	\$ 2,031,061	\$ 1,238,213
<b>Adjustments:</b>		
Revenue related to noncontrolling interests	(59,050)	(12,881)
Interest expense on long-term financing	8,446	9,628
Adjusted net revenues	<u>\$ 1,980,457</u>	<u>\$ 1,234,960</u>
<b>Compensation and benefits:</b>		
Compensation and benefits – U.S. GAAP basis	\$ 1,305,166	\$ 877,462
<b>Adjustment:</b>		
Compensation from acquisition-related agreements	(116,795)	(113,396)
Adjusted compensation and benefits	<u>\$ 1,188,371</u>	<u>\$ 764,066</u>
<b>Non-compensation expenses:</b>		
Non-compensation expenses – U.S. GAAP basis	\$ 284,383	\$ 292,203
<b>Adjustments:</b>		
Non-compensation expenses related to noncontrolling interests	(7,196)	(4,029)
Acquisition-related restructuring and integration costs	(4,724)	(10,755)
Amortization of intangible assets related to acquisitions	(30,080)	(44,728)
Non-compensation expenses from acquisition-related agreements	(249)	(12,085)
Adjusted non-compensation expenses	<u>\$ 242,134</u>	<u>\$ 220,606</u>
<b>Income from continuing operations before income tax expense:</b>		
Income from continuing operations before income tax expense – U.S. GAAP basis	\$ 441,512	\$ 68,548
<b>Adjustments:</b>		
Revenue related to noncontrolling interests	(59,050)	(12,881)
Interest expense on long-term financing	8,446	9,628
Non-compensation expenses related to noncontrolling interests	7,196	4,029
Compensation from acquisition-related agreements	116,795	113,396
Acquisition-related restructuring and integration costs	4,724	10,755
Amortization of intangible assets related to acquisitions	30,080	44,728
Non-compensation expenses from acquisition-related agreements	249	12,085
Adjusted operating income	<u>\$ 549,952</u>	<u>\$ 250,288</u>
Interest expense on long-term financing	(8,446)	(9,628)
Adjusted income before adjusted income tax expense	<u>\$ 541,506</u>	<u>\$ 240,660</u>
<b>Net income applicable to Piper Sandler Companies:</b>		
Net income applicable to Piper Sandler Companies – U.S. GAAP basis	\$ 278,514	\$ 40,504
<b>Adjustments:</b>		
Compensation from acquisition-related agreements	93,149	85,940
Acquisition-related restructuring and integration costs	3,544	8,712
Amortization of intangible assets related to acquisitions	23,644	33,383
Non-compensation expenses from acquisition-related agreements	186	9,016
Adjusted net income applicable to Piper Sandler Companies	<u>\$ 399,037</u>	<u>\$ 177,555</u>
<b>Earnings per diluted common share:</b>		
Earnings per diluted common share – U.S. GAAP basis	\$ 16.43	\$ 2.72
Adjustment for inclusion of unvested acquisition-related stock	(1.62)	(1.89)
	<u>\$ 14.81</u>	<u>\$ 0.83</u>
<b>Adjustments:</b>		
Compensation from acquisition-related agreements	5.49	5.76
Acquisition-related restructuring and integration costs	0.21	0.58
Amortization of intangible assets related to acquisitions	1.40	2.24
Non-compensation expenses from acquisition-related agreements	0.01	0.61
Adjusted earnings per diluted common share	<u>\$ 21.92</u>	<u>\$ 10.02</u>
<b>Weighted average diluted common shares outstanding:</b>		
Weighted average diluted common shares outstanding – U.S. GAAP basis	16,955	14,901
<b>Adjustment:</b>		
Unvested acquisition-related restricted stock with service conditions	1,251	2,814
Adjusted weighted average diluted common shares outstanding	<u>18,206</u>	<u>17,715</u>

**Market Data**

The following table provides a summary of relevant market data over the past three years.

	Year Ended December 31,				
	2021	2020	2019	2021 v2020	2020 v2019
<b>U.S. Market Indices</b>					
S&P 500 (a)	4,766	3,756	3,231	26.9 %	16.2 %
Nasdaq (a)	15,645	12,888	8,973	21.4 %	43.6 %
<b>U.S. Middle Market Mergers and Acquisitions</b>					
Announced transactions (number of transactions) (b)	4,625	3,637	3,013	27.2 %	20.7 %
<b>U.S. Equity Capital Markets</b>					
Completed public equity offerings (number of transactions) (c)	1,996	1,285	887	55.3 %	44.9 %
Completed initial public offerings (number of transactions) (d)	1,008	436	206	131.2 %	111.7 %
Equity fee pool for sub-\$5 billion (in millions) (e)	\$13,640	\$ 8,901	\$ 4,379	53.2 %	103.3 %
<b>U.S. Municipal Negotiated Issuances</b>					
Completed issuances (number of transactions) (f)	8,537	8,965	7,505	(4.8)%	19.5 %
Aggregate par value (in billions) (f)	\$ 378	\$ 392	\$ 327	(3.5)%	19.7 %
<b>Average CBOE Volatility Index (VIX)</b>	<b>20</b>	29	15	(31.0)%	93.3 %
<b>Average Daily Number of Shares Traded</b>					
NYSE (shares in millions)	2,258	2,402	1,690	(6.0)%	42.1 %
Nasdaq (shares in millions)	1,952	2,010	1,381	(2.9)%	45.5 %
<b>Interest Rates</b>					
3-month treasury average rate	0.04 %	0.25 %	2.11 %	(84.0)%	(88.2)%
10-year treasury average rate	1.45 %	0.81 %	2.14 %	79.0 %	(62.1)%
<b>Average 10-year MMD to 10-year Treasury Ratio (g)</b>	<b>0.68</b>	1.22	0.79	(44.3)%	54.4 %

(a) Data provided is at period end.

(b) Source: Refinitiv (transactions with reported deal value between \$100 million and \$1 billion and transactions with an undisclosed deal value that had a financial advisor).

(c) Source: Dealogic and Piper Sandler & Co. Equity Capital Markets (IPOs, follow-on offerings and convertible offerings with reported deal value greater than \$10 million).

(d) Source: Dealogic and Piper Sandler & Co. Equity Capital Markets (offerings with reported deal value greater than \$10 million).

(e) Source: Dealogic and Piper Sandler & Co. Equity Capital Markets (IPOs, follow-on offerings and convertible offerings with deal values greater than \$10 million and PIPEs/RDs greater than \$5 million for sub-\$5 billion market cap issuers; SPAC IPO fees are represented as the standard two percent upfront fee unless noted differently on the IPO cover).

(f) Source: Refinitiv (sole/senior negotiated and private placement transactions).

(g) Calculated based on the 10-year Municipal Market Data (MMD) index rate divided by the 10-year treasury rate.

### ***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, often unpredictable and at times inherently volatile. 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 advisory transactions, equity and debt corporate financings, and municipal financings; the relative level of volatility of the equity and fixed income markets; changes in interest rates and credit spreads (especially rapid and extreme changes); overall market liquidity; the level and shape of various yield curves; the volume and value of trading in securities; and overall equity valuations.

Factors that differentiate our business within the financial services industry also may affect our financial results. For example, our capital markets business focuses on specific industry sectors while serving principally a middle-market clientele. If the business environment for our focus sectors is impacted adversely, our business and results of operations could reflect these impacts. In addition, our business, with its specific areas of focus and investment, may not track 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.

We continue to monitor the ongoing and expected future impacts of COVID-19 on our business, as well as the resulting economic and market conditions. We have endeavored to protect the health and well-being of our employees and our clients while ensuring the continuity of business operations for our clients. As a result, a significant portion of our employees continue to work remotely. Our business continuity plan is operating effectively without any significant disruptions to our business, operations or control processes.

## ***Outlook for 2022***

We expect the economy to continue growing in 2022. Economic fundamentals remain strong for growth, although uncertainty remains about the length and scope of the COVID-19 pandemic. Concerns also persist related to supply chain constraints, labor shortages and higher energy prices. Geopolitical risks, such as Russia's invasion of Ukraine, have contributed to increased market volatility and uncertainty, and could result in a decline in the outlook for the continued U.S. and global economic recovery. Future legislative actions and policies by the U.S. federal government, including on levels of taxation and spending, may also impact economic growth.

In the fourth quarter of 2021, the U.S. Federal Reserve began tapering its quantitative easing measures and is anticipated to eliminate the program by the end of March 2022. The U.S. Federal Reserve is expected to raise its short-term benchmark interest rate multiple times in 2022. In determining the timing of each interest rate hike, the U.S. Federal Reserve will continue to monitor the level of inflation, which rose at the highest level in decades during 2021, along with the unemployment rate.

Capital raising activity benefited from strong investor demand and healthy valuations combined with relatively stable rising markets. We expect the level of equity capital raising activity will decline substantially in 2022 compared to the record levels of activity during the last two years.

We experienced a high level of advisory services activity across our industry sectors in 2021 driven by ample availability of debt and equity, a favorable interest rate environment, strong business performance, CEO confidence and undeployed capital within the financial sponsor community. Our strong relative performance and the focused investments we have made to grow our advisory platform contributed to our robust performance in 2021. Our pipeline remains strong across our industry teams and we believe that our advisory services business is well positioned to benefit from favorable market conditions in 2022.

In our equity brokerage business, the addition of Cornerstone Macro will be complementary to our company-specific research services and offer cross-selling opportunities and market share gains. Additionally, there are a number of catalysts that could elevate client activity in 2022, including higher energy prices, labor and supply chain constraints impacting company earnings, significant new U.S. federal government spending and the enactment of tax legislation.

Client activity was muted in our fixed income services business in the fourth quarter of 2021 due to the changing interest rate outlook and uncertain governmental fiscal policies. We anticipate a solid performance in 2022 as we assist clients in navigating a changing interest rate environment. Inflation and increased uncertainty with interest rates may result in more volatility in revenue generation as clients react to the changing environment.

Our municipal financing revenues in 2021 reflected strong contributions from both our governmental business and specialty sectors. We expect overall municipal market issuance levels in 2022 to be consistent with the previous two years as new money issuances continue to increase and refunding opportunities decline.

## Results of Operations

### Financial Summary

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.

	Year Ended December 31,					As a Percentage of Net Revenues for the Year Ended December 31,		
	2021	2020	2019	2021 v2020	2020 v2019	2021	2020	2019
<i>(Amounts in thousands)</i>								
<b>Revenues:</b>								
Investment banking	\$1,553,219	\$ 858,476	\$ 629,392	80.9 %	36.4 %	76.5 %	69.3 %	75.4 %
Institutional brokerage	387,577	357,753	167,891	8.3	113.1	19.1	28.9	20.1
Interest income	6,967	13,164	26,741	(47.1)	(50.8)	0.3	1.1	3.2
Investment income	94,032	23,265	22,275	304.2	4.4	4.6	1.9	2.7
Total revenues	2,041,795	1,252,658	846,299	63.0	48.0	100.5	101.2	101.4
Interest expense	10,734	14,445	11,733	(25.7)	23.1	0.5	1.2	1.4
Net revenues	2,031,061	1,238,213	834,566	64.0	48.4	100.0	100.0	100.0
<b>Non-interest expenses:</b>								
Compensation and benefits	1,305,166	877,462	516,090	48.7	70.0	64.3	70.9	61.8
Outside services	45,942	38,377	36,184	19.7	6.1	2.3	3.1	4.3
Occupancy and equipment	56,946	54,007	36,795	5.4	46.8	2.8	4.4	4.4
Communications	44,008	44,358	30,760	(0.8)	44.2	2.2	3.6	3.7
Marketing and business development	20,902	13,472	28,780	55.2	(53.2)	1.0	1.1	3.4
Deal-related expenses	42,921	38,072	25,823	12.7	47.4	2.1	3.1	3.1
Trade execution and clearance	16,533	18,934	10,186	(12.7)	85.9	0.8	1.5	1.2
Restructuring and integration costs	4,724	10,755	14,321	(56.1)	(24.9)	0.2	0.9	1.7
Intangible asset amortization	30,080	44,728	4,298	(32.7)	940.7	1.5	3.6	0.5
Other operating expenses	22,327	29,500	12,350	(24.3)	138.9	1.1	2.4	1.5
Total non-interest expenses	1,589,549	1,169,665	715,587	35.9	63.5	78.3	94.5	85.7
<b>Income from continuing operations before income tax expense</b>	<b>441,512</b>	<b>68,548</b>	<b>118,979</b>	<b>544.1</b>	<b>(42.4)</b>	<b>21.7</b>	<b>5.5</b>	<b>14.3</b>
Income tax expense	111,144	19,192	24,577	479.1	(21.9)	5.5	1.5	2.9
<b>Income from continuing operations</b>	<b>330,368</b>	<b>49,356</b>	<b>94,402</b>	<b>569.4</b>	<b>(47.7)</b>	<b>16.3</b>	<b>4.0</b>	<b>11.3</b>
<b>Discontinued operations:</b>								
Income from discontinued operations, net of tax	—	—	23,772	N/M	N/M	—	—	2.8
<b>Net income</b>	<b>330,368</b>	<b>49,356</b>	<b>118,174</b>	<b>569.4</b>	<b>(58.2)</b>	<b>16.3</b>	<b>4.0</b>	<b>14.2</b>
Net income applicable to noncontrolling interests	51,854	8,852	6,463	485.8	37.0	2.6	0.7	0.8
<b>Net income applicable to Piper Sandler Companies</b>	<b>\$ 278,514</b>	<b>\$ 40,504</b>	<b>\$ 111,711</b>	<b>587.6 %</b>	<b>(63.7)%</b>	<b>13.7 %</b>	<b>3.3 %</b>	<b>13.4 %</b>

N/M — Not meaningful



For the year ended December 31, 2021, we recorded net income from continuing operations applicable to Piper Sandler Companies of \$278.5 million. Net revenues from continuing operations for the year ended December 31, 2021 increased 64.0 percent to \$2.03 billion, compared with \$1.24 billion in the year-ago period. In 2021, investment banking revenues increased 80.9 percent to \$1.55 billion, compared with \$858.5 million in 2020, driven by a significant increase in advisory services revenues, as well as higher corporate and municipal financing revenues. For the year ended December 31, 2021, institutional brokerage revenues were \$387.6 million, up 8.3 percent compared with \$357.8 million in 2020, as higher fixed income services revenues were partially offset by lower equity brokerage revenues. In 2021, net interest expense was \$3.8 million, compared to \$1.3 million in 2020, resulting from a decline in interest income on our long inventory positions. For the year ended December 31, 2021, investment income was \$94.0 million, compared with \$23.3 million in 2020. In 2021, we recorded higher gains on our investments and the noncontrolling interests in the merchant banking funds that we manage. Non-interest expenses from continuing operations were \$1.59 billion for the year ended December 31, 2021, up 35.9 percent compared with \$1.17 billion in the prior year, due to higher compensation expenses resulting from increased revenues and profitability.

***Consolidated Non-Interest Expenses from Continuing Operations***

*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, reversal of expenses associated with the forfeiture of stock-based compensation and other employee-related costs. A significant 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. In conjunction with our acquisitions, we have granted restricted stock and restricted cash with service conditions, which are amortized to compensation expense over the service period. Additionally, expense estimates related to revenue-based earnout arrangements entered into as part of our acquisitions are amortized to compensation expense over the service period.

The following table summarizes our future acquisition-related compensation expense for restricted stock and restricted cash with service conditions, as well as expense estimates related to revenue-based earnout arrangements:

*(Amounts in thousands)*

2022	\$	86,131
2023		32,967
2024		21,887
2025		5,256
Total	\$	<u>146,241</u>

For the year ended December 31, 2021, compensation and benefits expenses increased 48.7 percent to \$1.31 billion from \$877.5 million in 2020, driven by higher revenues and operating profits. Compensation and benefits expenses as a percentage of net revenues was 64.3 percent in 2021, compared with 70.9 percent in 2020. The lower compensation ratio was due to the impact of fixed compensation costs on an increased revenue base.

*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 increased 19.7 percent to \$45.9 million in 2021, compared with \$38.4 million in 2020. Excluding the portion of expenses from non-controlled equity interests in our consolidated alternative asset management funds, outside services expenses increased 15.9 percent, primarily due to higher professional fees associated with business expansion.

*Occupancy and Equipment* – For the year ended December 31, 2021, occupancy and equipment expenses increased 5.4 percent to \$56.9 million, compared with \$54.0 million in 2020. The increase was primarily the result of higher software maintenance costs.

*Communications* – Communication expenses include costs for telecommunication and data communication, primarily consisting of expenses for obtaining third party market data information. For the year ended December 31, 2021, communication expenses were \$44.0 million, down slightly compared with \$44.4 million in 2020.

*Marketing and Business Development* – Marketing and business development expenses include travel and entertainment costs, advertising and third party marketing fees. In 2021, marketing and business development expenses increased 55.2 percent to \$20.9 million, compared with \$13.5 million for the year ended December 31, 2020. The increase was driven by higher travel and entertainment costs due to the easing of COVID-19 restrictions.

*Deal-Related Expenses* – Deal-related expenses include costs we incurred over the course of a completed investment banking deal, which primarily consist of legal fees, offering expenses, and travel and entertainment costs. For the year ended December 31, 2021, deal-related expenses were \$42.9 million, compared with \$38.1 million for the year ended December 31, 2020. The amount of deal-related expenses is principally dependent on the level of deal activity and may vary from period to period as the recognition of deal-related costs typically coincides with the closing of a transaction.

*Trade Execution and Clearance* – For the year ended December 31, 2021, trade execution and clearance expenses were \$16.5 million, compared with \$18.9 million for the year ended December 31, 2020. The decrease in trade execution and clearance expenses is reflective of higher trading volumes in the first quarter of 2020 driven by record levels of trading volatility.

*Restructuring and Integration Costs* – For the year ended December 31, 2021, we incurred acquisition-related restructuring and integration costs of \$4.7 million. The expenses consisted of \$1.0 million of transaction costs primarily related to our acquisition of Cornerstone Macro and the announced acquisition of Stamford Partners, \$3.4 million for vacated leased office space associated with our acquisitions of Valence and TRS and \$0.3 million of severance benefits. We expect to incur additional restructuring and integration costs in the first half of 2022.

For the year ended December 31, 2020, we incurred acquisition-related restructuring and integration costs of \$10.8 million. The expenses consisted of \$4.4 million of transaction costs related to our acquisitions of Sandler O'Neill, Valence and TRS, \$2.5 million for vacated leased office space, \$3.0 million of severance benefits and \$0.9 million of contract termination costs.

*Intangible Asset Amortization* – Intangible asset amortization includes the amortization of definite-lived intangible assets consisting of customer relationships and internally developed software. For the year ended December 31, 2021, intangible asset amortization was \$30.1 million, compared with \$44.7 million in 2020. The decrease was due to lower intangible asset amortization expense related to identifiable intangible assets associated with the acquisition of Sandler O'Neill, partially offset by incremental intangible asset amortization expense related to identifiable intangible assets associated with the acquisitions of Valence and TRS. In 2022, we anticipate incurring additional intangible asset amortization expense related to the acquisitions of Cornerstone Macro and Stamford Partners.

The following table summarizes the future aggregate amortization expense of our intangible assets with determinable lives:

(Amounts in thousands)

2022	\$	9,344
2023		7,442
2024		6,292
2025		5,302
2026		4,825
Thereafter		1,173
Total	\$	<u>34,378</u>

*Other Operating Expenses* – Other operating expenses primarily 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 \$22.3 million in 2021, compared with \$29.5 million in 2020. The decrease was due to a \$12.1 million fair value adjustment recorded in the first quarter of 2020 related to the earnout for former Weeden & Co. L.P. ("Weeden & Co.") equity owners who did not transition to our platform following the acquisition in 2019. We recorded the full value of the projected earnout as the non-employee equity owners do not have service requirements. This decrease was partially offset by higher expense related to our charitable giving program driven by higher operating profits.

*Income Taxes* – For the year ended December 31, 2021, our provision for income taxes was \$111.1 million. Excluding the impact of noncontrolling interests, our effective tax rate was 28.5 percent, which includes the impact of non-deductible covered employee compensation expense.

For the year ended December 31, 2020, our provision for income taxes was \$19.2 million. Excluding the impact of noncontrolling interests, our effective tax rate was 32.1 percent, which was driven by the impact of non-deductible covered employee compensation expense, partially offset by \$2.4 million of income tax benefits related to the tax provisions in the Coronavirus Aid, Relief, and Economic Security Act.

### ***Financial Performance from Continuing Operations***

Our activities as an investment bank and institutional securities firm constitute a single business segment.

Throughout this section, we have presented results on both a U.S. GAAP and non-GAAP basis. Management believes that presenting results and measures on an adjusted, non-GAAP basis in conjunction with the corresponding U.S. GAAP measures provides a more meaningful basis for comparison of its operating results and underlying trends between periods, and enhances the overall understanding of our current financial performance by excluding certain items that may not be indicative of our core operating results. The non-GAAP results should be considered in addition to, not as a substitute for, the results prepared in accordance with U.S. GAAP.

The adjusted financial results exclude (1) revenues and expenses related to noncontrolling interests, (2) interest expense on long-term financing from net revenues, (3) amortization of intangible assets related to acquisitions, (4) compensation and non-compensation expenses from acquisition-related agreements and (5) acquisition-related restructuring and integration costs. For U.S. GAAP purposes, these items are included in each of their respective line items on the consolidated statements of operations.

Adjusted operating income and adjusted operating margin present the results of operations excluding the impact resulting from the consolidation of noncontrolling interests in alternative asset management funds. Consolidation of these funds results in the inclusion of the proportionate share of the income or loss attributable to the equity interests in consolidated funds that are not attributable, either directly or indirectly, to us (i.e., noncontrolling interests). This proportionate share is reflected in net income applicable to noncontrolling interests in the accompanying consolidated statements of operations, and has no effect on our overall financial performance, as ultimately, this income is not income for us. Included in adjusted operating income and adjusted operating margin is the actual proportionate share of the income attributable to us as an investor in such funds.

The adjusted, non-GAAP financial results also exclude amortization of intangible assets and compensation and non-compensation expenses from acquisition-related agreements. These amounts are excluded on a non-GAAP basis as they represent expenses specifically related to acquisitions and therefore are not part of our on-going operations. The acquisition-related restructuring and integration costs excluded from the adjusted financial results represent charges that resulted from severance benefits, contract termination costs, vacating redundant leased office space and professional fees related to the respective transactions. These restructuring and integration costs are excluded from our non-GAAP financial measures as they relate to acquisitions and excluding these amounts provides a better understanding of our core non-compensation expenses. Interest expense on long-term financing is an adjustment from net revenues as these arrangements were used to fund the Sandler O'Neill and Valence acquisitions. Management believes that presenting adjusted financial results excluding the acquisition-related amounts provides clarity on the financial results generated by the core operating components of our business.

The following table sets forth the adjusted, non-GAAP financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP financial results for the periods presented:

	Year Ended December 31,							
	2021				2020			
	Total Adjusted	Adjustments (1)		U.S. GAAP	Total Adjusted	Adjustments (1)		U.S. GAAP
Noncontrolling Interests		Other Adjustments	Noncontrolling Interests			Other Adjustments		
<i>(Amounts in thousands)</i>								
<b>Investment banking:</b>								
Advisory services	\$1,026,138	\$ —	\$ —	\$1,026,138	\$ 443,327	\$ —	\$ —	\$ 443,327
Corporate financing	362,797	—	—	362,797	295,333	—	—	295,333
Municipal financing	164,284	—	—	164,284	119,816	—	—	119,816
<b>Total investment banking</b>	<b>1,553,219</b>	<b>—</b>	<b>—</b>	<b>1,553,219</b>	<b>858,476</b>	<b>—</b>	<b>—</b>	<b>858,476</b>
<b>Institutional brokerage:</b>								
Equity brokerage	154,067	—	—	154,067	161,445	—	—	161,445
Fixed income services	233,510	—	—	233,510	196,308	—	—	196,308
<b>Total institutional brokerage</b>	<b>387,577</b>	<b>—</b>	<b>—</b>	<b>387,577</b>	<b>357,753</b>	<b>—</b>	<b>—</b>	<b>357,753</b>
Interest income	6,967	—	—	6,967	13,164	—	—	13,164
Investment income	34,982	59,050	—	94,032	10,384	12,881	—	23,265
<b>Total revenues</b>	<b>1,982,745</b>	<b>59,050</b>	<b>—</b>	<b>2,041,795</b>	<b>1,239,777</b>	<b>12,881</b>	<b>—</b>	<b>1,252,658</b>
Interest expense	2,288	—	8,446	10,734	4,817	—	9,628	14,445
<b>Net revenues</b>	<b>1,980,457</b>	<b>59,050</b>	<b>(8,446)</b>	<b>2,031,061</b>	<b>1,234,960</b>	<b>12,881</b>	<b>(9,628)</b>	<b>1,238,213</b>
Non-interest expenses	1,430,505	7,196	151,848	1,589,549	984,672	4,029	180,964	1,169,665
<b>Pre-tax income</b>	<b>\$ 549,952</b>	<b>\$ 51,854</b>	<b>\$ (160,294)</b>	<b>\$ 441,512</b>	<b>\$ 250,288</b>	<b>\$ 8,852</b>	<b>\$ (190,592)</b>	<b>\$ 68,548</b>
<b>Pre-tax margin</b>	<b>27.8 %</b>			<b>21.7 %</b>	<b>20.3 %</b>			<b>5.5 %</b>

(1) The following is a summary of the adjustments needed to reconcile our consolidated U.S. GAAP financial results to the adjusted, non-GAAP financial results:

*Noncontrolling interests* – The impacts of consolidating noncontrolling interests in our alternative asset management funds are not included in our adjusted financial results.

*Other adjustments* – The following items are not included in our adjusted financial results:

<i>(Amounts in thousands)</i>	Year Ended December 31,	
	2021	2020
Interest expense on long-term financing	\$ 8,446	\$ 9,628
Compensation from acquisition-related agreements	116,795	113,396
Acquisition-related restructuring and integration costs	4,724	10,755
Amortization of intangible assets related to acquisitions	30,080	44,728
Non-compensation expenses from acquisition-related agreements	249	12,085
	<u>151,848</u>	<u>180,964</u>
<b>Total other adjustments</b>	<b>\$ 160,294</b>	<b>\$ 190,592</b>

Net revenues on a U.S. GAAP basis were \$2.03 billion for the year ended December 31, 2021, compared with \$1.24 billion in the prior-year period. For the year ended December 31, 2021, adjusted net revenues were \$1.98 billion compared with \$1.23 billion for the year ended December 31, 2020. The variance explanations for net revenues and adjusted net revenues are consistent on both a U.S. GAAP and non-GAAP basis unless stated otherwise.

Investment banking revenues comprise all of the revenues generated through advisory services activities, which includes M&A, equity and debt private placements, debt and restructuring advisory, and municipal financial advisory transactions. Collectively, debt advisory transactions and equity and debt private placements are referred to as capital advisory transactions. Investment banking revenues also include equity and debt corporate financing activities and municipal financings.

In 2021, investment banking revenues were \$1.55 billion, up 80.9 percent compared to \$858.5 million in the prior-year period. For the year ended December 31, 2021, advisory services revenues were \$1.03 billion, up 131.5 percent compared with \$443.3 million in 2020. Our strong relative performance was driven by higher average fees and more completed transactions. In 2021, market conditions were conducive and our revenues reflect the significant market recovery in advisory services activity compared to the year-ago period. In addition, economic growth, CEO confidence and capital availability drove robust demand for advisory services. In the prior-year period, market-wide decreases in completed and announced deals reflected a pause in advisory services activity earlier in 2020 as companies evaluated the changing and uncertain environment due to COVID-19. For the year ended December 31, 2021, corporate financing revenues were \$362.8 million, up 22.8 percent compared to \$295.3 million in the prior-year period, driven by more completed and book run equity deals. Market conditions remained very favorable for capital raising activity in 2021 despite moderated issuance volumes in the second half of the year. Activity for us during the year was principally in the healthcare sector, and we served as book runner on 92 of the 97 healthcare equity deals we completed. In the year-ago period, capital raising activity substantially halted in March 2020 as volatility spiked; however, market conditions became favorable for capital raising during the second quarter of 2020, which continued through the remainder of the year. Municipal financing revenues for the year ended December 31, 2021 were \$164.3 million compared to \$119.8 million in the year-ago period. Our revenues increased approximately 37 percent relative to the overall market that was essentially flat based on the par value of municipal negotiated issuances. Our results for the year ended December 31, 2021 were driven by strong execution in our governmental business and growth in our specialty sectors.

The following table provides investment banking deal information:

<i>(Dollars in billions)</i>	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b><i>Advisory services</i></b>		
M&A and restructuring transactions	274	167
Capital advisory transactions	145	105
<b><i>Corporate financings</i></b>		
Total equity transactions	214	137
Book run equity transactions	141	99
Total debt and preferred transactions	53	58
Book run debt and preferred transactions	26	37
<b><i>Municipal negotiated issues</i></b>		
Aggregate par value	\$ 18.4	\$ 19.1
Total issues	933	855

Institutional brokerage revenues comprise all of the revenues generated through trading activities, which consist of facilitating customer trades and executing competitive municipal underwritings. Also, we have historically generated trading gains and losses through strategic trading activities in municipal bonds; however, we ceased these activities in the first half of 2020. 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, the timing of payments for research services and the timing of transactions based on market opportunities.

For the year ended December 31, 2021, institutional brokerage revenues increased to \$387.6 million, compared with \$357.8 million in the prior-year period. Equity brokerage revenues were \$154.1 million in 2021, down 4.6 percent compared with \$161.4 million in 2020. The prior-year period benefited from significant volatility and volumes related to the COVID-19 pandemic. For the year ended December 31, 2021, fixed income services revenues were \$233.5 million, up 19.0 percent compared with \$196.3 million in the prior-year period as activity was more robust among our financial services clients. We provided strategic advice to these clients on repositioning their balance sheets and portfolios, and investing in a changing interest rate environment. Additionally, results in the first quarter of 2020 include trading losses in municipal securities due to the sharp and sudden market dislocation.

Interest income represents amounts earned from holding long inventory positions. For the year ended December 31, 2021, interest income decreased 47.1 percent to \$7.0 million, compared with \$13.2 million in 2020, reflecting lower average long inventory balances.

Investment income includes realized and unrealized gains and losses on investments, including amounts attributable to noncontrolling interests, in our merchant banking and healthcare funds, as well as management and performance fees generated from those funds. For the year ended December 31, 2021, investment income was \$94.0 million, compared to \$23.3 million in 2020. In 2021, we recorded higher gains on our investments and the noncontrolling interests in the merchant banking funds that we manage. Excluding the impact of noncontrolling interests, adjusted investment income was \$35.0 million in 2021 and \$10.4 million in 2020.

Interest expense represents amounts associated with financing, economically hedging and holding short inventory positions, including interest paid on our long-term financing arrangements, as well as commitment fees on our line of credit and revolving credit facility. For the year ended December 31, 2021, interest expense decreased to \$10.7 million, compared with \$14.4 million in 2020. The decrease was primarily due to lower funding balances, as well as lower average short inventory balances. Additionally, the interest paid on long-term financing decreased as we repaid the \$20 million of unsecured promissory notes related to the acquisition of Valence (the "Valence Notes") in the first quarter of 2021. We also repaid the \$50 million of Class A unsecured senior notes upon maturity on October 15, 2021. Excluding the impact of interest expense on long-term financing, adjusted interest expense was \$2.3 million and \$4.8 million for the years ended December 31, 2021 and 2020, respectively.

Pre-tax margin for 2021 was 21.7 percent, up compared with 5.5 percent for 2020. Adjusted pre-tax margin increased to 27.8 percent in 2021, compared with 20.3 percent in 2020. In 2021, pre-tax margin on both a U.S. GAAP and adjusted basis was driven by higher revenue levels. Additionally, adjusted pre-tax margin increased due to a lower compensation ratio in 2021.

The following table sets forth the adjusted, non-GAAP financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP financial results for the periods presented:

	Year Ended December 31,							
	2020				2019			
	Total Adjusted	Adjustments (1)		U.S. GAAP	Total Adjusted	Adjustments (1)		U.S. GAAP
Noncontrolling Interests		Other Adjustments	Noncontrolling Interests			Other Adjustments		
<i>(Amounts in thousands)</i>								
Investment banking:								
Advisory services	\$ 443,327	\$ —	\$ —	\$ 443,327	\$ 440,695	\$ —	\$ —	\$ 440,695
Corporate financing	295,333	—	—	295,333	105,256	—	—	105,256
Municipal financing	119,816	—	—	119,816	83,441	—	—	83,441
<i>Total investment banking</i>	858,476	—	—	858,476	629,392	—	—	629,392
Institutional brokerage:								
Equity brokerage	161,445	—	—	161,445	87,555	—	—	87,555
Fixed income services	196,308	—	—	196,308	80,336	—	—	80,336
<i>Total institutional brokerage</i>	357,753	—	—	357,753	167,891	—	—	167,891
<i>Interest income</i>	13,164	—	—	13,164	26,741	—	—	26,741
<i>Investment income</i>	10,384	12,881	—	23,265	11,506	10,769	—	22,275
Total revenues	1,239,777	12,881	—	1,252,658	835,530	10,769	—	846,299
<i>Interest expense</i>	4,817	—	9,628	14,445	9,885	—	1,848	11,733
Net revenues	1,234,960	12,881	(9,628)	1,238,213	825,645	10,769	(1,848)	834,566
Non-interest expenses	984,672	4,029	180,964	1,169,665	687,410	4,306	23,871	715,587
Pre-tax income	<u>\$ 250,288</u>	<u>\$ 8,852</u>	<u>\$ (190,592)</u>	<u>\$ 68,548</u>	<u>\$ 138,235</u>	<u>\$ 6,463</u>	<u>\$ (25,719)</u>	<u>\$ 118,979</u>
Pre-tax margin	20.3 %			5.5 %	16.7 %			14.3 %

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(1) The following is a summary of the adjustments needed to reconcile our consolidated U.S. GAAP financial results to the adjusted, non-GAAP financial results:

Noncontrolling interests – The impacts of consolidating noncontrolling interests in our alternative asset management funds are not included in our adjusted financial results.

Other adjustments – The following items are not included in our adjusted financial results:

(Amounts in thousands)	Year Ended December 31,	
	2020	2019
Interest expense on long-term financing	\$ 9,628	\$ 1,848
Compensation from acquisition-related agreements	113,396	5,138
Acquisition-related restructuring and integration costs	10,755	14,321
Amortization of intangible assets related to acquisitions	44,728	4,298
Non-compensation expenses from acquisition-related agreements	12,085	114
	<u>180,964</u>	<u>23,871</u>
Total other adjustments	<u>\$ 190,592</u>	<u>\$ 25,719</u>

Discussion of the year-over-year comparisons between 2020 and 2019 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 25, 2021.

### Discontinued Operations

Discontinued operations includes our traditional asset management subsidiary, ARI, which we sold in the third quarter of 2019. ARI's results, previously reported in our Asset Management segment, have been presented as discontinued operations for the year ended December 31, 2019.

The components of discontinued operations were as follows:

(Amounts in thousands)	Year Ended December 31, 2019
Net revenues	\$ 26,546
Operating expenses	22,589
Intangible asset amortization and impairment (1)	5,465
Restructuring costs	<u>10,268</u>
Total non-interest expenses	38,322
Loss from discontinued operations before income tax benefit	(11,776)
Income tax benefit	<u>(2,522)</u>
Net loss from discontinued operations before gain on sales	(9,254)
Gain on sales, net of tax	<u>33,026</u>
Income from discontinued operations, net of tax	<u>\$ 23,772</u>

(1) Includes \$2.9 million of intangible asset impairment related to the ARI trade name.

Restructuring costs of \$10.3 million for the year ended December 31, 2019 primarily related to transaction costs and payments associated with the sale of the business.

See Note 4 to our consolidated financial statements in Part II, Item 8 of this Form 10-K for further discussion of our discontinued operations.

## **Critical Accounting Policies**

Our accounting and reporting policies comply with U.S. GAAP and conform to practices within the securities industry. The preparation of financial statements in compliance with U.S. 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 U.S. GAAP.

For a full description of our significant accounting policies, see Note 2 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K. We believe that of our significant accounting policies, the following are our critical accounting policies.

### ***Valuation of Financial Instruments***

Financial instruments and other inventory positions owned, financial instruments and other inventory positions sold, but not yet purchased, and investments on our consolidated statements of financial condition consist of financial instruments recorded at fair value, as required by accounting guidance. Unrealized gains and losses related to these financial instruments are reflected on our consolidated statements of operations.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants at the measurement date (the exit price). Based on the nature of our business and our role as a "dealer" in the securities industry or as a manager of alternative asset management funds, the fair values of our financial instruments are determined internally. See Note 2 and Note 6 to our consolidated financial statements for additional information on the valuation of our financial instruments and our fair value processes, including specific control processes to determine the reasonableness of the fair value of our financial instruments.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 820, "Fair Value Measurement," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to inputs with little or no pricing observability (Level III measurements). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Substantially all of our financial instruments categorized as Level III are investments related to our alternative asset management funds. These investments in private companies are valued based on an assessment of each underlying security, considering rounds of financing, the financial condition and operating results of the private company, third party transactions and market-based information, including comparable company transactions, trading multiples (e.g., multiples of revenue and EBITDA) and changes in market outlook, among other factors. See Note 6 to our consolidated financial statements for additional discussion of our assets and liabilities in the fair value hierarchy.

### ***Goodwill and Intangible Assets***

We record all assets acquired and liabilities assumed in acquisitions, including goodwill and other intangible assets, at fair value. Determining the fair value of assets and liabilities acquired requires certain management estimates. At December 31, 2021, we had goodwill of \$227.5 million and intangible assets of \$119.8 million.

We are required to perform impairment tests of goodwill and indefinite-life intangible assets annually and on an interim basis when circumstances exist that could indicate possible impairment. We have elected to test goodwill for impairment in the fourth quarter of each calendar year. We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after making an assessment, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then further analysis is unnecessary. However, if we conclude otherwise, then we are required to perform a quantitative goodwill test, which requires management to make judgments in determining what assumptions to use in the calculation. The quantitative goodwill test compares the fair value of the reporting unit to its carrying value, including allocated goodwill. An impairment is recognized for the excess amount of a reporting unit's carrying value over its fair value. See Note 2 and Note 11 to our consolidated financial statements for additional information on our impairment testing.



The initial recognition of goodwill and other intangible assets and the subsequent quantitative impairment analysis involves significant judgment in determining the estimates of future cash flows, discount rates, economic forecast and other assumptions which are then used in acceptable valuation techniques, such as the market approach (earnings and/or transaction multiples) and/or the income approach (discounted cash flow method). Changes in these estimates and assumptions could have a significant impact on the fair value and any resulting impairment of goodwill. Our estimated cash flows, by their nature, are difficult to determine over an extended time period. Events and factors that may significantly affect the estimates include, among others, competitive forces and changes in revenue growth trends, cost structures, technology and market conditions. To assess the reasonableness of cash flow estimates and validate assumptions used in our estimates, we review historical performance of the underlying assets or similar assets. In assessing the fair value of our reporting unit, the volatile nature of the securities markets and our industry requires us to consider the business and market cycle and assess the stage of the cycle in estimating the timing and extent of future cash flows. In addition to discounted cash flows, we consider earnings multiples of comparable public companies and multiples of recent M&A transactions of similar businesses in our subsequent impairment analysis.

We elected to perform a qualitative assessment to test goodwill in our capital markets reporting unit for impairment. The following relevant events and circumstances were evaluated in concluding that it was not more likely than not that goodwill was impaired: macroeconomic conditions, industry and market considerations and the overall financial performance of the capital markets reporting unit. Our annual goodwill impairment testing, performed as of October 31, 2021, resulted in no impairment.

We also evaluated our intangible assets (indefinite and definite-lived) and concluded there was no impairment in 2021.

### ***Compensation Plans***

#### **Stock-Based Compensation Plans**

As part of our compensation to employees and directors, we use stock-based compensation, consisting of restricted stock, restricted stock units and stock options. We account for equity awards in accordance with FASB Accounting Standards Codification Topic 718, "Compensation—Stock Compensation," ("ASC 718"), which requires all share-based payments to employees, including grants of employee stock options, to be recognized on the consolidated statements of operations at grant date fair value. Compensation expense related to share-based awards which require future service are amortized over the service period of the award. Forfeitures of awards with service conditions are accounted for when they occur. Share-based awards that do not require future service are recognized in the year in which the awards are deemed to be earned.

See Note 19 to our consolidated financial statements for additional information about our stock-based compensation plans.

### ***Income Taxes***

We file a consolidated U.S. federal income tax return, which includes all of our qualifying subsidiaries. We also are subject to income tax in various states and municipalities and those foreign jurisdictions in which we operate. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income taxes are provided for temporary differences in reporting certain items, principally restricted compensation (i.e., restricted stock, restricted stock units, restricted mutual fund shares, and deferred compensation). The realization of deferred tax assets is assessed and a valuation allowance is recognized to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. We believe that our future taxable profits will be sufficient to recognize our U.S. deferred tax assets, with the exception of \$0.2 million of state net operating loss carryforwards. However, if our projections of future taxable profits do not materialize, we may conclude that a valuation allowance is necessary, which would impact our results of operations in that period. As of December 31, 2021, we have recorded a deferred tax asset valuation allowance of \$4.9 million related to net operating loss carryforwards in the U.K. for Piper Sandler Ltd.

We record deferred tax benefits for future tax deductions expected upon the vesting of stock-based compensation. We recognize the income tax effects of stock-based compensation awards in the income statement when the awards vest. If deductions reported on our tax return for stock-based compensation (i.e., the value of the stock-based compensation at the time of vesting) exceed the cumulative cost of those instruments recognized for financial reporting (i.e., the grant date fair value of the compensation computed in accordance with ASC 718), we record the excess tax benefit as income tax benefit. Conversely, if deductions reported on our tax return for stock-based compensation are less than the cumulative cost of those instruments recognized for financial reporting, the deficiency is recorded as income tax expense. For the year ended December 31, 2021, we recorded a \$2.7 million tax benefit from continuing operations for stock awards vesting during the period. In the first quarter of 2022, approximately 793,000 shares vested at share prices greater than the grant date fair values, resulting in \$5.6 million of excess tax benefits recorded as income tax benefit in the first quarter of 2022.

We establish reserves for uncertain income tax positions in accordance with FASB Accounting Standards Codification Topic 740, "Income Taxes," when it is not more likely than not that a certain position or component of a position will be ultimately upheld by the relevant taxing authorities. Significant judgment is required in evaluating uncertain tax positions. Our tax provision and related accruals include the impact of estimates for uncertain tax positions and changes to the reserves that are considered appropriate. To the extent the probable tax outcome of these matters changes, such change in estimate will impact the income tax provision in the period of change and, in turn, our results of operations. In 2021, we recorded a \$1.7 million liability for uncertain state income tax positions. In 2020, we recorded a reversal of \$3.2 million related to the \$4.1 million liability for uncertain income tax positions associated with our acquisition of Weeden & Co. that was recorded in 2019. These amounts were recorded as measurement period adjustments in accordance with FASB Accounting Standards Codification Topic 805, "Business Combinations," and included a corresponding indemnification asset. We also paid a settlement of \$0.9 million, for which we were indemnified.

### **Liquidity, Funding and Capital Resources**

We regularly monitor our liquidity position, which is of critical importance to our business. Accordingly, we 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. Insufficient liquidity resulting from adverse circumstances contributes to, and may be the cause of, financial institution failure.

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.

Our dividend policy is intended to return between 30 percent and 50 percent of our fiscal year adjusted net income to shareholders. Our board of directors determines the declaration and payment of dividends and is free to change our dividend policy at any time.

Our board of directors declared the following dividends on shares of our common stock:

<b>Declaration Date</b>	<b>Dividend Per Share</b>	<b>Record Date</b>	<b>Payment Date</b>
February 1, 2019 (1)	\$ 1.010	February 25, 2019	March 15, 2019
February 1, 2019	\$ 0.375	February 25, 2019	March 15, 2019
April 26, 2019	\$ 0.375	May 24, 2019	June 14, 2019
July 26, 2019	\$ 0.375	August 23, 2019	September 13, 2019
October 30, 2019	\$ 0.375	November 22, 2019	December 13, 2019
January 31, 2020 (2)	\$ 0.750	March 2, 2020	March 13, 2020
January 31, 2020	\$ 0.375	March 2, 2020	March 13, 2020
May 1, 2020	\$ 0.200	May 29, 2020	June 12, 2020
July 31, 2020	\$ 0.300	August 28, 2020	September 11, 2020
October 30, 2020	\$ 0.375	November 24, 2020	December 11, 2020
February 4, 2021 (3)	\$ 1.850	March 3, 2021	March 12, 2021
February 4, 2021	\$ 0.400	March 3, 2021	March 12, 2021
April 30, 2021	\$ 0.450	May 28, 2021	June 11, 2021
July 30, 2021	\$ 0.550	August 27, 2021	September 10, 2021
October 29, 2021 (4)	\$ 3.000	November 23, 2021	December 10, 2021
October 29, 2021	\$ 0.550	November 23, 2021	December 10, 2021
February 10, 2022 (5)	\$ 4.500	March 2, 2022	March 11, 2022
February 10, 2022	\$ 0.600	March 2, 2022	March 11, 2022

(1) Represents a special cash dividend based on our fiscal year 2018 results.

(2) Represents a special cash dividend based on our fiscal year 2019 results.

(3) Represents a special cash dividend based on our fiscal year 2020 results.

(4) Represents a special cash dividend based on our financial results for the nine months ended September 30, 2021.

(5) Represents a special cash dividend based on our fiscal year 2021 results.

Our board of directors has declared an additional special cash dividend on our common stock of \$4.50 per share related to 2021 adjusted net income. This special dividend will be paid on March 11, 2022, to shareholders of record as of the close of business on March 2, 2022. Including this special cash dividend, we will have returned \$9.45 per share, or approximately 43 percent of our fiscal year 2021 adjusted net income to shareholders.

Effective January 1, 2020, our board of directors authorized the repurchase of up to \$150.0 million in common shares, which expired on December 31, 2021. In 2021, we repurchased 417,903 shares of our common stock at an average price of \$125.03 per share for an aggregate purchase price of \$52.3 million related to this authorization.

On November 18, 2021, our board of directors authorized the repurchase of up to \$150.0 million in common shares. This authorization is effective from January 1, 2022 through December 31, 2023.

We also purchase shares of common stock from restricted stock award recipients upon the award vesting or as recipients sell shares to meet their employment tax obligations. During 2021, we purchased 154,117 shares or \$17.7 million of our common stock for these purposes.

### **Cash Flows**

Cash and cash equivalents at December 31, 2021 were \$971.0 million, an increase of \$463.0 million from December 31, 2020. Operating activities provided \$707.1 million of cash, driven by cash generated from earnings and an increase in operating liabilities. The increase in operating liabilities was primarily due to an increase in accrued compensation of \$330.9 million, the result of higher compensation costs in 2021 from increased revenues and operating profits. The increase in operating assets was primarily due to an increase in investments related to our alternative asset management funds. In 2021, investing activities used \$20.6 million for the purchase of fixed assets. Cash of \$223.1 million was used in financing activities as we repaid \$70 million of long-term financing arrangements. In the first quarter of 2021, we repaid the Valence Notes totaling \$20 million. We also repaid the Class A unsecured senior notes of \$50 million upon maturity on October 15, 2021. In addition, we paid \$99.4 million in dividends and repurchased \$69.9 million of common stock during 2021.

Cash and cash equivalents at December 31, 2020 were \$507.9 million, an increase of \$257.9 million from December 31, 2019. Operating activities provided \$779.8 million of cash, driven by cash generated from earnings and a reduction in operating assets. The decrease in operating assets resulted from a \$203.8 million decline in net financial instruments and other inventory positions owned as we focused on only carrying inventory where clients need liquidity within our areas of expertise, as well as a \$254.3 million decrease in receivables from brokers, dealers and clearing organizations. The increase in operating liabilities was primarily due to an increase in accrued compensation of \$132.8 million, the result of higher compensation costs in 2020 from increased revenues and incremental headcount from the acquisitions of Sandler O'Neill and Valence. In 2020, investing activities used \$435.0 million, of which \$417.4 million was used for the acquisitions of Sandler O'Neill, Valence and TRS. We also used \$17.6 million for the purchase of fixed assets. Cash of \$87.6 million was used in financing activities as we reduced amounts due under our short-term financing by \$50.0 million. We repaid the amount outstanding under our commercial paper program in full upon maturity in the fourth quarter of 2020. We also paid \$28.2 million in dividends and repurchased \$22.0 million of common stock during 2020.

### **Leverage**

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

<i>(Dollars in thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total assets	\$ 2,565,307	\$ 1,997,140
Deduct: Goodwill and intangible assets	(347,286)	(377,366)
Deduct: Right-of-use lease asset	(71,341)	(82,543)
Deduct: Assets from noncontrolling interests	(168,675)	(97,375)
Adjusted assets	<u>\$ 1,978,005</u>	<u>\$ 1,439,856</u>
Total shareholders' equity	\$ 1,226,855	\$ 926,082
Deduct: Goodwill and intangible assets	(347,286)	(377,366)
Deduct: Noncontrolling interests	(164,645)	(96,657)
Tangible common shareholders' equity	<u>\$ 714,924</u>	<u>\$ 452,059</u>
Leverage ratio (1)	<b>2.1</b>	2.2
Adjusted leverage ratio (2)	<b>2.8</b>	3.2

(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 that can be deployed in a liquid manner. The right-of-use lease asset is also subtracted from total assets in determining adjusted assets as it is not an operating asset that 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 Sandler 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. Our adjusted leverage ratio decreased from December 31, 2020, due to higher tangible common shareholders' equity driven by strong net income in 2021.

## ***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.

Our day-to-day funding and liquidity is obtained primarily through the use of our clearing arrangement with Pershing, a clearing arrangement with bank financing, and a bank line 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 short-term facilities. Our committed line has been established to mitigate changes in the liquidity of our inventory based on changing market conditions, and 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 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 or LIBOR.

Pershing Clearing Arrangement – We have established an arrangement to obtain financing from Pershing related to the majority of our trading activities. Under our fully disclosed clearing agreement, all of our securities inventories with the exception of convertible securities, and all of our customer activities are held by or cleared through Pershing. Financing under this arrangement is secured primarily by securities, and collateral limitations could reduce the amount of funding available under this arrangement. Our clearing arrangement activities are recorded net from trading activity and reported within receivables from or payables to brokers, dealers and clearing organizations. The funding is at the discretion of Pershing (i.e., uncommitted) and could be denied without a notice period. Our fully disclosed clearing agreement includes a covenant requiring Piper Sandler & Co., our U.S. broker dealer subsidiary, to maintain excess net capital of \$120 million. At December 31, 2021, we had \$0.2 million of financing outstanding under this arrangement.

Clearing Arrangement with Bank Financing – In the second quarter of 2021, we established a financing arrangement with a U.S. branch of Canadian Imperial Bank of Commerce ("CIBC") related to our convertible securities inventories. Under this arrangement, our convertible securities inventories are cleared through a broker dealer affiliate of CIBC, and held and financed by CIBC. Our convertible securities inventories are generally economically hedged by the underlying common stock or the stock options of the underlying common stock. Financing under this arrangement is secured primarily by convertible securities and collateral limitations could reduce the amount of funding available. The funding is at the discretion of CIBC and could be denied subject to a notice period. This arrangement is reported within receivables from or payables to brokers, dealers and clearing organizations, net of trading activity. At December 31, 2021, we had \$93.4 million of financing outstanding under this arrangement.

Prime Broker Arrangement – We previously had an overnight financing arrangement with a broker dealer related to our convertible securities inventories. In the second quarter of 2021, we replaced this arrangement with the clearing arrangement with bank financing.

Committed Line – Our committed line is a one-year \$100 million revolving secured credit facility. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires Piper Sandler & Co. to maintain a minimum regulatory net capital of \$120 million, and the unpaid principal amount of all advances under the facility will be due on December 9, 2022. This credit facility has been in place since 2008 and we renewed the facility for another one-year term in the fourth quarter of 2021. At December 31, 2021, we had no advances against this line of credit.

Commercial Paper Program – Piper Sandler & Co. previously issued secured commercial paper ("CP") to fund a portion of its securities inventory. We retired the CP Series A program in January 2020 and retired the CP Series II A program in April 2021.

Revolving Credit Facility – Our parent company, Piper Sandler Companies, has an unsecured \$65 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 20, 2022, unless otherwise terminated, and is subject to a one-year extension exercisable at our option. At December 31, 2021, there were no advances against this credit facility.

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This credit facility includes customary events of default and covenants that, among other things, requires Piper Sandler & Co. to maintain a minimum regulatory net capital of \$120 million, limits our leverage ratio, requires maintenance of a minimum ratio of operating cash flow to fixed charges, and imposes certain limitations on our ability to make acquisitions and make payments on our capital stock. At December 31, 2021, we were in compliance with all covenants.

The following tables present the average balances outstanding for our various funding sources by quarter for 2021 and 2020:

<i>(Amounts in millions)</i>	Average Balance for the Three Months Ended			
	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021	Mar. 31, 2021
<b>Funding source:</b>				
Pershing clearing arrangement	\$ 4.1	\$ 12.1	\$ 5.2	\$ 6.9
Clearing arrangement with bank financing	92.7	84.2	49.9	—
Prime broker arrangement	—	—	8.0	57.2
Commercial paper	—	—	—	—
Revolving credit facility	—	—	—	—
Total	<u>\$ 96.8</u>	<u>\$ 96.3</u>	<u>\$ 63.1</u>	<u>\$ 64.1</u>

<i>(Amounts in millions)</i>	Average Balance for the Three Months Ended			
	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020
<b>Funding source:</b>				
Pershing clearing arrangement	\$ 16.1	\$ 3.3	\$ 17.7	\$ 117.8
Prime broker arrangement	97.5	90.2	81.9	72.3
Commercial paper	11.4	50.0	50.0	50.0
Revolving credit facility	4.9	29.3	50.0	7.1
Total	<u>\$ 129.9</u>	<u>\$ 172.8</u>	<u>\$ 199.6</u>	<u>\$ 247.2</u>

The average funding in the fourth quarter of 2021 decreased to \$96.8 million, compared with \$129.9 million during the fourth quarter of 2020, primarily due to the accumulation of cash from operations. Also, we repaid the outstanding balances under our commercial paper program and revolving credit facility in the fourth quarter of 2020.

The following table presents the maximum daily funding amount by quarter for 2021 and 2020:

<i>(Amounts in millions)</i>	2021	2020
First Quarter	\$ 141.5	\$ 642.1
Second Quarter	\$ 306.2	\$ 378.3
Third Quarter	\$ 228.1	\$ 401.7
Fourth Quarter	\$ 170.3	\$ 482.3

*Long-Term Financing*

Senior Notes – On October 15, 2019, we entered into a note purchase agreement ("Note Purchase Agreement") under which we issued unsecured fixed rate senior notes ("Notes") in the amount of \$175 million. The initial holders of the Notes are certain entities advised by Pacific Investment Management Company ("PIMCO"). The Notes consisted of two classes, Class A Notes and Class B Notes, with principal amounts of \$50 million and \$125 million, respectively. The Class A Notes were repaid in full on the October 15, 2021 maturity date. The Class B Notes bear interest at an annual fixed rate of 5.20 percent and mature on October 15, 2023. Interest is payable semi-annually. The unpaid principal amount is due in full on the maturity date and may not be prepaid.

Given our level of capital and strong cash generation from earnings, we decided not to renew our Class A Notes.

The Note Purchase Agreement includes customary events of default and covenants that, among other things, requires Piper Sandler & Co. to maintain a minimum regulatory net capital, limits our leverage ratio and requires maintenance of a minimum ratio of operating cash flow to fixed charges. At December 31, 2021, we were in compliance with all covenants.

Valence Notes – On April 3, 2020, we entered into unsecured promissory notes as part of the acquisition of Valence totaling \$20 million. The Valence Notes were repaid in the first quarter of 2021.

## Capital Requirements

As a registered broker dealer and member firm of FINRA, Piper Sandler & Co. 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 \$1.0 million. 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 December 31, 2021, our net capital under the SEC's uniform net capital rule was \$362.5 million, and exceeded the minimum net capital required under the SEC rule by \$361.5 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.

Our committed short-term credit facility, revolving credit facility and Class B Notes with PIMCO include covenants requiring Piper Sandler & Co. to maintain a minimum regulatory net capital of \$120 million. Our fully disclosed clearing agreement with Pershing includes a covenant requiring Piper Sandler & Co. to maintain excess net capital of \$120 million.

At December 31, 2021, Piper Sandler Ltd., our broker dealer subsidiary registered in the U.K., was subject to, and was 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 Sandler 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 December 31, 2021, Piper Sandler 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 the notional contract value of our off-balance sheet arrangements for the periods presented:

	Expiration Per Period at December 31,						Total Contractual Amount	
	2022	2023	2024	2025 - 2026	2027 - 2028	Later	December 31, 2021	December 31, 2020
<i>(Amounts in thousands)</i>								
Customer matched-book derivative contracts (1) (2)	\$ 11,320	\$ 3,020	\$ 17,930	\$ 11,210	\$ 59,160	\$ 1,527,416	\$ 1,630,056	\$ 1,955,131
Trading securities derivative contracts (2)	56,550	—	—	—	—	9,375	65,925	55,375
Investment commitments (3)	—	—	—	—	—	—	80,562	66,043

- (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 one major financial institution, which is mitigated by collateral deposits. In addition, we have a limited number of counterparties (contractual amount of \$157.8 million at December 31, 2021) 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 December 31, 2021, we had \$20.7 million of credit exposure with these counterparties, including \$16.3 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 December 31, 2021 and 2020, the net fair value of these derivative contracts approximated \$19.8 million and \$18.1 million, respectively.
- (3) The investment commitments have no specified call dates. The timing of capital calls is based on market conditions and investment opportunities.

## 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 discussion of our activities related to derivative products, see Note 5 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

### ***Investment Commitments***

We have investments, including those made as part of our alternative asset management activities, in various limited partnerships or limited liability companies that make direct or indirect equity or debt investments in companies. We commit capital and/or act as the managing partner of these entities. We have committed capital of \$80.6 million to certain entities and these commitments generally have no specified call dates. For additional information on our activities related to these types of entities, see Note 7 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

### **Replacement of Interbank Offered Rates ("IBORs"), including LIBOR**

Central banks and regulators in a number of major jurisdictions (e.g., U.S., U.K., European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for IBORs. On March 5, 2021, the U.K. Financial Conduct Authority, which regulates LIBOR, formally announced the dates after which LIBOR will cease publication. The publication of certain USD LIBOR tenors and all non-USD LIBOR tenors ceased after December 31, 2021, which did not impact our operations. The remaining USD LIBOR tenors will continue publication until June 30, 2023.

Our limited number of contractual agreements, which use the remaining USD LIBOR tenors, are primarily within our customer matched-book derivatives portfolio. Substantially all of these instruments mature after June 30, 2023 and use interest rates based on LIBOR. The International Swaps and Derivatives Association ("ISDA") created the IBOR Fallback Protocol to facilitate amending references to benchmark interest rates in derivative contracts governed by Master ISDA Agreements. If a benchmark interest rate is no longer published, it will "fall back" to a new benchmark interest rate in those contracts where both counterparties have agreed to adhere to the protocol. We are working with our clients to ensure adherence to the protocol. As a result, we do not expect the transition from the remaining USD LIBOR tenors to a replacement rate to have a significant impact on our operations.

### **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 and regulatory 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 management's processes for identifying and evaluating our major risks, and the policies, procedures and practices employed by management to govern its risk assessment and risk management processes. The nominating and governance committee of the board of directors oversees the board of directors' committee structures and functions as they relate to the various committees' responsibilities with respect to oversight of our major risk exposures. With respect to these major risk exposures, the audit committee is responsible for overseeing management's monitoring and control of our major risk exposures relating to market risk, credit risk, liquidity risk, legal and regulatory risks, operational risk (including cybersecurity), and human capital risk relating to misconduct, fraud, and legal and compliance matters. Our compensation committee is responsible for overseeing management's monitoring and control of our major risk exposures relating to compensation, organizational structure, and succession. Our board of directors is responsible for overseeing management's monitoring and control of our major risk exposures related to our corporate strategy. Our Chief Executive Officer and Chief Financial Officer meet with the audit committee on a quarterly basis to discuss our market, liquidity, and legal and regulatory risks, and provide updates to the board of directors, audit committee, and compensation committee concerning the other major risk exposures on a regular basis.



We use internal committees to assist in governing risk and ensure that our business activities are properly assessed, monitored and managed. Our executive financial risk committee manages our market, liquidity and credit risks; oversees risk management practices related to these risks, including defining acceptable risk tolerances and approving risk management policies; and responds to market changes in a dynamic manner. Membership is comprised of senior leadership, including but not limited to, our Chief Executive Officer, President, Chief Financial Officer, Treasurer, Head of Market and Credit Risk, and Head of Fixed Income Trading and Risk. 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 committees, 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 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 strategic vision which demonstrates a commitment to our culture, leverages our core competencies, 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 losses, or 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 and to our market-making activities. The scope of our market risk management policies and procedures includes all market-sensitive cash and derivative 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 slope of the yield curve, changes in credit spreads, and the rate of prepayments on our interest-earning assets (e.g., inventories) and our funding sources (e.g., short-term financing) 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 5 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K 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. Also, we establish limits on our long fixed income securities inventory, monitor these limits on a daily basis and manage within those limits. Our limits include but are not limited to the following: position and concentration size, dollar duration (i.e., DV01), credit quality and aging.

We estimate that a parallel 50 basis point adverse change in the market would result in a decrease of approximately \$0.7 million in the carrying value of our fixed income securities inventory as of December 31, 2021, including the effect of the hedging transactions.

We also measure and monitor the aging and turnover of our long fixed income securities inventory. Turnover is evaluated based on a five-day average by category of security. The vast majority of our fixed income securities inventory generally turns over within three weeks.

In addition to the measures discussed above, we monitor and manage market risk exposure through evaluation of spread DV01 and the MMD basis risk for municipal securities to movements in U.S. treasury securities. All metrics are aggregated by asset concentration and are used for monitoring limits and exception approvals. In times of market volatility, we may also perform ad hoc stress tests and scenario analysis as market conditions dictate.

*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 primarily 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 our long inventory, monitoring these limits on a daily basis, and by managing net position levels within those limits.

*Foreign Exchange Risk* — Foreign exchange risk represents the potential volatility to earnings or capital arising from movement in foreign exchange rates. A modest portion of our business is conducted in currencies other than the U.S. dollar, and changes in foreign exchange rates relative to the U.S. dollar can therefore affect the value of non-U.S. dollar net assets, revenues and expenses.

### **Liquidity Risk**

Liquidity risk is the risk that we are unable to timely access necessary funding sources in order to operate our business, as well as the risk that we are unable to timely divest securities that we hold in connection with our market-making and sales and trading activities. 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.

Our inventory positions 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.

See the section entitled "Liquidity, Funding and Capital Resources" for information regarding our liquidity and how we manage liquidity risk.

### **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 risk also results from an obligor's failure to meet the terms of any contract with us or otherwise fail to perform as agreed. This may be reflected through issues such as settlement obligations or payment collections.

A key tenet of our risk management procedures related to credit risk is the daily monitoring of the credit quality of our long fixed income securities inventory. These rating trends and the credit quality mix are regularly reviewed with the executive financial risk committee. The following table summarizes the credit rating for our long corporate fixed income, municipal (taxable and tax-exempt), and U.S. government and agency securities as a percentage of the total of these asset classes as of December 31, 2021:

	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>Not Rated</b>
Corporate fixed income securities	— %	0.1 %	— %	0.6 %	— %	— %
Municipal securities - taxable and tax-exempt	23.6 %	50.5 %	7.2 %	0.1 %	— %	4.4 %
U.S. government and agency securities	— %	13.3 %	0.1 %	— %	— %	0.1 %
	<u>23.6 %</u>	<u>63.9 %</u>	<u>7.3 %</u>	<u>0.7 %</u>	<u>— %</u>	<u>4.5 %</u>

Convertible and preferred securities are excluded from the table above as they are typically unrated.

Our different types of credit risk include:

*Credit Spread Risk* — 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 creditworthiness. We are exposed to credit spread risk with the debt instruments held in our trading inventory. We enter into transactions to hedge our exposure to credit spread risk with 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.

*Deterioration/Default Risk* — Deterioration/default risk represents the risk due to an issuer, counterparty or borrower failing to fulfill its obligations. We are exposed to deterioration/default risk in our role as a trading counterparty to dealers and customers, as a holder of securities, and as a member of exchanges. 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. Our risk management functions also evaluate the potential risk associated with institutional counterparties with whom we hold derivatives, TBAs and other documented institutional counterparty agreements that may give rise to credit exposure.

*Collections Risk* — Collections risk arises from ineffective management and monitoring of collecting outstanding debts and obligations, including those related to our customer trading activities. 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. Our risk management functions have credit risk policies establishing appropriate credit limits and collateralization thresholds for our customers and counterparties.

*Concentration Risk* — Concentration risk is the risk due to concentrated exposure to a particular product; individual issuer, borrower or counterparty; financial instrument; or geographic area. We are subject to concentration risk if we hold large individual securities positions, execute large transactions with individual counterparties or groups of related counterparties, or make substantial underwriting commitments. Potential concentration risk is monitored through review of counterparties and borrowers and is managed using policies and limits established by senior management.

We have concentrated counterparty credit exposure with four non-publicly rated entities totaling \$20.7 million at December 31, 2021. 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 represented 78.6 percent, or \$16.3 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 our relationship with any of the exchanges, fully disclosed clearing firms, 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, internal misconduct or inadvertent errors and other events that could have an information security impact. The occurrence of one or more of these events, which we have experienced, 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. Important aspects of these policies and procedures include segregation of duties, management oversight, internal control over financial reporting and independent risk management activities within such functions as Risk Management, Compliance, Operations, Internal Audit, Treasury, Finance, Information Technology and Legal. Internal Audit oversees, monitors, evaluates, analyzes and reports on operational risk across the firm. 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.

We operate under a fully disclosed clearing model for all of our securities inventories with the exception of convertible securities, and for all of our client clearing activities. In a fully disclosed clearing model, we act as an introducing broker for client transactions and rely on Pershing, our clearing broker dealer, to facilitate clearance and settlement of our clients' securities transactions. The clearing services provided by Pershing are critical to our business operations, and similar to other services performed by third party vendors, any failure by Pershing with respect to the services we rely upon Pershing to provide could cause financial loss, significantly disrupt our business, damage our reputation, and adversely affect our ability to serve our clients and manage our exposure to risk.

### ***Human Capital Risk***

Our business is a human capital business and our success is dependent upon the skills, expertise and performance of our employees. Human capital risks represent the risks posed if we fail to attract and retain 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. There are risks associated with the proper recruitment, development and rewards of our employees to ensure quality performance and retention.

### ***Legal and Regulatory Risk***

Legal and regulatory 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, 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 adverse effects upon the securities markets, it may adversely affect our financial position and results of operations.

## **ITEM 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.***

The information under the caption "Risk Management" in Part II, Item 7 of this Form 10-K entitled, "Management's Discussion and Analysis of Financial Condition and Results of Operations," is incorporated herein by reference.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

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## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on its assessment and those criteria, management has concluded that we maintained effective internal control over financial reporting as of December 31, 2021.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of Piper Sandler Companies included in this Annual Report on Form 10-K, has issued an attestation report on internal control over financial reporting as of December 31, 2021. Their report, which expresses an unqualified opinion on the effectiveness of Piper Sandler Companies' internal control over financial reporting as of December 31, 2021, is included herein.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Piper Sandler Companies

### Opinion on Internal Control Over Financial Reporting

We have audited Piper Sandler Companies' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Piper Sandler Companies (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes, and our report dated February 25, 2022, expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Ernst & Young LLP

Minneapolis, Minnesota  
February 25, 2022

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Piper Sandler Companies

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Piper Sandler Companies (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.



### ***Valuation of Investments at Fair Value***

*Description of the Matter* At December 31, 2021, the Company's investments at fair value totaled \$239.4 million, primarily consisting of investments in private companies. These investments are held in consolidated alternative asset management funds, which include \$164.6 million of noncontrolling interests attributable to unrelated third party ownership. Of the total investments at fair value, \$142.3 million are categorized as Level III within the fair value hierarchy. As described in Notes 2 and 6 of the consolidated financial statements, management determines the fair values of these investments internally using the best information available. These investments in private companies are valued based on an assessment of each underlying security, considering rounds of financing, the financial condition and operating results of the private company, 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.

Auditing the fair value of the Company's investments related to its alternative asset management funds was complex, as the inputs and assumptions used by the Company are highly judgmental and could have a significant effect on the fair value measurements of such investments.

*How We Addressed the Matter in Our Audit* We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's investment valuation process. This included controls over management's assessment of the valuation methodologies, the inputs and assumptions used in determining fair value measurements, and the valuation committees review of investment valuations on a quarterly basis.

To test the valuation of the Company's investments related to its alternative asset management funds, our procedures included, among others, involving internal valuation specialists to assist in our evaluation of the Company's valuation methodologies, testing the significant inputs and assumptions used by the Company in determining the fair values, and testing the mathematical accuracy of the Company's valuation calculations. For example, we agreed model inputs to source information including capital structure, investee-provided financial information or projections, and publicly available information on comparable transactions (e.g., transaction multiples). We assessed the issuer's financial projections by comparing them to historical performance, obtaining an understanding of key events impacting the issuer and performing sensitivity analyses as needed to evaluate the impact to fair value that would result from changes in these projections. To the extent available, we evaluated subsequent events and other information and considered whether it corroborated or contradicted the Company's year-end valuations.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2003.

Minneapolis, Minnesota  
February 25, 2022

**Piper Sandler Companies**

**Consolidated Statements of Financial Condition**

<i>(Amounts in thousands, except share data)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 970,965	\$ 507,935
Receivables from brokers, dealers and clearing organizations	254,130	221,491
Financial instruments and other inventory positions owned	230,423	270,849
Financial instruments and other inventory positions owned and pledged as collateral	118,551	130,703
Total financial instruments and other inventory positions owned	348,974	401,552
Fixed assets (net of accumulated depreciation and amortization of \$76,823 and \$74,883, respectively)	51,761	43,812
Goodwill	227,508	227,508
Intangible assets (net of accumulated amortization of \$115,672 and \$85,592, respectively)	119,778	149,858
Investments (including noncontrolling interests of \$164,565 and \$94,900, respectively)	252,045	183,179
Net deferred income tax assets	158,200	104,219
Right-of-use lease asset	71,341	82,543
Other assets	110,605	75,043
Total assets	<u>\$ 2,565,307</u>	<u>\$ 1,997,140</u>
<b>Liabilities and Shareholders' Equity</b>		
Long-term financing	\$ 125,000	\$ 195,000
Payables to brokers, dealers and clearing organizations	13,247	18,591
Financial instruments and other inventory positions sold, but not yet purchased	128,690	151,030
Accrued compensation	900,079	522,412
Accrued lease liability	89,625	99,478
Other liabilities and accrued expenses	81,811	84,547
Total liabilities	1,338,452	1,071,058
Shareholders' equity:		
Common stock, \$0.01 par value:		
Shares authorized: 100,000,000 at December 31, 2021 and December 31, 2020;		
Shares issued: 19,541,037 at December 31, 2021 and 19,533,547 at December 31, 2020;		
Shares outstanding: 14,129,519 at December 31, 2021 and 13,776,025 at December 31, 2020		
	195	195
Additional paid-in capital	925,387	847,785
Retained earnings	450,165	271,001
Less common stock held in treasury, at cost: 5,411,518 shares at December 31, 2021 and 5,757,522 shares at December 31, 2020	(312,573)	(289,359)
Accumulated other comprehensive loss	(964)	(197)
Total common shareholders' equity	1,062,210	829,425
Noncontrolling interests	164,645	96,657
Total shareholders' equity	1,226,855	926,082
Total liabilities and shareholders' equity	<u>\$ 2,565,307</u>	<u>\$ 1,997,140</u>

*See Notes to the Consolidated Financial Statements*

**Piper Sandler Companies**  
**Consolidated Statements of Operations**

	Year Ended December 31,		
	2021	2020	2019
<i>(Amounts in thousands, except per share data)</i>			
<b>Revenues:</b>			
Investment banking	\$ 1,553,219	\$ 858,476	\$ 629,392
Institutional brokerage	387,577	357,753	167,891
Interest income	6,967	13,164	26,741
Investment income	94,032	23,265	22,275
Total revenues	<u>2,041,795</u>	<u>1,252,658</u>	<u>846,299</u>
Interest expense	<u>10,734</u>	<u>14,445</u>	<u>11,733</u>
Net revenues	<u>2,031,061</u>	<u>1,238,213</u>	<u>834,566</u>
<b>Non-interest expenses:</b>			
Compensation and benefits	1,305,166	877,462	516,090
Outside services	45,942	38,377	36,184
Occupancy and equipment	56,946	54,007	36,795
Communications	44,008	44,358	30,760
Marketing and business development	20,902	13,472	28,780
Deal-related expenses	42,921	38,072	25,823
Trade execution and clearance	16,533	18,934	10,186
Restructuring and integration costs	4,724	10,755	14,321
Intangible asset amortization	30,080	44,728	4,298
Other operating expenses	22,327	29,500	12,350
Total non-interest expenses	<u>1,589,549</u>	<u>1,169,665</u>	<u>715,587</u>
<b>Income from continuing operations before income tax expense</b>	<b>441,512</b>	<b>68,548</b>	<b>118,979</b>
Income tax expense	<u>111,144</u>	<u>19,192</u>	<u>24,577</u>
<b>Income from continuing operations</b>	<b>330,368</b>	<b>49,356</b>	<b>94,402</b>
<b>Discontinued operations:</b>			
Income from discontinued operations, net of tax	<u>—</u>	<u>—</u>	<u>23,772</u>
<b>Net income</b>	<b>330,368</b>	<b>49,356</b>	<b>118,174</b>
Net income applicable to noncontrolling interests	<u>51,854</u>	<u>8,852</u>	<u>6,463</u>
<b>Net income applicable to Piper Sandler Companies</b>	<b>\$ 278,514</b>	<b>\$ 40,504</b>	<b>\$ 111,711</b>
<b>Net income applicable to Piper Sandler Companies' common shareholders</b>	<b>\$ 278,514</b>	<b>\$ 40,504</b>	<b>\$ 107,200</b>

*Continued on next page*

**Piper Sandler Companies**  
**Consolidated Statements of Operations – Continued**

	Year Ended December 31,		
	2021	2020	2019
<i>(Amounts in thousands, except per share data)</i>			
<b>Amounts applicable to Piper Sandler Companies</b>			
Net income from continuing operations	\$ 278,514	\$ 40,504	\$ 87,939
Net income from discontinued operations	—	—	23,772
Net income applicable to Piper Sandler Companies	\$ 278,514	\$ 40,504	\$ 111,711
<b>Earnings per basic common share</b>			
Income from continuing operations	\$ 19.52	\$ 2.94	\$ 6.21
Income from discontinued operations	—	—	1.69
Earnings per basic common share	\$ 19.52	\$ 2.94	\$ 7.90
<b>Earnings per diluted common share</b>			
Income from continuing operations	\$ 16.43	\$ 2.72	\$ 6.05
Income from discontinued operations	—	—	1.65
Earnings per diluted common share	\$ 16.43	\$ 2.72	\$ 7.69
<b>Dividends declared per common share</b>	<b>\$ 6.80</b>	<b>\$ 2.00</b>	<b>\$ 2.51</b>
<b>Weighted average number of common shares outstanding</b>			
Basic	14,265	13,781	13,555
Diluted	16,955	14,901	13,937

*See Notes to the Consolidated Financial Statements*

**Piper Sandler Companies**  
**Consolidated Statements of Comprehensive Income**

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2021	2020	2019
<b>Net income</b>	<b>\$ 330,368</b>	<b>\$ 49,356</b>	<b>\$ 118,174</b>
<b>Other comprehensive income/(loss), net of tax:</b>			
Foreign currency translation adjustment	(767)	675	526
<b>Comprehensive income</b>	<b>329,601</b>	<b>50,031</b>	<b>118,700</b>
Comprehensive income applicable to noncontrolling interests	51,854	8,852	6,463
<b>Comprehensive income applicable to Piper Sandler Companies</b>	<b>\$ 277,747</b>	<b>\$ 41,179</b>	<b>\$ 112,237</b>

*See Notes to the Consolidated Financial Statements*

Piper Sandler Companies

Consolidated Statements of Changes in Shareholders' Equity

(Amounts in thousands, except share amounts)	Common	Common	Additional	Retained	Treasury	Accumulated	Total	Noncontrolling	Total
	Shares Outstanding	Stock	Paid-In Capital	Earnings	Stock	Other Comprehensive Loss	Common Shareholders' Equity	Interests	Shareholders' Equity
<b>Balance at December 31, 2018</b>	<b>12,995,397</b>	<b>\$ 195</b>	<b>\$ 796,363</b>	<b>\$ 182,552</b>	<b>\$ (300,268)</b>	<b>\$ (1,398)</b>	<b>\$ 677,444</b>	<b>\$ 52,972</b>	<b>\$ 730,416</b>
Net income	—	—	—	111,711	—	—	111,711	6,463	118,174
Dividends	—	—	—	(35,594)	—	—	(35,594)	—	(35,594)
Amortization/issuance of restricted stock	—	—	27,137	—	—	—	27,137	—	27,137
Repurchase of common stock through share repurchase program	(501)	—	—	—	(32)	—	(32)	—	(32)
Issuance of treasury shares for restricted stock vestings	1,415,147	—	(66,474)	—	66,474	—	—	—	—
Repurchase of common stock from employees	(701,217)	—	—	—	(50,552)	—	(50,552)	—	(50,552)
Shares reserved/issued for director compensation	8,489	—	643	—	—	—	643	—	643
Other comprehensive income	—	—	—	—	—	526	526	—	526
Fund capital contributions, net	—	—	—	—	—	—	—	15,810	15,810
<b>Balance at December 31, 2019</b>	<b>13,717,315</b>	<b>\$ 195</b>	<b>\$ 757,669</b>	<b>\$ 258,669</b>	<b>\$ (284,378)</b>	<b>\$ (872)</b>	<b>\$ 731,283</b>	<b>\$ 75,245</b>	<b>\$ 806,528</b>
Net income	—	—	—	40,504	—	—	40,504	8,852	49,356
Dividends	—	—	—	(28,172)	—	—	(28,172)	—	(28,172)
Amortization/issuance of restricted stock (1)	—	—	103,852	—	—	—	103,852	—	103,852
Repurchase of common stock through share repurchase program	(188,319)	—	—	—	(13,129)	—	(13,129)	—	(13,129)
Issuance of treasury shares for restricted stock vestings	309,089	—	(15,310)	—	15,310	—	—	—	—
Issuance of treasury shares for deal consideration	34,205	—	1,049	—	1,674	—	2,723	—	2,723
Repurchase of common stock from employees	(105,193)	—	—	—	(8,836)	—	(8,836)	—	(8,836)
Shares reserved/issued for director compensation	8,928	—	525	—	—	—	525	—	525
Other comprehensive income	—	—	—	—	—	675	675	—	675
Fund capital contributions, net	—	—	—	—	—	—	—	12,560	12,560
<b>Balance at December 31, 2020</b>	<b>13,776,025</b>	<b>\$ 195</b>	<b>\$ 847,785</b>	<b>\$ 271,001</b>	<b>\$ (289,359)</b>	<b>\$ (197)</b>	<b>\$ 829,425</b>	<b>\$ 96,657</b>	<b>\$ 926,082</b>
Net income	—	—	—	278,514	—	—	278,514	51,854	330,368
Dividends	—	—	—	(99,350)	—	—	(99,350)	—	(99,350)
Amortization/issuance of restricted stock (1)	—	—	123,270	—	—	—	123,270	—	123,270
Repurchase of common stock through share repurchase program	(417,903)	—	—	—	(52,250)	—	(52,250)	—	(52,250)
Issuance of treasury shares for restricted stock vestings	918,024	—	(46,687)	—	46,687	—	—	—	—
Repurchase of common stock from employees	(154,117)	—	—	—	(17,651)	—	(17,651)	—	(17,651)
Shares reserved/issued for director compensation	7,490	—	1,019	—	—	—	1,019	—	1,019
Other comprehensive loss	—	—	—	—	—	(767)	(767)	—	(767)
Fund capital contributions, net	—	—	—	—	—	—	—	16,134	16,134
<b>Balance at December 31, 2021</b>	<b>14,129,519</b>	<b>\$ 195</b>	<b>\$ 925,387</b>	<b>\$ 450,165</b>	<b>\$ (312,573)</b>	<b>\$ (964)</b>	<b>\$ 1,062,210</b>	<b>\$ 164,645</b>	<b>\$ 1,226,855</b>

(1) Includes amortization of restricted stock issued in conjunction with the Company's acquisitions. See Note 3 for further discussion.

See Notes to the Consolidated Financial Statements

**Piper Sandler Companies**  
**Consolidated Statements of Cash Flows**

<i>(Amounts in thousands)</i>	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Operating Activities:</b>			
Net income	\$ 330,368	\$ 49,356	\$ 118,174
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	12,630	10,699	9,360
Deferred income taxes	(53,981)	(36,184)	11,323
Gain on sale of Advisory Research, Inc. ("ARI"), net of tax	—	—	(33,026)
Stock-based compensation	171,447	121,688	32,003
Amortization of intangible assets	30,080	44,728	9,763
Amortization of forgivable loans	9,505	3,538	4,639
Decrease/(increase) in operating assets:			
Receivables from brokers, dealers and clearing organizations	(32,639)	254,292	(46,207)
Net financial instruments and other inventory positions owned	30,238	203,815	(4,542)
Investments	(68,866)	(24,353)	(6,255)
Other assets	(34,913)	4,024	117
Increase/(decrease) in operating liabilities:			
Payables to brokers, dealers and clearing organizations	(5,344)	11,077	(1,143)
Accrued compensation	330,883	132,767	(29,277)
Other liabilities and accrued expenses	(12,321)	4,318	(10,117)
Decrease in assets held for sale	—	—	20,901
Decrease in liabilities held for sale	—	—	(7,915)
Net cash provided by operating activities	<b>707,087</b>	<b>779,765</b>	<b>67,798</b>
<b>Investing Activities:</b>			
Business acquisitions, net of cash acquired	—	(417,414)	(19,674)
Proceeds from sale of ARI	—	—	52,881
Purchases of fixed assets, net	(20,577)	(17,581)	(6,516)
Net cash provided by/(used in) investing activities	<b>(20,577)</b>	<b>(434,995)</b>	<b>26,691</b>

*Continued on next page*

**Piper Sandler Companies**

**Consolidated Statements of Cash Flows – Continued**

<i>(Amounts in thousands)</i>	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Financing Activities:</b>			
Increase/(decrease) in short-term financing	\$ —	\$ (49,978)	\$ 25
Issuance of long-term financing	—	—	175,000
Repayment of long-term financing	<b>(70,000)</b>	—	—
Payment of cash dividend	<b>(99,350)</b>	(28,172)	(35,594)
Increase in noncontrolling interests	<b>16,134</b>	12,560	15,810
Repurchase of common stock	<b>(69,901)</b>	(21,965)	(50,584)
Net cash provided by/(used in) financing activities	<b>(223,117)</b>	(87,555)	104,657
<b>Currency adjustment:</b>			
Effect of exchange rate changes on cash	<b>(363)</b>	702	508
Net increase in cash and cash equivalents	<b>463,030</b>	257,917	199,654
Cash and cash equivalents at beginning of year	<b>507,935</b>	250,018	50,364
Cash and cash equivalents at end of year	<b>\$ 970,965</b>	<b>\$ 507,935</b>	<b>\$ 250,018</b>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year for:			
Interest	<b>\$ 10,777</b>	\$ 14,485	\$ 12,038
Income taxes	<b>\$ 165,910</b>	\$ 28,891	\$ 9,581

*See Notes to the Consolidated Financial Statements*



**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements**

**Note 1** *Organization and Basis of Presentation*

**Organization**

Piper Sandler Companies is the parent company of Piper Sandler & Co., a securities broker dealer and investment banking firm; Piper Sandler Ltd., a firm providing securities brokerage and mergers and acquisitions services in the United Kingdom; Piper Sandler Finance LLC, which facilitates corporate debt underwriting in conjunction with affiliated credit vehicles; Piper Sandler Investment Group Inc., PSC Capital Management LLC and PSC Capital Management II LLC, entities providing alternative asset management services; Piper Sandler Loan Strategies, LLC ("PSLS"), which provides management services for primary and secondary market liquidity transactions of loan and servicing rights; Piper Sandler Hedging Services, LLC, an entity that assists clients with hedging strategies; Piper Sandler Financial Products Inc. and Piper Sandler Financial Products II Inc., entities that facilitate derivative transactions; and other immaterial subsidiaries.

Piper Sandler Companies and its subsidiaries (collectively, the "Company") operate in one reporting segment providing investment banking and institutional securities services (collectively, "Capital Markets"). The Company's Capital Markets business provides investment banking services and institutional sales, trading and research services. Investment banking services include financial advisory services, management of and participation in underwritings, and municipal financing activities. Revenues are generated through the receipt of advisory and financing fees. Institutional sales, trading and research services focus on the trading of equity and fixed income products with institutions, corporations, 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. Also, the Company has created alternative asset management funds in merchant banking and healthcare in order to invest firm capital and to manage capital from outside investors. The Company records gains and losses from investments in these funds and receives management and performance fees.

As discussed in Note 4, Advisory Research, Inc. ("ARI") was sold in the third quarter of 2019. ARI's results, previously reported in the Company's Asset Management segment, have been presented as discontinued operations for the year ended December 31, 2019. ARI provided traditional asset management services with product offerings in master limited partnerships and equity securities.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and include the accounts of Piper Sandler 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 Sandler 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.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management 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.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

**Note 2 Summary of Significant Accounting Policies**

**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 or participating 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, 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.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid investments with maturities of 90 days or less at the date of origination.

**Fair Value of Financial Instruments**

Financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased on the consolidated statements of financial condition consist of financial instruments (including securities with extended settlements and derivative contracts) recorded at fair value. Unrealized gains and losses related to these financial instruments are reflected on the consolidated statements of operations. Securities (both long and short), including securities with extended settlements, are recognized on a trade-date basis. Additionally, the Company's investments on the consolidated statements of financial condition are principally recorded at fair value.

*Fair Value Measurement – Definition and Hierarchy* – Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 820, "Fair Value Measurement," ("ASC 820") defines fair value as the amount at which an instrument could be exchanged in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect management's assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level I – Quoted prices (unadjusted) are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these financial instruments include instruments for which quoted prices are available but traded less frequently, instruments whose fair value have been derived using a model where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data, and instruments that are fair valued using other financial instruments, the parameters of which can be directly observed.

Level III – Instruments that have little to no pricing observability as of the report date. These financial instruments are measured using management's best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

*Valuation 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. When available, the Company values financial instruments at observable market prices, observable market parameters, or broker or dealer prices (bid and ask prices). In the case of financial instruments transacted on recognized exchanges, the observable market prices represent quotations for completed transactions from the exchange on which the financial instrument is principally traded.

A substantial percentage of the fair value of the Company's financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased, are based on observable market prices, observable market parameters, or derived from broker or dealer prices. The availability of observable market prices and pricing parameters can vary from product to product. Where available, observable market prices and pricing or market parameters in a product may be used to derive a price without requiring significant judgment. In certain markets, observable market prices or market parameters are not available for all products, and fair value is determined using techniques appropriate for each particular product. These techniques involve some degree of judgment. Results from valuation models and other techniques in one period may not be indicative of future period fair value measurement.

For investments in illiquid or privately held securities that do not have readily determinable fair values, the determination of fair value requires the Company to estimate the value of the securities using the best information available. Among the factors considered by the Company in determining the fair value of such financial instruments are the cost, terms and liquidity of the investment, the financial condition and operating results of the issuer, the quoted market price of publicly traded securities with similar quality and yield, and other factors generally pertinent to the valuation of investments. In instances where a security is subject to transfer restrictions, the value of the security is based primarily on the quoted price of a similar security without restriction but may be reduced by an amount estimated to reflect such restrictions. In addition, even where the Company derives the value of a security based on information from an independent source, certain assumptions may be required to determine the security's fair value. For instance, the Company assumes that the size of positions in securities that it holds would not be large enough to affect the quoted price of the securities if the Company sells them, and that any such sale would happen in an orderly manner. The actual value realized upon disposition could be different from the currently estimated fair value.

**Fixed Assets**

Fixed assets include furniture and equipment, software, and leasehold improvements. Furniture and equipment and software are depreciated using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are amortized over ten years or the life of the lease, whichever is shorter.

**Leases**

A lease is a contract, or part of a contract, that conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. In making this determination, the Company considers if it obtains substantially all of the economic benefits from the use of the underlying asset and directs how and for what purpose the asset is used during the term of the contract.

The Company leases its corporate headquarters and other offices under various non-cancelable leases, all of which are operating leases. In addition to rent, the leases require payment of real estate taxes, insurance and common area maintenance. Some of the leases contain renewal and/or termination options, escalation clauses, rent-free holidays and operating cost adjustments. The original terms of the Company's lease agreements generally range up to 12 years.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The Company recognizes a right-of-use ("ROU") lease asset and lease liability on the consolidated statements of financial condition for all leases with a term greater than 12 months. The lease liability represents the Company's obligation to make future lease payments and is recorded at an amount equal to the present value of the remaining lease payments due over the lease term. The ROU lease asset, which represents the right to use the underlying asset during the lease term, is measured based on the carrying value of the lease liability, adjusted for other items, such as lease incentives and uneven rent payments.

The discount rate used to determine the present value of the remaining lease payments reflects the Company's incremental borrowing rate, which is the rate the Company would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment. In calculating its discount rates, the Company takes into consideration a financing arrangement that is on a secured (i.e., collateralized) basis, as well as market interest rates and spreads, other reference points, and the respective tenors of the Company's designated lease term ranges. The Company applies the portfolio approach in determining the discount rates for its leases.

For leases that contain escalation clauses or rent-free holidays, the Company recognizes the related rent expense on a straight-line basis from the date the Company takes possession of the property to the end of the initial lease term. The Company records any difference between the straight-line rent expense and amounts paid under the leases as part of the amortization of the ROU lease asset.

Cash or lease incentives received upon entering into certain leases are recognized on a straight-line basis as a reduction of rent expense from the date the Company takes possession of the property or receives the cash to the end of the initial lease term. Lease incentives, which initially reduce the ROU lease asset, are a component of the amortization of the ROU lease asset.

Rent expense for leases with a term of 12 months or less is recorded on a straight-line basis over the lease term in the consolidated statements of operations.

**Goodwill and Intangible Assets**

Goodwill represents the fair value of the consideration transferred in excess of the fair value of identifiable net assets at the acquisition date. The Company tests goodwill and indefinite-life intangible assets for impairment on an annual basis and on an interim basis when circumstances exist that could indicate possible impairment. The Company tests for impairment at the reporting unit level, which is generally one level below its operating segments. The Company has identified one reporting unit: Capital Markets. When testing for impairment, the Company has the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after making an assessment, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then further analysis is unnecessary. However, if the Company concludes otherwise, then the Company is required to perform a quantitative goodwill test, which requires management to make judgments in determining what assumptions to use in the calculation. The quantitative goodwill test compares the fair value of the reporting unit to its carrying value, including allocated goodwill. An impairment is recognized for the excess amount of a reporting unit's carrying value over its fair value. The estimated fair value of the reporting unit is derived based on valuation techniques that a market participant would use. The Company estimates the fair value of the reporting unit using the income approach (discounted cash flow method) and market approach (earnings and/or transaction multiples).

Intangible assets with determinable lives consist of customer relationships and internally developed software that are amortized over their original estimated useful lives ranging from one to eight years. The pattern of amortization reflects the timing of the realization of the economic benefits of such intangible assets. The Sandler trade name is an indefinite-lived intangible asset, which is not amortized and is evaluated for impairment annually, at a minimum, or on an interim basis if events or circumstances indicate a possible inability to realize the carrying amount.

See Note 11 for additional information on the Company's impairment testing of goodwill and intangible assets.

**Investments**

The Company's investments include equity investments in private companies and partnerships. Equity investments in private companies are accounted for at fair value. Investments in partnerships are accounted for under the equity method, which is generally the net asset value.

**Piper Sandler Companies****Notes to the Consolidated Financial Statements – Continued****Other Assets**

Other assets include receivables and prepaid expenses. Receivables primarily include fee receivables and loans made to employees, typically in connection with their recruitment. Employee loans are forgiven based on continued employment and are amortized to compensation and benefits expense using the straight-line method over the respective terms of the loans, which generally range from one to five years.

**Revenue Recognition**

*Investment Banking* – Investment banking revenues, which include advisory and underwriting fees, are recorded when the performance obligation for the transaction is satisfied under the terms of each engagement. Expenses associated with such transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded. Investment banking revenues are presented gross of related client reimbursed deal expenses. Expenses for completed deals are reported separately in deal-related expenses on the consolidated statements of operations. Expenses related to investment banking deals not completed are recognized as non-interest expenses in their respective category on the consolidated statements of operations.

The Company's advisory fees generally consist of a nonrefundable up-front fee and a success fee. The nonrefundable fee is recorded as deferred revenue upon receipt and recognized at a point in time when the performance obligation is satisfied, or when the transaction is deemed by management to be terminated. Management's judgment is required in determining when a transaction is considered to be terminated. Certain engagements, such as restructuring advisory fees, consist of services provided on an ongoing basis, and are recognized over time as the performance obligation is satisfied.

The substantial majority of the Company's advisory and underwriting fees (i.e., the success-related advisory fee) are considered variable consideration and recognized when it is probable that the variable consideration will not be reversed in a future period. The variable consideration is considered to be constrained until satisfaction of the performance obligation. The Company's performance obligation is generally satisfied at a point in time upon the closing of a strategic transaction, completion of a financing or underwriting arrangement, or some other defined outcome (e.g., providing a fairness opinion). At this time, the Company has transferred control of the promised service and the customer obtains control. As these arrangements represent a single performance obligation, allocation of the transaction price is not necessary. The Company has elected to apply the following optional exemptions regarding disclosure of its remaining performance obligations: (i) the Company's performance obligation is part of a contract that has an original expected duration of one year or less and/or (ii) the variable consideration is allocated entirely to a wholly unsatisfied promise to transfer a distinct service that forms part of a single performance obligation.

*Institutional Brokerage* – Institutional brokerage revenues include (i) commissions received from customers for the execution of brokerage transactions in listed and over-the-counter (OTC) equity, fixed income and convertible debt securities, which are recognized at a point in time on the trade date because the customer has obtained the rights to the underlying security provided by the trade execution service, (ii) trading gains and losses, recorded based on changes in the fair value of long and short security positions in the reporting period, (iii) fees earned by PSLS related to the brokering of loans and servicing rights in market liquidity transactions, which are recognized at a point in time on the trade date, and (iv) fees received by the Company for equity research. The Company permits institutional customers to allocate a portion of their gross commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as commission share agreements or "soft dollar" arrangements. As the Company is not acting as a principal in satisfying the performance obligation for these arrangements, expenses relating to soft dollars are netted against commission revenues and included in other liabilities and accrued expenses on the consolidated statements of financial condition.

*Interest Revenue and Expense* – The Company nets interest expense within net revenues to mitigate the effects of fluctuations in interest rates on the Company's consolidated statements of operations. The Company recognizes contractual interest on financial instruments owned and financial instruments sold, but not yet purchased (excluding derivative instruments), on an accrual basis as a component of interest revenue and expense. The Company accounts for interest related to its short-term and long-term financing arrangements on an accrual basis with related interest recorded as interest expense.

*Investment Income* – Investment income includes realized and unrealized gains and losses from the Company's merchant banking, healthcare and other firm investments, as well as management and performance fees generated from the Company's alternative asset management funds.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The performance obligation related to the transfer of management and investment advisory services is satisfied over time and the related management fees are recognized under the output method, which reflects the fees that the Company has a right to invoice based on the services provided during the period. Fees are defined as a percentage of committed and/or invested capital. Amounts related to remaining performance obligations are not disclosed as the Company applies the output method.

Performance fees, if earned, are recognized when it is probable that such revenue will not be reversed in a future period. Management will consider such factors as the remaining assets and residual life of the fund to conclude whether it is probable that a significant reversal of revenue will not occur in the future.

See Note 21 for revenues from contracts with customers disaggregated by major business activity.

**Stock-Based Compensation**

FASB Accounting Standards Codification Topic 718, "Compensation – Stock Compensation," ("ASC 718") requires all stock-based compensation to be expensed on the consolidated statements of operations based on the grant date fair value of the award. Compensation expense related to stock-based awards that do not require future service are recognized in the year in which the awards were deemed to be earned. Stock-based awards that require future service are amortized over the relevant service period. Forfeitures of awards with service conditions are accounted for when they occur. See Note 19 for additional information on the Company's accounting for stock-based compensation.

**Income Taxes**

The Company files a consolidated U.S. federal income tax return, which includes all of its qualifying subsidiaries. The Company is also subject to income tax in various states and municipalities and those foreign jurisdictions in which it operates. Income taxes are provided for using the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between amounts reported for income tax purposes and financial statement purposes, using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The realization of deferred tax assets is assessed and a valuation allowance is recognized to the extent that it is more likely than not that any portion of a deferred tax asset will not be realized. Tax reserves for uncertain tax positions are recorded in accordance with FASB Accounting Standards Codification Topic 740, "Income Taxes" ("ASC 740").

**Earnings Per Share**

Basic earnings per common share is computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive stock options, restricted stock units and restricted shares. For periods prior to 2020, the Company calculated earnings per share using the two-class method. See Note 20 for additional information on the Company's calculation of earnings per share.

**Foreign Currency Translation**

The Company consolidates foreign subsidiaries which have designated their local currency as their functional currency. Assets and liabilities of these foreign subsidiaries are translated at period-end rates of exchange. The gains or losses resulting from translating foreign currency financial statements are included in other comprehensive income/(loss). Gains or losses resulting from foreign currency transactions are included in net income.

**Contingencies**

The Company is involved in various pending and potential legal proceedings related to its business, including litigation, arbitration and regulatory proceedings. The Company establishes reserves for potential losses to the extent that claims are probable of loss and the amount of the loss can be reasonably estimated. The determination of the outcome and reserve amounts requires significant judgment on the part of the Company's management.

**Piper Sandler Companies****Notes to the Consolidated Financial Statements – Continued****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. The fair value of the equity consideration and retention-related restricted stock was determined using the market price of the Company's common stock on the date of the respective acquisition.

**SOP Holdings, LLC**

On January 3, 2020, the Company completed the acquisition of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill"), a full-service investment banking firm and broker dealer focused on the financial services industry. The transaction was completed pursuant to the Agreement and Plans of Merger dated July 9, 2019. The economic value of the acquisition was \$485.0 million at announcement, for which the Company was entitled to receive \$100.0 million of tangible book value, subject to a final adjustment as of the closing date. The acquisition of Sandler O'Neill expanded the Company's advisory services revenues, diversified and enhanced scale in corporate financings, added a differentiated fixed income business, and increased scale in the equity brokerage business.

As part of the acquisition, the Company granted 1,568,670 shares valued at \$124.9 million on the acquisition date. Of these shares, 1,534,465 shares are restricted shares valued at \$122.2 million and subject to ratable vesting over three years and employees must fulfill service requirements in exchange for the rights to the restricted shares. As these shares compensate employees for future services, the value of the shares is not part of the purchase price. Compensation expense for these restricted shares will be amortized on a straight-line basis over the requisite service period of three years. The remaining 34,205 shares valued at \$2.7 million vested immediately and were not subject to service requirements. These shares were included in the purchase price as equity consideration in addition to the cash consideration of \$358.1 million. The net assets acquired by the Company of \$360.8 million are described below.

As discussed in Note 19, the Company also entered into acquisition-related compensation arrangements with certain employees of \$113.9 million which consisted of restricted stock (\$96.9 million) and restricted cash (\$17.0 million) for retention purposes. The retention-related awards are also subject to vesting restrictions and employees must remain continuously employed by the Company for the respective vesting period. As these shares compensate employees for future services, the value of the shares is not part of the purchase price. Compensation expense related to these arrangements will be amortized on a straight-line basis over the requisite service period of 18 months, three years or five years (a weighted average service period of 3.7 years).

The Company recorded \$94.4 million of goodwill on the consolidated statements of financial condition, of which \$93.4 million is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Sandler O'Neill. Identifiable intangible assets purchased by the Company consisted of customer relationships and the Sandler trade name with acquisition-date fair values of \$72.4 million and \$85.4 million, respectively.

Transaction costs of \$1.2 million and \$4.8 million were incurred for the years ended December 31, 2020 and 2019, respectively, and are included in restructuring and integration costs on the consolidated statements of operations.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, including measurement period adjustments:

*(Amounts in thousands)*

<b>Assets</b>	
Cash and cash equivalents	\$ 27,420
Receivables from brokers, dealers and clearing organizations	192,675
Fixed assets	6,789
Goodwill	94,360
Intangible assets	157,800
Investments	685
Right-of-use lease asset	39,607
Other assets	9,628
<b>Total assets acquired</b>	<b>528,964</b>
<b>Liabilities</b>	
Accrued compensation	71,398
Accrued lease liability	39,613
Other liabilities and accrued expenses	16,441
Due to Sandler O'Neill (1)	40,673
<b>Total liabilities assumed</b>	<b>168,125</b>
<b>Net assets acquired</b>	<b>\$ 360,839</b>

(1) Represents the amount of excess tangible book value received by the Company on the date of acquisition.

**The Valence Group ("Valence")**

On April 3, 2020, the Company completed the acquisition of Valence, an investment bank offering mergers and acquisitions advisory services to companies and financial sponsors with a focus on the chemicals, materials and related sectors. The transaction was completed pursuant to the share purchase agreement dated February 20, 2020, as amended. The acquisition added a new industry sector and expanded the Company's presence in Europe.

The Company paid cash consideration of \$30.3 million and entered into unsecured promissory notes with the former owners totaling \$20.0 million (the "Valence Notes"), as discussed in Note 14. The net assets acquired by the Company of \$50.3 million are described below.

As part of the acquisition, the Company granted 647,268 restricted shares valued at \$31.2 million on the acquisition date. As discussed in Note 19, the Company also entered into acquisition-related compensation arrangements with certain employees of \$5.5 million in restricted stock for retention purposes. Both restricted share grants are subject to graded vesting, beginning on the third anniversary of the acquisition date, so long as the applicable employee remains continuously employed by the Company for such period. As these shares compensate employees for future services, the value of the shares is not part of the purchase price. Compensation expense will be amortized on a straight-line basis over the requisite service period of five years.

Additional cash may be earned by certain employees if a revenue threshold is exceeded 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, will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period. If earned, the amount will be paid by July 3, 2023. As of December 31, 2021, the Company has accrued \$11.2 million related to this additional cash payment.

The Company recorded \$33.3 million of goodwill on the consolidated statements of financial condition, none of which is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Valence. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of \$14.8 million.



**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

Transaction costs of \$0.1 million and \$2.5 million were incurred for the years ended December 31, 2021 and 2020, respectively, 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:

*(Amounts in thousands)*

<b>Assets</b>	
Cash and cash equivalents	\$ 8,181
Fixed assets	256
Goodwill	33,300
Intangible assets	14,800
Right-of-use lease asset	3,279
Other assets	4,190
Total assets acquired	64,006
<b>Liabilities</b>	
Accrued lease liability	3,279
Other liabilities and accrued expenses	10,393
Total liabilities assumed	13,672
Net assets acquired	\$ 50,334

**TRS Advisors LLC ("TRS")**

On December 31, 2020, the Company completed the acquisition of TRS, an advisory firm offering restructuring and reorganization services to companies in public, private and government settings. The transaction was completed pursuant to the Equity Purchase Agreement dated December 8, 2020. The acquisition expanded the scale of the Company's restructuring advisory business.

The purchase price consisted of cash consideration of \$23.7 million as detailed in the net assets acquired below. As part of the acquisition, the Company granted 145,952 restricted shares valued at \$14.7 million on the acquisition date. The restricted shares are subject to graded vesting, beginning on the third anniversary of the acquisition date, so long as the applicable employee remains continuously employed by the Company for such period. Compensation expense will be amortized on a straight-line basis over the requisite service period of five years. As discussed in Note 19, the Company also entered into acquisition-related compensation arrangements with certain employees of \$2.9 million in restricted stock for retention purposes. These restricted shares are subject to ratable vesting and employees must fulfill service requirements in exchange for the rights to the restricted shares. Compensation expense will be amortized on a straight-line basis over the requisite service period of three years. As both restricted share grants compensate employees for future services, the value of the shares is not part of the purchase price.

Additional cash of \$7.0 million may be earned by certain employees if a revenue threshold is exceeded 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, will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period. If earned, the amount will be paid by April 3, 2024. As of December 31, 2021, the Company expects the maximum amount will be earned and has accrued \$2.2 million related to this additional cash payment.

The Company recorded \$12.2 million of goodwill on the consolidated statements of financial condition, all of which is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of TRS. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of \$5.3 million.

Transaction costs of \$0.1 million and \$0.8 million were incurred for the years ended December 31, 2021 and 2020, respectively, and are included in restructuring and integration costs on the consolidated statements of operations.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, including measurement period adjustments:

*(Amounts in thousands)*

<b>Assets</b>	
Cash and cash equivalents	\$ 7
Goodwill	12,199
Intangible assets	5,300
Right-of-use lease asset	1,818
Other assets	6,215
<b>Total assets acquired</b>	<b>25,539</b>
<b>Liabilities</b>	
Accrued lease liability	1,818
Other liabilities and accrued expenses	7
<b>Total liabilities assumed</b>	<b>1,825</b>
<b>Net assets acquired</b>	<b>\$ 23,714</b>

**Weeden & Co. L.P. ("Weeden & Co.")**

On August 2, 2019, the Company completed the acquisition of Weeden & Co., a broker dealer specializing in equity security sales and trading. The economic value of the acquisition was approximately \$42.0 million and was completed pursuant to a securities purchase agreement dated February 24, 2019, as amended. The transaction added enhanced trade execution capabilities and scale to the Company's equities institutional sales and trading business.

The purchase price consisted of cash consideration of \$24.0 million as detailed in the net assets acquired below. As part of the acquisition, the Company granted \$10.1 million in restricted cash on the acquisition date. As discussed in Note 19, the Company also entered into acquisition-related compensation arrangements with certain employees of \$7.3 million in restricted stock for retention purposes. Both the restricted cash and restricted stock are subject to graded vesting, beginning on the third anniversary of the acquisition date, so long as the applicable employee remains continuously employed by the Company for such period. Compensation expense will be amortized on a straight-line basis over the requisite service period of four years. As both the restricted cash and restricted share grants compensate employees for future services, the value of the grants is not part of the purchase price.

Additional cash of up to \$31.5 million was available to be earned if a net revenue target was achieved during the period from January 1, 2020 to June 30, 2021 ("Weeden Earnout"). Certain Weeden & Co. equity owners, a portion of whom are now employees of the Company, were eligible to receive the additional payment. The Company paid \$31.5 million related to the Weeden Earnout in the third quarter of 2021. Amounts payable to employees were recorded as compensation expense on the consolidated statements of operations over the requisite service period. Amounts payable to non-employee equity holders were recorded as a liability as of the acquisition date and adjusted through the statement of operations for any changes after the acquisition date. The Company recorded \$6.5 million and \$24.1 million in non-interest expenses related to the Weeden Earnout for the years ended December 31, 2021 and 2020, respectively.

The Company recorded \$5.8 million of goodwill on the consolidated statements of financial condition, all of which is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Weeden & Co. Identifiable intangible assets purchased by the Company consisted of customer relationships and internally developed software with acquisition-date fair values of \$12.0 million and \$4.7 million, respectively.

Transaction costs of \$1.9 million were incurred for the year ended December 31, 2019, and are included in restructuring and integration costs on the consolidated statements of operations.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The following table summarizes the estimated fair values of assets acquired and liabilities assumed at the date of the acquisition, including measurement period adjustments:

*(Amounts in thousands)*

<b>Assets</b>	
Cash and cash equivalents	\$ 4,351
Receivables from brokers, dealers and clearing organizations	1,623
Fixed assets	289
Goodwill	5,794
Intangible assets	16,700
Right-of-use lease asset	6,811
Other assets	7,675
<b>Total assets acquired</b>	<b>43,243</b>
<b>Liabilities</b>	
Accrued compensation	2,156
Accrued lease liability	6,811
Other liabilities and accrued expenses	10,251
<b>Total liabilities assumed</b>	<b>19,218</b>
<b>Net assets acquired</b>	<b>\$ 24,025</b>

**Pro Forma Financial Information**

The results of operations of Sandler O'Neill, Valence, TRS and Weeden & Co. have been included in the Company's consolidated financial statements prospectively beginning on the respective acquisition dates. The acquisitions have 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 is presented on a combined basis. Based on the respective acquisition dates, the unaudited pro forma financial data assumes that the Sandler O'Neill, Valence and TRS acquisitions had occurred on January 1, 2018 and that the Weeden & Co. acquisition had occurred on January 1, 2017. Pro forma results have been prepared by adjusting the Company's historical results to include the results of operations of Sandler O'Neill, Valence, TRS and Weeden & Co. adjusted for the following significant changes: interest expense was adjusted to reflect the debt incurred by the Company to fund portions of the Sandler O'Neill and Valence purchase price; amortization expense was adjusted to account for the acquisition-date fair value of intangible assets; compensation and benefits expenses were adjusted to reflect the restricted cash or restricted stock issued as part of the respective acquisition, the restricted stock issued for retention purposes, and the cost that would have been incurred had Sandler O'Neill partners and Valence and TRS employees been included in the Company's employee compensation arrangements; and the income tax effect of applying the Company's statutory tax rates to the results of operations of Sandler O'Neill, Valence, TRS and Weeden & Co. The Company's consolidated unaudited pro forma information presented does not necessarily reflect the results of operations that would have resulted had the acquisitions been completed at the beginning of the applicable periods presented, does not contemplate client account overlap and anticipated operational efficiencies of the combined entities, nor does it indicate the results of operations in future periods.

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<i>(Amounts in thousands)</i>		
Net revenues	\$ 1,289,331	\$ 1,252,260
Net income from continuing operations applicable to Piper Sandler Companies	44,453	73,952

**Piper Sandler Companies****Notes to the Consolidated Financial Statements – Continued****Note 4 Discontinued Operations**

In the third quarter of 2019, the Company completed the sale of its traditional asset management business, which was conducted through its wholly-owned subsidiary ARI. On September 20, 2019, the Company completed the sale of the master limited partnerships and energy infrastructure strategies business to Tortoise Capital Advisors. Additionally, on September 27, 2019, the Company completed the sale of its remaining equity strategies business to its former management team. The transactions generated cash proceeds of \$53.9 million.

ARI's results, previously reported in the Asset Management segment, have been presented as discontinued operations for the year ended December 31, 2019 and the related assets and liabilities were classified as held for sale. The components of discontinued operations were as follows:

<i>(Amounts in thousands)</i>	<b>Year Ended December 31, 2019</b>
Net revenues	\$ 26,546
Operating expenses	22,589
Intangible asset amortization (1)	5,465
Restructuring costs	10,268
Total non-interest expenses	38,322
Loss from discontinued operations before income tax benefit	(11,776)
Income tax benefit	(2,522)
Loss from discontinued operations before gain on sales	(9,254)
Gain on sales, net of tax	33,026
Income from discontinued operations, net of tax	\$ 23,772

(1) Includes \$2.9 million of intangible asset impairment related to the ARI trade name.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

**Note 5 Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased**

<i>(Amounts in thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Financial instruments and other inventory positions owned:</b>		
Corporate securities:		
Equity securities	\$ 2,831	\$ 1,349
Convertible securities	148,057	146,088
Fixed income securities	8,687	18,432
Municipal securities:		
Taxable securities	12,377	6,267
Tax-exempt securities	97,891	67,944
Short-term securities	29,357	28,592
Mortgage-backed securities	1,277	13
U.S. government agency securities	24,361	9,146
U.S. government securities	138	100,275
Derivative contracts	23,998	23,446
<b>Total financial instruments and other inventory positions owned</b>	<b>\$ 348,974</b>	<b>\$ 401,552</b>
<b>Financial instruments and other inventory positions sold, but not yet purchased:</b>		
Corporate securities:		
Equity securities	\$ 77,744	\$ 105,190
Fixed income securities	4,950	18,789
U.S. government securities	41,780	21,669
Derivative contracts	4,216	5,382
<b>Total financial instruments and other inventory positions sold, but not yet purchased</b>	<b>\$ 128,690</b>	<b>\$ 151,030</b>

At December 31, 2021 and 2020, financial instruments and other inventory positions owned in the amount of \$118.6 million and \$130.7 million, respectively, had been pledged as collateral for short-term financing arrangements.

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, U.S. treasury bond futures and options, and equity option contracts.

**Derivative Contract Financial Instruments**

The Company uses interest rate and credit default swaps, interest rate locks, U.S. treasury bond futures and options, and equity option contracts as a means to manage risk in certain inventory positions. The Company also enters into interest rate and credit default swaps to facilitate customer transactions. Credit default swaps use rates based upon the Commercial Mortgage Backed Securities ("CMBX") index. 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 rates based upon the London Interbank Offered Rate ("LIBOR") index, the Municipal Market Data ("MMD") index or the Securities Industry and Financial Markets Association ("SIFMA") index.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

*Trading securities derivatives:* The Company enters into interest rate derivative contracts and uses U.S. treasury bond futures and options to hedge interest rate and market value risks primarily associated with its fixed income securities. These instruments use rates based upon the MMD, LIBOR or SIFMA indices. The Company also enters into equity 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:

<i>(Amounts in thousands)</i> Derivative Category	December 31, 2021			December 31, 2020		
	Derivative Assets (1)	Derivative Liabilities (2)	Notional Amount	Derivative Assets (1)	Derivative Liabilities (2)	Notional Amount
Interest rate						
Customer matched-book	\$ 157,064	\$ 149,353	\$ 1,630,056	\$ 233,116	\$ 223,218	\$ 1,955,131
Trading securities	—	1,560	65,925	—	4,225	55,375
	<u>\$ 157,064</u>	<u>\$ 150,913</u>	<u>\$ 1,695,981</u>	<u>\$ 233,116</u>	<u>\$ 227,443</u>	<u>\$ 2,010,506</u>

- (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:

<i>(Amounts in thousands)</i> Derivative Category	Operations Category	Year Ended December 31,		
		2021	2020	2019
Interest rate derivative contract	Investment banking	\$ (1,786)	\$ (1,407)	\$ (912)
Interest rate derivative contract	Institutional brokerage	2,264	(1,881)	2,417
		<u>\$ 478</u>	<u>\$ (3,288)</u>	<u>\$ 1,505</u>

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 a derivative contract can become material, exposing the Company to the credit risk of these counterparties. As of December 31, 2021, the Company had \$20.7 million of uncollateralized credit exposure with these counterparties (notional contract amount of \$157.8 million), including \$16.3 million of uncollateralized credit exposure with one counterparty.

**Piper Sandler Companies****Notes to the Consolidated Financial Statements – Continued****Note 6 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 is 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 consolidated 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 committees, 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.

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**

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, and therefore are generally 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.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

*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 (e.g., 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 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.

*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. To the extent we hold, these mortgage-backed securities are categorized as Level II. 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 on spreads over U.S. treasury securities, or models based upon prepayment expectations. 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.

*Derivative contracts* – Derivative contracts include interest rate swaps, interest rate locks, and U.S. treasury bond futures and options. These instruments derive their value from underlying assets, reference rates, indices or a combination of these factors. 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 are valued using valuation models that include the previously mentioned observable inputs and certain unobservable inputs that require 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. Investments in private companies are valued based on an assessment of each underlying security, considering rounds of financing, the financial condition and operating results of the private company, 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 categorized based on the lowest level of input that is significant to the fair value measurement.



**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

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 December 31, 2021:

	<b>Valuation Technique</b>	<b>Unobservable Input</b>	<b>Range</b>	<b>Weighted Average (1)</b>
<b>Assets</b>				
Financial instruments and other inventory positions owned:				
Municipal securities:				
Tax-exempt securities	Discounted cash flow	Expected recovery rate (% of par) (2)	0 - 25%	13.4%
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in basis points ("bps") (2)	7 - 15 bps	11.0 bps
Investments at fair value:				
Equity securities in private companies	Market approach	Revenue multiple (2)	2 - 5 times	3.2 times
		EBITDA multiple (2)	11 - 13 times	12.0 times
<b>Liabilities</b>				
Financial instruments and other inventory positions sold, but not yet purchased:				
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in bps (3)	6 - 42 bps	13.7 bps

*Uncertainty of fair value measurements:*

- (1) *Unobservable inputs were weighted by the relative fair value of the financial instruments.*
- (2) *Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly higher/(lower) fair value measurement.*
- (3) *Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly lower/(higher) fair value measurement.*

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2021:

<i>(Amounts in thousands)</i>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Counterparty and Cash Collateral Netting (1)</b>	<b>Total</b>
<b>Assets</b>					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	\$ 33	\$ 2,798	\$ —	\$ —	\$ 2,831
Convertible securities	—	148,057	—	—	148,057
Fixed income securities	—	8,687	—	—	8,687
Municipal securities:					
Taxable securities	—	12,377	—	—	12,377
Tax-exempt securities	—	97,644	247	—	97,891
Short-term securities	—	29,357	—	—	29,357
Mortgage-backed securities	—	1,277	—	—	1,277
U.S. government agency securities	—	24,361	—	—	24,361
U.S. government securities	138	—	—	—	138
Derivative contracts	—	156,338	726	(133,066)	23,998
Total financial instruments and other inventory positions owned	171	480,896	973	(133,066)	348,974
Cash equivalents	908,198	—	—	—	908,198
Investments at fair value (2)	62,674	34,416	142,286	—	239,376
Total assets	<u>\$ 971,043</u>	<u>\$ 515,312</u>	<u>\$ 143,259</u>	<u>\$ (133,066)</u>	<u>\$ 1,496,548</u>
<b>Liabilities</b>					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	\$ 74,251	\$ 3,493	\$ —	\$ —	\$ 77,744
Fixed income securities	—	4,950	—	—	4,950
U.S. government securities	41,780	—	—	—	41,780
Derivative contracts	—	149,015	1,898	(146,697)	4,216
Total financial instruments and other inventory positions sold, but not yet purchased	<u>\$ 116,031</u>	<u>\$ 157,458</u>	<u>\$ 1,898</u>	<u>\$ (146,697)</u>	<u>\$ 128,690</u>

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

(2) Includes noncontrolling interests of \$164.6 million attributable to unrelated third party ownership in consolidated alternative asset management funds.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2020:

<i>(Amounts in thousands)</i>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Counterparty and Cash Collateral Netting (1)</u>	<u>Total</u>
<b>Assets</b>					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	\$ 330	\$ 1,019	\$ —	\$ —	\$ 1,349
Convertible securities	—	146,088	—	—	146,088
Fixed income securities	—	18,432	—	—	18,432
Municipal securities:					
Taxable securities	—	6,267	—	—	6,267
Tax-exempt securities	—	67,944	—	—	67,944
Short-term securities	—	28,592	—	—	28,592
Mortgage-backed securities	—	—	13	—	13
U.S. government agency securities	—	9,146	—	—	9,146
U.S. government securities	100,275	—	—	—	100,275
Derivative contracts	—	232,846	270	(209,670)	23,446
Total financial instruments and other inventory positions owned	<u>100,605</u>	<u>510,334</u>	<u>283</u>	<u>(209,670)</u>	<u>401,552</u>
Cash equivalents	468,091	—	—	—	468,091
Investments at fair value (2)	16,496	5,358	152,995	—	174,849
Total assets	<u>\$ 585,192</u>	<u>\$ 515,692</u>	<u>\$ 153,278</u>	<u>\$ (209,670)</u>	<u>\$ 1,044,492</u>
<b>Liabilities</b>					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	\$ 102,013	\$ 3,177	\$ —	\$ —	\$ 105,190
Fixed income securities	—	18,789	—	—	18,789
U.S. government securities	21,669	—	—	—	21,669
Derivative contracts	—	223,737	3,706	(222,061)	5,382
Total financial instruments and other inventory positions sold, but not yet purchased	<u>\$ 123,682</u>	<u>\$ 245,703</u>	<u>\$ 3,706</u>	<u>\$ (222,061)</u>	<u>\$ 151,030</u>

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

(2) Includes noncontrolling interests of \$94.9 million attributable to unrelated third party ownership in consolidated alternative asset management funds.

The Company's Level III assets were \$143.3 million and \$153.3 million, or 9.6 percent and 14.7 percent of financial instruments measured at fair value at December 31, 2021 and 2020, respectively. There were \$64.0 million of transfers of financial assets out of Level III for the year ended December 31, 2021, primarily due to unobservable inputs becoming observable.

## Piper Sandler Companies

## Notes to the Consolidated Financial Statements – Continued

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:

<i>(Amounts in thousands)</i>	Balance at December 31, 2020	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	Balance at December 31, 2021	Unrealized gains/ (losses) for assets/ liabilities held at December 31, 2021
<b>Assets</b>									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	\$ —	\$ —	\$ —	\$ 502	\$ —	\$ —	\$ (255)	\$ 247	\$ (255)
Mortgage-backed securities	13	—	—	—	—	—	(13)	—	—
Derivative contracts	270	—	(256)	—	—	256	456	726	726
Total financial instruments and other inventory positions owned	283	—	(256)	502	—	256	188	973	471
Investments at fair value	152,995	42,100	(57,251)	—	(63,957)	40,306	28,093	142,286	19,990
Total assets	<u>\$ 153,278</u>	<u>\$ 42,100</u>	<u>\$ (57,507)</u>	<u>\$ 502</u>	<u>\$ (63,957)</u>	<u>\$ 40,562</u>	<u>\$ 28,281</u>	<u>\$ 143,259</u>	<u>\$ 20,461</u>
<b>Liabilities</b>									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	\$ 3,706	\$ (3,225)	\$ —	\$ —	\$ —	\$ 3,225	\$ (1,808)	\$ 1,898	\$ 1,898
Total financial instruments and other inventory positions sold, but not yet purchased	<u>\$ 3,706</u>	<u>\$ (3,225)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,225</u>	<u>\$ (1,808)</u>	<u>\$ 1,898</u>	<u>\$ 1,898</u>
<b>Assets</b>									
Financial instruments and other inventory positions owned:									
Mortgage-backed securities	\$ 13	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13	\$ —
Derivative contracts	8	1,005	(535)	—	—	(470)	262	270	270
Total financial instruments and other inventory positions owned	21	1,005	(535)	—	—	(470)	262	283	270
Investments at fair value	132,329	16,133	(6,285)	—	(130)	(3,264)	14,212	152,995	8,711
Total assets	<u>\$ 132,350</u>	<u>\$ 17,138</u>	<u>\$ (6,820)</u>	<u>\$ —</u>	<u>\$ (130)</u>	<u>\$ (3,734)</u>	<u>\$ 14,474</u>	<u>\$ 153,278</u>	<u>\$ 8,981</u>
<b>Liabilities</b>									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	\$ 1,563	\$ (14,983)	\$ 379	\$ —	\$ —	\$ 14,604	\$ 2,143	\$ 3,706	\$ 3,706
Total financial instruments and other inventory positions sold, but not yet purchased	<u>\$ 1,563</u>	<u>\$ (14,983)</u>	<u>\$ 379</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 14,604</u>	<u>\$ 2,143</u>	<u>\$ 3,706</u>	<u>\$ 3,706</u>

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

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 principally reported in investment income on the consolidated statements of operations.

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

**Note 7 Variable Interest Entities ("VIEs")**

The Company has investments in and/or acts as the managing partner of various partnerships and limited liability companies. These entities were established for the purpose of investing in securities of public or private companies, or municipal debt obligations, 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.

**Consolidated VIEs**

The Company's consolidated VIEs at December 31, 2021 included 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.

The following table presents information about the carrying value of the assets and liabilities of the VIEs that are consolidated by the Company and included on the consolidated statements of financial condition at December 31, 2021. 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. These VIEs have a combined \$50.0 million of bank line financing available with interest rates based on either prime or LIBOR plus an applicable margin. The assets and liabilities are presented prior to consolidation, and thus a portion of these assets and liabilities are eliminated in consolidation.

<i>(Amounts in thousands)</i>	<b>Alternative Asset Management Funds</b>
<b>Assets</b>	
Investments	\$ 219,270
Other assets	6,264
Total assets	<u>\$ 225,534</u>
<b>Liabilities</b>	
Other liabilities and accrued expenses	\$ 4,776
Total liabilities	<u>\$ 4,776</u>

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 19 for additional information on the nonqualified deferred compensation plan.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

**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 \$2.1 billion and \$1.8 billion at December 31, 2021 and 2020, respectively. The Company's exposure to loss from these VIEs is \$12.2 million, which is the carrying value of its capital contributions recorded in investments on the consolidated statements of financial condition at December 31, 2021. The Company had no liabilities related to these VIEs at December 31, 2021 and 2020. Furthermore, the Company has not provided financial or other support to these VIEs that it was not previously contractually required to provide as of December 31, 2021.

**Note 8 Receivables from and Payables to Brokers, Dealers and Clearing Organizations**

<i>(Amounts in thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Receivable from clearing organizations	\$ 226,731	\$ 184,662
Receivable from brokers and dealers	24,056	33,514
Other	3,343	3,315
Total receivables from brokers, dealers and clearing organizations	<u>\$ 254,130</u>	<u>\$ 221,491</u>
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<i>(Amounts in thousands)</i>		
Payable to brokers and dealers	\$ 13,247	\$ 18,591
Total payables to brokers, dealers and clearing organizations	<u>\$ 13,247</u>	<u>\$ 18,591</u>

Under the Company's fully disclosed clearing agreement, all of its securities inventories with the exception of convertible securities, and all of its customer activities are held by or cleared through Pershing LLC ("Pershing"). The Company has established an arrangement to obtain financing from Pershing related to the majority of its trading activities. The Company also has a clearing arrangement with bank financing related to its convertible securities inventories. Financing under these arrangements is secured primarily by securities, and collateral limitations could reduce the amount of funding available under these arrangements. The funding is at their discretion and could be denied. The Company's clearing arrangement activities are recorded net from trading activity. The Company's fully disclosed clearing agreement includes a covenant requiring Piper Sandler & Co. to maintain excess net capital of \$120 million.

**Note 9 Investments**

The Company's investments include investments in private companies and partnerships.

<i>(Amounts in thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Investments at fair value	\$ 239,376	\$ 174,849
Investments at cost	611	611
Investments accounted for under the equity method	12,058	7,719
Total investments	252,045	183,179
Less investments attributable to noncontrolling interests (1)	(164,565)	(94,900)
	<u>\$ 87,480</u>	<u>\$ 88,279</u>

(1) Noncontrolling interests are attributable to unrelated third party ownership in consolidated alternative asset management funds.

At December 31, 2021, investments carried on a cost basis had an estimated fair market value of \$0.6 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.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

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 the Company's 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**

<i>(Amounts in thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Fee receivables	\$ 51,403	\$ 38,840
Forgivable loans, net	12,040	5,526
Prepaid expenses	18,989	14,585
Other	28,173	16,092
Total other assets	<u>\$ 110,605</u>	<u>\$ 75,043</u>

**Note 11 Goodwill and Intangible Assets**

*(Amounts in thousands)*

<b>Goodwill</b>		
<b>Balance at December 31, 2019</b>		<b>\$ 87,649</b>
Goodwill acquired		139,859
<b>Balance at December 31, 2020</b>		<b>\$ 227,508</b>
Goodwill acquired		—
<b>Balance at December 31, 2021</b>		<b>\$ 227,508</b>
<b>Intangible assets</b>		
<b>Balance at December 31, 2019</b>		<b>\$ 16,686</b>
Intangible assets acquired		177,900
Amortization of intangible assets		(44,728)
<b>Balance at December 31, 2020</b>		<b>\$ 149,858</b>
Intangible assets acquired		—
Amortization of intangible assets		(30,080)
<b>Balance at December 31, 2021</b>		<b>\$ 119,778</b>

As discussed in Note 3, the addition of goodwill and intangible assets during the year ended December 31, 2020 related to the acquisitions of Sandler O'Neill, Valence and TRS. Management identified \$157.8 million of intangible assets related to the acquisition of Sandler O'Neill, consisting of customer relationships of \$72.4 million and the Sandler trade name of \$85.4 million. The customer relationships are being amortized over a weighted average life of 2.4 years. The Sandler trade name is an indefinite-lived intangible asset and is not subject to amortization. Management identified \$14.8 million of customer relationship intangible assets related to the acquisition of Valence, which were amortized over a weighted average life of 1.4 years. Management also identified \$5.3 million of customer relationship intangible assets related to the acquisition of TRS, which were amortized over one year.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

Intangible assets with determinable lives primarily consist of customer relationships and internally developed software. The following table summarizes the future aggregate amortization expense of the Company's intangible assets with determinable lives:

*(Amounts in thousands)*

2022	\$	9,344
2023		7,442
2024		6,292
2025		5,302
2026		4,825
Thereafter		1,173
Total	\$	<u>34,378</u>

The Company performed its annual goodwill impairment testing as of October 31, 2021, which resulted in no impairment. The annual goodwill impairment testing for 2020 and 2019 resulted in no impairment associated with the Capital Markets reporting unit.

The Company also evaluated its intangible assets and concluded there was no impairment in 2021, 2020 and 2019 associated with the Capital Markets reporting unit.

**Note 12 Fixed Assets**

*(Amounts in thousands)*

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Furniture and equipment	<u>\$ 54,763</u>	<u>\$ 50,971</u>
Leasehold improvements	61,218	55,510
Software	<u>12,603</u>	<u>12,214</u>
Total	<u>128,584</u>	118,695
Accumulated depreciation and amortization	<u>(76,823)</u>	<u>(74,883)</u>
Fixed assets, net of accumulated depreciation and amortization	<u>\$ 51,761</u>	<u>\$ 43,812</u>

For the years ended December 31, 2021, 2020 and 2019, depreciation and amortization of furniture and equipment, leasehold improvements and software totaled \$12.6 million, \$10.7 million and \$9.3 million, respectively, and are included in occupancy and equipment expense from continuing operations on the consolidated statements of operations.

**Note 13 Short-Term Financing**

The Company has an unsecured \$65 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 20, 2022, unless otherwise terminated, and is subject to a one-year extension exercisable at the option of the Company. This credit facility includes customary events of default and covenants that, among other things, requires the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital of \$120 million, limits the Company's leverage ratio, requires maintenance of a minimum ratio of operating cash flow to fixed charges, and imposes certain limitations on the Company's ability to make acquisitions and make payments on its capital stock. At December 31, 2021, there were no advances against this credit facility.

The Company's committed short-term bank line financing at December 31, 2021 consisted of a one-year \$100 million committed revolving credit facility with U.S. Bank N.A., which has been renewed annually in the fourth quarter of each year since 2008. 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 a minimum regulatory net capital of \$120 million, and the unpaid principal amount of all advances under this facility will be due on December 9, 2022. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis. At December 31, 2021, the Company had no advances against this line of credit.



**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The Company previously issued secured commercial paper ("CP") to fund a portion of its securities inventory. The Company retired the CP Series A program in January 2020 and retired the CP Series II A program in April 2021.

**Note 14 Long-Term Financing**

On October 15, 2019, the Company entered into a note purchase agreement with certain entities advised by Pacific Investment Management Company ("PIMCO"), under which the Company issued unsecured fixed rate senior notes ("Notes") in the amount of \$175 million. The Notes consisted of two classes, Class A Notes and Class B Notes, with principal amounts of \$50 million and \$125 million, respectively. The Class A Notes were repaid by the Company upon maturity on October 15, 2021. The Class B Notes bear interest at an annual fixed rate of 5.20 percent and mature on October 15, 2023. Interest is payable semi-annually. The unpaid principal amount is due in full on the maturity date and may not be prepaid by the Company.

On April 3, 2020, the Company entered into unsecured promissory notes as part of the acquisition of Valence totaling \$20 million. The Valence Notes were repaid in the first quarter of 2021.

Long-term financing arrangements are recorded at amortized cost which approximates fair value at December 31, 2021.

**Note 15 Contingencies, Commitments and Guarantees**

**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, settlements, 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. Reasonably possible losses in excess of amounts accrued at December 31, 2021 are not material. 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.

Litigation-related reserve activity included within other operating expenses from continuing operations was immaterial for the years ended December 31, 2021, 2020 and 2019.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

**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 on an undiscounted basis for the Company's operating leases (including short-term leases) as of December 31, 2021 were as follows:

*(Amounts in thousands)*

2022	\$ 23,831
2023	20,040
2024	17,846
2025	15,847
2026	13,868
Thereafter	17,790
Total	<u>\$ 109,222</u>

Total minimum rentals to be received from 2022 through 2024 under noncancelable subleases were \$0.9 million at December 31, 2021.

The following table summarizes the Company's operating lease costs and sublease income from continuing operations:

<i>(Amounts in millions)</i>	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Operating lease costs	\$ 20.7	\$ 21.9	\$ 12.1
Operating lease costs related to short-term leases	0.9	0.8	0.7
Sublease income	0.7	1.8	1.6

At December 31, 2021, the weighted average remaining lease term for operating leases was 5.5 years and the weighted average discount rate was 4.0 percent.

**Investment Commitments**

As of December 31, 2021, the Company had commitments to invest approximately \$80.6 million in limited partnerships or limited liability companies that make direct or indirect equity or debt investments in companies.

**Other Guarantees**

The Company is a member of numerous exchanges. Under the membership agreements with these entities, members generally are required to guarantee the performance of other members, and if a member becomes unable to satisfy its obligations to the exchange, other members would be required to meet shortfalls. To mitigate these performance risks, the exchanges often require members to post collateral. In addition, the Company identifies and guarantees certain clearing agents against specified potential losses in connection with providing services to the Company or its affiliates. The Company's maximum potential liability under these arrangements cannot be quantified. However, management believes the likelihood that the Company would be required to make payments under these arrangements is remote. Accordingly, no liability is recorded in the consolidated statements of financial condition for these arrangements.

**Concentration of Credit Risk**

The Company provides investment, capital-raising and related services to a diverse group of domestic and foreign customers, including governments, corporations, and institutional and individual investors. The Company's exposure to credit risk associated with the non-performance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile securities markets, credit markets and regulatory changes. This exposure is measured on an individual customer basis and on a group basis for customers that share similar attributes. To alleviate the potential for risk concentrations, counterparty credit limits have been implemented for certain products and are continually monitored in light of changing customer and market conditions.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

**Note 16 Restructuring and Integration Costs**

The Company incurred restructuring and integration costs from continuing operations for the year ended December 31, 2021, primarily associated with its vacated leased office space in conjunction with its acquisitions of TRS and Valence. Additionally, the Company incurred integration costs primarily related to its acquisition of Cornerstone Macro and the announced acquisition of Stamford Partners LLP ("Stamford Partners"), as discussed in Note 25. The Company incurred restructuring and integration costs from continuing operations for the year ended December 31, 2020, primarily in conjunction with its acquisitions of Sandler O'Neill, Valence and TRS. The Company incurred restructuring and integration costs from continuing operations for the year ended December 31, 2019, primarily in conjunction with its acquisition of Weeden & Co. and the pending acquisition of Sandler O'Neill.

<i>(Amounts in thousands)</i>	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Vacated leased office space	\$ 3,404	\$ 2,481	\$ 1,726
Severance, benefits and outplacement	317	3,032	2,938
Contract termination	—	891	2,798
Total restructuring costs	<u>3,721</u>	<u>6,404</u>	<u>7,462</u>
Integration costs	<u>1,003</u>	<u>4,351</u>	<u>6,859</u>
Total restructuring and integration costs	<u>\$ 4,724</u>	<u>\$ 10,755</u>	<u>\$ 14,321</u>

**Note 17 Shareholders' Equity**

The Company's amended and restated certificate of incorporation provides for the issuance of up to 100,000,000 shares of common stock with a par value of \$0.01 per share and up to 5,000,000 shares of undesignated preferred stock with a par value of \$0.01 per share.

**Common Stock**

The holders of the Company's common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. Subject to preferences that may be applicable to any outstanding preferred stock of Piper Sandler Companies, the holders of its common stock are entitled to receive ratably such dividends, if any, as may be declared out of funds legally available for that purpose. There are also restrictions on the payment of dividends as set forth in Note 22. The Company's board of directors determines the declaration and payment of dividends and is free to change the Company's dividend policy at any time.

**Dividends**

The Company's current dividend policy is intended to return a metric based on fiscal year net income.

In 2021, the Company declared and paid quarterly cash dividends on its common stock, aggregating \$1.95 per share, a special cash dividend on its common stock related to fiscal year 2020 results of \$1.85 per share, and a special cash dividend on its common stock related to fiscal year 2021 results of \$3.00 per share, totaling \$99.4 million.

In 2020, the Company declared and paid quarterly cash dividends on its common stock, aggregating \$1.25 per share, and a special cash dividend on its common stock related to fiscal year 2019 results of \$0.75 per share, totaling \$28.2 million.

In 2019, the Company declared and paid quarterly cash dividends on its common stock, aggregating \$1.50 per share, and a special cash dividend on its common stock related to fiscal year 2018 results of \$1.01 per share, totaling \$35.6 million.

On February 10, 2022, the board of directors declared both a quarterly and an additional special cash dividend on its common stock of \$0.60 and \$4.50 per share, respectively, to be paid on March 11, 2022, to shareholders of record as of the close of business on March 2, 2022. The special cash dividend relates to the Company's fiscal year 2021 results.

## Piper Sandler Companies

### Notes to the Consolidated Financial Statements – Continued

In the event that Piper Sandler Companies is liquidated or dissolved, the holders of its common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to any prior distribution rights of Piper Sandler Companies preferred stock, if any, then outstanding. Currently, there is no outstanding preferred stock. The holders of the common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to Piper Sandler Companies common stock.

#### Share Repurchases

Effective January 1, 2020, the Company's board of directors authorized the repurchase of up to \$150.0 million in common shares, which expired on December 31, 2021. In 2021, the Company repurchased 417,903 shares at an average price of \$125.03 per share for an aggregate purchase price of \$52.3 million related to this authorization. In 2020, the Company repurchased 188,319 shares at an average price of \$69.72 per share for an aggregate purchase price of \$13.1 million related to this authorization.

Effective September 30, 2017, the Company's board of directors authorized the repurchase of up to \$150.0 million in common shares, which expired on September 30, 2019. In 2019, the Company repurchased 501 shares at an average price of \$64.80 per share related to this authorization.

On November 18, 2021, the Company's board of directors authorized the repurchase of up to \$150.0 million in common shares. This authorization is effective from January 1, 2022 through December 31, 2023.

The Company also purchases shares of common stock from restricted stock award recipients upon the award vesting or as recipients sell shares to meet their employment tax obligations. The Company purchased 154,117 shares or \$17.7 million; 105,193 shares or \$8.8 million; and 701,217 shares or \$50.6 million of the Company's common stock for these purposes during the years ended December 31, 2021, 2020 and 2019, 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 19. During the years ended December 31, 2021, 2020 and 2019, the Company issued 918,024 shares, 309,089 shares and 1,415,147 shares, respectively, related to these obligations. During the year ended December 31, 2020, the Company also issued 34,205 common shares out of treasury stock for Sandler O'Neill deal consideration, as discussed in Note 3.

#### Preferred Stock

The Piper Sandler Companies board of directors has the authority, without action by its shareholders, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights associated with the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of common stock until the Piper Sandler Companies board of directors determines the specific rights of the holders of preferred stock. However, the effects might include, among other things, the following: restricting dividends on its common stock, diluting the voting power of its common stock, impairing the liquidation rights of its common stock and delaying or preventing a change in control of Piper Sandler Companies without further action by its shareholders.

#### Noncontrolling Interests

The consolidated financial statements include the accounts of Piper Sandler 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 Sandler Companies. Noncontrolling interests represent the minority equity holders' proportionate share of the equity in the Company's alternative asset management funds.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

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 years ended December 31, 2021, 2020 and 2019.

**Note 18 Employee Benefit Plans**

The Company has various employee benefit plans, and substantially all employees are covered by at least one plan. The plans include health and welfare plans and a tax-qualified retirement plan (the "Retirement Plan"). During the years ended December 31, 2021, 2020 and 2019, the Company incurred employee benefits expenses from continuing operations of \$35.9 million, \$25.5 million and \$18.4 million, respectively.

**Health and Welfare Plans**

Company employees who meet certain work schedule and service requirements are eligible to participate in the Company's health and welfare plans. The Company subsidizes the cost of coverage for employees. The health plans contain cost-sharing features such as deductibles and coinsurance.

The Company is self-insured for losses related to health claims, although it obtains third party stop loss insurance coverage on both an individual and a group plan basis. Self-insured liabilities are based on a number of factors, including historical claims experience, an estimate of claims incurred but not reported and valuations provided by third party actuaries. For the years ended December 31, 2021, 2020 and 2019, the Company recognized expense of \$20.0 million, \$14.7 million and \$10.6 million, respectively, in compensation and benefits expense from continuing operations on the consolidated statements of operations related to its health plans.

**Retirement Plan**

The Retirement Plan consists of a defined contribution retirement savings plan. The defined contribution retirement savings plan allows qualified employees, at their option, to make contributions through salary deductions under Section 401(k) of the Internal Revenue Code. Employee contributions are 100 percent matched by the Company to a maximum of six percent of recognized compensation up to the social security taxable wage base. Effective January 1, 2021, the Retirement Plan was amended to provide for a discretionary profit sharing contribution by the Company. Payment and amount of the profit sharing contribution are determined annually on a discretionary basis. For the year ended December 31, 2021, the Company contributed two percent of recognized compensation up to the social security taxable wage base for each eligible employee related to the profit sharing contribution. Although the Company's matching and profit sharing contributions vest immediately, a participant must be employed on December 31 to receive that year's employer contributions.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

**Note 19 Compensation Plans**

**Stock-Based Compensation Plans**

The Company has three outstanding stock-based compensation plans: the Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan"), the 2019 Employment Inducement Award Plan (the "2019 Inducement Plan") and the 2020 Employment Inducement Award Plan (the "2020 Inducement 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, less forfeitures.

The following table provides a summary of the Company's outstanding equity awards (in shares or units) as of December 31, 2021:

<b><i>Incentive Plan</i></b>	
<b>Restricted Stock</b>	
Annual grants	529,582
Sign-on grants	85,843
	<u>615,425</u>
<b><i>2019 Inducement Plan</i></b>	
<b>Restricted Stock</b>	95,348
<b><i>2020 Inducement Plan</i></b>	
<b>Restricted Stock</b>	1,268,228
<b>Total restricted stock related to compensation plans</b>	<u>1,979,001</u>
<b>Restricted stock related to acquisitions (1)</b>	<u>1,816,211</u>
<b>Total restricted stock outstanding</b>	<u><u>3,795,212</u></u>
<b><i>Incentive Plan</i></b>	
<b>Restricted Stock Units</b>	<u><u>158,393</u></u>
<b><i>Incentive Plan</i></b>	
<b>Stock Options</b>	<u><u>81,667</u></u>

(1) The Company issued restricted stock with service conditions in conjunction with the acquisitions of Sandler O'Neill, Valence and TRS. 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 9.4 million shares of common stock (1.4 million shares remained available for future issuance under the Incentive Plan as of December 31, 2021). 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 requisite service period. The Company grants shares of restricted stock to employees as part of year-end compensation ("Annual Grants") and upon initial hiring or as a retention award ("Sign-on Grants").

**Piper Sandler Companies****Notes to the Consolidated Financial Statements – Continued**

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 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 year 2021 for its February 2022 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 three 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").

Leadership Grants Subsequent to 2016

Restricted stock units granted in each of the years subsequent to 2016 will vest and convert to shares of common stock at the end of each 36-month performance period only if the Company satisfies predetermined performance and/or market conditions over the performance period. Under the terms of these awards, the number of units that will actually vest and convert to shares will be based on the extent to which the Company achieves specified targets during each performance period. The maximum payout leverage under these grants is 150 percent.

Up to 75 percent of the award can be earned based on the Company achieving certain average adjusted return on equity targets, as defined in the terms of the award agreements. The fair value of this portion of the award was based on the closing price of the Company's common stock on the grant date. If the Company determines that it is probable that the performance condition will be achieved, compensation expense is amortized on a straight-line basis over the 36-month performance period. The probability that the performance condition will be achieved is reevaluated each reporting period with changes in estimated outcomes accounted for using a cumulative effect adjustment to compensation expense. Compensation expense will be recognized only if the performance condition is met. Employees forfeit unvested restricted stock units upon termination of employment with a corresponding reversal of compensation expense. As of December 31, 2021, the Company has determined that the probability of achieving the performance condition for each award is as follows:

<b>Grant Year</b>	<b>Probability of Achieving Performance Condition</b>
2021	75%
2020	75%
2019	75%

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

Up to 75 percent of the award can be earned based on the Company's total shareholder return relative to members of a predetermined peer group. The market condition must be met for the awards to vest and compensation cost will be recognized regardless if the market condition is satisfied. Compensation expense is amortized on a straight-line basis over the 36-month requisite service period. Employees forfeit unvested restricted stock units upon termination of employment with a corresponding reversal of compensation expense. For this portion of the awards, the fair value on the grant date was determined using a Monte Carlo simulation with the following assumptions:

<b>Grant Year</b>	<b>Risk-free Interest Rate</b>	<b>Expected Stock Price Volatility</b>
2021	0.23%	43.2%
2020	1.40%	27.3%
2019	2.50%	31.9%
2018	2.40%	34.8%
2017	1.62%	35.9%

Because the market condition portion of the awards 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.

The compensation committee of the Company's board of directors included defined retirement provisions in its Leadership Grants, beginning with the February 2018 grant. Certain grantees meeting defined age and service requirements will be fully vested in the awards as long as performance and post-termination obligations are met throughout the performance period. These retirement-eligible grants are expensed in the period in which those awards are deemed to be earned, which is the calendar year preceding the February grant date.

2016 Leadership Grant

Restricted stock units granted in 2016 contain market condition criteria and convert to shares of common stock at the end of the 36-month performance period only if the Company's stock performance satisfies predetermined market conditions over the performance period. Under the terms of the award, the number of units that vested and converted to shares was based on the Company's stock performance achieving specified targets during the performance period. All units vested in full. Compensation expense was recognized over the 36-month performance period which ended in May 2019.

Up to 50 percent of the award was 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 was earned based on the Company's total shareholder return. The fair value of the award on the grant date was determined using a Monte Carlo simulation with the following assumptions pursuant to the methodology above:

<b>Grant Year</b>	<b>Risk-free Interest Rate</b>	<b>Expected Stock Price Volatility</b>
2016	0.98%	34.9%

*Stock Options*

On February 15, 2018, the Company granted options to certain executive officers. These options are expensed on a straight-line basis over the required service period of five years, based on the estimated fair value of the award on the date of grant. The exercise price per share is equal to the closing price on the date of grant plus ten percent. These options are subject to graded vesting, beginning on the third anniversary of the grant date, so long as the employee remains continuously employed by the Company. The maximum term of these stock options is ten years.



**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The fair value of this stock option award was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	2.82 %
Dividend yield	3.22 %
Expected stock price volatility	37.20 %
Expected life of options (in years)	7.0
Fair value of options granted (per share)	\$ 24.49

The risk-free interest rate assumption was based on the U.S. Treasury bond yield with a maturity equal to the expected life of the options. The dividend yield assumption was based on the assumed dividend payout over the expected life of the options. The expected stock price volatility assumption was determined using historical volatility, as correlation coefficients can only be developed through historical volatility.

***Inducement Plans***

Inducement plan awards are amortized as compensation expense on a straight-line basis over each respective vesting period. Employees forfeit unvested shares upon termination of employment and a reversal of compensation expense is recorded.

The Company established the 2016 Employment Inducement Award Plan (the "2016 Inducement Plan") in conjunction with the acquisition of Simmons & Company International ("Simmons"). The Company granted \$11.6 million (286,776 shares) in restricted stock under the 2016 Inducement Plan on May 16, 2016. All outstanding shares cliff vested on May 16, 2019 and the 2016 Inducement Plan was terminated in July 2019.

The Company established the 2019 Inducement Plan in conjunction with its acquisition of Weeden & Co. On August 2, 2019, the Company granted \$7.3 million (97,752 shares) in restricted stock. These restricted shares are subject to graded vesting, generally beginning on the third anniversary of the grant date through August 2, 2023.

The Company established the 2020 Inducement Plan in conjunction with its acquisition of Sandler O'Neill. On January 3, 2020, the Company granted \$96.9 million (1,217,423 shares) in restricted stock. These restricted shares have both cliff and graded vesting terms with vesting periods of 18 months, three years or five years (with a weighted average service period of 3.7 years). On April 3, 2020, the Company granted \$5.5 million (114,000 shares) in restricted stock under the 2020 Inducement Plan in conjunction with its acquisition of Valence. These restricted shares are subject to graded vesting, generally beginning on the third anniversary of the grant date through April 3, 2025. On December 31, 2020, the Company granted \$2.9 million (29,194 shares) in restricted stock under the 2020 Inducement Plan in conjunction with its acquisition of TRS. These restricted shares are subject to ratable vesting over a three-year vesting period.

***Stock-Based Compensation Activity***

The following table summarizes the Company's stock-based compensation activity within continuing operations:

	Year Ended December 31,		
	2021	2020	2019
<i>(Amounts in millions)</i>			
Stock-based compensation expense	\$ 170.1	\$ 120.8	\$ 30.8
Forfeitures	1.6	2.3	2.6
Tax benefit related to stock-based compensation expense	23.8	15.6	5.4

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

The following table summarizes the changes in the Company's unvested restricted stock:

	Unvested Restricted Stock (in Shares)	Weighted Average Grant Date Fair Value
<b>December 31, 2018</b>	<b>1,569,795</b>	<b>\$ 53.80</b>
Granted	463,088	74.05
Vested	(1,306,844)	47.30
Canceled	(31,814)	76.20
<b>December 31, 2019</b>	<b>694,225</b>	<b>\$ 78.52</b>
Granted	3,968,340	74.82
Vested	(283,934)	80.64
Canceled	(66,074)	77.68
<b>December 31, 2020</b>	<b>4,312,557</b>	<b>\$ 74.99</b>
Granted	353,753	108.21
Vested	(850,355)	81.29
Canceled	(20,743)	90.27
<b>December 31, 2021</b>	<b>3,795,212</b>	<b>\$ 76.59</b>

The fair value of restricted stock that vested during the years ended December 31, 2021, 2020 and 2019 was \$69.1 million, \$22.9 million and \$61.8 million, respectively.

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

	Unvested Restricted Stock Units	Weighted Average Grant Date Fair Value
<b>December 31, 2018</b>	<b>194,251</b>	<b>\$ 48.97</b>
Granted	39,758	75.78
Vested	(103,707)	19.93
Canceled	(15,987)	45.79
<b>December 31, 2019</b>	<b>114,315</b>	<b>\$ 85.09</b>
Granted	56,066	86.01
Vested	(18,255)	84.10
Canceled	(6,078)	84.10
<b>December 31, 2020</b>	<b>146,048</b>	<b>\$ 85.60</b>
Granted	62,569	103.69
Vested	(50,224)	92.93
Canceled	—	—
<b>December 31, 2021</b>	<b>158,393</b>	<b>\$ 90.43</b>

As of December 31, 2021, there was \$132.5 million of total unrecognized compensation cost related to restricted stock and restricted stock units expected to be recognized over a weighted average period of 2.3 years.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

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
<b>December 31, 2018</b>	<b>81,667</b>	<b>\$ 99.00</b>	<b>9.1</b>	<b>\$ —</b>
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Expired	—	—		
<b>December 31, 2019</b>	<b>81,667</b>	<b>\$ 99.00</b>	<b>8.1</b>	<b>\$ —</b>
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Expired	—	—		
<b>December 31, 2020</b>	<b>81,667</b>	<b>\$ 99.00</b>	<b>7.1</b>	<b>\$ 155,167</b>
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Expired	—	—		
<b>December 31, 2021</b>	<b>81,667</b>	<b>\$ 99.00</b>	<b>6.1</b>	<b>\$ 6,493,343</b>
<b>Options exercisable at December 31, 2021</b>	<b>27,222</b>	<b>\$ 99.00</b>	<b>6.1</b>	<b>\$ 2,164,421</b>

As of December 31, 2021, there was \$0.4 million of unrecognized compensation cost related to stock options expected to be recognized over a weighted average period of 1.1 years. There were no exercisable options during the years ended December 31, 2020 and 2019.

The Company has a policy of issuing shares out of treasury (to the extent available) to satisfy share option exercises and restricted stock vesting. The Company expects to withhold approximately 0.1 million shares from employee equity awards vesting in 2022, related to employee individual income tax withholding obligations on restricted stock vesting. For accounting purposes, withholding shares to cover employees' tax obligations is deemed to be a repurchase of shares by the Company.

**Deferred Compensation Plans**

The Company maintains various deferred compensation arrangements for employees.

The Mutual Fund Restricted Share Investment Plan is a fully funded deferred compensation plan which allowed eligible employees to receive a portion of their incentive compensation 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. MFRS Awards are owned by employee recipients (subject to aforementioned vesting restrictions) and as such are not included on the consolidated statements of financial condition.

The Company recorded compensation expense from continuing operations of \$127.3 million, \$77.2 million and \$45.5 million for the years ended December 31, 2021, 2020 and 2019, respectively, related to employee MFRS Awards, less forfeitures. Forfeitures were \$3.5 million, \$5.8 million and \$3.3 million for the years ended December 31, 2021, 2020 and 2019, respectively.

**Piper Sandler Companies****Notes to the Consolidated Financial Statements – Continued**

The nonqualified deferred compensation plan is an unfunded plan which allows certain highly compensated employees, at their election, to defer a portion of their compensation. This plan was closed to future deferral elections by participants for performance periods beginning after December 31, 2017. 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 and categorized as Level I, totaled \$18.8 million and \$16.3 million as of December 31, 2021 and 2020, respectively, and are included in investments on the consolidated statements of financial condition. A corresponding deferred compensation liability is included in accrued compensation on the consolidated statements of financial condition. The compensation deferred by the employees was expensed in the period earned. 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 Company entered into acquisition-related compensation arrangements with certain employees for retention and incentive purposes in conjunction with its acquisition of Simmons. Additional cash compensation was available to certain employees subject to exceeding an investment banking revenue threshold during the three-year Simmons post-acquisition period, which ended on February 26, 2019. The Company paid \$40.1 million related to this performance award plan in August 2019. Amounts payable related to this performance award plan were recorded as compensation expense from continuing operations on the consolidated statements of operations over the requisite performance period of three years. The Company recorded \$0.6 million as compensation expense from continuing operations for the year ended December 31, 2019.

**Note 20 Earnings Per Share ("EPS")**

Basic earnings per common share is computed by dividing net income applicable to Piper Sandler Companies' common shareholders by the weighted average number of common shares outstanding for the period. For periods prior to 2020, the Company calculated EPS using the two-class method. Net income applicable to Piper Sandler Companies' common shareholders represented net income applicable to Piper Sandler Companies reduced by the allocation of earnings to participating securities. No allocation of undistributed earnings was made for periods in which a loss was incurred, or for periods in which cash dividends exceeded net income resulting in an undistributed loss. Distributed earnings (e.g., dividends) were allocated to participating securities. Prior to the February 2019 Annual Grant (the "2019 Annual Grant"), all of the Company's restricted shares were deemed to be participating securities as they were eligible to share in the profits (e.g., receive dividends) of the Company. The Company's restricted stock units, as well as restricted stock grants issued in 2019 and subsequent periods, are not participating securities as the dividends are forfeitable until vested. Diluted earnings per common share is calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive stock options, restricted stock units and non-participating restricted shares.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The computation of EPS is as follows:

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<i>(Amounts in thousands, except per share data)</i>			
Net income from continuing operations applicable to Piper Sandler Companies	\$ 278,514	\$ 40,504	\$ 87,939
Net income from discontinued operations	—	—	23,772
Net income applicable to Piper Sandler Companies	<b>278,514</b>	40,504	111,711
Earnings allocated to participating securities	—	—	(4,511) <sup>(1)</sup>
Net income applicable to Piper Sandler Companies' common shareholders	<b>\$ 278,514</b>	<b>\$ 40,504</b>	<b>\$ 107,200</b> <sup>(2)</sup>
<b>Shares for basic and diluted calculations:</b>			
Average shares used in basic computation	<b>14,265</b>	13,781	13,555
Stock options	<b>14</b>	—	—
Restricted stock units	<b>187</b>	135	162
Non-participating restricted shares	<b>2,488</b>	985	220
Average shares used in diluted computation	<b>16,955</b>	14,901	13,937
<b>Earnings per basic common share:</b>			
Income from continuing operations	\$ 19.52	\$ 2.94	\$ 6.21
Income from discontinued operations	—	—	1.69
Earnings per basic common share	\$ 19.52	\$ 2.94	\$ 7.90
<b>Earnings per diluted common share:</b>			
Income from continuing operations	\$ 16.43	\$ 2.72	\$ 6.05
Income from discontinued operations	—	—	1.65
Earnings per diluted common share	\$ 16.43	\$ 2.72	\$ 7.69

(1) Represents the allocation of distributed and undistributed earnings to participating securities. No allocation of undistributed earnings is made for periods in which a loss is incurred, or for periods in which cash dividends exceed net income resulting in an undistributed loss. Distributed earnings (e.g., dividends) are allocated to participating securities. Participating securities include the Company's unvested restricted shares issued prior to the 2019 Annual Grant. The weighted average participating shares outstanding were 513,220 for the year ended December 31, 2019.

(2) Net income applicable to Piper Sandler 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, restricted stock units and non-participating restricted shares to dilutive shares outstanding, which alters the ratio used to allocate earnings to Piper Sandler Companies' common shareholders and participating securities for purposes of calculating diluted and basic EPS.

The anti-dilutive effects from stock options and non-participating restricted shares were immaterial for the year ended December 31, 2021. The average shares used in the diluted computation excluded anti-dilutive stock options and non-participating restricted shares of 1.7 million and 0.1 million for the years ended December 31, 2020 and 2019, respectively.

**Piper Sandler Companies**
**Notes to the Consolidated Financial Statements – Continued**
**Note 21 Revenues and Business Information**

The Company's activities as an investment bank and institutional securities firm constitute a single business segment. The substantial majority of the Company's net revenues and long-lived assets are located in the U.S.

Reportable financial results from continuing operations are as follows:

<i>(Amounts in thousands)</i>	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Capital Markets</b>			
Investment banking			
Advisory services	<b>\$ 1,026,138</b>	\$ 443,327	\$ 440,695
Corporate financing	<b>362,797</b>	295,333	105,256
Municipal financing	<b>164,284</b>	119,816	83,441
<i>Total investment banking</i>	<b>1,553,219</b>	858,476	629,392
Institutional brokerage			
Equity brokerage	<b>154,067</b>	161,445	87,555
Fixed income services	<b>233,510</b>	196,308	80,336
<i>Total institutional brokerage</i>	<b>387,577</b>	357,753	167,891
<i>Interest income</i>	<b>6,967</b>	13,164	26,741
<i>Investment income</i>	<b>94,032</b>	23,265	22,275
Total revenues	<b>2,041,795</b>	1,252,658	846,299
<i>Interest expense</i>	<b>10,734</b>	14,445	11,733
Net revenues	<b>2,031,061</b>	1,238,213	834,566
Non-interest expenses	<b>1,589,549</b>	1,169,665	715,587
Pre-tax income	<b>\$ 441,512</b>	\$ 68,548	\$ 118,979
Pre-tax margin	<b>21.7 %</b>	5.5 %	14.3 %

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

**Note 22** *Net Capital Requirements and Other Regulatory Matters*

Piper Sandler & Co. is registered as a securities broker dealer with the Securities and Exchange Commission ("SEC") and is a member of various SROs and securities exchanges. The Financial Industry Regulatory Authority, Inc. ("FINRA") serves as the primary SRO of Piper Sandler & Co. Piper Sandler & Co. is subject to the uniform net capital rule of the SEC and the net capital rule of FINRA. Piper Sandler & Co. has elected to use the alternative method permitted by the SEC rule which requires that it maintain minimum net capital of \$1.0 million. Advances to affiliates, repayment of subordinated debt, dividend payments and other equity withdrawals by Piper Sandler & Co. are subject to certain approvals, notifications and other provisions of SEC and FINRA rules.

At December 31, 2021, net capital calculated under the SEC rule was \$362.5 million, and exceeded the minimum net capital required under the SEC rule by \$361.5 million.

The Company's committed short-term credit facility, revolving credit facility and its Class B Notes with PIMCO include covenants requiring Piper Sandler & Co. to maintain minimum net capital of \$120 million. The Company's fully disclosed clearing agreement with Pershing includes a covenant requiring Piper Sandler & Co. to maintain excess net capital of \$120 million.

Piper Sandler Ltd., a broker dealer subsidiary registered in the United Kingdom, is subject to the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority. As of December 31, 2021, Piper Sandler Ltd. was in compliance with the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority.

Piper Sandler 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 December 31, 2021, Piper Sandler Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

**Note 23** *Income Taxes*

Income tax expense is provided using the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between amounts reported for income tax purposes and financial statement purposes, using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted by the U.S. federal government on March 27, 2020 in response to the COVID-19 pandemic, contains tax provisions allowing a five-year carry back of any net operating losses incurred during federal tax years 2018, 2019 and 2020, to periods when the corporate federal tax rate was 35 percent. ASC 740 requires companies to recognize the effect of tax law changes in the period of enactment. For the year ended December 31, 2020, the Company recorded \$2.4 million of income tax benefits related to the tax provisions in the CARES Act.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

The components of income tax expense from continuing operations are as follows:

<i>(Amounts in thousands)</i>	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Current:</b>			
Federal	\$ 124,389	\$ 43,445	\$ (404)
State	36,793	14,551	123
Foreign	3,818	150	96
	<u>165,000</u>	<u>58,146</u>	<u>(185)</u>
<b>Deferred:</b>			
Federal	(41,980)	(27,995)	19,071
State	(10,874)	(10,510)	5,517
Foreign	(1,002)	(449)	174
	<u>(53,856)</u>	<u>(38,954)</u>	<u>24,762</u>
<b>Total income tax expense from continuing operations</b>	<u>\$ 111,144</u>	<u>\$ 19,192</u>	<u>\$ 24,577</u>
<b>Total income tax expense from discontinued operations</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,370</u>

A reconciliation of federal income taxes from continuing operations at statutory rates to the Company's effective tax rates is as follows:

<i>(Amounts in thousands)</i>	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Federal income tax expense at statutory rates	\$ 92,718	\$ 14,395	\$ 24,986
Increase/(reduction) in taxes resulting from:			
Impact of the CARES Act	—	(2,438)	—
State income taxes, net of federal tax benefit	19,020	4,396	4,906
Net tax-exempt interest income	(754)	(1,661)	(1,643)
Foreign jurisdictions tax rate differential	978	48	(438)
Non-deductible compensation	9,013	6,163	3,293
Change in valuation allowance	49	446	(209)
Vestings of stock awards	(2,732)	(337)	(5,171)
Income attributable to noncontrolling interests	(10,889)	(1,859)	(1,357)
Other, net	3,741	39	210
<b>Total income tax expense from continuing operations</b>	<u>\$ 111,144</u>	<u>\$ 19,192</u>	<u>\$ 24,577</u>

In accordance with ASC 740, U.S. income taxes are not provided on undistributed earnings of international subsidiaries that are permanently reinvested. As of December 31, 2021, no deferred taxes have been provided for withholding taxes or other taxes that would result upon repatriation of the Company's foreign earnings to the U.S.



**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

Deferred income tax assets and liabilities reflect the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for the same items for income tax reporting purposes. The net deferred income tax assets consisted of the following items:

<i>(Amounts in thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Deferred tax assets:</b>		
Deferred compensation	\$ 118,470	\$ 78,155
Accrued lease liability	22,086	24,067
Goodwill tax basis in excess of book basis	40,183	30,174
Net operating loss carryforwards	5,094	4,665
Liabilities/accruals not currently deductible	3,019	1,357
Other	4,241	2,478
Total deferred tax assets	<u>193,093</u>	<u>140,896</u>
Valuation allowance	<u>(5,094)</u>	<u>(5,045)</u>
Deferred tax assets after valuation allowance	<u>187,999</u>	<u>135,851</u>
<b>Deferred tax liabilities:</b>		
Right-of-use lease asset	17,430	19,759
Unrealized gains on firm investments	3,533	5,610
Fixed assets	8,372	5,686
Other	464	577
Total deferred tax liabilities	<u>29,799</u>	<u>31,632</u>
Net deferred tax assets	<u>\$ 158,200</u>	<u>\$ 104,219</u>

The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. The Company believes that its future tax profits will be sufficient to recognize its deferred tax assets, with the exception of \$5.1 million in foreign and state net operating loss carryforwards.

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

The Company accounts for unrecognized tax benefits in accordance with the provisions of ASC 740, which requires tax reserves to be recorded for uncertain tax positions on the consolidated statements of financial condition. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

*(Amounts in thousands)*

<b>Balance at December 31, 2018</b>	<b>\$ 774</b>
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	4,128
Reductions for tax positions of prior years	(358)
Settlements	(285)
<b>Balance at December 31, 2019</b>	<b>\$ 4,259</b>
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	(3,212)
Settlements	(943)
<b>Balance at December 31, 2020</b>	<b>\$ 104</b>
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	1,743
Reductions for tax positions of prior years	(38)
Settlements	(66)
<b>Balance at December 31, 2021</b>	<b>\$ 1,743</b>

As of December 31, 2021, approximately \$1.7 million of the Company's unrecognized tax benefits would impact the annual effective rate, if recognized.

In 2021, the Company recorded a \$1.7 million liability for uncertain state income tax positions. In 2019, the Company recorded a \$4.1 million liability for uncertain state and local income tax positions related to its acquisition of Weeden & Co. This liability was recorded as a measurement period adjustment and includes a corresponding indemnification asset and deferred tax asset. In 2020, the Company reversed \$3.2 million of this liability and corresponding indemnification asset and deferred tax asset as a measurement period adjustment and paid a settlement of \$0.9 million, for which the Company was indemnified.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. The Company had \$0.3 million and \$1.2 million accrued related to the payment of interest and penalties at December 31, 2021 and 2019, respectively. The Company had no accruals related to the payment of interest and penalties at December 31, 2020. The Company or one of its subsidiaries files income tax returns with the various states and foreign jurisdictions in which the Company operates. The Company is not subject to examination by U.S. federal tax authorities for years before 2018 and is not subject to examination by state and local or non-U.S. tax authorities for taxable years before 2017. The Company anticipates the majority of its uncertain income tax positions will be resolved within the next twelve months.

## Piper Sandler Companies

## Notes to the Consolidated Financial Statements – Continued

## Note 24 Parent Company only and PSLs

## Parent Company only

## Condensed Statements of Financial Condition

<i>(Amounts in thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 200	\$ 200
Investment in and advances to subsidiaries	1,270,666	1,066,069
Other assets	15,545	9,311
Total assets	<u>\$ 1,286,411</u>	<u>\$ 1,075,580</u>
<b>Liabilities and Shareholders' Equity</b>		
Long-term financing	\$ 125,000	\$ 195,000
Accrued compensation	94,795	47,647
Other liabilities and accrued expenses	4,406	3,508
Total liabilities	<u>224,201</u>	<u>246,155</u>
Shareholders' equity	<u>1,062,210</u>	<u>829,425</u>
Total liabilities and shareholders' equity	<u>\$ 1,286,411</u>	<u>\$ 1,075,580</u>

**Piper Sandler Companies**
**Notes to the Consolidated Financial Statements – Continued**
**Condensed Statements of Operations**

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<i>(Amounts in thousands)</i>			
<b>Revenues:</b>			
Dividends from subsidiaries	\$ 74,456	\$ 42,450	\$ 54,762
Interest income	508	829	815
Investment income	2,723	1,565	2,012
Total revenues	<u>77,687</u>	<u>44,844</u>	<u>57,589</u>
Interest expense	<u>8,606</u>	<u>10,568</u>	<u>1,910</u>
Net revenues	<u>69,081</u>	<u>34,276</u>	<u>55,679</u>
<b>Non-interest expenses:</b>			
Total non-interest expenses	<u>7,522</u>	<u>2,049</u>	<u>4,851</u>
<b>Income from continuing operations before income tax expense and equity in income of subsidiaries</b>	<b>61,559</b>	<b>32,227</b>	<b>50,828</b>
Income tax expense	<u>15,636</u>	<u>8,186</u>	<u>11,215</u>
<b>Income from continuing operations of parent company</b>	<b>45,923</b>	<b>24,041</b>	<b>39,613</b>
Equity in undistributed income of subsidiaries	<u>232,591</u>	<u>16,463</u>	<u>99,005</u>
<b>Net income from continuing operations</b>	<b>278,514</b>	<b>40,504</b>	<b>138,618</b>
<b>Discontinued operations:</b>			
Loss from discontinued operations, net of tax	<u>—</u>	<u>—</u>	<u>(26,907)</u>
<b>Net income applicable to Piper Sandler Companies</b>	<b><u>\$ 278,514</u></b>	<b><u>\$ 40,504</u></b>	<b><u>\$ 111,711</u></b>

**Piper Sandler Companies**
**Notes to the Consolidated Financial Statements – Continued**
**Condensed Statements of Cash Flows**

(Amounts in thousands)	Year Ended December 31,		
	2021	2020	2019
<b>Operating Activities:</b>			
Net income	\$ 278,514	\$ 40,504	\$ 111,711
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	1,019	525	643
Equity in undistributed income of subsidiaries	(232,591)	(16,463)	(99,005)
Net cash provided by operating activities	46,942	24,566	13,349
<b>Financing Activities:</b>			
Issuance of long-term financing	—	—	175,000
Repayment of long-term financing	(70,000)	—	—
Advances from/(to) subsidiaries	192,309	25,571	(102,225)
Repurchase of common stock	(69,901)	(21,965)	(50,584)
Payment of cash dividend	(99,350)	(28,172)	(35,594)
Net cash used in financing activities	(46,942)	(24,566)	(13,403)
Net decrease in cash and cash equivalents	—	—	(54)
Cash and cash equivalents at beginning of year	200	200	254
Cash and cash equivalents at end of year	\$ 200	\$ 200	\$ 200

**PSLS**
**Condensed Statements of Financial Condition**

(Amounts in thousands)	December 31, 2021	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents	\$ 5,075	\$ 3,103
Right-of-use lease asset	1,062	1,633
Fee receivables	1,656	506
Prepaid expenses	110	121
Other assets	644	629
Total assets	\$ 8,547	\$ 5,992
<b>Liabilities and Shareholder's Equity</b>		
Accrued compensation	\$ 3,446	\$ 1,209
Accrued lease liability	1,062	1,633
Other liabilities and accrued expenses	1,122	575
Total liabilities	5,630	3,417
Shareholder's equity	2,917	2,575
Total liabilities and shareholder's equity	\$ 8,547	\$ 5,992

**Piper Sandler Companies**

**Notes to the Consolidated Financial Statements – Continued**

**Note 25** *Subsequent Events*

On February 4, 2022, the Company completed the acquisition of Cornerstone Macro, an independent research firm focused on providing macro research and equity derivatives trading to institutional investors. The transaction was completed pursuant to the Securities Purchase Agreement dated October 12, 2021. The purchase price consisted of cash consideration, and restricted stock was granted for retention purposes. Additional cash consideration may be earned if certain revenue targets are achieved. Cornerstone Macro's results of operations will be included in the Company's consolidated financial statements prospectively from the date of acquisition.

On January 5, 2022, the Company announced a definitive agreement to acquire Stamford Partners, a specialist investment bank offering financial advisory and corporate development services in the European food and beverage and related consumer sectors. The purchase price consists of cash consideration, and restricted stock will be granted for retention purposes. The transaction is expected to close in the first half of 2022, subject to obtaining required regulatory approvals and other customary closing conditions.

**Piper Sandler Companies**
**Supplementary Data**
*Quarterly Information (unaudited)*

	<b>2021 Fiscal Quarter</b>			
	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
<i>(Amounts in thousands, except per share data)</i>				
Total revenues	\$ 431,387	\$ 511,344	\$ 448,233	\$ 650,831
Interest expense	2,780	2,696	2,668	2,590
Net revenues	428,607	508,648	445,565	648,241
Total non-interest expenses	345,740	394,588	369,855	479,366
Income from continuing operations before income tax expense	82,867	114,060	75,710	168,875
Income tax expense	17,274	27,066	23,512	43,292
Net income	65,593	86,994	52,198	125,583
Net income applicable to noncontrolling interests	16,134	17,173	6,477	12,070
Net income applicable to Piper Sandler Companies	\$ 49,459	\$ 69,821	\$ 45,721	\$ 113,513
Net income applicable to Piper Sandler Companies' common shareholders	\$ 49,459	\$ 69,821	\$ 45,721	\$ 113,513
<b>Earnings per common share</b>				
Basic	\$ 3.44	\$ 4.86	\$ 3.22	\$ 8.04
Diluted	\$ 3.00	\$ 4.12	\$ 2.68	\$ 6.54
<b>Dividends declared per common share</b>				
	\$ 2.25	\$ 0.45	\$ 0.55	\$ 3.55
<b>Weighted average number of common shares outstanding</b>				
Basic	14,374	14,358	14,213	14,119
Diluted	16,467	16,951	17,047	17,357

	<b>2020 Fiscal Quarter</b>			
	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
<i>(Amounts in thousands, except per share data)</i>				
Total revenues	\$ 240,380	\$ 295,964	\$ 307,174	\$ 409,140
Interest expense	4,212	3,526	3,455	3,252
Net revenues	236,168	292,438	303,719	405,888
Total non-interest expenses	270,197	285,041	279,070	335,357
Income/(loss) from continuing operations before income tax expense/(benefit)	(34,029)	7,397	24,649	70,531
Income tax expense/(benefit)	(11,774)	4,700	5,674	20,592
Net income/(loss)	(22,255)	2,697	18,975	49,939
Net income/(loss) applicable to noncontrolling interests	(7,528)	1,243	7,358	7,779
Net income/(loss) applicable to Piper Sandler Companies	\$ (14,727)	\$ 1,454	\$ 11,617	\$ 42,160
Net income/(loss) applicable to Piper Sandler Companies' common shareholders	\$ (14,727)	\$ 1,454	\$ 11,617	\$ 42,160
<b>Earnings/(loss) per common share</b>				
Basic	\$ (1.07)	\$ 0.11	\$ 0.84	\$ 3.07
Diluted	\$ (1.07)	\$ 0.10	\$ 0.78	\$ 2.66
<b>Dividends declared per common share</b>				
	\$ 1.125	\$ 0.20	\$ 0.30	\$ 0.375
<b>Weighted average number of common shares outstanding</b>				
Basic	13,796	13,794	13,778	13,755
Diluted	14,411	14,476	14,853	15,860

**ITEM 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.***

None.

**ITEM 9A. *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 Exchange Act. 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 SEC 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 fourth quarter of our fiscal year ended December 31, 2021, 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 Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting and the attestation report of our independent registered public accounting firm on management's assessment of internal control over financial reporting are included in Part II, Item 8 of this Form 10-K entitled "Financial Statements and Supplementary Data" and are incorporated herein by reference.

**ITEM 9B. *OTHER INFORMATION.***

None.

**ITEM 9C. *DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.***

Not applicable.

**PART III**

**ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.***

The information regarding our executive officers included in Part I, Item 1 of this Form 10-K under the caption "Information About our Executive Officers" is incorporated herein by reference. The information in the definitive proxy statement for our 2022 annual meeting of shareholders to be held on May 6, 2022, under the captions "Proposal One — Election of Directors," "Information Regarding the Board of Directors and Corporate Governance — Committees of the Board — Audit Committee," "Information Regarding the Board of Directors and Corporate Governance — Codes of Ethics and Business Conduct" and "Delinquent Section 16(a) Reports" is incorporated herein by reference.

**ITEM 11. *EXECUTIVE COMPENSATION.***

The information in the definitive proxy statement for our 2022 annual meeting of shareholders to be held on May 6, 2022, under the captions "Executive Compensation," "Certain Relationships and Related Transactions — Compensation Committee Interlocks and Insider Participation," "Information Regarding the Board of Directors and Corporate Governance — Compensation Program for Non-Employee Directors" and "Information Regarding the Board of Directors and Corporate Governance — Non-Employee Director Compensation for 2021" is incorporated herein by reference.



**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information in the definitive proxy statement for our 2022 annual meeting of shareholders to be held on May 6, 2022, under the captions "Security Ownership — Beneficial Ownership of Directors, Nominees and Executive Officers," "Security Ownership — Beneficial Owners of More than Five Percent of Our Common Stock" and "Executive Compensation — Outstanding Equity Awards at Fiscal Year-End" is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

The information in the definitive proxy statement for our 2022 annual meeting of shareholders to be held on May 6, 2022, under the captions "Information Regarding the Board of Directors and Corporate Governance — Director Independence," "Certain Relationships and Related Transactions — Transactions with Related Persons" and "Certain Relationships and Related Transactions — Review and Approval of Transactions with Related Persons" is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The information in the definitive proxy statement for our 2022 annual meeting of shareholders to be held on May 6, 2022, under the captions "Audit Committee Report and Payment of Fees to Our Independent Auditor — Auditor Fees" and "Audit Committee Report and Payment of Fees to Our Independent Auditor — Auditor Services Pre-Approval Policy" is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

(a)(1) FINANCIAL STATEMENTS OF THE COMPANY.

The Consolidated Financial Statements are incorporated herein by reference and included in Part II, Item 8 of this Form 10-K.

(a)(2) FINANCIAL STATEMENT SCHEDULES.

All financial statement schedules for the Company have been included in the Consolidated Financial Statements or the related footnotes, or are either inapplicable or not required.

(a)(3) EXHIBITS.

**Exhibit Index**

<b>Exhibit Number</b>	<b>Description</b>
2.1	<a href="#">Separation and Distribution Agreement dated as of December 23, 2003, between U.S. Bancorp and Piper Sandler Companies (incorporated by reference to Exhibit 2.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed March 8, 2004). #</a>
2.2	<a href="#">Securities Purchase Agreement dated November 16, 2015 among Piper Sandler Companies, Piper Sandler &amp; Co., Simmons &amp; Company International, SCI JV LP, SCI GP, LLC, and Simmons &amp; Company International Holdings LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed November 17, 2015). #</a>
2.3	<a href="#">First Amendment to Securities Purchase Agreement dated February 25, 2016 among Piper Sandler Companies, Piper Sandler &amp; Co., Simmons &amp; Company International, SCI JV LP, SCI GP, LLC, and Simmons &amp; Company International Holdings LLC (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016, filed May 4, 2016). #</a>
2.4	<a href="#">Second Amendment to Securities Purchase Agreement dated April 19, 2017 between Piper Sandler &amp; Co. and SCI JV LP (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed May 9, 2017).</a>
2.5	<a href="#">Agreement and Plans of Merger, dated July 9, 2019, by and among Piper Jaffray Companies, SOP Holdings, LLC, Sandler O'Neill &amp; Partners Corp., Sandler O'Neill &amp; Partners, L.P. and the other parties thereto (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed July 10, 2019). #</a>

## Exhibit Index

Exhibit Number	Description
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007, filed August 3, 2007).</u></a>
3.2	<a href="#"><u>Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed January 6, 2020).</u></a>
3.3	<a href="#"><u>Amended and Restated Bylaws (as of January 3, 2020) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed January 6, 2020).</u></a>
4.1	<a href="#"><u>Form of Specimen Certificate for Piper Sandler Companies Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed February 26, 2018).</u></a>
4.2	<a href="#"><u>Second Amended and Restated Indenture dated as of June 11, 2012 (Secured Commercial Paper Notes), between Piper Sandler &amp; Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012, filed August 2, 2012).</u></a>
4.3	<a href="#"><u>First Amendment to Second Amended and Restated Indenture (Secured Commercial Paper Notes - Series I), dated September 29, 2017, between Piper Sandler &amp; Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, filed November 8, 2017).</u></a>
4.4	<a href="#"><u>Amended and Restated Indenture (Secured Commercial Paper Notes - Series II), dated as of April 30, 2015, between Piper Sandler &amp; Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed October 2, 2017).</u></a>
4.5	<a href="#"><u>First Amendment to Amended and Restated Indenture (Secured Commercial Paper Notes - Series II), dated as of September 29, 2017, between Piper Sandler &amp; Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed October 2, 2017).</u></a>
4.6	<a href="#"><u>Second Amended and Restated Indenture dated April 21, 2014 (Secured Commercial Paper Notes - Series III), between Piper Sandler &amp; Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 21, 2014).</u></a>
4.7	<a href="#"><u>Description of Securities (incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020).</u></a>
10.1	<a href="#"><u>Form of director indemnification agreement between Piper Sandler Companies and its directors (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 17, 2014).</u></a> †
10.2	<a href="#"><u>Office Lease Agreement, dated May 30, 2012, by and among Piper Sandler &amp; Co. and Wells REIT – 800 Nicollett Avenue Owner, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 1, 2012).</u></a>
10.3	<a href="#"><u>Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (as amended and restated May 15, 2020) (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed May 22, 2020).</u></a> †
10.4	<a href="#"><u>Piper Sandler Companies Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed July 31, 2013).</u></a> †
10.5	<a href="#"><u>Form of Performance Share Unit Agreement for 2018 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018).</u></a> †
10.6	<a href="#"><u>Form of Performance Share Unit Agreement for 2019 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed February 26, 2019).</u></a> †
10.7	<a href="#"><u>Form of Performance Share Unit Agreement for 2020 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020).</u></a> †
10.8	<a href="#"><u>Form of Performance Share Unit Agreement for 2021 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed February 25, 2021).</u></a> †

## Exhibit Index

Exhibit Number	Description
10.9	<a href="#">Form of Performance Share Unit Agreement for 2022 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan. †*</a>
10.10	<a href="#">Piper Sandler Companies Deferred Compensation Plan for Non-Employee Directors, as amended and restated effective May 4, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2016, filed August 5, 2016). †</a>
10.11	<a href="#">Summary of Non-Employee Director Compensation Program. †*</a>
10.12	<a href="#">Form of Notice Period Agreement (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, filed March 1, 2007). †</a>
10.13	<a href="#">Credit Agreement, dated December 20, 2019, by and between Piper Sandler Companies and U.S. Bank National Association, as conformed through the first amendment, dated January 15, 2021 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed February 25, 2021).</a>
10.14	<a href="#">Amended and Restated Loan Agreement dated December 28, 2012, between Piper Sandler &amp; Co. and U.S. Bank National Association (as conformed through the Ninth Amendment to Amended and Restated Loan Agreement, dated December 10, 2021). *</a>
10.15	<a href="#">First Amendment to Amended and Restated Loan Agreement, dated December 28, 2013, between Piper Sandler &amp; Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed February 28, 2014).</a>
10.16	<a href="#">Second Amendment to Amended and Restated Loan Agreement, dated December 19, 2014, between Piper Sandler &amp; Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed February 26, 2015).</a>
10.17	<a href="#">Third Amendment to Amended and Restated Loan Agreement, dated December 18, 2015, between Piper Sandler &amp; Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed February 25, 2016).</a>
10.18	<a href="#">Fourth Amendment to Amended and Restated Loan Agreement, dated December 17, 2016, between Piper Sandler &amp; Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed May 9, 2017).</a>
10.19	<a href="#">Fifth Amendment to Amended and Restated Loan Agreement, dated December 16, 2017, between Piper Sandler &amp; Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018).</a>
10.20	<a href="#">Sixth Amendment to Amended and Restated Loan Agreement, dated December 14, 2018, between Piper Sandler &amp; Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed February 26, 2019).</a>
10.21	<a href="#">Seventh Amendment to Amended and Restated Loan Agreement, dated December 13, 2019, between Piper Sandler &amp; Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020).</a>
10.22	<a href="#">Eighth Amendment to Amended and Restated Loan Agreement, dated December 11, 2020, between Piper Sandler &amp; Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed February 25, 2021).</a>
10.23	<a href="#">Ninth Amendment to Amended and Restated Loan Agreement, dated December 10, 2021, between Piper Sandler &amp; Co. and U.S. Bank National Association. *</a>
10.24	<a href="#">Piper Sandler Companies Amended and Restated Mutual Fund Restricted Share Investment Plan, effective as of December 13, 2016 (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed February 24, 2017). †</a>
10.25	<a href="#">Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2018 (related to performance in 2017) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †</a>

**Exhibit Index**

<b>Exhibit Number</b>	<b>Description</b>
10.26	<a href="#">Form of Restricted Stock and Mutual Fund Restricted Share Agreement for California-based Employee Grants in 2018 (related to performance in 2017) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018).</a> †
10.27	<a href="#">Form of Non-Qualified Stock Option Agreement for 2018 Promotional Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 9, 2018).</a> †
10.28	<a href="#">Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2019 (related to performance in 2018) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed on February 26, 2019).</a> †
10.29	<a href="#">Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2020 (related to performance in 2019) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020).</a> †
10.30	<a href="#">Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2021 (related to performance in 2020) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.31 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed February 25, 2021).</a> †
10.31	<a href="#">Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2022 (related to performance in 2021) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan.</a> †*
10.32	<a href="#">Piper Sandler Companies 2019 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, filed March 13, 2019).</a> †
10.33	<a href="#">Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2019 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed March 13, 2019).</a> †
10.34	<a href="#">Letter Agreement, dated July 8, 2019, by and between Piper Sandler Companies and Jonathan J. Doyle (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 6, 2020).</a> †
10.35	<a href="#">Equity Consideration Restricted Stock Agreement, dated July 9, 2019, by and between Piper Sandler Companies and Jonathan J. Doyle (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020).</a> †
10.36	<a href="#">Transition Services Agreement, dated December 31, 2020, by and between Piper Sandler &amp; Co. and Brian R. Sterling (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020, filed February 25, 2021).</a> †
10.37	<a href="#">Piper Sandler Companies 2020 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, filed November 29, 2019).</a> †
10.38	<a href="#">Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (18-Month Cliff Vesting) (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed November 29, 2019).</a> †
10.39	<a href="#">Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (3-Year Cliff Vesting) (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8, filed November 29, 2019).</a> †
10.40	<a href="#">Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (Years 3, 4 and 5 Pro-rata Vesting) (incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8, filed November 29, 2019).</a> †
10.41	<a href="#">Amendment Letter, dated March 10, 2021, by and between Piper Sandler Companies and Jonathan J. Doyle (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2021, filed May 6, 2021).</a> †
10.42	<a href="#">Amendment Letter, dated January 10, 2022, by and between Piper Sandler Companies and Brian R. Sterling.</a> †*

**Exhibit Index**

<b>Exhibit Number</b>	<b>Description</b>
21.1	<a href="#">Subsidiaries of Piper Sandler Companies *</a>
23.1	<a href="#">Consent of Ernst &amp; Young LLP *</a>
24.1	<a href="#">Power of Attorney *</a>
31.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer. *</a>
31.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer. *</a>
32.1	<a href="#">Section 1350 Certifications. **</a>
101	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2021, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Consolidated Financial Statements. *
104	The cover page from our Annual Report on Form 10-K for the year ended December 31, 2021, formatted in iXBRL. *

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# The Company hereby agrees to furnish supplementally to the Commission upon request any omitted exhibit or schedule.

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

\* Filed herewith.

\*\* This information is furnished and not filed for purposes of Section 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

**ITEM 16. FORM 10-K SUMMARY.**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 25, 2022.

### PIPER SANDLER COMPANIES

By /s/ Chad R. Abraham  
Name Chad R. Abraham  
Its Chief Executive Officer

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 February 25, 2022.

<u>SIGNATURE</u>	<u>TITLE</u>
<u>/s/ Chad R. Abraham</u> Chad R. Abraham	Chairman and Chief Executive Officer (Principal Executive Officer)
<u>/s/ Timothy L. Carter</u> Timothy L. Carter	Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ Jonathan J. Doyle</u> Jonathan J. Doyle	Director
<u>/s/ William R. Fitzgerald</u> William R. Fitzgerald	Director
<u>/s/ Victoria M. Holt</u> Victoria M. Holt	Director
<u>/s/ Robbin Mitchell</u> Robbin Mitchell	Director
<u>/s/ Thomas S. Schreier Jr.</u> Thomas S. Schreier Jr.	Director
<u>/s/ Sherry M. Smith</u> Sherry M. Smith	Director
<u>/s/ Philip E. Soran</u> Philip E. Soran	Director
<u>/s/ Brian R. Sterling</u> Brian R. Sterling	Director
<u>/s/ Scott C. Taylor</u> Scott C. Taylor	Director

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

**PERFORMANCE SHARE UNIT AGREEMENT**

Name of Employee: <input style="width: 150px;" type="text"/>	
Target No. of Performance Share Units Covered: <input style="width: 100px;" type="text"/>	Date of Issuance: <input style="width: 100px;" type="text"/>
Maximum No. of Performance Share Units Covered: <input style="width: 100px;" type="text"/>	

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

**Recitals**

WHEREAS, the Company maintains the Piper Sandler 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 (collectively the “Performance Share Units,” and each a “Performance Share Unit.”) Each Performance Share Unit represents the right to receive a Share and dividend equivalent amounts corresponding to the Share, subject to the terms and conditions of this Agreement and the Plan.

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

(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 at the time that the Committee certifies the number of Performance Share Units that are earned and such earned Performance Share Units are settled in accordance with Section 5.

**3. Earned Performance Share Units.** 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 through the date of vesting as provided in Section 2, the Employee shall earn the number of Performance Share Units determined by taking the sum of the percentages earned in the tables shown in Section 3(a) and 3(b) below, and multiplying the sum percentage times the target number of Performance Share Units specified at the beginning of this Agreement.

(a) The number of the Performance Share Units that will be earned pursuant to this Section 3(a) will be determined by reference to the Company's Total Shareholder Return relative to the Total Shareholder Return of the Peer Group as provided in the table below:

<b>Company Total Shareholder Return Relative to Peer Group</b>	<b>% of Performance Share Units Earned</b>
Below 25th percentile	0%
25th percentile (threshold)	12.5%
50th percentile (target)	50%
75th percentile or above (maximum)	75%

Note: Interpolation between points in the table above will be on a straight-line basis (from threshold to target and from target to maximum).

(b) 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 Average Adjusted Return on Equity as provided in the table below:

<b>Company Average Adjusted Return on Equity</b>	<b>% of Performance Share Units Earned</b>
Below 16.4%	0%
16.4% (threshold)	25%
23.4% (target)	50%
26.4% or greater (maximum)	75%

Note: Interpolation between points in the table above will be on a straight-line basis (from threshold to target and from target to maximum).

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

(i) "Adjusted Earnings" is equal to the net income attributable to the Company as set forth in the Company's published fiscal year-end financial disclosures, as adjusted to exclude (1) revenues and expenses related to non-controlling interests; (2) amortization of intangible assets related to acquisitions; (3) compensation and non-



compensation expenses for acquisition-related agreements; (4) restructuring and acquisition integration costs; (5) losses related to the impairment of goodwill and other intangible assets; (6) adjustments resulting from a change in an existing, or application of a new, accounting principle that is not applied on a fully retroactive basis; and (7) other expenses, losses, income or gains that are separately disclosed and are unusual in nature or infrequent in occurrence (collectively, items #1 through #7 are the “Adjustment Items”). In each case, each Adjustment Item that is applied to determine the Adjusted Earnings shall be adjusted for any tax benefit associated with the Adjustment Item as reported in the net income attributable to the Company. The Committee may exercise discretion to not make adjustment for one or more Adjustment Items, or any amount of an Adjustment Item, when determining Adjusted Earnings, but only if the exercise of discretion reduces amounts payable under this award.

(ii) “Adjusted Return on Equity” is equal to the Company’s Adjusted Earnings divided by the Average Annual Shareholders’ Equity.

(iii) “Average Adjusted Return on Equity” is equal the average of the Adjusted Return on Equity for each of the three fiscal years in the Performance Period.

(iv) “Average Annual Shareholders’ Equity” is equal to the average of the total common shareholders’ equity (which is the total shareholders’ equity less amounts attributed to noncontrolling interests) as set forth in the Company’s published quarterly financial disclosures during the fiscal year, as adjusted to reflect appropriate adjustments to total common shareholders’ equity in the event that (i) an adjustment is made to Adjusted Earnings under the Adjustment Item provided in item #5 of Section 3(c)(i), or (ii) the Committee elects to include in total common shareholders’ equity additional equity related to acquisition-related accounting at an earlier time than the ordinary amortization schedule. The Committee may exercise discretion to not make an adjustment when determining Average Annual Shareholders’ Equity, but only if the exercise of discretion reduces amounts payable under this award.

(v) “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.

(vi) “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.

(vii) “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.

(viii) “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.

(ix) “Performance Period” means the 36-month period beginning on January 1, 2022 and ending on December 31, 2024.

(x) “Total Shareholder Return” with respect to a company means  $((\text{End Price} + \text{Dividends}) - \text{Beginning Price}) / \text{Beginning Price}$ .

(xi) The Beginning Price, End Price and amount of Dividends for the Company and each company that is part of the Peer Group shall 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 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.

(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 (the “Pro Rata Vesting Portion”).

(f) Notwithstanding the foregoing, if the Employee’s employment by the Company or an Affiliate terminates under circumstances qualifying as a “Retirement” (as defined below), then the Company shall offer the Employee an opportunity to sign a Post-Termination Agreement and execute a general release of all claims against the Company and its Affiliates on a form provided by the Company for this purpose and within the timeframe designated by the Company.

If the Employee signs a Post-Termination Agreement, and thereafter complies with the Employee’s obligations under such Post-Termination Agreement, including the obligation to refrain from engaging in any Restricted Activities (as defined below) for the duration of the Performance Period, and the Employee signs and does not rescind the general release as described above, then the unvested Performance Share Units shall not be forfeited, but rather, the Employee shall continue to have the opportunity to earn 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 provided that the Employee continuously refrains from engaging in all Restricted Activities for the duration of the remaining Performance Period.

For purposes of this Agreement, the termination of an Employee's employment is deemed to qualify as a "Retirement" if the Employee's employment terminates for any reason other than Cause, and, at the time of such termination, the Employee satisfies the following two conditions: (1) the Employee has provided at least five years of service as an employee to the Company, and (2) the sum of the Employee's age at the time of termination and the Employee's total years of service to the Company is greater than seventy (70).

(g) Notwithstanding the foregoing, if the Employee's employment with the Company or an Affiliate is terminated by the Company or an Affiliate without Cause and such termination does not occur under circumstances qualifying as a Retirement, then the Company shall offer the Employee an opportunity to sign a Post-Termination Agreement and execute a general release of all claims against the Company and its Affiliates on a form provided by the Company for this purpose and within the timeframe designated by the Company.

If the Employee signs a Post-Termination Agreement, and thereafter complies with the Employee's obligations under such Post-Termination Agreement, including the obligation to refrain from engaging in any Restricted Activities (as defined below) for the duration of the Performance Period, and the Employee signs and does not rescind the general release as described above, then the unvested Performance Share Units shall not be forfeited, but rather, the Employee shall continue to have the opportunity to earn the Pro Rata Vesting Portion provided that the Employee continuously refrains from engaging in all Restricted Activities for the duration of the remaining Performance Period.

(h) Except as expressly provided herein, if the Employee's employment with the Company or an Affiliate terminates under any other circumstances (whether voluntary or involuntary), then the Performance Share Units shall cease vesting and shall be deemed forfeited upon the termination of the Employee's employment.

(i) 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.

**4. Change in Control.** If a Change in Control occurs during the Performance Period prior to any forfeiture of the unvested Performance Share Units in accordance with Section 6, then, notwithstanding the other terms of this Agreement or Section 7 of the Plan:

(a) If the Change in Control occurs within the first fiscal year of the Performance Period, the Employee shall be entitled to receive Shares of Restricted Stock (each a "Restricted Share" and collectively the "Restricted Shares"), under the Agreement based on, and assuming that, performance would have been achieved at the target level. Accordingly, the target number of Performance Share Units automatically will become an equal number of Restricted Shares (and no additional Performance Share Units shall be eligible to vest under this Agreement), and, on the closing date of the Change in Control, the 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).

(b) If the Change in Control occurs within the second or third fiscal year of the Performance Period, the Employee shall be entitled to receive Restricted Shares based on performance achieved as if the Change in Control were the last day of the Performance Period. For purposes of determining Adjusted Return on Equity for the fiscal year in which the Change in Control occurs, net income and the average of the total common shareholders' equity as set forth in the Company's published quarterly financials for the fiscal quarter ending immediately prior to the date of the Change in Control shall be used. Accordingly, the number of Performance

Share Units determined to have been earned under this paragraph shall automatically become an equal number of Restricted Shares (and no additional Performance Share Units shall be eligible to vest under this Agreement), and, on the closing date of the Change in Control, the 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).

(c) The Employee shall have all of the rights of a shareholder with respect to 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.

(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) 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, or (iii) in connection with the Employee's death or Disability, all unvested Restricted Shares will vest on the date of termination of the Employee's employment with the Company or an Affiliate.

(f) If the Employee elects to terminate his or her employment with the Company or an Affiliate after the closing of the Change in Control and prior to the end of the Performance Period by the Employee under circumstances qualifying as a Retirement, then the Employee shall be given the opportunity to sign a Post-Termination Agreement and execute a general release of all claims against the Company and its Affiliates on a form provided by the Company for this purpose and within the timeframe designated by the Company.

If the Employee signs a Post-Termination Agreement, and thereafter complies with the Employee's obligations under such Post-Termination Agreement, including the obligation to refrain from engaging in any Restricted Activities (as defined below) for the duration of the Performance Period, and the Employee signs and does not rescind the general release as described above, then all unvested Restricted Shares as of the last day of the Performance Period will vest on such date.

(g) If the Employee's employment with the Company or an Affiliate is terminated under any other circumstances (whether voluntary or involuntary), then all unvested Restricted Shares shall cease vesting and shall be deemed forfeited upon the termination of the Employee's employment.

(h) 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.

(i) 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) Following the end of the Performance Period, the Committee shall certify the Total Shareholder Return and the Average Adjusted Return on Equity 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 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 earned Performance Share Unit. Such Shares shall be issued on or before the 15th day of the third calendar month after the month in which the last date of the Performance Period 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 breaches any of the restrictive covenants provided by Section 9; or (iii) the Employee's employment with the Company or an Affiliate is terminated (1) by the Company for Cause; or (2) under any other circumstance other than (A) due to the Employee's death or Disability, or (b) by the Employee for Good Reason following a Change in Control, and the Employee does not enter into the Post-Termination Agreement or fails to comply with the terms and conditions of the Post-Termination Agreement, 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. Notwithstanding the foregoing, the Employee shall accumulate an unvested right to payment of cash dividend equivalents on the Shares underlying Performance Share Units with respect to any cash dividends paid on the Shares that have a record date on or after the Date of Issuance. Such dividend equivalents will be in an amount of cash per Performance Share Unit equal to the cash dividend paid with respect to one Share. The Employee shall be entitled solely to payment of accumulated dividend equivalents with respect to the number of Performance Share Units equal to the number of Shares (or Restricted Shares) ultimately issued to the Employee pursuant to this Agreement. Dividend equivalents will be paid to the Employee as soon as administratively possible following the date that the Shares (or Restricted Shares) are issued to the Employee. The Employee shall not be entitled to dividend equivalents with respect to dividends with a record date prior to the Date of Issuance. All dividend equivalents accumulated with respect to forfeited Performance Share Units shall also be irrevocably forfeited.

As of the date of issuance of Shares (or Restricted Shares) underlying Performance Share Units, the Employee shall have all of the rights of a stockholder of the Company with respect to any Shares (or 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, and upon the payment of any cash relating to earned dividend equivalents at the time of issuance. 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. Restricted Activities.** In consideration of the grant of this award, the Employee agrees to comply with and be bound by the following restrictive covenants (each a "Restricted Activity" and together the "Restricted Activities"):

(a) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, except in connection with the performance of the Employee's job 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 the Employee has acquired or become acquainted with during the Employee's employment with the Company or an Affiliate. For the avoidance of doubt, nothing in this paragraph or any other provision of this Agreement precludes you from reporting to the Company's management or directors or to the government, a regulator, or a self-regulatory agency conduct that you believe to be in violation of the law, or responding truthfully to questions or requests from the government, a regulator, a self-regulatory agency, or in a court of law.

(b) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee 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 Employee's termination, by the Company or an Affiliate to terminate or otherwise modify their employment relationship with the Company;

(c) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, on behalf of the Employee 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 Employee's termination, by the Company or an Affiliate;

(d) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee or any other person (including but not limited to any Talent Competitor), solicit any customer, client or account of the Company or an Affiliate, 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; any customers, clients or accounts that had been represented by or had a business relationship with the Company or an Affiliate within the 365-day period preceding the Employee’s termination; and any individual, company or other form of legal entity that had been solicited or pitched for business by the Company or an Affiliate within the 365-day period preceding the Employee’s termination, if the Employee was involved in any capacity in the solicitation or pitch;

(e) the Employee will not, during the Employee’s employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted 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;

(f) the Employee will not, either during the Employee’s employment by the Company or an Affiliate or at any time thereafter, make disparaging, derogatory, or defamatory statements about the Company or an Affiliate in any public forum or media; and

(g) the Employee will not, either during the Employee’s employment by the Company or an Affiliate or at any time thereafter, fail to cooperate fully 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 Employee may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by the Employee.

For purposes of this Section 9, the “Applicable Post-Employment Restricted Period” means: (i) with respect to Sections 9(b) and (c), one year following any termination of the Employee’s employment with the Company or an Affiliate (not including any period of notice provided by the Employee); (ii) with respect to Section 9(d), six months following any termination of the Employee’s employment with the Company or an Affiliate (not including any period of notice provided by the Employee); and (iii) with respect to Section 9(e), one month following any termination of the Employee’s employment initiated and effected by the Company or an Affiliate without Cause, or three months following any other termination of the Employee’s employment with the Company or an Affiliate (not including any period of notice provided by the Employee); *provided, however*, that if the Company requests that the Employee sign a Post-Termination Agreement and the Employee voluntarily elects to sign such Post-Termination Agreement with the Company pursuant to Section 3(f) or Section 3(g), then the Applicable Post-Employment Restricted Period provided by the Post-Termination Agreement shall be of the same duration as the Performance Period.

For purposes of this Section 9, a “Talent Competitor” means any corporation, partnership, limited liability company or other business association, organization or entity that engages in the investment banking, securities brokerage or investment management 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.

**10. 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 (including, for



avoidance of doubt, any provisions under the Plan imposing limitations on the number of Performance Share Units that may be awarded under this Agreement).

**11. 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.

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

**13. 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).

**14. 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.

**15. 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.

**16. 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.

**17. 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.

**18. 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 SANDLER COMPANIES

By  
Its

## **Appendix A**

List of companies within the Russell 3000 with the Investment Banking GICS code as of January 28, 2022 (excluding Piper Sandler Companies):

1. B. Riley Financial Inc. (RILY)
2. Cowen Inc. (COWN)
3. Evercore Inc. (EVR)
4. The Goldman Sachs Group, Inc. (GS)
5. Greenhill & Co. (GHL)
6. Houlihan Lokey (HLI)
7. Jefferies Financial Group Inc. (JEF)
8. Lazard Ltd. (LAZ)
9. Moelis & Company (MC)
10. Morgan Stanley (MS)
11. Oppenheimer Holdings, Inc. (OPY)
12. PJT Partners Inc. (PJT)
13. Raymond James Financial (RJF)
14. Stifel Financial Corp. (SF)
15. StoneX Group Inc. (SNEX)

**PIPER SANDLER COMPANIES**  
**2022 Compensation and Benefits for Non-Employee Directors**

Exhibit 10.11

	<i>Amount</i>	<i>Objective</i>	<i>Time and Terms of Payment</i>
<b>Annual Cash Retainer</b>	\$80,000	Consideration for Board and committee service for the current calendar year	Paid quarterly in arrears. For any director joining or leaving the Board during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter.-
<b>Additional Annual Retainer for Lead Director, Committee Chairpersons</b>	\$30,000 cash -Lead Director \$25,000 cash -Audit \$15,000 cash -Compensation \$15,000 cash -Nominating and Governance	Consideration for service as lead director or committee chairperson for the current calendar year	Paid quarterly in arrears. For any director gaining (or resigning) a lead director or committee chairperson position during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter. -
<b>Additional Annual Cash Retainer for Committee Members</b>	\$10,000-Audit \$5,000-Compensation \$5,000-Nominating and Governance	Consideration for service as committee member for the current calendar year	Paid quarterly in arrears. For any director joining or leaving a committee during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter. -
<b>Initial Equity Grant</b>	\$60,000 (valued as of election date)	Establish PSC equity interest upon initial election to the Board to align director and shareholder interests	Shares of PIPR common stock granted on the date of the director's initial election or appointment to the Board.
<b>Annual Equity Grant</b>	\$95,000 (valued on the date of the annual meeting of shareholders)	Incentive compensation for continuing service on the Board and enhanced alignment of director and shareholder interests	Shares of PIPR common stock granted on the date of the annual meeting of shareholders to any director whose service on the Board will continue following the annual meeting. For directors joining the Board after the annual meeting in any year, an equity award will be granted on the date the director is elected to the Board covering a pro rata number of shares based on the number of days during which the director will serve on the Board during that year.
<b>Deferral Opportunity</b>	All cash and equity received on an annual basis	Increase equity stake by directors	Annual opportunity to participate in the Amended and Restated Piper Sandler Companies Deferred Compensation Plan for Non-Employee Directors, permitting deferral into phantom stock units of all or a portion of the director's annual cash compensation for service as a Piper Sandler Companies director, and deferral of any shares granted in consideration of the director's service as a director. To participate in any year, irrevocable election must be made by December 31 of the preceding year for continuing directors and on the date of initial election or appointment to the Board for new directors. Annual opportunity to change the subsequent year's election. The deferral date for the cash retainer is the date that each quarterly payment would have otherwise been made; the deferral date for the equity grant is the date of the annual meeting of shareholders each year.
<b>Charitable Gift Matching Program</b>	Up to \$5,000	Encourage charitable giving	Pursuant to the Piper Sandler Gift Matching Program, Piper Sandler will match directors' gifts to eligible organizations dollar for dollar from a minimum of \$50 up to an aggregate maximum of \$1,500 per year (the same terms and conditions as are applicable to employees).
<b>Reimbursement of Out-of-Pocket Expenses</b>	In addition to the foregoing, non-employee directors will be reimbursed for reasonable out-of-pocket expenses incurred in connection with their service on the Board and Board committees.		

**AMENDED AND RESTATED LOAN AGREEMENT**

THIS AMENDED AND RESTATED LOAN AGREEMENT (this "Agreement") is made and entered into as of December 28, 2012, by and between: **PIPER SANDLER & CO.**, a Delaware corporation ("Borrower"); and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association ("Lender"); and has reference to the following facts and circumstances:

A. Borrower and Lender executed the Loan Agreement (Broker-Dealer VRDN Facility) dated as of September 30, 2008, as subsequently amended (the "Original Agreement").

B. Borrower and Lender have agreed that the Original Agreement shall be amended, restated and replaced to provide for a revolving credit facility from Lender in the principal amount of up to \$100,000,000.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender covenant and agree as follows:

1. Definitions. As used in this Agreement, the following terms shall have the following respective meanings (and such meanings shall be equally applicable to both the singular and plural form of the terms defined, as the context may require):

Advance shall mean each loan advance made hereunder by Lender to Borrower.

Applicable Margin shall have the meaning described in Exhibit C attached hereto.

Banking Day shall mean any day on which Lender is open for business at its principal offices in St. Louis, Missouri and Minneapolis, Minnesota.

Base Rate means, for any day, a rate per annum equal to (a) the greater of (i) zero and (ii) the Prime Rate for such day plus (b) the Applicable Margin.

BONYM shall mean The Bank of New York Mellon, formerly known as The Bank of New York, a New York banking corporation.

Borrowing Base shall mean the sum of the values of the Pledged Securities consisting of Eligible Securities on Borrower's books as determined in accordance with generally accepted accounting principles, multiplied by the applicable percentage(s) described in Exhibit B attached hereto.

Collateral Pledge Agreement shall have the meaning set forth in Section 9(c).

Collateral Summary shall have the meaning set forth in Section 9(a).

Control Agreement shall mean the Collateral Account Control Agreement dated December 28, 2012, executed by Lender, as Pledgor, and BONYM, as Securities Intermediary, as amended.

Credit Documents shall have the meaning set forth in Section 11(a).

Dollar and \$ mean the lawful currency of the United States of America.

Eligible Securities shall mean the securities held by BONYM as "Collateral" in the "Account" (as those terms are defined in the Control Agreement) and the categories of which are

described on Schedule 1 attached thereto, as the same shall be amended upon the mutual agreement of Borrower and Lender.

E-SIGN means the Federal Electronic Signatures in Global and National Commerce Act, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

Event of Default shall have the meaning set forth in Section 12.

Facility Amount shall mean One Hundred Million Dollars (\$100,000,000.00).

Federal Funds Effective Rate means, for any day, the greater of (a) zero and (b) the rate per annum calculated by the Federal Reserve Bank of New York based on such day's federal funds transactions by depository institutions (as determined in such manner as the Federal Reserve Bank of New York shall set forth on its public website from time to time) and published on the next succeeding New York Banking Day by the Federal Reserve Bank of New York as the federal funds effective rate or, if such rate is not so published for any day which is a New York Banking Day, the average of the quotations at approximately 10:00 a.m. (Central time) on such day on such transactions received by the Lender from three federal funds brokers of recognized standing selected by the Lender in its sole discretion.

FOCUS Report shall mean each Financial and Operational Combined Uniform Single (FOCUS) Report (Securities and Exchange Commission form X-17A-5).

New York Banking Day means any day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York.

Note shall mean the Amended and Restated Revolving Credit Note dated the date hereof, executed by Borrower and payable to the order of Lender in the principal amount of up to \$100,000,000.00, in the form attached hereto and incorporated by reference as Exhibit A.

Pledged Securities shall mean, collectively, at any time, Eligible Securities described in any Collateral Summary(ies) or in which a security interest is otherwise granted to Lender under any provision of the Collateral Pledge Agreement.

Prime Rate means a rate per annum equal to the prime rate announced by the Lender from time to time, changing as and when such rate changes. The prime rate is not necessarily the lowest rate charged to any customer. Notwithstanding anything herein to the contrary, if the Prime Rate is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

Regulatory Capital shall mean "Net Capital" as calculated by Borrower, and set forth on line 10 of the "Computation of Net Capital" section of Part II of each monthly FOCUS Report of Borrower.

Termination Date shall mean the earlier of December 9, 2022, or the date on which this Agreement is terminated pursuant to Section 12.

UETA means the Uniform Electronic Transactions Act as in effect in the State of Minnesota, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

2. Credit Facility. Borrower may request Advances and unless an Event of Default has occurred and is continuing, Lender shall make the Advances so requested, from time to time during the period from the date hereof until the Termination Date. Interest shall accrue on each

Advance as described in Section 6 below. Lender will refuse to make any requested Advance to Borrower that would cause the aggregate principal amount of: (a) the Advances outstanding hereunder to exceed the Facility Amount; or (b) the Advances outstanding hereunder to exceed the limits set forth the Borrowing Base; provided that in no instance shall the principal amount of the Advances exceed the amount permitted under any applicable law, regulation, rule or direction of any applicable regulatory authority. Borrower may, upon five (5) Banking Days' prior written notice to Lender, terminate the credit facility hereunder at any time, or reduce the Facility Amount from time to time; provided, however, that at no time shall the Facility Amount be reduced to an amount less than the aggregate principal balance of all outstanding Advances, and any such termination or reduction shall be permanent and Borrower shall have no right to thereafter reinstate or increase, as the case may be, the credit facility hereunder or the Facility Amount

3. Procedures for Advances. The following provisions shall govern certain aspects of any Advance that Borrower may request under this Agreement:

(a) Requests for Advances. Borrower may request an Advance by written notice or by telephonic, facsimile or electronic notice. All requests for Advances shall be directed to the individuals designated for such purpose by Lender from time to time. Each request by Borrower for an Advance shall be accompanied by further documents or information as required by Lender, including but not limited to, documents that evidence that the applicable Pledged Securities have been assigned or transferred to Borrower and that Borrower is the current owner of such Pledged Securities, and that such Pledged Securities have been delivered to Lender, or are in the possession of or registered in the name of The Depository Trust Company or other clearing corporation or a custodian bank or nominee thereof (including BONYM).

(b) Authorized Persons. Upon request, Borrower shall provide Lender with the names, titles and signatures of all individuals designated by Borrower to request Advances under this Agreement. Borrower shall immediately notify Lender if any designated individuals of Borrower are no longer employed by Borrower, or are no longer authorized to request Advances under this Agreement; and if any new and/or additional individuals are designated by Borrower to request Advances under this Agreement.

(c) Disbursements. Lender shall disburse the amount of each Advance by crediting the amount of that Advance to deposit account no. 150250032516 maintained by Borrower at Lender or by the transfer of immediately available funds, or otherwise, all as instructed by Borrower in its request for the Advance.

4. The Note. Borrower's obligation to repay all Advances shall be evidenced by the Note which shall be duly executed by Borrower and delivered to Lender.

5. Payment of Principal and Prepayments. The unpaid principal balance of the Note shall be due and payable in full on the Termination Date. Borrower may prepay all or any part of the Note at any time, without premium or penalty, but any voluntary prepayment must include interest on the amount prepaid.

6. Interest.

(a) Borrower shall pay interest to Lender on the aggregate unpaid principal amounts of each Advance from time to time outstanding at an annual rate equal to the Applicable Margin plus the Federal Funds Effective Rate. The amount of interest accrued on the Note in each month shall be payable on the first Banking Day of the next month and also on the Termination Date. After the Termination Date or during the continuance of an Event of Default, Borrower shall pay interest to Lender on the aggregate, unpaid principal amount of all Advances from time

to time outstanding at an annual rate equal to Two Percent (2%) over the applicable interest rate(s). Borrower agrees to pay to Lender as additional interest hereunder, upon demand, the amount of any increased cost or reduced rate of return applicable to the Advances resulting from change or change in application to Lender of any law, rule, regulation or direction of any regulatory agency, including without limitation tax, duty, reserve (including, without limitation, any such item imposed by the Board of Governors of the Federal Reserve System) or similar requirement imposed on Lender, its assets or any deposits or credit extended by or to Lender.

(b) Notwithstanding anything to the contrary in this Agreement or any other Credit Document, if the Lender determines (which determination shall be conclusive absent manifest error) that

(i) deposits of a type and maturity appropriate to match fund Advances are not available to the Lender in the relevant market; or

(ii) the interest rate applicable to Advances is not ascertainable or available or does not adequately and fairly reflect the cost of making or maintaining Advances,

then the Lender shall suspend the availability of Advances and require any affected Advances to be repaid or converted to Advances priced at the Base Rate.

7. Commitment Fee. From and including the date of this Agreement to but excluding the Termination Date, Borrower shall pay a nonrefundable commitment fee as described in Exhibit C attached hereto.

8. Payments. All payments under the Note shall be made in immediately available funds, by debiting a deposit account of Borrower at Lender, by wire transfer or otherwise. All payments by Borrower and all proceeds of any Pledged Securities that are foreclosed on by Lender shall be applied first to costs of collection, next to any other amounts owed under Section 13 below, next to accrued interest on the Note and finally to the principal balance of the Note. If any payment of principal of or interest on the Note, or any amount payable under Section 13 below, becomes due and payable on a day which is not a Banking Day, such payment shall be made on the next succeeding Banking Day and such extension of time shall in such case be included in computing interest in connection with such payment.

9. Security.

(a) Upon any request for an Advance, Borrower will simultaneously deliver to Lender a summary of the Pledged Securities in form and substance satisfactory to Lender (a "Collateral Summary"), which shall identify the Pledged Securities, shall include the values of such Pledged Securities (as initially determined by Borrower), and which shall be sufficient to enable Lender to objectively determine the identity of the Pledged Securities. The total value of the Pledged Securities as summarized shall be such that the aggregate principal amount of the Advances, before and after giving effect to the requested Advance, shall not exceed the Borrowing Base. By requesting an Advance, Borrower shall be deemed to represent and covenant that the summarized Pledged Securities are held by Borrower, free and clear of any lien, claim or encumbrance other than any security interest in favor of Lender.

(b) Borrower agrees that in all instances the total value of the Pledged Securities will be sufficient to support the outstanding Advances. If a change in market conditions or the status of an issuer reduces the total value of any Pledged Securities below the level necessary to collateralize the Advances, Borrower shall immediately either (i) pledge additional Pledged Securities (acceptable to Lender in its sole discretion) sufficient to restore the total value of the Pledged Securities to a level such that the Borrowing Base equals or exceeds the aggregate



amount of outstanding Advances, or (ii) pay the Advances to the extent required to reduce the aggregate amount of outstanding Advances to an amount not in excess of the Borrowing Base.

(c) The security interests granted by Borrower to Lender and Borrower's duties with respect thereto are set forth in more detail in the Amended and Restated Collateral Pledge Agreement dated as of the date hereof (the "Collateral Pledge Agreement").

10. Minimum Regulatory Capital. Borrower shall at all times have Regulatory Capital of at least \$120,000,000 and shall have fifteen (15) days from the date of receipt of any FOCUS Report which indicates that there is a violation of this covenant to cure such violation; provided however no cure period shall exist if any such violation is the direct result of a decrease in total ownership equity (as reflected in Part II, line 30 of the "Statement of Financial Condition Liabilities and Equity" section of any such FOCUS Report); and provided further, that Borrower shall not be required to maintain said minimum Regulatory Capital requirement on any day if and to the extent Borrower's securities underwriting commitments cause Borrower to have Regulatory Capital of less than said minimum Regulatory Capital requirement on or as of such day, so long as the total number of such days when Regulatory Capital is less than said minimum Regulatory Capital requirement does not exceed twenty (20) cumulative days in any single fiscal year of Borrower.

11. Conditions Precedent to Advances. In addition to requirements for the making of any Advance set forth elsewhere in this Agreement, and without limiting the discretion of Lender to make or refuse to make any Advance, Lender shall not make any Advance hereunder unless and until Lender has received all of the following, in form and substance satisfactory to Lender:

(a) this Agreement, the Note, the Collateral Pledge Agreement, and the Control Agreement (collectively, the "Credit Documents"), all properly executed;

(b) the following organizational information of Borrower: (i) a copy of the resolutions adopted by the board of directors of Borrower, authorizing the execution, delivery and performance of the Credit Documents and certified by the Secretary of Borrower; (ii) copies of the Certificate of Incorporation and By-Laws of Borrower, certified by its Secretary as being true and correct copies thereof; (iii) a certificate signed by the Secretary of Borrower as to the incumbency and signature of the person or persons authorized to execute and deliver the Credit Documents and all other documents referred to in this Agreement and make requests for advances hereunder; and (iv) a certificate of good standing issued by the Delaware Secretary of State;

(c) an opinion of counsel from Faegre Baker Daniels LLP, counsel for Borrower;

(d) payment to Lender of the Work Fee as described in Exhibit C attached hereto; and

(e) such other documents and information as reasonably requested by Lender.

12. Events of Default; Remedies. The occurrence of any one of the following shall constitute a default (each an "Event of Default") by Borrower under this Agreement: (a) if Borrower shall fail to pay any (i) principal amount of any Advance, when due and payable, or declared due and payable, or (ii) interest on any Advance within five (5) days after the date on which such payment of interest shall become due and payable, or declared due and payable; (b) if Borrower shall fail to pledge additional Pledged Securities as required under Section 9(b) above; (c) if Borrower shall default in the performance or observance of any other of its obligations under this Agreement or any of the other Credit Documents, and such default shall remain uncured for a period of fifteen (15) days after notice from Lender; (d) if any representation, warranty, statement, report or certificate made or delivered by Borrower, or any of its officers,

employees or agents, to Lender is not true and correct in any material respect when made or deemed made; (e) If Borrower shall (i) become insolvent, (ii) not be paying its debts generally as such debts become due, (iii) make an assignment for the benefit of creditors or cause or suffer any of their respective assets to come within the possession of any receiver, trustee or custodian, (iv) have a petition filed by or against Borrower under the Bankruptcy Reform Act of 1978, as amended, or any similar law or regulation, (v) have any of its assets attached, seized or levied upon, or (vi) otherwise become the subject of any insolvency or creditor enforcement proceedings, provided however, that any involuntary petition or other proceeding against Borrower shall not be an Event of Default unless an order for relief is entered or such proceeding remains undismissed for at least sixty (60) days; (f) if Borrower or Piper Sandler Companies (“PSC”) shall default in the payment, when due, whether by acceleration or otherwise, of any indebtedness of Borrower or PSC in excess of \$1,000,000, and such default is declared and is not cured within the time, if any, specified therefore in any agreement governing the same, or any event or condition shall occur which results in the acceleration of the maturity of any such Indebtedness of Borrower or PSC; (g) if one or more judgments or decrees shall be entered against Borrower involving, individually, or in the aggregate, a liability of \$1,000,000 or more and such judgments or decrees shall not have been satisfied, vacated, discharged or stayed pending appeal within thirty (30) days after the entry thereof; or (h) if this Agreement, the Note, or any other Credit Documents executed by Borrower at any time after their respective execution and delivery, shall cease to be in full force and effect, shall be declared null and void, shall be revoked or terminated or shall be subject to any contest by Borrower as to their validity and/or enforceability, for any reason, or if Borrower shall for any reason deny any further liability to Lender hereunder and thereunder. Upon the occurrence and during the continuance of any Event of Default, Borrower may not request any Advance under this Agreement, Lender may then forthwith cease making Advances to or for the benefit of Borrower under this Agreement without any notice to Borrower, and Lender may terminate this Agreement; provided that this Agreement shall automatically terminate, and all amounts Borrower owes Lender hereunder and under the Note shall become due, without any notice should an order for relief be entered with respect to Borrower under the United States Bankruptcy Code. Upon an Event of Default, with notice by Lender to or demand by Lender of Borrower, Lender may declare all Advances to be immediately due and payable. Lender, in its sole discretion, upon the occurrence of and during the continuance of an Event of Default may exercise one or more of the rights and remedies accruing to Lender under this Agreement or the other Credit Documents, and/or applicable law upon default by Borrower, including, without limitation, the right to set off and/or reduce to cash and apply to the payment of any of Borrower’s obligations, any monies, reserves, deposits, certificates of deposit, deposit accounts and interest and dividends thereon, securities, investment property, cash and other property in the possession of or under the control of Lender or any of Lender’s affiliates.

13. Fees and Expenses. Borrower agrees, whether or not any Advance is made under this Agreement, to pay Lender upon demand for (a) all out-of-pocket costs and expenses and all reasonable attorneys’ fees incurred by Lender in connection with the preparation, documentation, negotiation and/or execution of this Agreement and the other Credit Documents, (b) all recording, filing and search fees and expenses incurred by Lender in connection with this Agreement and the other Credit Documents, (c) all out-of-pocket costs and expenses and all reasonable attorneys’ fees incurred by Lender in connection with (i) the preparation, documentation, negotiation and execution of any amendment, modification, extension, renewal or restatement of this Agreement and/or any other Credit Document, and (ii) the preparation of any waiver or consent under this Agreement and/or under any other Credit Document, and (d) if an Event of Default occurs, all out-of-pocket costs and expenses and all reasonable attorneys’ fees incurred by Lender in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. Borrower’s obligations under this Section 13 shall survive the Termination Date.

14. Reporting Requirements and Inspections. Until the Termination Date and thereafter until the Note and all other obligations of Borrower under this Agreement are paid in full, in addition to the Collateral Summaries and other information described in Section 8 above, Borrower will provide to Lender: (a) at Lender's request, an updated, detailed list of the Pledged Securities; (b) within ten (10) days after filing, copies of all monthly FOCUS Reports of Borrower; (c) within ninety (90) days after the end of its fiscal year, audited financial statements of Borrower, its parent and their subsidiaries which shall include, but not be limited to, a balance sheet, income and expense statement and statement of retained earnings; and (d) from time to time such other information and reports as Lender may reasonably request. Borrower shall, at all times, maintain accurate books and records covering all collateral subject to the Collateral Pledge Agreement, and Lender shall have the right by or through any of its representatives, attorneys or accountants to audit those books and records, upon reasonable notice to Borrower.

15. Miscellaneous. The following provisions shall also be applicable to Borrower's obligations to Lender under this Agreement and the Note:

(a) Amendments; Waivers. No amendment or waiver of any provision of this Agreement, nor consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by Lender and Borrower, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on Lender's part to exercise, and no delay in Lender's exercising, any right under this Agreement, the Note, the Collateral Pledge Agreement or any other Credit Document shall operate as a waiver thereof; nor shall any single or any partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law.

(b) Governing Law; Binding Effect. This Agreement shall be deemed to be made under and shall be governed by and construed in accordance with the internal law, and not the law of conflicts, of the State of Minnesota. This Agreement shall be binding on Borrower, its representatives, successors and assigns, and shall inure to the benefit of, and be enforceable by, Lender, its successors, transferees and assigns. Notwithstanding the foregoing, Borrower may not assign or otherwise transfer any of its rights or delegate any of its obligations or duties under this Agreement without the prior written consent of Lender.

(c) Lender Records. Lender shall maintain records as to advances and payments made, and interest accrued on, the Note, and said records shall be presumed accurate until the contrary shall have been established.

(d) Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision of this Agreement.

(e) Regulations T and U. Borrower is subject to the provisions of Regulation T promulgated by the Board of Governors of the Federal Reserve System and does not extend or maintain credit to or for customers except in accordance with the provisions of such Regulation T. Borrower is an "exempted borrower" as defined by Regulation U. Upon request, Borrower shall provide to Bank a Certificate confirming that Borrower is in compliance with the provisions of Regulation T and U.

(f) Compliance With Other Regulations: Borrower shall at all times comply with all present and future laws, rules and regulations applicable to it in the operation of its business, including but not limited to (i) all rules and regulations of the Securities and Exchange Commission, the National Association of Securities Dealers, the Securities Investor Protection Corporation and any self-regulatory organization of which Borrower is a member and (ii) Anti-

Corruption Laws and applicable Sanctions. Borrower shall deliver to Bank, immediately upon its receipt or transmission thereof, any notices to or from any such organization that Borrower is in violation of any applicable net capital rule, including but not limited to Rule 15c3-1 of the Securities and Exchange Commission.

(g) Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, e-mail, telecopier or similar writing) and shall be given to such party at its address or telecopier number set forth on the signature pages hereof or such other address or telecopier number as such party may hereafter specify. Each such notice, request or other communication shall be effective (a) if given by telecopier, when such telecopier is transmitted to the telecopier number specified in this Section and the appropriate answerback is received, (b) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (c) if given by any other means, when delivered at the address specified in this Section.

(h) Entire Agreement. The Credit Documents embody the entire agreement and understanding between Lender and Borrower with respect to the subject matter hereof, and supersede all prior agreements and understandings relating to the subject matter hereof (including the Original Agreement).

(i) Amendment and Restatement of Original Agreement. This Agreement amends, restates and replaces the Original Agreement in its entirety.

(j) Document Imaging; Telecopy and PDF Signatures; Electronic Signatures. Without notice to or consent of the Borrower, the Lender may create electronic images of any Credit Documents and destroy paper originals of any such imaged documents. Such images have the same legal force and effect as the paper originals and are enforceable against the Borrower and any other parties thereto. The Lender may convert any Credit Document into a “transferrable record” as such term is defined under, and to the extent permitted by, UETA, with the image of such instrument in the Lender’s possession constituting an “authoritative copy” under UETA. If the Lender agrees, in its sole discretion, to accept delivery by telecopy or PDF of an executed counterpart of a signature page of any Credit Document or other document required to be delivered under the Credit Documents, such delivery will be valid and effective as delivery of an original manually executed counterpart of such document for all purposes. If the Lender agrees, in its sole discretion, to accept any electronic signatures of any Credit Document or other document required to be delivered under the Credit Documents, the words “execution,” “signed,” and “signature,” and words of like import, in or referring to any document so signed will deemed to include electronic signatures and/or the keeping of records in electronic form, which will be of the same legal effect, validity and enforceability as a manually executed signature and/or the use of a paper-based recordkeeping system, to the extent and as provided for in any applicable law, including UETA, E-SIGN, or any other state laws based on, or similar in effect to, such acts. The Lender may rely on any such electronic signatures without further inquiry.

16. Termination. Unless terminated sooner by Lender pursuant to Section 12 above, this Agreement will terminate on the Termination Date.

17. Consent to Jurisdiction; Waiver of Jury Trial. BORROWER HEREBY IRREVOCABLY (a) SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY MINNESOTA STATE COURT SITTING IN THE COUNTY OF HENNEPIN, OR ANY UNITED STATES OF AMERICA COURT SITTING IN THE DISTRICT OF MINNESOTA, AS LENDER MAY ELECT, IN ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY RELATED CREDIT DOCUMENT, (b) AGREES THAT ALL CLAIMS IN RESPECT TO SUCH SUIT, ACTION OR PROCEEDING MAY BE HELD AND DETERMINED IN ANY OF SUCH COURTS, (c) WAIVES, TO THE

FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH BORROWER MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT, (d) WAIVES ANY CLAIM THAT SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM AND (e) WAIVES ALL RIGHTS OF ANY OTHER JURISDICTION WHICH BORROWER MAY NOW OR HEREAFTER HAVE BY REASON OF ITS PRESENT OR SUBSEQUENT DOMICILES. **BORROWER AND LENDER HEREBY IRREVOCABLY WAIVE THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY ACTION IN WHICH BORROWER AND LENDER ARE PARTIES RELATING TO OR ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED CREDIT DOCUMENTS.**

18. Anti-Corruption Laws; Sanctions; Anti-Terrorism Laws.

(a) The Borrower, its Subsidiaries and their respective officers and employees and to the knowledge of the Borrower, their directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. The Borrower has implemented and maintain in effect for itself and its Subsidiaries policies and procedures to ensure compliance by the Borrower, its Subsidiaries, and their respective officers, employees, directors, and agents with Anti-Corruption Laws and applicable Sanctions. None of the Borrower, any of its Subsidiaries or, to the knowledge of the Borrower, any directors, officer, employee, agent, or affiliate of the Borrower or any of its Subsidiaries is an individual or entity that is, or is 50% or more owned (individually or in the aggregate, directly or indirectly) or controlled by individuals or entities (including any agency, political subdivision or instrumentality of any government) that are (i) the target of any Sanctions or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (currently Crimea, Cuba, Iran, North Korea and Syria).

(b) The Borrower shall, and shall cause each of its Subsidiaries to, comply with all requirements of law of any Governmental Authority having jurisdiction over it or its business, including, without limitation, all Anti-Corruption Laws and applicable Sanctions, except where the failure to comply would not reasonably be expected to have, either individually or in the aggregate, a material adverse effect. Borrower will not use or allow any tenants or subtenants to use, or permit any Subsidiary to use or allow any tenants or subtenants to use, its Property for any business activity that violates any federal or state law or that supports a business that violates any federal or state law.

(c) Borrower will not request any Advance, and the Borrower will not use, and the Borrower will ensure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Advance in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws. Borrower will not, directly or indirectly, use the proceeds of Advances, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any person participating in the Advances, whether as underwriter, advisor, investor, or otherwise).

(d) Lender hereby notifies the Borrower that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow Lender to identify the Borrower in accordance with the PATRIOT Act.

For purposes of this Agreement:

“Anti-Corruption Laws” means all laws, rules, and regulations of any jurisdiction applicable to Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption.

“Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control, and any successor thereto.

“Person” means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, limited liability company, corporation, institution, entity, party or Governmental Authority.

“Property” means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

“Sanctions” means sanctions administered or enforced from time to time by the U.S. government, including those administered by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“Subsidiary” means any Person as to which the Borrower owns, directly or indirectly, at least 50% of the outstanding shares of capital stock or other interests having ordinary voting power for the election of directors, officers, managers, trustees or other controlling Persons or an equivalent controlling interest in Lender’s judgment.

IN WITNESS WHEREOF, Lender and Borrower have caused this Agreement to be duly executed by their duly authorized officers as of the date first written hereinabove.

**[SIGNATURES ON FOLLOWING PAGE]**

**SIGNATURE PAGE-  
AMENDED AND RESTATED LOAN AGREEMENT**

Borrower:

**PIPER SANDLER & CO.**

By:

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By:

.

800 Nicollet Mall (J09S04)  
Minneapolis, Minnesota 55402  
Attention: Treasury  
(612) 303-1316 (FA)()  
firmfund@pjc.com (e-mail)

Lender:

**U.S. BANK NATIONAL ASSOCIATION**

By:

One US Bank Plaza (Mail Code SL-MO-T12B)  
St. Louis, Missouri 63101  
Attention: Securities Industry and Investment  
Management Division  
(314) 418-2618 (FAX)  
heath.williams@usbank.com (e-mail)

Exhibit A

(Form of Note)

**AMENDED AND RESTATED REVOLVING CREDIT NOTE**

\$100,000,000.00      December 28, 2012

FOR THE VALUE RECEIVED, the undersigned, **PIPER SANDLER & CO.**, a Delaware corporation ("Borrower"), hereby unconditionally promises to pay, to the order of **U.S. BANK NATIONAL ASSOCIATION**, a national banking association ("Lender"), on the Termination Date (as defined in the Amended and Restated Loan Agreement between Lender and Borrower dated of even date herewith, as the same may from time to time be amended (the "Loan Agreement"; all capitalized terms not otherwise defined shall have the meanings ascribed to them in the Loan Agreement), the principal amount of One Hundred Million Dollars (\$100,000,000.00) or, if less, the aggregate unpaid principal amount of all Advances made by Lender to Borrower and evidenced by this Amended and Restated Revolving Credit Note (this "Note"), which amount may be borrowed, paid, reborrowed and repaid, in whole or in part, subject to the terms of this Note and the Loan Agreement.

Borrower further promises to pay to the order of Lender interest on the principal amount from time to time outstanding under this Note at the applicable interest rate(s) and at the times described in the Loan Agreement. In addition, if Borrower fails to make any payment of interest on this Note within five (5) days when due, Borrower promises to pay to the order of Lender on demand a late fee in an amount equal to Five Percent (5%) of each late payment. All payments received by Lender shall be applied first to the payment of billed and unpaid late fees and the costs and expenses hereinafter described, next to billed and unpaid interest hereon, and the remainder to principal. Interest shall be computed for actual days elapsed on the basis of a 365/366 day year.

This Note shall evidence all Advances made by Lender to Borrower under the Loan Agreement, reference to which is made for certain terms and provisions which affect this Note. Lender may record the date and amount of all loans and all payments of principal and interest hereunder in the records it maintains with respect thereto. The books and records of Lender hereof showing the account between Lender hereof and Borrower shall be admissible in evidence in any action or proceeding and shall constitute prima facie proof of the items therein set forth.

All required payments shall be made in immediately available funds in lawful money of the United States of America at the office of Lender situated at One US Bank Plaza, 7<sup>th</sup> Street & Washington Avenue, St. Louis, Missouri 63101, or at such other place as the holder may designate in writing. The acceptance by Lender of any principal or interest due after the date it is due as described above shall not be held to establish a custom or waive any rights of Lender to enforce prompt payment of any other principal or interest payments or otherwise.

Borrower has the right to prepay this Note in whole or in part at any time without penalty or premium.

Borrower agrees to pay to Lender, upon demand by Lender, all reasonable costs, charges and expenses (including, without limitation the reasonable fees and expenses of any attorney retained by Lender) incurred by Lender in connection with (a) the collection or enforcement of Borrower's liabilities and obligations under this Note, and/or (b) any litigation, contest, dispute or other proceeding (whether instituted by Lender, Borrower or any other person or entity) in any way relating to Borrower's liabilities and obligations hereunder. Borrower's obligations, as aforesaid, shall survive payment of this Note.



Presentment, demand for payment, protest and notice of dishonor and of protest are hereby severally waived by all parties hereto, whether as maker, endorser or guarantor to Lender.

In addition to and not in limitation of all rights of offset that Lender or any other holder of this Note may have under applicable law, Lender or such other holder of this Note shall, have the right to appropriate and apply to the payment of this Note any and all balances, credits, deposits, accounts or moneys of the Borrower then or thereafter with Lender or other holder.

This Note shall be governed by and construed in accordance with the laws of the State of Minnesota.

This Note amends, restates and replaces the Revolving Credit Note (Broker-Dealer VRDN Facility) dated September 30, 2008, and is not a novation thereof.

Borrower:

**PIPER SANDLER & CO.**

By:

.

By:

Exhibit B

(Borrowing Base)

See Exhibit B to the Sixth Amendment.

Exhibit C

(Pricing and Fees)

Applicable Margin shall have the meaning set forth in the letter agreement dated December 10, 2021, executed by Lender and Borrower (the "Pricing Letter").

Commitment Fee shall have the meaning set forth in the Pricing Letter.

Work Fee shall have the meaning set forth in the Pricing Letter.

**NINTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT**

THIS NINTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") made and entered into as of December 10, 2021 (the "Effective Date"), by and between **PIPER SANDLER & CO.**, a Delaware corporation ("Borrower") and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association ("Lender"); has reference to the following facts and circumstances (the "Preambles"):

A Borrower and Lender entered into the Amended and Restated Loan Agreement dated as of December 28, 2012 (as amended, the "Agreement", all capitalized terms used and not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Agreement as amended by this Amendment), pursuant to which Borrower executed the Amended and Restated Revolving Credit Note dated December 28, 2012, payable to the order of Lender in the original principal amount of up to \$250,000,000 (subsequently decreased to \$100,000,000) (as amended, the "Note").

B The Agreement was previously amended as described in the First Amendment to Amended and Restated Loan Agreement dated as of December 28, 2013, the Second Amendment to Amended and Restated Loan Agreement dated as of December 19, 2014, the Third Amendment to Amended and Restated Loan Agreement dated as of December 18, 2015, the Fourth Amendment to Amended and Restated Loan Agreement dated as of December 17, 2016, the Fifth Amendment to Amended and Restated Loan Agreement dated as of December 16, 2017, the Sixth Amendment to Amended and Restated Loan Agreement dated as of December 14, 2018, the Seventh Amendment to Amended and Restated Loan Agreement dated as of December 13, 2019 and the Eighth Amendment to Amended and Restated Loan Agreement dated as of December 11, 2020.

C. Borrower and Lender desire to further amend the Agreement on the terms set forth below.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. Preambles. The Preambles are true and correct, and, with the defined terms set forth herein, are incorporated herein by this reference.

2. Amendments to Agreement. As of the Effective Date, the parties hereto agree that the Agreement is hereby amended as indicated in the attached Annex A with the text marked in underline indicating additions and with text marked in strike through indicating deletions to the Agreement.

3. Amendment to Note. As of the Effective Date, the parties hereto agree that the second paragraph on page 1 of the Note is deleted and replaced with the following:

Borrower further promises to pay to the order of Lender interest on the principal amount from time to time outstanding under this Note at the applicable interest rate(s) and at the times described in the Loan Agreement. In addition, if Borrower fails to make any payment of interest on this Note within five (5) days when due, Borrower promises to pay to the order of Lender on demand a late fee in an amount equal to Five Percent (5%) of each late payment. All payments received by Lender shall be applied first to the payment of billed and unpaid late fees and the costs and expenses hereinafter described, next to billed and unpaid

interest hereon, and the remainder to principal. Interest shall be computed for actual days elapsed on the basis of a 365/366 day year.

4. Costs and Expenses. Borrower hereby agrees to reimburse Lender upon demand for all out-of-pocket costs and expenses (including charges and disbursements of outside counsel to Lender) incurred by Lender in the preparation, negotiation and execution of this Amendment and any and all other agreements, documents, instruments and/or certificates relating to the amendment of the Agreement and the other Credit Documents. Borrower further agrees to pay or reimburse Lender for (a) any stamp or other taxes (excluding income or gross receipts taxes) which may be payable with respect to the execution, delivery, filing and/or recording of any of the Credit Documents and (b) the cost of any filings and searches, including Uniform Commercial Code filings and searches. All of the obligations of Borrower under this Section 4 shall survive the payment of the Advances and the termination of the Agreement.

5. References. This Amendment is a Credit Document and all references in the Agreement to “this Agreement” and any other references of similar import shall after the effectiveness of this Amendment pursuant to the terms hereof mean the Agreement as amended by this Amendment. All references in the other Credit Documents to “the Loan Agreement” or “the Note” and any other references of similar import shall mean the Agreement and the Note as amended by this Amendment.

6. Full Force and Effect. Except to the extent specifically amended by this Amendment, all of the terms, provisions, conditions, covenants, representations and warranties contained in the Agreement shall be and remain in full force and effect and the same are hereby ratified and confirmed.

7. Continuing Security. The Agreement, as hereby amended, and the Note, are, and shall continue to be, secured by the Collateral Pledge Agreement.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower may not assign, transfer or delegate any of its rights or obligations under the Agreement as amended by this Amendment.

9. Representations and Warranties. Borrower represents and warrants to Lender that as of the Effective Date:

(a) the execution, delivery and performance by Borrower of this Amendment are within the corporate powers of Borrower, have been duly authorized by all necessary corporate action and require no action by or in respect of, consent of or filing or recording with, any governmental or regulatory body, instrumentality, authority, agency or official or any other person or entity;

(b) the execution, delivery and performance by Borrower of this Amendment do not conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under or result in any violation of, the terms of the Certificate of Incorporation or Bylaws of Borrower, any applicable law, rule, regulation, order, writ, judgment or decree of any court or governmental or regulatory body, instrumentality authority, agency or official or any agreement, document or instrument to which Borrower is a party or by which Borrower or any of its property or assets is bound or to which Borrower or any of its property is subject;

(c) this Amendment has been duly executed and delivered by Borrower and constitutes the legal, valid and binding obligation of Borrower enforceable against

Borrower in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) all of the representations and warranties made by Borrower in the Agreement, the Note, the Collateral Pledge Agreement, and the other Credit Documents are true and correct in all material respects on and as of the date of this Amendment as if made on and as of the date of this Amendment;

(e) Borrower is an "exempted borrower" (as defined in Section 221.2 of Federal Reserve Board Regulation U) and Borrower acknowledges that Lender is entering into this Amendment based on Lender's good faith determination that Borrower is an "exempted borrower"; and

(f) Borrower is in compliance with all provisions of the Agreement, the Note, the Collateral Pledge Agreement, and the other Credit Documents.

10. Inconsistency. In the event of any inconsistency or conflict between this Amendment and the Agreement, the terms, provisions and conditions contained in this Amendment shall govern and control.

11. Governing Law. This Amendment shall be governed by and construed in accordance with the substantive laws of the State of Minnesota (without reference to conflict of law principles) but giving effect to Federal laws applicable to national banks.

12. Electronic Imaging. Borrower hereby acknowledges the receipt of a copy of the Agreement, the Note, the Collateral Pledge Agreement, this Amendment and all other Advance Documents. Lender may, on behalf of Borrower, create a microfilm or optical disk or other electronic image of any or all of the Credit Documents. Lender may store the electronic image of any Credit Document in its electronic form and then destroy the paper original as part of Lender's normal business practices, with the electronic image deemed to be an original.

13. Headings. Section or other headings contained in this Amendment are for reference purposes only and shall not in any way affect the meaning or interpretation of this Amendment.

14. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart hereof by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

15. Conditions. Notwithstanding any provision contained in this Amendment to the contrary, this Amendment shall not be effective unless and until Lender shall have received:

- (a) this Amendment and the Pricing Letter, duly executed by Borrower;
- (b) the fees due and payable on the Effective Date as specified in the Pricing Letter;
- (c) the Certificate of Secretary (with Resolutions) dated as of the Effective Date, certified by the Secretary of Borrower;

(d) a certificate of good standing for Borrower issued by the Delaware Secretary of State (or other evidence of good standing acceptable to Lender); and

(e) such other documents and information as reasonably required by Lender.

Borrower and Lender executed this Amendment as of the Effective Date.

[Signature Page Follows]

**SIGNATURE PAGE-  
NINTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT**

Borrower:

**PIPER SANDLER & CO.**

By: /s/ Kasi V. Subramanian  
Name: Kasi V. Subramanian  
Title: Treasurer

By: /s/ Timothy L. Carter  
Name: Timothy L. Carter  
Title: CFO

Lender:

**U.S. BANK NATIONAL ASSOCIATION**

By: /s/ Christopher Doering  
Name: Christopher Doering  
Title: SVP



*See Attached*

December 10, 2021

Piper Sandler & Co.  
800 Nicollet Mall, J09SO4  
Minneapolis, Minnesota 55402  
Attention: Timothy L. Carter, Chief Financial Officer and Kasi V. Subramanian, Treasurer

Re: Amended and Restated Loan Agreement dated as of December 28, 2012, executed by U.S. Bank National Association (“Lender”) and Piper Sandler & Co. (“Borrower”), as amended by the First Amendment to Amended and Restated Loan Agreement dated as of December 28, 2013, the Second Amendment to Amended and Restated Loan Agreement dated as of December 19, 2014, the Third Amendment to Amended and Restated Loan Agreement dated as of December 18, 2015, the Fourth Amendment to Amended and Restated Loan Agreement dated as of December 17, 2016, the Fifth Amendment to Amended and Restated Loan Agreement dated as of December 16, 2017, the Sixth Amendment to Amended and Restated Loan Agreement dated as of December 14, 2018, the Seventh Amendment to Amended and Restated Loan Agreement dated as of December 13, 2019, the Eighth Amendment to Amended and Restated Loan Agreement dated as of December 11, 2020 and the Ninth Amendment to Amended and Restated Loan Agreement dated as of December 10, 2021 (as amended, the “Agreement”; all capitalized terms used and not otherwise defined in this letter agreement shall have the respective meanings ascribed to them in the Agreement)

Dear Tim and Kasi:

This letter agreement (this “Pricing Letter”) is the Pricing Letter, as defined in the Agreement (and amends, restates and replaces the Pricing Letter dated December 11, 2020). The following terms are defined and incorporated into the Agreement by reference:

Applicable Margin shall mean (a) with respect to Advances priced at the Federal Funds Effective Rate, 1.0% and (b) with respect to Advances priced at the Base Rate, 0.0%.

Commitment Fee. From and including the date of this Pricing Letter to but excluding the Termination Date, Borrower shall pay a nonrefundable commitment fee on the unused portion of the Facility Amount (determined by subtracting the outstanding principal amount of all Advances from the Facility Amount) at an annual rate of 0.20%. The commitment fee shall be (a) calculated on a daily basis, (b) payable quarterly in arrears on the first day of each calendar quarter prior to the Termination Date and on the Termination Date and (c) calculated on an actual day, 360-day year basis.

Work Fee. Borrower shall pay Lender, in conjunction with the Ninth Amendment to the Agreement, dated as of December 10, 2021 (the “Ninth Amendment”), a work fee in the amount of \$125,000.

The payment of the fees set forth above is a condition precedent to the effectiveness of the Ninth Amendment. You agree that, once paid, the fees or any part thereof payable hereunder and under the Agreement shall be fully earned on the date hereof and shall not be refundable under any circumstances. All fees payable hereunder and under the Agreement shall be paid in immediately available funds and shall be in addition to reimbursement of the Lender's out-of-pocket expenses in accordance with the terms of the Agreement.

The Borrower's obligation to pay the foregoing fees will not be subject to counterclaim or setoff for or be otherwise affected by any claim or dispute the undersigned may have against the Lender. It is understood and agreed that this Pricing Letter shall not constitute or give rise to any obligation to provide any financing; such an obligation will arise only to the extent provided in the Agreement. This Pricing Letter may not be amended or waived except by an instrument in writing signed by the Lender and you. This Pricing Letter shall be governed by, and construed in accordance with, the laws of the State of Minnesota. This Pricing Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Pricing Letter by electronic or facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

Piper Sandler & Co.  
December 10, 2021  
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Please indicate your acceptance of this Pricing Letter by signing in the space indicated below and returning a copy of this letter to the undersigned.

Very Truly Yours,

**U.S. BANK NATIONAL ASSOCIATION**

By:     /s/ Christopher Doering      
Name: Christopher Doering  
Title: SVP

Piper Sandler & Co.  
December 10, 2021  
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Accepted and agreed to by Borrower as of December 10, 2021:

**PIPER SANDLER & CO.**

By:     /s/ Kasi V. Subramanian      
Name: Kasi V. Subramanian  
Title: Treasurer

By:     /s/ Timothy L. Carter      
Name: Timothy L. Carter  
Title: CFO

**RESTRICTED STOCK AND MUTUAL FUND RESTRICTED SHARE AGREEMENT**  
(2022 Annual Grant)

Under the

**PIPER SANDLER COMPANIES  
AMENDED AND RESTATED 2003 ANNUAL AND LONG-TERM INCENTIVE PLAN  
AND  
MUTUAL FUND RESTRICTED SHARE INVESTMENT PLAN**

**Notice of Grant**

Piper Sandler Companies, a Delaware corporation (the “Company”), hereby grants to the below-named employee of the Company or an Affiliate of the Company (the “Employee”) (i) a Restricted Stock Award pursuant to the Company’s Amended and Restated 2003 Annual and Long-Term Incentive Plan, as amended from time to time (the “2003 Plan”), and (ii) a Mutual Fund Restricted Share Award (the “MFRS Award”) pursuant to the Company’s Mutual Fund Restricted Share Investment Plan, as amended from time to time (the “MFRS Plan” and together with the Restricted Stock Plan, the “Plans”). The terms and conditions of the Restricted Stock Award and MFRS Award (collectively, the “Awards”) are set forth in this Restricted Stock and Mutual Fund Restricted Share Agreement (the “Agreement”), consisting of this Notice of Grant and the Terms and Conditions on the following pages. This Agreement and the Awards are subject to all of the provisions of the applicable Plans. Any capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plans as they currently exist or as they are amended in the future.

Name of Employee: \_\_\_\_\_

Date of Issuance: \_\_\_\_\_, 2022

**Restricted Stock Award**

No. of Restricted Shares Covered:
Vesting Schedule pursuant to Section 3:
The Restricted Shares shall vest ratably over three years on the 16 <sup>th</sup> day of the month (or, if the 16 <sup>th</sup> falls on a weekend or another day on which the New York Stock Exchange is closed, on the immediately preceding business day) in which the first, second, and third anniversaries of the date of issuance occurs.

## Mutual Fund Restricted Share Award

Restricted Mutual Fund Shares Covered:*		
Vanguard Short-term Government Bond Index Fund		
Dodge & Cox Income Fund		
T. Rowe Price Blue Chip Growth Fund		
Vanguard Extended Market Index Fund		
Vanguard Global Equity Fund		
Vanguard 500 Index		
Vesting Schedule pursuant to Section 3:		
The Restricted Mutual Fund Shares shall vest ratably over three years on the 16 <sup>th</sup> day of the month (or, if the 16 <sup>th</sup> falls on a weekend or another day on which the New York Stock Exchange is closed, on the immediately preceding business day) in which the first, second, and third anniversaries of the date of issuance occurs.		

\* Subject to adjustment in accordance with the terms of this Agreement

**IMPORTANT ACKNOWLEDGEMENT:** *By signing this Agreement, Employee voluntarily elects to receive and accept the Restricted Stock Award and MFRS Award subject to all of the terms and conditions set forth in this Agreement, and specifically acknowledges and agrees that under certain circumstances, as specified in Section 5(a), the unvested Restricted Shares and Restricted Mutual Fund Shares may cease to vest and be forfeited to the Company. Employee also acknowledges and agrees that such terms and conditions are fair and reasonable under the circumstances.*

EMPLOYEE

PIPER SANDLER COMPANIES

By \_\_\_\_\_  
Its

### **Terms and Conditions**

#### **1. Restricted Shares.**

(a) The Shares subject to the Restricted Stock Award are subject to the restrictions provided for in this Agreement and are referred to collectively as the “Restricted Shares” and each as a “Restricted Share.”

(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 the Employee (unless the Employee 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. Any dividends or distributions payable or distributable with respect to or in

exchange for outstanding but unvested Restricted Shares shall be held by the Company (or its designated agent) subject to the same restrictions, vesting conditions, and other terms of this Agreement to which the underlying unvested Restricted Shares are subject. At the time the underlying Restricted Shares vest, the Company shall cause to be delivered to the Employee (without interest) the portion of such retained dividends and distributions that relate to the Restricted Shares that have vested. Unless otherwise permitted by the Committee in accordance with the terms of the Plan, the Restricted Shares may not (until such Restricted Shares have vested in the Employee 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 forfeiture to the Company unless and until that Restricted Share has vested in the Employee in accordance with all of the terms and conditions of this Agreement and the 2003 Plan. 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 the certificate throughout the period during which any restrictions are in effect and require, as a condition to issuing a certificate, that the Employee tender to the Company a stock power duly executed in blank relating to such custody.

## **2. Restricted Mutual Fund Shares.**

(a) The Restricted Mutual Fund Shares represent Restricted Mutual Fund Shares that have been awarded to the Employee by the Company as well as any additional Restricted Mutual Fund Shares that the Employee has elected to receive in lieu of amounts that would have been otherwise awarded as Restricted Shares, in accordance with the Committee's determination to permit such an election and in the amount so permitted. The Restricted Mutual Fund Shares were to be allocated by the Employee among mutual funds and exchange-traded funds selected by the Company. The deadline for submitting an allocation form for this award cycle has passed and no reallocation among selected mutual funds or exchange-traded funds shall be permitted. The Employee's allocation, and any election to increase the amount of Restricted Mutual Fund Shares received in lieu of amounts that would have been otherwise awarded as Restricted Shares, is irrevocable. If the Employee failed to allocate their Restricted Mutual Fund Shares among the available mutual funds and exchange-traded funds prior to the deadline, the Company's determination of the allocation shall be binding on the Employee, and no reallocation shall be permitted.

(b) All vesting contingencies and restrictions provided for in this Agreement will apply to each Restricted Mutual Fund Share. The Restricted Mutual Fund Shares may not (until such Restricted Mutual Fund Shares have vested in the Employee 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 Mutual Fund Share will remain restricted, and its unvested portion subject to forfeiture to the Company, unless and until that Restricted Mutual Fund Share has vested in the Employee in accordance with all of the terms and conditions of this Agreement and the MFRS Plan. The Employee shall execute such pledge or other agreement that the Company may require at any time to perfect such restriction.

## **3. Vesting.**

(a) Continuous Employment: So long as 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, then the Restricted Shares and



Restricted Mutual Fund Shares will vest in the numbers and on the dates specified in their respective Vesting Schedules in the Notice of Grant. Except as otherwise provided herein, if and when the Employee's employment with the Company or an Affiliate terminates, whether by the Employee or by the Company (or an Affiliate), voluntarily or involuntarily, for any reason, then, in accordance with Section 5 of this Agreement, the Restricted Shares and Restricted Mutual Fund Shares shall cease vesting, the unvested Restricted Shares and Restricted Mutual Fund Shares as of the termination date shall be forfeited to the Company.

(b) Vesting in Event of Death: If the Employee's employment by the Company or an Affiliate terminates because of the Employee's death, then the unvested Restricted Shares and Restricted Mutual Fund Shares will immediately vest in full.

(c) Vesting in Event of Long-Term Disability: If the Employee's employment by the Company or an Affiliate terminates because of the Employee's long-term disability (as defined in the Company's long-term disability plan, a "Disability"), then the unvested Restricted Shares and Restricted Mutual Fund Shares will continue vesting during the Employee's long-term disability period in accordance with their respective Vesting Schedules set forth in the Notice of Grant. If, however, the Employee recovers from the Disability, and returns to gainful employment with any employer other than the Company or an Affiliate, the Employee's entitlement to the unvested Restricted Shares and Restricted Mutual Fund Shares will be subject to the requirements of subparagraph 3(f) below.

(d) Vesting in Event of Severance Event: If the Employee's employment by the Company or an Affiliate is involuntarily terminated as a result of a Company-determined severance event (i.e., an event specifically designated as a severance event by the Company in a written notice to the Employee that he or she is eligible for severance benefits under the Company's Severance Plan, as may be amended from time to time), then the unvested Restricted Shares and Restricted Mutual Fund Shares will, as set forth in writing in a severance agreement, vest in full upon the expiration of a thirty-day period commencing upon the Employee's execution of a general release of all claims against the Company and its Affiliates, on a form provided by the Company for this purpose and within the timeframe designated by the Company; provided that, no such vesting will occur unless (i) the Employee has not revoked the general release and it remains effective and enforceable upon expiration of the thirty-day period following its execution, and (ii) the Employee has complied with the terms and conditions of the Company's Severance Plan and the applicable severance agreement.

(e) Vesting in Event of For Cause Discharge: If the Employee's employment with the Company or an Affiliate terminates because the Employee was discharged for "Cause" (as that term is defined in subparagraph 5(b)) below, then the unvested Restricted Shares and Restricted Mutual Fund Shares shall cease vesting and be forfeited to the Company.

(f) Vesting in the Event of Any Other Type of Separation: If the Employee's employment with the Company or an Affiliate terminates for any reason other than the Employee's death, Disability, termination in a Company-determined severance event, or for Cause (all as described above), then the unvested Restricted Shares and Restricted Mutual Fund Shares shall cease vesting and be forfeited to the Company; *provided, however*, that at the time of termination, the Company shall offer the Employee an opportunity to (a) sign a Post-Termination Agreement, and (b) execute a general release of all claims against the Company and its Affiliates on a form provided by the Company for this purpose and within the timeframe designated by the Company.

If the Employee signs a Post-Termination Agreement, and thereafter complies with the Employee's obligations under such Post-Termination Agreement, including the obligation to refrain from engaging in any Restricted Activities (as defined below) for the shorter of the

remaining vesting period of the unvested Restricted Shares and Restricted Mutual Fund Shares, or the restricted period identified in the Post-Termination Agreement (which may extend beyond the Applicable Post-Employment Restricted Period (as defined below) and be up to two years following the date of termination), and the Employee signs and does not rescind or take any action to revoke the general release as described above in whole or in part, then the unvested Restricted Shares and Restricted Mutual Fund Shares shall not cease to vest and shall not be forfeited, but rather, as set forth in the Post-Termination Agreement, shall continue to vest in the numbers and on the dates specified in their respective Vesting Schedules in the Notice of Grant for so long as the Employee continuously refrains from engaging in all Restricted Activities for the shorter of the remaining vesting period of the unvested Restricted Shares and Restricted Mutual Fund Shares, or the restricted period identified in the Post-Termination Agreement.

(g) Notwithstanding any other provisions of this Agreement to the contrary, the Committee may, in its sole discretion, declare at any time that the unvested Restricted Shares or Restricted Mutual Fund Shares, or any portion of either thereof, shall vest immediately or, to the extent they otherwise would be forfeited, shall vest in the numbers and on such dates as are determined by the Committee to be in the interests of the Company as determined by the Committee in its sole discretion.

**4. Effect of Vesting.** Upon the vesting of any Restricted Shares or Restricted Mutual Fund Shares, such vested Restricted Shares and Restricted Mutual Fund Shares will no longer be subject to forfeiture; provided, however, that such vested Restricted Shares and Restricted Mutual Fund Shares shall remain subject to potential recovery by the Company pursuant to Section 7 of this Agreement.

**5. Forfeiture of Unvested Restricted Shares and Restricted Mutual Fund Shares.**

(a) If (i) the Employee attempts to pledge, encumber, assign, transfer or otherwise dispose of any of the Restricted Shares (except as permitted by Section 1(b) of this Agreement) or the Employee's interest in or rights to any of the Restricted Mutual Fund Shares (except as permitted by Section 2(b) of this Agreement), or the Restricted Shares or Restricted Mutual Fund Shares become subject to attachment or any similar involuntary process in violation of this Agreement, or (ii) the Employee's employment with the Company or an Affiliate (A) is terminated for Cause or (B) terminates under the circumstances covered by Section 3(d) or Section 3(f) (including as Section 3(f) applies with respect to Section 3(c)) of this Agreement and either (1) the conditions or restrictions of such Section, as applicable, are not satisfied or (2) the conditions or restrictions of such Section, as applicable, are satisfied but the Employee subsequently violates any of them, then any Restricted Shares and Restricted Mutual Fund Shares that have not previously vested shall cease to vest and shall be forfeited to the Company immediately, the Employee shall thereafter have no right, title or interest whatsoever in such unvested Restricted Shares and Restricted Mutual Fund Shares, and, if the Company does not have custody of any and all certificates representing Restricted Shares so forfeited, the Employee shall immediately return to the Company any and all certificates representing Restricted Shares so forfeited. Additionally, the Employee will deliver to the Company a stock power duly executed in blank relating to any and all certificates representing such forfeited 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 forfeited and to cause a book entry to be made in the records of the Company's transfer agent in the name of the Employee (or a new stock certificate to be issued, if requested by the Employee) evidencing any Restricted Shares that vested prior to the forfeiture 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 forfeited.

(b) For purposes of this Agreement, “Cause” means (i) 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; the Employee 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 Employee’s conviction of a felony; (iii) the Employee committing a felony or engaging in other misconduct that the Company determines in its sole discretion impairs the Employee’s ability to perform his or her duties with the Company or an Affiliate, and/or results in negative or otherwise adverse publicity for the Company or an Affiliate; (iv) the Employee’s violation of any policy of the Company or an Affiliate that the Company, in its sole discretion, deems material; (v) the Employee’s violation of any securities law, rule or regulation that the Company, in its sole discretion, deems material; (vi) the Employee’s engagement in conduct that, in the Company’s sole discretion, exposes the Company or an Affiliate to civil or regulatory liability or injury to its reputation; (vii) 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 (viii) the Employee’s gross or willful misconduct that the Company, in its sole discretion, deems material.

**6. Restricted Activities.** In consideration of the grant of this Award, the Employee agrees to comply with and be bound by the following restrictive covenants (each a “Restricted Activity” and together the “Restricted Activities”):

(a) the Employee will not, either during the Employee’s employment by the Company or an Affiliate or at any time thereafter, except in connection with the performance of the Employee’s job 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 the Employee has acquired or become acquainted with during the Employee’s employment with the Company or an Affiliate. For the avoidance of doubt, nothing in this paragraph or any other provision of this Agreement precludes you from reporting to the Company’s management or directors or to the government, a regulator, or a self-regulatory agency conduct that you believe to be in violation of the law, or responding truthfully to questions or requests from the government, a regulator, a self-regulatory agency, or in a court of law.

(b) the Employee will not, during the Employee’s employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee 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 Employee’s termination, by the Company or an Affiliate to terminate or otherwise modify their employment relationship with the Company;

(c) the Employee will not, during the Employee’s employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, on behalf of the Employee 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 Employee’s termination, by the Company or an Affiliate;

(d) the Employee will not, during the Employee’s employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on

behalf of the Employee or any other person (including but not limited to any Talent Competitor), solicit any customer, client or account of the Company or an Affiliate, 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; any customers, clients or accounts that had been represented by or had a business relationship with the Company or an Affiliate within the 365-day period preceding the Employee’s termination; and any individual, company or other form of legal entity that had been solicited or pitched for business by the Company or an Affiliate within the 365-day period preceding the Employee’s termination, if the Employee was involved in any capacity in the solicitation or pitch;

(e) the Employee will not, during the Employee’s employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted 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;

(f) the Employee will not, either during the Employee’s employment by the Company or an Affiliate or at any time thereafter, make disparaging, derogatory, or defamatory statements about the Company or an Affiliate in any public forum or media; and

(g) the Employee will not, either during the Employee’s employment by the Company or an Affiliate or at any time thereafter, fail to cooperate fully 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 Employee may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by the Employee.

For purposes of this Section 6, the “Applicable Post-Employment Restricted Period” means: (i) with respect to Sections 6(b) and (c), one year following any termination of the Employee’s employment with the Company or an Affiliate (not including any period of notice provided by the Employee); (ii) with respect to Section 6(d), six months following any termination of the Employee’s employment with the Company or an Affiliate (not including any period of notice provided by the Employee); and (iii) with respect to Section 6(e), one month following any termination of the Employee’s employment initiated and effected by the Company or an Affiliate without Cause, or three months following any other termination of the Employee’s employment with the Company or an Affiliate (not including any period of notice provided by the Employee); provided, however, that if the Employee voluntarily elects to sign a Post-Termination Agreement with the Company pursuant to Section 3(f), then such Post-Termination Agreement may include one or more restricted periods that are longer than the Applicable Post-Employment Restricted Period with respect to one or more of the Restricted Activities.

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, securities brokerage or investment management 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.

**7. Potential Clawback.** The Employee acknowledges that he or she has been provided a copy of the Company’s Incentive Compensation Recovery Policy, dated February 4, 2014 (the

“Recovery Policy”), and understands, accepts and agrees that this grant in this Agreement of Restricted Shares and Restricted Mutual Fund Shares, and any other outstanding Award he or she may have been granted under the Plans after May 8, 2013 (a “Prior Award”) are subject to the terms and conditions of the Recovery Policy as it currently exists and as it may be amended from time to time, which include the potential forfeiture to or recovery by the Company of the Restricted Stock Award or the MFRS Award, any Prior Award, any Shares issued or mutual fund shares vested pursuant to this Agreement or any Prior Award, any proceeds received by the Employee upon the sale of any such Shares or mutual fund shares, and any other compensatory value received by Employee under the Restricted Stock Award, the MFRS Award or any Prior Award under the circumstances and to the extent set forth in the Recovery Policy. This Agreement may be unilaterally amended by the Committee at any time to comply with the Recovery Policy as it may be amended from time to time.

**8. Shareholder Rights.** As of the date of issuance specified at the beginning of this Agreement, the Employee shall have all of the rights of a shareholder of the Company with respect to the Restricted Shares, and all the rights of a mutual fund shareholder with respect to the Restricted Mutual Fund Shares, except as otherwise specifically provided in this Agreement.

**9. Fund Fees and Distributions.**

(a) Management fees of the applicable mutual funds for the Restricted Mutual Fund Shares shall be the sole responsibility of the Employee.

(b) If any mutual fund in which the Employee holds an interest distributes dividends, income or earnings with respect to the Restricted Mutual Fund Shares prior to the vesting of such Restricted Mutual Fund Shares, then the following shall apply. In the event of distributions made in cash, such cash distributions shall be reinvested in the mutual fund from which the distribution occurred and the mutual fund shares representing the reinvested amounts shall be considered Restricted Mutual Fund Shares under this Agreement, and shall vest along with the other unvested Restricted Mutual Fund Shares in equal installments over the remaining vesting dates provided in the Vesting Schedule in the Notice of Grant. In the event of in-kind distributions, extraordinary distributions (whether in other securities or other property) or other adjustments, such distributions shall be held in the account of the Employee together with the Restricted Mutual Fund Shares. All Restricted Mutual Fund Shares received via distributions shall also be restricted and shall vest on the dates specified in the applicable Vesting Schedule in the Notice of Grant. For the avoidance of doubt, in the event that any unvested Restricted Mutual Fund Shares are forfeited in accordance with this Agreement, the distributions with respect to any such Restricted Mutual Fund Shares not previously paid out will also be forfeited.

**10. 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 Restricted Mutual Fund Shares, or, in the event that the Employee elects under Code Section 83(b) to report the receipt of the Restricted Shares or Restricted Mutual Fund Shares as income in the year of receipt, upon the Employee’s receipt of the Restricted Shares or Restricted Mutual Fund Shares, respectively. 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 Plans), to the Company or an Affiliate such amounts as shall be necessary to satisfy 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.

**11. Injunctive Relief.** In the event of a breach by the Employee of the Employee's obligations under this Agreement, including but not limited to a commission by the Employee 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. The Employee 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).

**12. Restrictive Legends and Stop-Transfer Orders.**

(a) Legends. The book entry or certificate representing the Restricted Shares shall contain a notation or bear the following legend (as well as any notations or legends required by applicable state and federal 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 AND MUTUAL FUND RESTRICTED SHARE AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.”

(b) Stop-Transfer Notices. The Employee 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.

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

**14. No Promise of Future Awards or Continued Employment.** The Employee acknowledges that this Agreement awards restricted stock and/or property to the Employee, but does not impose any obligation on the Company to make any future grants or issue any future restricted shares or restricted mutual fund shares to the Employee or otherwise continue the participation of the Employee under either of the Plans. This Agreement 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 at will, and otherwise deal with the Employee without regard to this Agreement.

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

**16. Agreement to Arbitrate.** The Company and the Employee each agrees (i) that any dispute, claim or controversy arising out of or relating directly or indirectly to the construction, performance or breach of this Agreement (including, without limitation, the grant, issuance or forfeiture of Restricted Shares and Restricted Mutual Fund Shares) shall be settled by arbitration conducted before and in accordance with the rules of the Financial Industry Regulatory Authority; and (ii) that judgment upon any award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Accordingly, the Company and the Employee each waive their right (if any) to a trial before a court judge and/or jury to resolve any such disputes; provided, this Section 16 shall not be construed to limit the Company's right to obtain equitable relief under Section 11 with respect to any matter or controversy subject to Section 11, and pending a final determination by the arbitrators with respect to any such matter or controversy, the Company shall be entitled to obtain any such relief by direct application to state, federal, or other applicable court, without being required to first arbitrate such matter or controversy.

**17. Choice of Law.** The Company is incorporated in the State of Delaware, and by their terms the Plans are governed by the laws of the State of Delaware. Accordingly, 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).

**18. 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.

**19. Entire Agreement.** This Agreement and the Plans set forth the entire agreement and understanding of the parties hereto with respect to the issuance and sale of the Restricted Shares and Restricted Mutual Fund Shares and the administration of the Plans, and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance and sale of the Restricted Shares and Restricted Mutual Fund Shares and the administration of the Plans.

**20. Amendment and Waiver.** Except as provided in the Plans or in Section 7 above, 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.

**21. Acknowledgment of Receipt of Copy.** By execution hereof, the Employee acknowledges having received a copy of the prospectus related to the 2003 Plan and instructions on how to access a copy of each of the Plans.

**22. Acknowledgement of Voluntary Election; Fairness.** By executing this Agreement, the Employee acknowledges his or her voluntary election to receive and accept the Restricted Shares and any Restricted Mutual Fund 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 unvested Restricted Shares and Restricted Mutual Fund Shares shall cease to vest and be forfeited. Employee further

acknowledges and agrees that such terms and conditions are fair and reasonable in light of the circumstances under which the award of Restricted Shares and any award of Restricted Mutual Fund Shares is being made.





Piper Sandler Companies  
800 Nicollet Mall, Suite 900, Minneapolis, MN 55402-7020  
612 303-6000 | 800 333-6000 | Fax: 612 303-1772

January 10, 2022

Brian R. Sterling

Dear Brian,

Reference is made to the Transition Services Agreement, dated December 31, 2020 (the “Transition Services Agreement”), pursuant to which you have been acting in an advisory capacity to transition client engagements following your employment with Piper Sandler & Co. (the “Company”). Capitalized terms used herein but not otherwise defined shall have the meaning ascribed thereto in the Offer Letter.

The Company and you desire to amend the Transition Services Agreement in order to extend its term.

Therefore, the parties have agreed to amend the Transition Services Agreement as follows:

1. Section 4 shall be amended and restated in its entirety as follows:

Term. Unless sooner terminated mutually by the Parties, this Agreement shall terminate on September 30, 2022 (the “Termination Date”), provided, however, that if any Covered Transaction has been publicly announced on or prior to the Termination Date, then Sterling shall receive payment for such Covered Transaction so long as the fees relating to such Covered Transaction are received by Piper Sandler prior to March 31, 2023. Notwithstanding the foregoing, the terms and provisions of Sections 7, 9-12, and 16-19 of this Agreement shall survive termination of this Agreement.

Please confirm that the foregoing correctly sets forth our agreement by signing and returning this letter to Piper Sandler.

Very truly yours,

PIPER SANDLER & CO.

By: /s/ Chad R. Abraham  
Name: Chad R. Abraham  
Title: Chairman and CEO

Accepted and agreed:

/s/ Brian S. Sterling  
Brian R. Sterling

SUBSIDIARIES OF PIPER SANDLER COMPANIES  
(as of December 31, 2021)

Name*	State or Jurisdiction of Entity
Piper Sandler & Co.	Delaware
Piper Sandler Foundation	Minnesota
Piper Sandler European Holdings Co.	Delaware
Piper Sandler Ltd.	United Kingdom
Parallel General Partner Limited	Guernsey
Piper Sandler SP Ltd	United Kingdom
Piper Sandler Financial Products Inc.	Delaware
Piper Sandler Financial Products II Inc.	Delaware
Piper Jaffray Funding LLC	Delaware
Piper Jaffray Lending LLC	Delaware
Piper Jaffray Private Capital Inc.	Delaware
PJC Capital LLC	Delaware
Piper Jaffray Asset Management Inc.	Delaware
Piper Sandler Investment Group Inc.	Delaware
Piper Sandler Finance Management, LLC	Delaware
PSC Capital Partners LLC	Delaware
Piper Jaffray Senior Living, LLC	Delaware
Piper Heartland Healthcare Capital, LLC	Delaware
Piper Heartland Healthcare Capital Management LLC	Delaware
Piper Heartland Healthcare Crossover Fund I, L.P.	Delaware
PSC Capital Management LLC	Delaware
Piper Sandler Merchant Banking Fund I, L.P.	Delaware
PJC Merchant Banking Partners I, LLC	Delaware
PJC Merchant Banking Partners III, LLC	Delaware
PJC Merchant Banking Partners IV, LLC	Delaware
PSC Capital Management II LLC	Delaware
Piper Sandler Merchant Banking Fund II, L.P.	Delaware
Piper Sandler Finance LLC	Delaware
Piper Sandler Finance I, LLC	Delaware
Piper Sandler Finance II, LLC	Delaware
Piper Sandler Finance III, LLC	Delaware
Piper Sandler Finance IV, LLC	Delaware
Piper Sandler Finance Funding I, LLC	Delaware
Piper Sandler Real Estate Services, LLC	Delaware
Piper Sandler Hong Kong Limited	Hong Kong
Piper Sandler Loan Strategies, LLC	Delaware
SOMF, LLC	Delaware
Piper Sandler Advisors LLC	Delaware
Piper Sandler Hedging Services, LLC	Delaware

\* Indentation indicates the principal parent of each subsidiary.

## Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-111665) of the Company dated December 31, 2003
2. Registration Statement (Form S-8 No. 333-122494) of the Company dated February 2, 2005
3. Registration Statement (Form S-8 No. 333-142699) of the Company dated May 8, 2007
4. Registration Statement (Form S-8 No. 333-150962) of the Company dated May 16, 2008
5. Registration Statement (Form S-8 No. 333-159360) of the Company dated May 20, 2009
6. Registration Statement (Form S-8 No. 333-205229) of the Company dated June 25, 2015
7. Registration Statement (Form S-8 No. 333-228096) of the Company dated October 31, 2018
8. Registration Statement (Form S-8 No. 333-230241) of the Company dated March 13, 2019
9. Registration Statement (Form S-8 No. 333-235311) of the Company dated November 29, 2019
10. Registration Statement (Form S-8 No. 333-238598) of the Company dated May 22, 2020

of our reports dated February 25, 2022, with respect to the consolidated financial statements of Piper Sandler Companies (“the Company”) and the effectiveness of internal control over financial reporting of the Company, included in this Annual Report (Form 10-K) of the Company for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Minneapolis, Minnesota  
February 25, 2022

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Chad R. Abraham, Timothy L. Carter and John W. Geelan, and each of them, his or her true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Piper Sandler Companies (the "Company") for the Company's fiscal year ended December 31, 2021, and any or all amendments to said Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to file the same with such other authorities as necessary, granting unto each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each such attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Dated and effective as of the 25th of February, 2022.

/s/ Chad R. Abraham

\_\_\_\_\_  
Chad R. Abraham,  
Chairman and Chief Executive Officer

/s/ Thomas S. Schreier Jr.

\_\_\_\_\_  
Thomas S. Schreier Jr., Director

/s/ Timothy L. Carter

\_\_\_\_\_  
Timothy L. Carter,  
Chief Financial Officer

/s/ Sherry M. Smith

\_\_\_\_\_  
Sherry M. Smith, Director

/s/ Jonathan J. Doyle

\_\_\_\_\_  
Jonathan J. Doyle, Director

/s/ Philip E. Soran

\_\_\_\_\_  
Philip E. Soran, Director

/s/ William R. Fitzgerald

\_\_\_\_\_  
William R. Fitzgerald, Director

/s/ Brian R. Sterling

\_\_\_\_\_  
Brian R. Sterling, Director

/s/ Victoria M. Holt

\_\_\_\_\_  
Victoria M. Holt, Director

/s/ Scott C. Taylor

\_\_\_\_\_  
Scott C. Taylor, Director

/s/ Robbin Mitchell

\_\_\_\_\_  
Robbin Mitchell, Director

## CERTIFICATIONS

I, Chad R. Abraham, certify that:

1. I have reviewed this annual report on Form 10-K of Piper Sandler 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: February 25, 2022

/s/ Chad R. Abraham

Chad R. Abraham

Chairman and Chief Executive Officer

## CERTIFICATIONS

I, Timothy L. Carter, certify that:

1. I have reviewed this annual report on Form 10-K of Piper Sandler 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: February 25, 2022

/s/ Timothy L. Carter  
\_\_\_\_\_  
Timothy L. Carter  
Chief Financial Officer

**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 Sandler Companies.

Dated: February 25, 2022

/s/ Chad R. Abraham

Chad R. Abraham  
Chairman and Chief Executive Officer

/s/ Timothy L. Carter

Timothy L. Carter  
Chief Financial Officer