FINAL TRANSCRIPT

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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Piper Jaffray Company's conference call to discuss the financial results for the fourth quarter of 2009.

During the question-and-answer session, securities industry professionals may ask questions of management.

The Company has asked that I remind you statements on this call that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements that involve inherent risks and uncertainties. Factors that could cause actual results to differ materially from those anticipated are identified in the Company's reports on file with the SEC, which are available on the Company's website at www.PiperJaffray.com and on the SEC website at www.SEC.gov.

As a reminder, today's conference is being recorded on Wednesday, January 27, 2010.

Now, I would like to turn the call over to Mister Andrew Duff. Mister Duff, you may begin your call.

Andrew Duff - *Piper Jaffray - Chairman, CEO*

Thank you and good morning.

We are pleased to report our best quarterly performance of 2009 and the highest revenues since the fourth quarter of 2007. Also, we demonstrated the value of a balanced business next. Our investment banking revenues were significantly higher compared to the third quarter of 2009, which more than offset an expected pullback in our fixed income institutional brokerage revenues. We are very pleased with our overall performance in 2009.

I'm going to comment on our key competence for the year. First, I will start where we ended. In December, we announced the acquisition of Advisory Research, which we expect to significantly advance our Asset Management strategy. When this transaction closes, Asset Management will represent approximately 25% of our pretax income, which we expect to mitigate volatility in our Capital Markets business. Also, it adds sufficient scale and talent to support future organic growth in Asset Management. We are on target to close this transaction in the first quarter of the year.

Second, we made progress during 2009 against our goal of increased return on adjusted tangible equity to 10% to 12% over the next 24 months. For 2009, the return was 4.6%. While we have a substantial way to go, we believe our goal is achievable.

In 2010, we intend to make substantial additional progress through four main drivers -- continued improvement in Investment Banking revenues, the addition of Advisory Research, enhanced use of our capital, both (technical difficulty) use in our business and looking for additional opportunities to deploy excess capital into higher-margin return businesses, similar to Advisory Research. Also, we will be focused on improving productivity, both from existing resources and new hires.

Third and very importantly, we found the right balance between lowering the cost structure and investing in our business. Despite tensions between these two objectives, we found the appropriate balance. We committed to holding our non-comp expenses to a quarterly average of $32 million to $33 million, and we met that commitment. At the same time, we added 59 senior revenue-producing professionals across our businesses. Our goal is to add a similar number in 2010. We will work to build our platform for the future and we are beginning to see those investments reflected in our improved performance.

In that regard, let me make a few comments on each of our businesses. Within Fixed Income Institutional Brokerage, we achieved strong profitable results 2009, a significant turnaround from 2008. Strategically, we have a great opportunity to significantly increase our client penetration. After adding 23 new professionals in 2009, we have a team of 123. We enhanced our platform by expanding our product breadth with new capabilities in corporate credits, taxable municipals and mortgages, and increasing our distribution capability. Our goal is to add another dozen professionals in 2010.

Over the past year, the trading environment was very attractive and we benefited. Going forward, we intend to increase our client flow revenues, which we believe are more sustainable.

Within Equities, we've been working to improve the productivity of our US equity business, which has increased by 26% since 2007. We will be building on that success in 2010. In addition, we will work to create consistent product, service and distribution in our international markets. Bob Peterson, head of US Equities, has expanded his duties to include Europe and Asia. He will relocate and lead the Global Equities team from London. We are very encouraged by the momentum in our global Investment Banking business. We expect to see continued strengthening in the global equity financing markets.

In the US, the number of IPOs that were completed in the industry increased in each quarter during 2009. The US IPO backlog has increased over the past several months. At the end of December, the US backlog was the same level as at the end of 2004, '05, and '06. We are seeing improved conditions in Europe and Asia as well.

Within our Global Investment Banking business, we were bookrunner on 33 transactions, higher than our average of 26 from 2005 through 2008. We were the sole bookrunner on the best-performing US IPO in 2009, Duoyuan Global Water. In the US, our economic fee share increased to 4.6 from 3.2 in 2008 for issuers in our focused sectors with less than $2 billion market cap. Our sector expertise and client focused, combined with the broad product set, positions us well with our clients and I am optimistic about our prospects in 2010.

Finally, we are very pleased with the strong performance of Public Finance. Our completed par value of Senior managed negotiated issues was $9 billion, up 65% compared to 2008. The par value for the industry was up just 4%.

Our economic fee market share rose to 3.5% compared to 2.6% last year for transactions with a par value of less than $500 million. Our market share gains were attributed to penetrating new client relationships, entering new geographies and a new sector. In the state of California, our economic fee market share increased significantly to 7%. We averaged 3% from 2004 through 2008.

In 2009, Piper was the top underwriter for school districts in the state by [Dielse and Paramount]. We completed 93 financings with par value of $2.6 billion. As I look ahead to 2010, I am more confident than ever in our platform, our ability to connect capital with opportunity for our clients.

Now, I'd like to turn the call over to Deb to review the financial results in more detail.

Deb Schoneman - *Piper Jaffray - CFO*

Thank you, Andrew.

An improving economy and strengthening capital markets environment, investments in our businesses and market share gains all contributed to our achieving our best quarter of 2009 and improving overall performance for the full year.

In the fourth quarter of 2009, our net revenues were $133 million and we generated net income from continuing operations of $12.3 million, or $0.63 per diluted common share. Our pretax operating margin was 14.3%, which was our best quarterly performance for the year.

Revenues for the full year of 2009 were $469 million, just 7% below our peak in 2006. For the full year, we achieved a pretax operating margin of 12.1%, our best since becoming a public company in 2004.

Now, I will provide more detail on our fourth-quarter revenues. Investment Banking contributed 55% of revenues in the quarter, which is near our average of 58% from 2004 through 2007. Equity Financing activity was strong and revenues were $36.5 million, the highest level since the fourth quarter of 2007. All geographies and all products, particularly Register Direct, contributed to the performance. Our current backlog of US public offerings is 13 transactions, which is up from 7 when we reported our third-quarter results.

Public Finance revenues were $26 million, the second-highest ever. We completed 147 Public Finance transactions with a par value of $3 billion. Issuance activity remains very low from high-yield, real estate and development finance, such as which have historically been meaningful contributors to our business. We expect only a modest recovery in these sectors in 2010.

Also, Public Finance growth may be negatively impacted by budget pressures in the public sector, although we currently aren't experiencing them.

Financial Advisory revenues were $11 million, up slightly compared to the year-ago period and the sequential quarter. We expect improving trends in middle-market M&A over the course of 2010, which should translate into improved performance for our business.

Turning to Institutional Sales and Trading, we generated net revenues of $50 million, a substantial improvement from last year and down 21% from the strong third quarter of 2009. Within Institutional Brokerage, equities revenues were $28 million, essentially the same as last year and down 11% compared to the third quarter of 2009. While our US high-touch revenues were the main contributor to the decline compared to the sequential third quarter, lower volumes and lower commissions per share drove the decrease.

Fixed Income Institutional brokerage revenues were $22 million, a substantial turnaround from the same quarter last year. Compared to the strong third quarter of 2009, revenues decreased 31% mainly reflecting lower [secondary-lien] municipal revenues and fewer municipal strategic trading opportunities. Secondary revenues were lower because the market was absorbing a lot of attractively-priced new issues.

Now, I'll turn to non-interest expenses, which I will address from a full year perspective. For 2009, our compensation and benefits expense was $281 million. Revenues increased by 44% yet compensation expense increased just 13%, building a compensation ratio of 60% which we held steady throughout the year.

For 2009, non-compensation expenses were $131 million or 28% of revenue. For 2010, we expect that the absolute amount of non-compensation expenses will increase driven by the addition by Advisory Research, increased business activity and new hires. However, we intend to improve upon the ratio of non-compensation expense to revenues that we achieved in 2009.

This concludes my remarks. I will turn the call back to Andrew.

Andrew Duff - *Piper Jaffray - Chairman, CEO*

That concludes our formal remarks. Operator, we will now open the line for questions please.

QUESTIONS AND ANSWERS

Operator

Absolutely, sir. (Operator Instructions). Devin Ryan, Sandler O'Neill.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Good morning. On the Fixed Income sales and Trading side, can you give some more color just for your expectations going forward relative to what we saw this quarter? I'm just trying to get a sense of whether this quarter represented a normalized quarter or would things pick up as activity levels rebound. I'm just trying to get a sense of how to think about that going forward from what we had this quarter.

Deb Schoneman - *Piper Jaffray - CFO*

Yes, I would say that, overall throughout 2009, we saw strong performance in the Fixed Income markets, which really enabled us to leverage our knowledge, especially of the municipal market, and take advantage of strategic trading opportunities as well as just activity with our clients. I think, overall, we don't believe those same market opportunities will exist to the same extent in 2009.

Andrew Duff - *Piper Jaffray - Chairman, CEO*

Yes. I would just add to that, reinforcing some of Deb's comments about the trading environment being very favorable. Having said that, we continue to invest throughout the year in product breadth and distributions. Where we are earlier last year had commented on a $65 million to $75 million run rate, we think we are on track now for $100 million in a sustainable way.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Got it, okay, that's helpful. Then just on the debt underwriting side, you highlighted Public Finance. It sounds like you're making some real market share gains there. Can you just clarify the comments that you made about your expectations for that market heading into 2010? It sounded like you noted a couple of headwinds potentially for that market.

Deb Schoneman - *Piper Jaffray - CFO*

Yes, I think, first of all, we don't anticipate a very large significant pickup in some of the sectors that have not been performing this year, as I mentioned. I think although we are not seeing it yet, we just are aware of the budget concerns out there and some of the pressure that may put on the market. So we are just I think overall hedging somewhat, even though we are not seeing it yet.

Andrew Duff - *Piper Jaffray - Chairman, CEO*

That said, the business is performing very well and we do have an expanded geography and sector expertise, so (multiple speakers) I think reasonably well.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay, great. Then just on that Asset Management business, fees look like they increased 36% from last quarter, even though AUM are only up 3%. Is there anything seasonal happening there, or is it something else?

Deb Schoneman - *Piper Jaffray - CFO*

Well, as you mentioned, we had that market appreciation that did increase the AUM. In addition, there was a performance fee earned on our MLP products. This is the first quarter in which that had been achieved. In addition, we had some additional revenues from our Private Equity business that were part of that increase for the quarter.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Got it. Could we expect performance fees going forward, or is that kind of a one-time thing?

Deb Schoneman - *Piper Jaffray - CFO*

There is the potential for those fees going forward, depending on the performance of that MLP product.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay, great. Then just lastly on the expense side, the $1.4 million of expense related to the Advisory Research, where is that showing up? Is that in the Other?

Deb Schoneman - *Piper Jaffray - CFO*

That is primarily in the Outside services.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay, great. Thanks a lot for taking my questions.

Operator

Daniel Harris, Goldman Sachs.

Daniel Harris - *Goldman Sachs - Analyst*

So you talked about a lot of hiring across a few of the business units, and I think you put out a press release earlier indicating that you would be looking to hire a lot of investment bankers. Where are you in the process versus the press release you guys put out earlier? In terms of, you know, if you think about where the people you hired throughout the year are in terms of ramping up, how would you characterize that?

Andrew Duff - *Piper Jaffray - Chairman, CEO*

Yes, we are in the early phases of it. So we pointed to we've hired approximately 60 in '09 and intend to do a similar amount in 2010. It's our intention to try and do that in the front part of the year. There's a natural time in which people might consider transitioning at the beginning quarter of the year. So we are engaged in those conversations. We already have some commitments but I guess it's fair to characterize that, Daniel, as the early stages.

Daniel Harris - *Goldman Sachs - Analyst*

Okay, so that sounds pretty positive for the pace of Investment Banking for next year. As I think about actually another line item on the equity side, just surprising how solid in terms of the stability of that line is throughout the course of the year, I mean $28 million to $30 million every quarter. Is that sort of how we should think about a run rate? I know you can't predict volumes or the market, but is there anything different that I should be thinking about in terms of at least the way that number changes throughout the course of the year in 2010?

Deb Schoneman - *Piper Jaffray - CFO*

Which number are you talking about?

Daniel Harris - *Goldman Sachs - Analyst*

Just Equity sales and trading, it was 30-30-31-28, I mean just barely stable versus --.

Deb Schoneman - *Piper Jaffray - CFO*

Yes, you're correct. That business has been quite stable. I think over time as there has been pressure on what we would call that high-touch business, we've been able to offset that with additional products. I think the budget convertibles and low-touch trading.

In addition, we are really seeing the expansion potential internationally there as well, so it's really been a matter of almost a slight remix within that business. However, our US businesses still remains a significant portion of that line item.

Daniel Harris - *Goldman Sachs - Analyst*

Okay, perfect. Then lastly for me, you guys did a really good job this year on sort of nailing the comp and benefits to your target. How do we think about that going forward? Historically, you were lower in prior years, the high 50s% versus you know just about 60% this year. Is there room for that to move lower as we think about 2010?

Deb Schoneman - *Piper Jaffray - CFO*

You know, I guess I would say a couple of things. First, on the historical numbers, really the correct way to look at that is on a fully-restated basis so that you are looking at accounting in the same way that we are doing that now. In that case, those numbers are actually higher than 60% historically.

As I also mentioned in my comments, we are looking at a similar comp ratio to 2009. I think we've got some benefits that we can realize from Advisory Research but offset by additional recruiting an in some, although not real significant, some impact from the UK payroll tax. So net-net, we are not anticipating a lot of change in that number.

Daniel Harris - *Goldman Sachs - Analyst*

Okay, thanks a lot. Great quarter.

Operator

Christopher Nolan, Maxim Group.

Christopher Nolan - *Maxim Group - Analyst*

Should we anticipate in the first quarter a similar merger-related charge as we saw in the fourth quarter for Advisory Research?

Deb Schoneman - *Piper Jaffray - CFO*

No, probably almost all of those charges were taken in the fourth quarter. We may have some small amounts hit but that would be less than $500,000.

Christopher Nolan - *Maxim Group - Analyst*

Great. Going forward, on the Asset Under Management growth for FAMCO, following Advisory Research closely, should we sort of start looking at a more rapid asset growth for FAMCO, given that you're working from a bigger platform now?

Andrew Duff - *Piper Jaffray - Chairman, CEO*

I think it will take a little bit of time to achieve the available synergies from a marketing perspective for the two organizations. Over time, we do think this repositions us in a strengthened position for growth. But I think more realistically, it's going to take a while for the two organizations to get to know each other and work through some of those opportunities.

Christopher Nolan - *Maxim Group - Analyst*

Great. Finally, on the municipal financings being driven by the taxable product, is that part of your strategy in terms of your comments of expanding your presence overseas in order to market those products to an international client base?

Andrew Duff - *Piper Jaffray - Chairman, CEO*

Yes, we are looking to get some distribution out of our London office for the taxable municipal product. (multiple speakers)

Operator

Steve Stelmach, FBR Capital Markets.

Steve Stelmach - *FBR Capital Markets - Analyst*

Congrats on a good quarter, guys. A question on, Andrew, some of your comments regarding uses of capital -- you mentioned you may be interested in other potential acquisitions being akin to Advisory Research. Is the strategy -- is that comment based on ROE or based on asset managers? Do you understand the content of the question?

Andrew Duff - *Piper Jaffray - Chairman, CEO*

Yes, it's the latter. It's more about ROE that we are looking for high-margin higher-ROE businesses -- advisory businesses, industry sectors, potentially a Public Finance expansion. We don't intend or don't intend to prioritize Asset Management from a corporate development perspective. We now think we have a platform that's well situated for organic growth.

Steve Stelmach - *FBR Capital Markets - Analyst*

Got it, okay, that's helpful. Then just lastly, on China, it looks like you guys have made some pretty significant progress there, and that acquisition has panned out pretty well, at least through 2009. Expectations for 2010 -- does it seem pretty similar to you, that market, or is it improving, from your perspective?

Andrew Duff - *Piper Jaffray - Chairman, CEO*

It is improving, and frankly you can see it in the backlog. We've got both China-based companies going public in the US and Hong Kong-based companies going public in Hong Kong.

In our backlog that Deb referred to of 13, we have 6 deals in the pipeline in Hong Kong. (multiple speakers)

Steve Stelmach - *FBR Capital Markets - Analyst*

Yes.

Andrew Duff - *Piper Jaffray - Chairman, CEO*

I was just going to say are the economics significantly different on where the listing is for you guys, whether it is US or it is Hong Kong?

Deb Schoneman - *Piper Jaffray - CFO*

Yes, there is some differential there where the economics are higher in the US than in Hong Kong typically.

Steve Stelmach - *FBR Capital Markets - Analyst*

What kind of the degree of magnitude should we be thinking about?

Deb Schoneman - *Piper Jaffray - CFO*

I don't know if I can put it -- I wouldn't say it is significant but there's definitely a difference that we've seen.

Steve Stelmach - *FBR Capital Markets - Analyst*

All right. Well, guys, thanks and congrats on a good quarter.

Operator

(Operator Instructions). Lauren Smith, KBW.

Lauren Smith - *Keefe Bruyette & Woods - Analyst*

Good morning. I guess we've covered most everything, but I guess just two remaining for me -- with respect to your share repurchase, what was the average price during the quarter?

Deb Schoneman - *Piper Jaffray - CFO*

Boy, Lauren, I don't actually have that available.

Lauren Smith - *Keefe Bruyette & Woods - Analyst*

Or the aggregate amount? I know it was 347,000 some-odd shares due. We can follow up; I was just curious.

Deb Schoneman - *Piper Jaffray - CFO*

(multiple speakers)

Lauren Smith - *Keefe Bruyette & Woods - Analyst*

With respect to the hiring environment, you know, you guys still have aspirations to significantly expand, so I am just curious what you are seeing, hearing and the market. Have negotiations gotten a little tougher? Are expectations changing? I guess just Andrew your views overall now that bonus of the big firms are getting paid and there's probably a lot of disappointment. Do you think we are going to see another sort of wave of defections?

Andrew Duff - *Piper Jaffray - Chairman, CEO*

My perspective, Lauren, would be it definitely is the market is tightening I guess is the way I'd say it most directly, and there are multiple firms looking to expand.

I would also observe -- and this has been throughout 2009 and I think will carry forward -- there's a lot more attention paid, it seems, to us to the type of platform, the culture, the compensation philosophy, and it feels like a much longer-term view that candidates take towards making a decision. We think we can stand up very competitively in that kind of perspective, if you follow me. Not just where can I get a guarantee for a year or two, but where is this platform going, how do I fit? What kind of impact do I have to it? All of those I think we can be well positioned to [net] talent.

Deb Schoneman - *Piper Jaffray - CFO*

See, Laura, and I also have the answer to your previous question. It was about $45.75 was the average price.

Lauren Smith - *Keefe Bruyette & Woods - Analyst*

$45.75 (inaudible).

Andrew Duff - *Piper Jaffray - Chairman, CEO*

A Total aggregate amount of --.

Deb Schoneman - *Piper Jaffray - CFO*

$15.9 million.

Lauren Smith - *Keefe Bruyette & Woods - Analyst*

Great. Thanks, guys, very much. I appreciate it.

Operator

Devin Ryan, Sandler O'Neill.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Sorry if I missed this, but what was the Other revenue in the quarter? There was $4 million in Other revenue?

Deb Schoneman - *Piper Jaffray - CFO*

There's a couple of different components in there. One is increased valuation in revenues from our Merchant Banking and Other firm investments. In addition, we had some equity amortization recapture on termed employees.

Devin Ryan - *Sandler O'Neill & Partners - Analyst*

Okay. All right. Thank you.

Operator

That appears to be the final question from our audience. Mister Duff, I will turn it back to you to continue or for your concluding remarks.

Andrew Duff - *Piper Jaffray - Chairman, CEO*

Thank you, operator. In closing, I would just like to say that we are proud of what we accomplished in 2010 -- or excuse me, 2009 -- and I am very confident of our prospects in 2010. I'd like to thank our employees for all of their hard work. While 2009 was definitely an improvement, in many regards it was not easy. I want to thank our clients for placing their trust and working with them on their behalf. Thank you for joining us this morning.

Operator

Thank you, Mister Duff. Ladies and gentlemen, that does conclude the conference call for today. We thank you all for your participation. And ask that you please disconnect. Thank you once again, and have a fantastic day.
