

PiperJaffray®

800 Nicollet Mall, Suite 800
Mail Stop J12SSH
Minneapolis, Minnesota 55402
612 303-6000

March 23, 2012

Dear Shareholders:

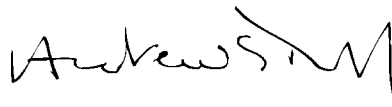
You are cordially invited to join us for our 2012 annual meeting of shareholders, which will be held on Wednesday, May 9, 2012, at 2:30 p.m., Central Time, in the Huber Room on the 12th floor of our Minneapolis headquarters in the U.S. Bancorp Center, 800 Nicollet Mall, Minneapolis, Minnesota. The Notice of Annual Meeting of Shareholders and the proxy statement that follow describe the business to be conducted at the meeting.

We are furnishing our proxy materials to you over the Internet, which will reduce our costs and the environmental impact of our annual meeting. Accordingly, we mailed a Notice of Internet Availability of Proxy Materials to you, which contains instructions on how to access our proxy statement and annual report and vote online. The Notice of Availability also contains instructions on how to request a printed set of proxy materials.

Whether or not you plan to attend the meeting, your vote is important and we encourage you to vote your shares promptly. You may vote your shares using a toll-free telephone number or the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding the three methods of voting are contained on the Notice of Availability and the proxy card.

We look forward to seeing you at the annual meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew S. Duff". The signature is fluid and cursive, with a large, stylized "M" at the end.

ANDREW S. DUFF
Chairman and Chief Executive Officer

PiperJaffray®

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Mail Stop J12SSH
Minneapolis, Minnesota 55402
612 303-6000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

- Date and Time:** Wednesday, May 9, 2012, at 2:30 p.m., Central Time
- Place:** The Huber Room in our Minneapolis Headquarters
12th Floor, U.S. Bancorp Center
800 Nicollet Mall
Minneapolis, MN 55402
- Items of Business:**
1. The election of nine directors, each for a one-year term.
 2. Ratification of the selection of Ernst & Young LLP as the independent auditor of Piper Jaffray Companies for the fiscal year ending December 31, 2012.
 3. An advisory vote to approve the compensation of the officers disclosed in the attached proxy statement, or a “say-on-pay” vote.
 4. Any other business that may properly be considered at the meeting or any adjournment or postponement of the meeting.
- Record Date:** You may vote at the meeting if you were a shareholder of record at the close of business on March 14, 2012.
- Voting by Proxy:** Whether or not you plan to attend the annual meeting, please vote your shares by proxy to ensure they are represented at the meeting. You may submit your proxy vote by telephone or Internet, as described in the Notice of Internet Availability of Proxy Materials and the following proxy statement, by no later than 11:59 p.m. Eastern Daylight Time on Tuesday, May 8, 2012. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. The envelope is addressed to our vote tabulator, Broadridge Financial Solutions, Inc., and no postage is required if mailed in the United States.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on May 9, 2012

Our proxy statement and 2011 annual report are available at www.piperjaffray.com/proxymaterials

By Order of the Board of Directors



JAMES L. CHOSY
Secretary

March 23, 2012

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PROXY STATEMENT
2012 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 9, 2012

The Board of Directors of Piper Jaffray Companies is soliciting proxies for use at the annual meeting of shareholders to be held on May 9, 2012, and at any adjournment or postponement of the meeting. Notice of Internet Availability of Proxy Materials, which contains instructions on how to access this proxy statement and our annual report online, is first being mailed to shareholders on or about March 23, 2012.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

What is the purpose of the meeting?

At our annual meeting, shareholders will act upon the matters outlined in the Notice of Annual Meeting of Shareholders, and management will report on matters of current interest to our shareholders and respond to questions from our shareholders. The matters outlined in the notice include the election of directors, the ratification of the selection of our independent auditor for 2012 and an advisory vote to approve the compensation of our officers disclosed in this proxy statement, or a “say-on-pay” vote.

Who is entitled to vote at the meeting?

The Board has set March 14, 2012 as the record date for the annual meeting. If you were a shareholder of record at the close of business on March 14, 2012, you are entitled to vote at the meeting. As of the record date, 19,034,787 shares of common stock, representing all of our voting stock, were issued and outstanding and, therefore, eligible to vote at the meeting.

What are my voting rights?

Holders of our common stock are entitled to one vote per share. Therefore, a total of 19,034,787 votes are entitled to be cast at the meeting. There is no cumulative voting.

How many shares must be present to hold the meeting?

In accordance with our bylaws, shares equal to a majority of the voting power of the outstanding shares of common stock entitled to vote generally in the election of directors as of the record date must be present at the annual meeting in order to hold the meeting and conduct business. This is called a quorum. Shares are counted as present at the meeting if:

- you are present and vote in person at the meeting; or
- you have properly and timely submitted your proxy as described below under “How do I submit my proxy?”

What is a proxy?

It is your designation of another person to vote stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document also is called a proxy or a proxy card. When you designate a proxy, you also may direct the proxy how to vote your shares. We refer to this as your “proxy vote.” Two executive officers have been designated as proxies for our 2012 annual meeting of shareholders. These executive officers are James L. Chosy and Debbra L. Schoneman.

What is a proxy statement?

It is a document that we are required to make available to you by Internet or, if you request, by mail in accordance with regulations of the Securities and Exchange Commission, when we ask you to designate proxies to vote your shares of Piper Jaffray Companies common stock at a meeting of our shareholders. The proxy statement includes information regarding the matters to be acted upon at the meeting and certain other information required by regulations of the Securities and Exchange Commission and rules of the New York Stock Exchange.

Why did I receive a one-page Notice of Internet Availability of Proxy Materials instead of a full set of proxy materials?

As permitted by Securities and Exchange Commission rules, we have elected to provide access to our proxy materials over the Internet, which reduces our costs and the environmental impact of our annual meeting. Accordingly, we mailed a Notice of Internet Availability of Proxy Materials to our shareholders of record and beneficial owners who have not previously requested a printed set of proxy materials. The Notice of Availability contains instructions on how to access our proxy statement and annual report and vote online, as well as instructions on how to request a printed set of proxy materials.

How can I get electronic access to the proxy materials if I don't already receive them via e-mail?

To get electronic access to the proxy materials, you will need your control number, which was provided to you in the Notice of Internet Availability of Proxy Materials or the proxy card included in your printed set of proxy materials. Once you have your control number, you may either go to www.proxyvote.com and enter your control number when prompted, or send an e-mail requesting electronic delivery of the materials to sendmaterial@proxyvote.com.

What is the difference between a shareholder of record and a "street name" holder?

If your shares are registered directly in your name, you are considered the shareholder of record with respect to those shares. If your shares are held in a stock brokerage account or by a bank, trust or other nominee, then the broker, bank, trust or other nominee is considered to be the shareholder of record with respect to those shares, while you are considered the beneficial owner of those shares. In that case, your shares are said to be held in "street name." Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares using the method described below under "How do I submit my proxy?"

How do I submit my proxy?

If you are a shareholder of record, you can submit a proxy to be voted at the meeting in any of the following ways:

- through the Internet using www.proxyvote.com;
- over the telephone by calling a toll-free number; or
- if you receive a paper copy of the proxy card after requesting the proxy materials by mail, you may sign, date and mail the proxy card.

To vote by Internet or telephone, you will need to use a control number that was provided to you by our vote tabulator, Broadridge Financial Solutions, and then follow the additional steps when prompted. The steps have been designed to authenticate your identity, allow you to give voting instructions, and

confirm that those instructions have been recorded properly. If you hold your shares in street name, you must vote your shares in the manner prescribed by your broker, bank, trust or other nominee, which is similar to the voting procedures for shareholders of record. However, if you request the proxy materials by mail after receiving a Notice of Internet Availability of Proxy Materials from your broker, bank, trust or other nominee, you will receive a voting instruction form (not a proxy card) to use in directing the broker, bank, trust or other nominee how to vote your shares.

How do I vote if I hold shares in the Piper Jaffray Companies Retirement Plan or U.S. Bank 401(k) Savings Plan?

If you hold shares of Piper Jaffray common stock in the Piper Jaffray Companies Retirement Plan or U.S. Bank 401(k) Savings Plan, the submission of your proxy by Internet or telephone or your completed proxy card will serve as voting instructions to the respective plan's trustee. Your voting instructions must be received at least five days prior to the annual meeting in order to count. In accordance with the terms of the Piper Jaffray Companies Retirement Plan and U.S. Bank 401(k) Savings Plan, the trustee of each plan will vote all of the shares held in the plan in the same proportion as the actual proxy votes submitted by plan participants at least five days prior to the annual meeting.

What does it mean if I receive more than one Notice of Internet Availability of Proxy Materials or printed set of proxy materials?

If you receive more than one Notice of Internet Availability of Proxy Materials or printed set of proxy materials, it means that you hold shares registered in more than one account. To ensure that all of your shares are voted, vote once for each control number you receive as described above under "How do I submit my proxy?"

Can I vote my shares in person at the meeting?

If you are a shareholder of record, you may vote your shares in person at the meeting by completing a ballot at the meeting. Even if you currently plan to attend the meeting, we recommend that you submit your proxy as described above so your vote will be counted if you later decide not to attend the meeting. If you submit your vote by proxy and later decide to vote in person at the annual meeting, the vote you submit at the meeting will override your proxy vote.

If you are a street name holder, you may vote your shares in person at the meeting only if you obtain and bring to the meeting a signed letter or other form of proxy from your broker, bank, trust or other nominee giving you the right to vote the shares at the meeting.

If you are a participant in the Piper Jaffray Companies Retirement Plan or U.S. Bank 401(k) Savings Plan, you may submit voting instructions as described above, but you may not vote your Piper Jaffray shares held in the Piper Jaffray Companies Retirement Plan or U.S. Bank 401(k) Savings Plan in person at the meeting.

How does the Board recommend that I vote?

The Board of Directors recommends a vote:

- **FOR** all of the nominees for director;
- **FOR** the ratification of the selection of Ernst & Young LLP as the independent auditor of Piper Jaffray Companies for the year ending December 31, 2012; and
- **FOR** the advisory approval of the compensation of our officers included in this proxy statement.

What if I do not specify how I want my shares voted?

If you are a shareholder of record and submit a signed proxy card or submit your proxy by Internet or telephone but do not specify how you want to vote your shares on a particular matter, we will vote your shares as follows:

- FOR all of the nominees for director;
- FOR the ratification of the selection of Ernst & Young LLP as the independent auditor of Piper Jaffray Companies for the year ending December 31, 2012; and
- FOR the advisory approval of the compensation of our officers included in this proxy statement.

Your vote is important. We urge you to vote, or to instruct your broker, bank, trust or other nominee how to vote, on all matters before the annual meeting. If you are a street name holder and fail to instruct the shareholder of record how you want to vote your shares on a particular matter, those shares are considered to be “uninstructed.” New York Stock Exchange rules determine the circumstances under which member brokers of the New York Stock Exchange may exercise discretion to vote “uninstructed” shares held by them on behalf of their clients who are street name holders. Other than the ratification of the selection of Ernst & Young LLP as our independent auditor for the year ending December 31, 2012, the rules do *not* permit member brokers to exercise voting discretion as to the uninstructed shares on any matter included in the notice of meeting. With respect to the ratification of the selection of Ernst & Young LLP as our independent auditor for the year ending December 31, 2012, the rules permit member brokers (other than our broker-dealer subsidiary, Piper Jaffray & Co.) to exercise voting discretion as to the uninstructed shares. For matters with respect to which the broker, bank or other nominee does not have voting discretion or has, but does not exercise, voting discretion, the uninstructed shares will be referred to as a “broker non-vote.” For more information regarding the effect of broker non-votes on the outcome of the vote, see below under “How are votes counted?”

Our broker-dealer subsidiary, Piper Jaffray & Co., is a member broker of the New York Stock Exchange and may be a shareholder of record with respect to shares of our common stock held in street name on behalf of Piper Jaffray & Co. clients. Because Piper Jaffray & Co. is our affiliate, New York Stock Exchange rules prohibit Piper Jaffray & Co. from voting uninstructed shares even on routine matters. Instead, Piper Jaffray & Co. may vote uninstructed shares on such matters only in the same proportion as the shares represented by the votes cast by all shareholders of record with respect to such matters.

Can I change my vote after submitting my proxy?

Yes. You may revoke your proxy and change your vote at any time before your proxy is voted at the annual meeting, in any of the following ways:

- by submitting a later-dated proxy by Internet or telephone before 11:59 p.m. Eastern Daylight Time on Tuesday, May 8, 2012;
- by submitting a later-dated proxy to the corporate secretary of Piper Jaffray Companies, which must be received by us before the time of the annual meeting;
- by sending a written notice of revocation to the corporate secretary of Piper Jaffray Companies, which must be received by us before the time of the annual meeting; or
- by voting in person at the meeting.

What vote is required to approve each item of business included in the notice of meeting?

- The nine director nominees who receive the most votes cast at the meeting in person or by proxy will be elected.
- The affirmative vote of the holders of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote at the annual meeting is required to ratify the selection of our independent auditor.
- If the advisory vote on the compensation of our officers included in this proxy statement receives more votes “for” than “against,” then it will be deemed to be approved.

The advisory vote on the compensation of our executives is not binding on us or the Board, but we will consider the shareholders’ advisory input on this matter when establishing compensation for our executive officers in future years.

How are votes counted?

You may either vote “FOR” or “WITHHOLD” authority to vote for each director nominee. You may vote “FOR,” “AGAINST” or “ABSTAIN” on ratification of the selection of Ernst & Young LLP as our independent auditor for the year ending December 31, 2012 and the advisory say-on-pay vote. If you properly submit your proxy but withhold authority to vote for one or more director nominees or abstain from voting on the other proposals, your shares will be counted as present at the meeting for the purpose of determining a quorum and for the purpose of calculating the vote on the particular matter(s) with respect to which you abstained from voting or withheld authority to vote. If you do not submit your proxy or voting instructions and also do not vote by ballot at the annual meeting, your shares will not be counted as present at the meeting for the purpose of determining a quorum unless you hold your shares in street name and the broker, bank, trust or other nominee has discretion to vote your shares and does so. For more information regarding discretionary voting, see the information above under “What if I do not specify how I want my shares voted?”

If you withhold authority to vote for one or more of the director nominees or you do not vote your shares on this matter (whether by broker non-vote or otherwise), this will have no effect on the outcome of the vote. With respect to the proposal to ratify the selection of Ernst & Young LLP as our independent auditor, if you abstain from voting, doing so will have the same effect as a vote against the proposal, but if you do not vote your shares (or, for shares held in street name, if you do not submit voting instructions and your broker, bank, trust or other nominee does not or may not vote your shares), this will have no effect on the outcome of the vote. With respect to the proposal to approve the advisory say-on-pay vote, if you abstain from voting or if you do not vote your shares or submit voting instructions, this will have no effect on the outcome of the vote.

How can I attend the meeting?

All of our shareholders are invited to attend the annual meeting. You may be asked to present valid photo identification, such as a driver’s license or passport, before being admitted to the meeting. If you hold your shares in street name, you also may be asked to present proof of ownership to be admitted to the meeting. A brokerage statement or letter from your broker, bank, trust or other nominee are examples of proof of ownership. To help us plan for the meeting, please let us know whether you expect to attend, by responding affirmatively when prompted during Internet or telephone voting or by marking the attendance box on the proxy card.

Who pays for the cost of proxy preparation and solicitation?

Piper Jaffray pays for the cost of proxy preparation and solicitation, including the reasonable charges and expenses of brokerage firms, banks, trusts or other nominees for forwarding proxy materials to street name holders. We have retained Innisfree M&A Incorporated to assist in the solicitation of proxies for the annual meeting for a fee of approximately \$20,000 plus reimbursement of out-of-pocket expenses. We are soliciting proxies primarily by mail. In addition, our directors, officers and regular employees may solicit proxies personally, telephonically, electronically or by other means of communication. Our directors, officers and regular employees will receive no additional compensation for their services other than their regular compensation.

ITEM 1 — ELECTION OF DIRECTORS

The number of directors currently serving on our Board of Directors is nine. At the 2012 annual meeting, our shareholders will be asked to vote to elect each of the nine current members of the Board.

Andrew S. Duff, Michael R. Francis, B. Kristine Johnson, Addison L. Piper, Lisa K. Polsky, Frank L. Sims, Jean M. Taylor, Michele Volpi and Hope B. Woodhouse have been nominated for reelection to the Board to serve until our 2013 annual meeting or until their successors are elected and qualified. Each of the nominees has agreed to serve as a director if elected. The nine nominees receiving a plurality of the votes cast at the meeting in person or by proxy will be elected. Proxies may not be voted for more than nine directors. If, for any reason, any nominee becomes unable to serve before the annual meeting occurs, the persons named as proxies may vote your shares for a substitute nominee selected by our Board of Directors.

The Board of Directors recommends a vote FOR the election of the nine director nominees. Proxies will be voted FOR the election of the nine nominees unless otherwise specified.

Following is biographical information for each of the nominees for election as a director.

ANDREW S. DUFF: Age 54, chairman and chief executive officer since December 31, 2003. Mr. Duff became chairman and chief executive officer of Piper Jaffray Companies following completion of our spin-off from U.S. Bancorp on December 31, 2003. He has served as chairman of our broker-dealer subsidiary since 2003, as chief executive officer of our broker-dealer subsidiary since 2000 and as president of our broker-dealer subsidiary since 1996. He has been with Piper Jaffray since 1980. Prior to the spin-off from U.S. Bancorp, Mr. Duff also was a vice chairman of U.S. Bancorp from 1999 through 2003.

MICHAEL R. FRANCIS: Age 49, director since December 31, 2003. Since October 2011, Mr. Francis has served as president of J.C. Penney Company, Inc., a department store and online retail company. Prior to joining J.C. Penney, Mr. Francis was the executive vice president and chief marketing officer for Target Corporation from August 2008 to October 2011. He previously served Target Corporation as executive vice president, marketing from 2003 until August 2008, senior vice president, marketing from 2001 to 2003, and as senior vice president, marketing and visual presentation of the department store division from 1995 to 2001. Prior to that, he held a variety of positions within Target Corporation. Mr. Francis served as a director of Lenox Group, Inc. (formerly known as Department 56, Inc.), a publicly traded company, from July 2001 through September 2005.

B. KRISTINE JOHNSON: Age 60, director since December 31, 2003. Since 2000, Ms. Johnson has been president of Affinity Capital Management, a Minneapolis-based venture capital firm that invests primarily in seed and early-stage health care companies in the United States. Ms. Johnson served

as a consultant to Affinity Capital Management in 1999. Prior to that, she was employed for 17 years at Medtronic, Inc., a manufacturer of cardiac pacemakers, neurological and spinal devices and other medical products, serving most recently as senior vice president and chief administrative officer from 1998 to 1999. Her experience at Medtronic also included service as president of the vascular business and president of the tachyarrhythmia management business, among other roles. Ms. Johnson served as a director of ADC Telecommunications, Inc. from 1990 through 2006.

ADDISON L. PIPER: Age 65, director since December 31, 2003. Mr. Piper retired from Piper Jaffray effective at the end of 2006, having served as vice chairman of Piper Jaffray Companies since the completion of our spin-off from U.S. Bancorp on December 31, 2003. He worked for Piper Jaffray from 1969 through 2006, serving as assistant equity syndicate manager, director of securities trading and director of sales and marketing. He served as chief executive officer from 1983 to 2000 and as chairman from 1988 to 2003. From 1998 through August 2006, Mr. Piper had responsibility for our venture and private capital fund activities. Mr. Piper served as a member of the board of directors of Renaissance Learning from 2001 until October 2011.

LISA K. POLSKY: Age 55, director since May 2, 2007. Since May 2010, Ms. Polsky has been executive vice president, chief risk officer of CIT Group, Inc., a bank holding company that focuses on small business and middle market lending and financing. Prior to joining CIT Group, Ms. Polsky worked at Jane Street Capital, LLC, a New York-based quantitative proprietary trading firm, from February 2009 until May 2010. From March 2008 until joining Jane Street Capital, she served as partner and head of global investment solutions for Duff Capital Advisors, which provided portfolio solutions to funding liabilities and fulfilling investment needs, particularly in the retirement space. She previously served as the president of Polsky Partners, a New York-based consulting firm specializing in hedge fund allocation, risk management and valuation policy, which she founded in 2002. Ms. Polsky also has served as managing director, head of client financing services and head of leveraged client channel with Merrill Lynch & Co., Inc. from 2000 to 2002, and as managing director, chief risk officer, head of risk policy, chief derivative strategist and head of product development at Morgan Stanley DW Inc. from 1996 to 2000. Ms. Polsky served as a member of the board of directors of thinkorswim Group Inc. from 2007 until June 2009 while it was a publicly traded company.

FRANK L. SIMS: Age 61, director since December 31, 2003. Mr. Sims retired from Cargill, Inc. at the end of 2007, having served as corporate vice president, transportation and product assurance and a member of the management corporate center since July 2000. Cargill is a marketer and distributor of agricultural and industrial products and services. Mr. Sims had responsibility for global transportation and supply chain solutions and served as a member of the risk management and financial solutions platform. He joined Cargill in 1972 and served in a number of executive positions, including president of Cargill's North American Grain Division from 1998 to 2000. Mr. Sims is a member of the board of directors of PolyMet Mining Corp., and he served as a member of the board of directors of Tennant Company from 1999 through 2007.

JEAN M. TAYLOR: Age 49, director since July 27, 2005. Ms. Taylor is president of Life is Now, Inc., a strategy and consulting firm that she founded in October 2011. She was affiliated with Performance Unlimited, also a consulting firm, from the founding of Life is Now through January 2012. Previously, Ms. Taylor served as the president and chief executive officer of Taylor Corporation, having served as chief executive officer from 2007 until July 2010. Taylor Corporation is a privately held group of approximately 80 affiliated entrepreneurial companies engaged in marketing, fulfillment, personalization and printing services. Ms. Taylor joined Taylor Corporation in 1994.

MICHELE VOLPI: Age 48, director since February 3, 2010. Since October 2011, Mr. Volpi has served as the chief executive officer of Betafence, a global provider of fencing solutions. Prior to joining Betafence, Mr. Volpi served as the president and chief executive officer and as a director of H.B. Fuller

Company from December 2006 to November 2010. H.B. Fuller and its subsidiaries manufacture and market adhesives and specialty chemical products worldwide. Prior to becoming president and chief executive officer, he was group president, general manager of the global adhesives division of H.B. Fuller from December 2004 to December 2006. Mr. Volpi also served as global strategic business unit manager, assembly for H.B. Fuller from June 2002 to December 2004. From 1999 to June 2002, Mr. Volpi served as general manager, marketing for General Electric Company. He currently serves as a member of the board of directors of Saipem, S.p.A.

HOPE B. WOODHOUSE: Age 55, director since September 22, 2011. Ms. Woodhouse most recently served as the chief operating officer of Bridgewater Associates, LP, a large investment advisory firm, a position she held from 2005 to 2008. Prior to that, Ms. Woodhouse served as the president and chief operating officer of Auspex Group, L.P., a global macro hedge fund, and as the chief operating officer of Soros Fund Management LLC, a privately owned hedge fund sponsor. Ms. Woodhouse also held a variety of positions at Salomon Brothers Inc. from 1983 to 1998, including serving as managing director of the global finance department from 1997 to 1998.

Each nominee brings unique capabilities to the Board. The Board believes the nominees as a group have the experience and skills in areas such as general business management, corporate governance, leadership development, investment banking, finance and risk management that are necessary to effectively oversee our company. In addition, the Board believes that each of our directors possesses high standards of ethics, integrity and professionalism, sound judgment, community leadership and a commitment to representing the long-term interests of our shareholders. The following is information as to why each nominee should serve as a director of our company:

- Mr. Duff has been our chairman and chief executive officer since our spin-off from U.S. Bancorp in 2003, and has more than 30 years of experience in the capital markets industry with Piper Jaffray. The Board believes he has the knowledge of our company and its business necessary to help formulate and execute our business plans and growth strategies.
- Mr. Francis provides the Board with extensive marketing knowledge and expertise from his more than 25 years in the retail industry, including his service as president of J.C. Penney Company, Inc., and as chief marketing officer for Target Corporation. Also, Mr. Francis' current role with J.C. Penney as well as his service as an executive officer of Target, provide him with significant management experience that is valuable to the Board and our management. Mr. Francis also has prior experience as a public company director.
- Ms. Johnson has extensive experience in both the health care industry and the venture capital business, with the health care industry being one of our primary areas of focus. She has served as president of a venture capital firm investing in health care companies and as a senior officer in various roles at Medtronic, a global leader in medical technology and a Minnesota-based public company. Her deep ties to the health care industry and the venture capital business provide the Board with valuable insights and knowledge, both from a client and public company perspective. Ms. Johnson also has prior experience as a public company director in the telecommunications and industrial manufacturing industries.
- Mr. Piper has been a part of our company since 1969, serving in many roles, including chief executive officer from 1983 to 2000 and vice chairman following our spin-off from U.S. Bancorp until his retirement. His experience with the company provides deep institutional knowledge as well as a comprehensive understanding of the financial services industry. Mr. Piper also has experience as a public company director, having served on the board of directors of Renaissance Learning, an education software company, from July 2001 until its sale in October 2011.

- Ms. Polsky has extensive experience in the financial services industry, having served as a managing director at both Morgan Stanley and Merrill Lynch. Ms. Polsky currently serves as chief risk officer of CIT Group, a position she previously held at Morgan Stanley, providing valuable experience and insights relating to risk management, an important discipline for a securities firm such as our company. Ms. Polsky's significant financial experience caused the Board to determine that she is an audit committee financial expert under applicable rules of the Securities and Exchange Commission. Ms. Polsky also has experience as a public company director, having served on the board of directors of thinkorswim Group Inc., an online brokerage specializing in options, from 2007 until its sale to TD Ameritrade in June 2009.
- Mr. Sims has significant management, financial, and risk management knowledge and experience gained from his role as a senior executive of Cargill, a large, diversified, international company. He has served as chairman of the Federal Reserve Bank of Minneapolis and has current and prior experience as a public company director. His leadership experience as an executive of one of the country's largest private companies and his considerable experience in oversight roles as a director, provides valuable experience, insight and judgment to the Board. The Board also determined that Mr. Sims is an audit committee financial expert under applicable rules of the Securities and Exchange Commission.
- Ms. Taylor has extensive management and financial experience from her service as president and chief executive officer of Taylor Corporation, one of the largest privately held companies in the United States. She also has a thorough understanding of strategy, leadership development and employee relations, which has benefited the Board and management in shaping the company's culture.
- Mr. Volpi has significant international management experience, currently serving as chief executive officer of Betafence, a global provider of fencing solutions located in Belgium, and previously serving as the president and chief executive officer and a director of H.B. Fuller Company, a large, global public company based in Minnesota. His international experience and extensive management skills provide valuable perspective and insight to our management and to the Board.
- Ms. Woodhouse has more than 25 years of experience in the financial services industry, most recently serving as chief operating officer of Bridgewater Associates, LP, a large global hedge fund. Her deep experience at leading, global alternative asset management firms and broker-dealers provides the Board valuable perspectives on the Company's operations and also strategic decisions. Ms. Woodhouse's significant financial experience caused the Board to determine that she is an audit committee financial expert under applicable rules of the Securities and Exchange Commission.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors conducts its business through meetings of the Board and the following standing committees: Audit, Compensation, and Nominating and Governance. Each of the standing committees has adopted and operates under a written charter, and, annually in November, each committee reviews its charter, performs a self-evaluation and establishes a plan for committee activity for the upcoming year. The committee charters are all available on our website at www.piperjaffray.com, together with our Corporate Governance Principles, Director Independence Standards, Director Nominee Selection Policy, Procedures for Contacting the Board of Directors, Codes of Ethics and Business Conduct, and Complaint Procedures Regarding Accounting and Auditing Matters.

Codes of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct applicable to our employees, including our principal executive officer, principal financial officer, principal accounting officer, controller and other employees performing similar functions, and a separate Code of Ethics and Business Conduct applicable to our directors. Directors who also serve as officers of Piper Jaffray must comply with both codes. Both codes are available on our website at www.piperjaffray.com. We will post on our website at www.piperjaffray.com or file a Form 8-K with the Securities and Exchange Commission disclosing any amendment to, or waiver from, a provision of either of our Codes of Ethics and Business Conduct within four business days following the date of such amendment or waiver.

Director Independence

Under applicable rules of the New York Stock Exchange, a majority of the members of our Board of Directors must be independent, and no director qualifies as independent unless the Board of Directors affirmatively determines that the director has no material relationship with Piper Jaffray. To assist the Board with these determinations, the Board has adopted Director Independence Standards, which are available on our website at www.piperjaffray.com.

The Board has affirmatively determined, in accordance with our Director Independence Standards, that none of our non-employee directors has a material relationship with Piper Jaffray and that each of them is independent. When determining the independence of our independent directors, the Board considered the following types of transactions or arrangements: (i) with respect to Messrs. Francis and Piper, and Ms. Johnson, Ms. Taylor and Ms. Polsky, the Board considered immaterial commercial relationships between Piper Jaffray and companies with which each of those directors is associated or an immediate family member of the director is associated that are deemed to be immaterial under our Director Independence Standards; with respect to Mr. Volpi, the Board considered a brokerage account with the company (provided on substantially the same terms and conditions as other similarly-situated clients) that is deemed to be immaterial under our Director Independence Standards, (ii) with respect to Messrs. Francis, Piper and Sims, and Ms. Johnson and Ms. Taylor, the Board considered immaterial relationships between Piper Jaffray and charitable foundations or other non-profit organizations with which each of those directors or an immediate family member of the director is associated and that are deemed to be immaterial under our Director Independence Standards; and (iii) with respect to Mr. Piper, the Board considered distributions and capital commitments from legacy venture capital funds of Piper Jaffray (currently administered by a third party) that are deemed to be immaterial under our Director Independence Standards.

Mr. Duff cannot be considered an independent director under New York Stock Exchange corporate governance rules because he is employed as our chief executive officer.

Board Leadership Structure and Lead Director

Since our spin-off from U.S. Bancorp, Mr. Duff has served in the combined roles of chairman and chief executive officer. Since 2006, the Board has appointed a lead director of the Board. Mr. Francis currently serves as the lead director. The lead director has the following duties and responsibilities, as described in our Corporate Governance Principles:

- presides at all meetings of the Board at which the chairman is not present, including executive sessions of the independent directors, and coordinates the agenda for and moderates these executive sessions;
- serves formally as a liaison between the chief executive officer and the independent directors;

- monitors Board meeting schedules and agendas to ensure that appropriate matters are covered and that there is sufficient time for discussion of all agenda items;
- monitors information sent to the Board and advises the chairman as to the quality, quantity and timeliness of the flow of information;
- has authority to call meetings of the independent directors; and
- if requested by major shareholders, makes himself available for consultation and direct communication.

We believe that Mr. Duff's combined service as chairman and chief executive officer creates unified leadership for the Board and the company, with one cohesive vision for our organization. This leadership structure, which is common among U.S.-based publicly traded companies, demonstrates to our clients, employees and shareholders that the company is under strong leadership. As chairman and chief executive officer, Mr. Duff helps shape the strategy ultimately set by the entire Board and also leverages his operational experience to balance growth and risk management. We believe the oversight provided by the Board's independent directors, the work of the Board's committees described below and the coordination between the chief executive officer and the independent directors conducted by the lead director help provide effective oversight of our company's strategic plans and operations. We believe having one person serve as chairman and chief executive officer is in the best interests of our company and our shareholders at this time.

Board Involvement in Risk Oversight

The company's management is responsible for defining the various risks facing the company, formulating risk management policies and procedures, and managing the company's risk exposures on a day-to-day basis. The Board's responsibility is to monitor the company's risk management processes by informing itself concerning the company's material risks and evaluating whether management has reasonable controls in place to address the material risks; the Board is not responsible, however, for defining or managing the company's various risks. The Audit Committee of the Board of Directors is primarily responsible for monitoring management's responsibility in the area of risk oversight, and risk management is a factor the Board and the Nominating and Governance Committee consider when determining which directors serve on the Audit Committee. Accordingly, management regularly reported to the Audit Committee on risk management during 2011. The Audit Committee, in turn, reports on the matters discussed at the committee level to the full Board. The Audit Committee and the full Board focus on the material risks facing the company, including operational, market, credit, liquidity, legal and regulatory risks, to assess whether management has reasonable controls in place to address these risks. In addition, the Compensation Committee is charged with reviewing and discussing with management whether the company's compensation arrangements are consistent with effective controls and sound risk management. The Board believes this division of responsibilities provides an effective and efficient approach for addressing risk management.

Meetings of the Outside Directors

At both the Board and committee levels, our non-employee directors meet regularly in executive sessions in which Mr. Duff and other members of management do not participate. Mr. Francis, our lead director, serves as the presiding director at executive sessions of the Board, and the chairperson of each committee serves as the presiding director at executive sessions of that committee. At least once annually, our independent directors meet in an executive session without the directors who are not independent under New York Stock Exchange rules.

Committees of the Board

We have three standing committees of the Board: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The table below shows the current membership of these committees:

| <u>Director</u> | <u>Audit Committee</u> | <u>Compensation Committee</u> | <u>Nominating and Governance Committee</u> |
|-------------------------------|------------------------|-------------------------------|--|
| Michael R. Francis | | | Chair |
| B. Kristine Johnson | | | X |
| Lisa K. Polsky | X | X | |
| Frank L. Sims | Chair | X | |
| Jean M. Taylor | | | X |
| Michele Volpi | | Chair | |
| Hope B. Woodhouse | X | | |

Effective May 9, 2012, Ms. Taylor will join the Audit Committee and Compensation Committee, Ms. Woodhouse will join the Compensation Committee, and Mr. Sims will transition off of the Compensation Committee.

Audit Committee

The Audit Committee’s purpose is to oversee the integrity of our financial statements, the independent auditor’s qualifications and independence, the performance of our internal audit function and independent auditor, and compliance with legal and regulatory requirements. The Audit Committee has sole authority to retain and terminate the independent auditor and is directly responsible for the compensation and oversight of the work of the independent auditor. As discussed above, the Audit Committee is primarily responsible for monitoring management’s responsibility in the area of risk oversight. The Audit Committee also meets with management and the independent auditor to review and discuss the annual audited and quarterly unaudited financial statements, reviews the integrity of our accounting and financial reporting processes and audits of our financial statements, and prepares the Audit Committee Report included in the proxy statement.

The responsibilities of the Audit Committee are more fully described in the Committee’s charter. The Audit Committee met eight times during 2011. The Board has determined that all members of the Audit Committee are independent (as that term is defined in the applicable New York Stock Exchange rules and in regulations of the Securities and Exchange Commission), that all members are financially literate and have the accounting or related financial expertise required by the New York Stock Exchange rules, and that each of Mr. Sims, Ms. Polsky and Ms. Woodhouse is an “audit committee financial expert” as defined by regulations of the Securities and Exchange Commission.

Compensation Committee

The Compensation Committee discharges the Board’s responsibilities relating to compensation of the executive officers, oversees succession planning for the executive officers jointly with the Nominating and Governance Committee and ensures that our compensation and employee benefit programs are aligned with our compensation and benefits philosophy. These responsibilities also include reviewing and discussing with management whether the company’s compensation arrangements are consistent with effective controls and sound risk management. The Committee has full discretion to determine the amount of compensation to be paid to the executive officers. The Committee also has sole authority to evaluate the chief executive officer’s performance and determine the compensation of the chief executive officer based on this evaluation. The Committee is responsible for recommending stock ownership

guidelines for the executive officers and directors, for recommending the compensation and benefits to be provided to our non-employee directors, for reviewing and approving the establishment of broad-based incentive compensation, equity-based, retirement or other material employee benefit plans, and for discharging any duties under the terms of these plans.

The Committee has delegated authority to our chief executive officer under our 2003 Annual and Long-Term Incentive Plan (the “Incentive Plan”) to allocate awards to employees (other than our executive officers) in connection with our annual equity grants made in the first quarter of each year (as part of the payment of incentive compensation for the preceding year). Under this delegated authority, the Committee approves the aggregate amount of equity to be awarded to all employees other than executive officers, and the chief executive officer approves the award recipients and specific amount of equity to be granted to each recipient. All other terms of the awards are determined by the Committee. The Committee also has delegated authority to the chief executive officer to grant equity awards to employees other than executive officers in connection with recruiting, retention and significant promotions. This delegation permits the chief executive officer to determine the recipient of the award as well the type and amount of the award, subject to an annual share limitation set by the Committee each year. All awards granted pursuant to this delegated authority must be made in accordance with our equity grant timing policy described below in “Compensation Discussion and Analysis — Equity Grant Timing Policy.” All other terms of the awards are determined by the Committee.

The work of the Committee is supported by our human capital department, primarily through our global head of human capital, as well as by our finance department, primarily through our chief financial officer. These personnel work closely with the chief executive officer and, as appropriate, the general counsel and assistant general counsel, to prepare and present information and recommendations for review and consideration by the Committee, as described below under “Compensation Discussion and Analysis — Setting Compensation — Involvement of Executive Officers.”

The Compensation Committee has engaged an independent outside compensation consultant, Frederic W. Cook & Co., to provide strategic planning, market context, and general advice to the Committee with respect to executive compensation, as described below under “Compensation Discussion and Analysis — Setting Compensation — Compensation Consultant.”

The Compensation Committee reviews and discusses with management the disclosures regarding executive compensation to be included in our annual proxy statement, and recommends to the Board inclusion of the Compensation Discussion and Analysis in our annual proxy statement. The responsibilities of the Compensation Committee are more fully described in the Committee’s charter. For more information regarding the Committee’s process in setting compensation, please see “Compensation Discussion and Analysis — Setting Compensation” below. The Compensation Committee met eight times during 2011. The Board has determined that all members of the Compensation Committee are independent (as that term is defined in applicable New York Stock Exchange rules).

Nominating and Governance Committee

The Nominating and Governance Committee identifies and recommends individuals qualified to become members of the Board of Directors and recommends to the Board sound corporate governance principles and practices for Piper Jaffray. In particular, the Committee assesses the independence of our Board members, identifies and evaluates candidates for nomination as directors, responds to director nominations submitted by shareholders, recommends the slate of director nominees for election at the annual meeting of shareholders and candidates to fill vacancies between annual meetings, recommends qualified members of the Board for membership on committees, oversees the director orientation and continuing education programs, reviews the Board’s committee structure, reviews and assesses the adequacy of our Corporate Governance Principles, reviews the annual evaluation process for the chief

executive officer, the Board and Board committees, and oversees the succession planning process for the executive officers jointly with the Compensation Committee. The Nominating and Governance Committee also oversees administration of our related person transaction policy and reviews the transactions submitted to it pursuant to such policy. The responsibilities of the Nominating and Governance Committee are more fully described in the Committee's charter. The Nominating and Governance Committee met four times during 2011. The Board has determined that all members of the Nominating and Governance Committee are independent (as that term is defined in applicable New York Stock Exchange rules).

Meeting Attendance

Our Corporate Governance Principles provide that our directors are expected to attend meetings of the Board and of the committees on which they serve, as well as our annual meeting of shareholders. Our Board of Directors held six meetings during 2011. Each of our incumbent directors attended at least 75% of the meetings of the Board of Directors and the committees on which he or she served during 2011. As a group, attendance at our Board and committee meetings during 2011 averaged 97.9% for our directors who were nominated for re-election at the 2012 annual meeting of shareholders. All of our directors who were serving on the Board as of the date of our 2011 annual meeting of shareholders attended the meeting.

Procedures for Contacting the Board of Directors

The Board has established a process for shareholders and other interested parties to send written communications to the Board or to individual directors. Such communications should be sent by U.S. mail to the attention of the Office of the Secretary, Piper Jaffray Companies, 800 Nicollet Mall, Suite 800, Mail Stop J12SSH, Minneapolis, Minnesota 55402. Communications regarding accounting and auditing matters will be handled in accordance with our Complaint Procedures Regarding Accounting and Auditing Matters. Other communications will be collected by the secretary of the company and delivered, in the form received, to the lead director or, if so addressed, to a specified director.

Procedures for Selecting and Nominating Director Candidates

The Nominating and Governance Committee will consider director candidates recommended by shareholders and has adopted a policy that contemplates shareholders recommending and nominating director candidates. A shareholder who wishes to recommend a director candidate for nomination by the Board at the annual meeting of shareholders or for vacancies on the Board that arise between shareholder meetings must timely provide the Nominating and Governance Committee with sufficient written documentation to permit a determination by the Board whether such candidate meets the required and desired director selection criteria set forth in our bylaws, our Corporate Governance Principles and our Director Nominee Selection Policy described below. Such documentation and the name of the director candidate must be sent by U.S. mail to the Chairperson, Nominating and Governance Committee, c/o the Office of the Secretary, Piper Jaffray Companies, 800 Nicollet Mall, Suite 800, Mail Stop J12SSH, Minneapolis, Minnesota 55402.

Alternatively, shareholders may directly nominate a person for election to our Board by complying with the procedures set forth in Article II, Section 2.4 of our bylaws, and with the rules and regulations of the Securities and Exchange Commission. Under our bylaws, only persons nominated in accordance with the procedures set forth in the bylaws will be eligible to serve as directors. In order to nominate a candidate for service as a director, you must be a shareholder at the time you give the Board notice of your nomination, and you must be entitled to vote for the election of directors at the meeting at which your nominee will be considered. In accordance with our bylaws, director nominations generally must be

made pursuant to notice delivered to, or mailed and received at, our principal executive offices at the address above, not later than the 90th day, nor earlier than the 120th day, prior to the first anniversary of the prior year's annual meeting of shareholders. Your notice must set forth all information relating to the nominee that is required to be disclosed in solicitations of proxies for the election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected).

As required by our Corporate Governance Principles and our Director Nominee Selection Policy, when evaluating the appropriate characteristics of candidates for service as a director, the Nominating and Governance Committee takes into account many factors. At a minimum, director candidates must demonstrate high standards of ethics, integrity and professionalism, independence, sound judgment, community leadership and meaningful experience in business, law or finance or other appropriate endeavor. Candidates also must be committed to representing the long-term interests of our shareholders. In addition to these minimum qualifications, the Committee considers other factors it deems appropriate based on the current needs and desires of the Board, including specific business and financial expertise, experience as a director of a public company, and diversity. The Board considers a number of factors in its evaluation of diversity, including geography, age, gender, and ethnicity. Based on these factors and the qualifications and background of each director, the Board believes that its current composition is diverse. As indicated above, diversity is one factor in the total mix of information the Board considers when evaluating director candidates. The Committee will reassess the qualifications of a director, including the director's attendance, involvement at Board and committee meetings and contribution to Board diversity, prior to recommending a director for reelection.

Compensation Program for Non-Employee Directors

During 2011, non-employee directors received a \$60,000 annual cash retainer for service on our Board and Board committees. Also, the lead director and the chairperson of the Audit Committee each received an additional annual cash retainer of \$20,000, the chairperson of the Compensation Committee received an additional annual cash retainer of \$10,000, and the chairperson of the Nominating and Governance Committee received an additional annual cash retainer of \$5,000. Our non-employee director compensation program provides that each non-employee director receives a \$60,000 grant of stock on the date of a director's initial election or appointment to the Board for a number of shares determined by dividing \$60,000 by the closing price of our common stock on the date of initial election or appointment. Directors whose service on the Board continues following each annual meeting of our shareholders receive an annual equity grant of \$60,000 as of the date of the annual meeting. All equity awards granted to our non-employee directors are granted under the Incentive Plan. Non-employee directors who join our Board after the first month of a calendar year are paid a pro rata annual retainer and awarded a pro rata annual equity award based on the period they serve as a director during the year.

Our non-employee directors may participate in the Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors, which was designed to facilitate increased equity ownership in the company. The plan permits our non-employee directors to defer all or a portion of the cash payable to them and shares of common stock granted to them for service as a director of Piper Jaffray for any calendar year. All cash amounts and share grants deferred by a participating director are credited to a recordkeeping account and deemed invested in shares of our common stock as of the date the deferred fees otherwise would have been paid or the shares otherwise would have been issued to the director. This deemed investment is measured in phantom stock, and no shares of common stock are reserved, repurchased or issued pursuant to the plan. With respect to cash amounts that have been deferred, the fair market value of all phantom stock credited to a director's account will be paid out to the director (or, in the event of the director's death, to his or her beneficiary) in a single lump-sum cash payment following the director's cessation of service. The amount paid out will be determined based on the fair

market value of the stock on the last day of the year in which the director's service with us terminates. Share amounts that have been deferred will be paid out to the director (or, in the event of the director's death, to his or her beneficiary) in the form of shares of common stock in an amount equal to the full number of shares credited to the non-employee director's account as of the last day of the year in which the cessation of service occurred. Directors who elect to participate in the plan are not required to pay income taxes on amounts or grants deferred but will instead pay income taxes on the amount of the lump-sum cash payment paid to the director (or beneficiary) at the time of such payment. Our obligations under the plan are unsecured general obligations to pay in the future the value of the participant's account pursuant to the terms of the plan.

Non-employee directors may participate in our charitable gift matching program, pursuant to which we will match a director's gifts to eligible organizations dollar for dollar from a minimum of \$50 up to an aggregate maximum of \$1,500 per year. We also reimburse for reasonable out-of-pocket expenses incurred in connection with their service on the Board and committees of the Board. Employees of Piper Jaffray who also serve as directors receive compensation for their service as employees, but they do not receive any additional compensation for their service as directors. No other compensation is paid to our Board members in their capacity as directors. Non-employee directors do not participate in our employee benefit plans.

The following table contains compensation information for our non-employee directors for the year ended December 31, 2011.

Non-Employee Director Compensation for 2011

| Director | Fees Earned or Paid in Cash | | Stock Awards ⁽¹⁾⁽²⁾ (\$) | All Other Compensation ⁽³⁾ (\$) | Total (\$) |
|---------------------------|-----------------------------|-----------------------------|--|---|---------------|
| | Annual Retainer (\$) | Additional Retainer (\$) | | | |
| Michael R. Francis | 60,000 | 25,000 | 60,006 ⁽⁴⁾ | — | 145,006 |
| Virginia Gambale | 20,384 ⁽⁵⁾ | — | — | — | 20,384 |
| B. Kristine Johnson | 60,000 | — | 60,006 | 2,130 | 122,136 |
| Addison L. Piper | 60,000 | — | 60,006 ⁽⁴⁾ | 2,130 | 122,136 |
| Lisa K. Polsky | 60,000 ⁽⁴⁾ | 905 ⁽⁴⁾⁽⁶⁾ | 60,006 ⁽⁴⁾ | 1,500 | 122,411 |
| Frank L. Sims | 60,000 | 20,000 | 60,006 ⁽⁴⁾ | 1,734 | 141,740 |
| Jean M. Taylor | 60,000 | — | 60,006 ⁽⁴⁾ | 1,500 | 121,506 |
| Michele Volpi | 60,000 | 9,095 ⁽⁷⁾ | 60,006 | 2,130 | 131,231 |
| Hope B. Woodhouse | 16,603 ⁽⁸⁾ | — | 76,622 ⁽⁴⁾⁽⁹⁾ | 1,500 | 94,725 |

(1) Represents the aggregate grant date fair value calculated in accordance with generally accepted accounting principles.

(2) As of December 31, 2011, our non-employee directors held stock and option awards as set forth in the table below. The stock award values are based on the \$20.20 closing sale price of our common stock on the New York Stock Exchange on December 30, 2011, the last trading day of 2011. The amounts for Mr. Piper include restricted stock and stock option awards granted to him in 2004, 2005 and 2006 during his tenure as an executive officer of the company. Because all stock options held by our directors were out-of-the-money based on the closing sale price of our common stock on the New York Stock Exchange on December 30, 2011, the last trading day of 2011, no value is attributed to those stock options in the table below.

| Director | Stock Awards (#) | Year-End Value of Stock Awards (\$) | Option Awards (#) | Year-End Value of Option Awards (\$) |
|---------------------------|---------------------|---|----------------------|--|
| Michael R. Francis | 6,325 | 127,765 | 11,880 | — |
| Virginia Gambale | 3,033 | 61,267 | — | — |
| B. Kristine Johnson | 6,325 | 127,765 | 11,880 | — |
| Addison L. Piper | 13,620 | 275,124 | 11,614 | — |
| Lisa K. Polsky | 6,494 | 131,179 | — | — |
| Frank L. Sims | 6,325 | 127,765 | 11,880 | — |
| Jean M. Taylor | 6,325 | 127,765 | 5,963 | — |
| Michele Volpi | 4,465 | 90,193 | — | — |
| Hope B. Woodhouse | 4,187 | 84,577 | — | — |

- (3) All other compensation for non-employee directors for the year ended December 31, 2011 consists of the following:
- The amounts for Ms. Johnson, Mr. Piper, Ms. Polsky, Mr. Sims, Ms. Taylor, Mr. Volpi and Ms. Woodhouse include charitable matching contributions made by Piper Jaffray.
 - The amounts for Messrs. Piper, Sims and Volpi and for Ms. Johnson include the cost of airfare for their respective spouses to an offsite directors' retreat we held during 2011.
- (4) These amounts were deferred pursuant to the Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors.
- (5) Reflects a pro rata portion of the full annual retainer for the portion of the year Ms. Gambale served on the Board (January 1, 2011 — May 4, 2011).
- (6) Reflects a pro rata portion of the full additional annual cash retainer for the portion of the year Ms. Polsky served as chairperson of the Compensation Committee (January 1, 2011 — February 2, 2011).
- (7) Reflects a pro rata portion of the full additional cash retainer for the portion of the year Mr. Volpi served as chairperson of the Compensation Committee (February 3, 2011 — December 31, 2011).
- (8) Reflects a pro rata portion of the full annual cash retainer for the portion of the year Ms. Woodhouse served on the Board (September 22, 2011 — December 31, 2011).
- (9) Includes Ms. Woodhouse's initial equity grant of \$60,000 for joining the Board of Directors (3,279 shares issued on September 22, 2011 using the closing price of our common stock on that day of \$18.30 per share) as well as the pro rata portion of her annual equity grant equal to \$16,603 for the portion of the year Ms. Woodhouse served on the Board (September 22, 2011 — December 31, 2011).

EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

2011 Financial Performance

2011 represented a volatile year filled with macroeconomic challenges. During the second half of 2011, the escalation of the sovereign debt crisis in Europe, the credit rating downgrade by S&P of U.S. debt, and continued sluggishness in the U.S. economy led to broad-based market declines and volatility that negatively impacted almost all aspects of our business, particularly capital-raising for equity investment banking. Interest rates remained at historically low levels during the year, and volatility in the macroeconomic environment widened credit spreads. This interest rate environment negatively impacted our fixed income institutional business as investors reduced activity and shifted to shorter-duration fixed income securities.

Against this challenging operating environment, we achieved positive pre-tax earnings in each quarter on a non-GAAP basis (excluding a goodwill impairment charge described in the next paragraph), in part due to reduced incentive compensation commensurate with our performance for both executive officers and employees generally. Also, we further reduced our non-compensation expenses. We were not, however, able to fully offset the impact of lower revenues from the challenging second half environment and losses in our Asia business, which resulted in lower financial performance.

The volatile environment in the second half of the year had a significant impact on public market valuations for financial services firms, and our common stock, like others' in the industry, traded at historically low levels relative to book value. This depressed valuation placed significant pressure on our goodwill impairment testing as market capitalization is a key determinant of possible goodwill impairment, and during our annual impairment testing for 2011, we determined that an impairment to our capital markets segment goodwill had occurred. Accordingly, we recognized a \$118.4 million non-cash, after-tax goodwill impairment charge (\$120.3 million pre-tax), with the substantial majority of the impaired goodwill created from the 1998 acquisition of our predecessor firm by U.S. Bancorp, which we retained after our spin-off from U.S. Bancorp on December 31, 2003.

The following are more specific financial highlights for the year:

- We generated revenues of \$458.1 million, down from \$530.1 million in 2010, which was our highest level of revenues since becoming a public company.
- We incurred a net loss of \$102.0 million on a GAAP basis; excluding the \$118.4 million after-tax goodwill impairment charge, we generated non-GAAP net income of \$16.4 million for the year. Net income was \$24.4 million for 2010, which included \$10.9 million of pre-tax restructuring charges primarily related to our European operations.
- Investment banking revenues declined 21.2% to \$212.9 million, compared to \$270.1 million in 2010.
 - Equity financing revenues decreased to \$79.6 million, compared with \$113.7 million in 2010. We completed 64 equity financings in 2011, raising \$13.0 billion for our clients, compared with 96 equity financings, raising \$11.9 billion in 2010. Our equity financing results were negatively impacted by reduced activity in Asia and market volatility in the second half of the year that slowed capital-raising more broadly, particularly initial public offerings.
 - Debt financing revenues decreased to \$54.6 million, compared with \$66.0 million in 2010. Our public finance investment banking business was negatively impacted by concerns over

municipal-issuer credit quality. During the year, our par value of negotiated issuance was down 15%, but the industry was down 36%. As a result, we gained market share.

- Institutional brokerage revenues declined 9.6% to \$168.2 million, compared to \$186.0 million in 2010.
 - Equity institutional brokerage revenues decreased to \$92.4 million, compared with \$106.2 million in 2010, attributable in part to lower U.S. client volumes in 2011 and our exit from the distribution of European securities in the fourth quarter of 2010.
 - Fixed income institutional brokerage revenues decreased to \$75.8 million, compared to \$79.8 million in 2010, as a decline in taxable fixed income sales and trading revenues was partially offset by higher municipal strategic trading revenues.
- Asset management revenue increased 5.9% to \$71.2 million, compared to \$67.2 million in 2010, due to the recognition of a full year of management fee revenue from Advisory Research, which was acquired in March 2010, offset by lower performance fees.
 - Our average effective revenue yield — total management fees as a percentage of average assets under management — was 56 basis points, compared to 53 basis points in 2010.
 - Segment pre-tax operating margin remained strong at 20.5%, though lower than 24.0% in 2010 due to lower performance fees in 2011.
- We continued to carefully monitor and contain our operating expenses, with non-interest expenses of \$547.8 million for 2011, or \$427.5 million on a non-GAAP basis that excludes the pre-tax \$120.3 goodwill impairment charge. We had \$472.8 million of non-interest expenses for 2010, which included \$10.9 million of restructuring charges. The 9.6% decrease on a non-GAAP basis was driven by a decline in variable compensation due to lower operating performance, the restructuring charge incurred in 2010, and cost saving initiatives.

Overview of 2011 Compensation

Throughout this proxy statement, we refer to our chief executive officer, chief financial officer, and each of our three other most highly compensated executive officers for 2011, as the “named executive officers.” In addition to our chief executive officer and chief financial officer, this group includes our president and chief operating officer, head of asset management and general counsel and secretary. At the end of 2011, our president and chief operating officer relinquished these roles and became a vice chairman of our U.S. broker-dealer subsidiary and head of merchant banking, though he remains in the proxy statement for his service during 2011.

The most significant actions taken in 2011 with respect to our named executive officers’ were significant reductions in year-over-year incentives. The annual incentive program for each executive officer, other than our general counsel, is funded solely from a measure of pre-tax operating income. (The annual incentive for our general counsel is 50% based on profitability, rather than 100% as is the case for other named executive officers.) These incentive pools decreased along with our profitability for the year, consistent with the discussion of our financial performance above. As a result, year-over-year annual incentives declined as follows:

- 65% decline for our chief executive officer, with his annual incentive decreasing to \$702,000 from \$1,991,667 in 2010;
- 79% decline for our chief financial officer, with her annual incentive decreasing to \$75,000 from \$358,333 in 2010;

- 88% decline for our former president and chief operating officer, with his annual incentive decreasing to \$200,000 from \$1,691,667 in 2010;
- 46% decline for our head of asset management, with his annual incentive decreasing to \$1,893,990 from \$3,525,398 in 2010; and
- 36% decline for our general counsel, with his annual incentive decreasing to \$137,000 from \$213,333 in 2010.

The effect of these reductions was to meaningfully reduce total compensation for each named executive officer in 2011 — a clear demonstration of our pay-for-performance objective.

Compensation Philosophy and Objectives

Our executive compensation program is designed to drive and reward corporate performance annually and over the long term, as measured by increasing shareholder value. Compensation also must be internally equitable and externally competitive. We continually review our executive compensation program to ensure it reflects good governance practices and the best interests of shareholders, while meeting the following core objectives:

- *Pay for performance* — A large portion of the total compensation paid is based first on the profitability of the company, followed by the performance of each business unit. Each named executive officer's performance is also measured against defined objectives in areas such as strategic initiatives, business performance, leadership effectiveness and people development.
- *Sustain and strengthen the franchise* — Our compensation program is designed to be sufficiently competitive to allow us to attract and retain the most talented people who are committed to the long-term success of our company. Continued progress over the long term will create greater opportunity for executives, both in increased annual compensation and in the appreciation of the company's equity.
- *Align risk and reward through a blend of pay components* — We are committed to using a mix of compensation components — base salary, annual incentives and long-term incentives — to create an environment that encourages increased profitability for the company without undue risk taking.
- *Align employees with shareholders* — We are committed to using our compensation program to increase executive stock ownership over time. We believe that equity ownership directly aligns the interests of our executive officers with those of our shareholders and helps to focus our executives on creating long-term shareholder value.

Setting Compensation

The Compensation Committee, which we refer to as the "Committee" in this Compensation Discussion and Analysis, has responsibility for approving the compensation paid to our executive officers and ensuring it meets our objectives. With respect to our chief executive officer, the Committee has sole responsibility for evaluating performance and determining his compensation. In doing so, the chairperson of the Committee solicits evaluation input from each member of the Board of Directors, and also leads a discussion of the full Board reporting on the results of the annual evaluation. More generally, the Committee approves the amount of incentive compensation to be paid to our executive officers in recognition of prior-year performance, approves their base salaries for the upcoming year if there are changes and establishes performance goals under an annual incentive program. Subject to limits on the

compensation that may be paid under the annual incentive program (as described below under “Compensation Program and Payouts — Annual Incentive Compensation”), the Committee has full discretion to determine the amount of compensation to be paid to the executive officers.

Involvement of Executive Officers

The work of the Committee is supported by our human capital department, which works closely with our chief executive officer, our chief financial officer and our general counsel. The global head of human capital, together with these executive officers, prepares and presents information and recommendations for review and consideration by the Committee in connection with its executive compensation decisions, including the performance goals to be established under the annual incentive program, financial information reviewed in connection with executive compensation decisions, the firms to be included in the compensation peer group, the performance evaluations and compensation recommendations for the executive officers, and the evaluation and compensation process to be followed by the Committee.

Compensation Peer Group

Our human capital department, in consultation with the Committee and the Committee’s independent compensation consultant, annually identifies a compensation peer group of firms with which we compete for executive talent. As a middle-market, full-service investment bank with material asset management operations, we believe there are few other companies that are directly comparable to Piper Jaffray. In constructing our peer group for 2011, we attempted to assemble a group of companies primarily consisting of investment banks with revenues and market capitalizations similar to ours, while including representation of companies with asset management operations, which are a significant and growing portion of our business. Our peer group currently consists of the following companies, each of whom we believe are direct competitors for talent in some aspect of our business:

| | |
|--------------------------|---------------------------|
| Cowen Group, Inc. | JMP Group Inc. |
| Evercore Partners Inc. | KBW, Inc. |
| FBR & Co. | Lazard Ltd. |
| Gleacher & Company, Inc. | Oppenheimer Holdings Inc. |
| Jefferies Group, Inc. | Stifel Financial Corp. |

We also use data from external market surveys reflecting a broad number of firms within our industry (including members of our peer group), and we may review publicly available data for similar companies that are not direct competitors to address issues we may encounter obtaining compensation information for executives holding positions comparable to our executive officers. The external market surveys that we used for 2011 were prepared by McLagan Partners, and generally related to our industry and sub-sectors within our industry. We also used the surveys to gather market data outside of our industry in the corporate support area. This peer group and market data is an important factor considered by the Committee when setting compensation, but it is only one of multiple factors considered by the Committee, and the amount paid to each executive may be more or less than the composite market median based on individual performance, the roles and responsibilities of the executive, experience level of the individual, internal equity and other factors that the Committee deems important. As such, the Committee uses peer group and market survey information to put the total compensation proposed to be paid to each named executive officer in context of pay ranges for like positions at similar companies and to confirm that any variances from market norms are justified in light of the specific circumstances of our named executive officers.

Compensation Consultant

The Committee engaged Frederic W. Cook & Co., Inc. (“FWC”) as its independent compensation consultant as of May 2011. FWC is independent of the Company’s management, reports directly to the Committee, and has no economic relationships with the Company other than its role advising the Committee. The Committee considers advice and recommendations received from FWC in making executive compensation decisions.

Prior to the engagement of FWC, the Committee had engaged Towers Watson as its independent compensation consultant during 2011 to provide executive compensation advice at Committee meetings. Towers Watson also provided benefit plan services to our human capital department, including health and group benefit services (e.g., medical and dental cost analysis) and retiree medical actuarial services. These additional services were pre-approved by the Compensation Committee in early 2011, and the amount we paid for these services did not exceed \$120,000.

Say-on-Pay

At our 2011 annual meeting of shareholders, our say-on-pay proposal received “for” votes that represented 82% of the votes cast. The Committee considered the results of the 2011 say-on-pay vote when evaluating our compensation practices and policies in 2011 and when setting the compensation of our named executive officers for 2011. The Committee believed that the significant support for the 2011 say-on-pay vote demonstrates shareholders’ support of our compensation policies. We therefore maintained our historic pay-for-performance compensation structure implemented through annual incentive awards based on our adjusted pre-tax operating income, which resulted in a significant decline in the total compensation paid to our named executive officers for 2011, and we continued to pay a meaningful portion of annual incentive awards in the form of equity consistent with our philosophy of aligning the interests of executives and shareholders.

Compensation Program and Payouts

The key components of our executive compensation program are base salary and annual incentive compensation, and the equity portion of our annual incentive compensation serves as our primary long-term incentive compensation component.

Base Salary

The purpose of base salary is to provide a set amount of cash compensation for each executive that is not variable in nature and is generally competitive with the market. We increased the base salaries in 2010 as a percentage of total compensation to mitigate the potential for risk-taking generally associated with a compensation mix more heavily weighted to annual performance and in recognition of the importance of key leadership and daily accountabilities of our senior leaders. Prior to 2010, we had increased base salaries only once following our spin-off from U.S. Bancorp in December 2003. In light of the salary increases granted during 2010 and consistent with our past practice of not regularly granting salary increases, the salaries of most of our named executive officers were unchanged for 2011 compared to 2010. Ms. Schoneman’s base salary increased from \$425,000 for 2010 to \$500,000 for 2011 and Mr. O’Brien’s base salary increased from \$425,000 for 2010 to \$550,000 for 2011, in each case primarily in recognition of the important responsibilities they have for strategic matters and to maintain a level of internal pay equity among our named executive officers that the Committee believes is appropriate.

Annual Incentive Compensation

Delivering a significant portion of our compensation through annual incentives reflects one of the core objectives of our compensation program, which is pay-for-performance. The Committee has established an annual incentive program that provides a significant portion of the total compensation paid to our named executive officers. The objective of the program is to provide cash and equity compensation that is variable based on the achievement of annual performance goals determined each year by the Committee. The program is administered by the Committee under the Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and is designed to comply with the requirements of Section 162(m) of the Internal Revenue Code to ensure the tax deductibility of incentive compensation paid to our named executive officers. Under Section 162(m), we cannot deduct compensation in excess of \$1 million that is paid to a named executive officer in any year unless the compensation qualifies as “performance-based” compensation under Section 162(m). Awards under the annual incentive program are referred to as “qualified performance-based awards.”

2011 Program

At the outset of each year, the Committee grants performance-based awards subject to the achievement of an annual performance goal of the company — typically a financial performance goal related to pre-tax operating income. In February 2011, the Committee granted qualified performance-based awards to our named executive officers other than our general counsel (who was covered by a separate incentive plan for corporate support leaders). Each award was for an amount equal to 7% of our 2011 adjusted pre-tax operating income, subject to an aggregate limitation of 25% for the group as a whole. The Committee retains sole discretion to reduce the aggregate accrual rate as well as the amount allocated to each named executive officer, and historically the Committee has exercised this negative discretion.

The amount payable under each award principally depends on the amount of adjusted pre-tax operating income generated by the company. Adjusted pre-tax operating income equals our total revenues less our total expenses before income taxes, adjusted to eliminate certain compensation and benefits expenses and certain other expenses, losses, income or gains that are unusual in nature or infrequent in occurrence. The adjustments to eliminate certain expenses and losses that are unusual or infrequent in nature are established at the beginning of each year prior to granting the qualified performance-based awards, and the exclusion of these items from pre-tax operating income more accurately reflects our operating performance for a given year. For 2011, adjustments included the elimination of: income attributable to noncontrolling interests; amounts expensed during the year under our annual incentive program (including equity amortization expense) for executive officers; amortization expense for equity awards granted in connection with acquisitions; losses related to the impairment of goodwill resulting from the prior acquisition of our predecessor company by U.S. Bancorp, and half of the losses from the impairment of goodwill other than the goodwill created from the prior acquisition of U.S. Bancorp goodwill.

With respect to the elimination of the goodwill impairment, the losses from this impairment principally related to the low public market valuations for financial services firms, as discussed above, and not any specific actions taken by the named executive officers during the year that affected operating performance. Accordingly, we believe that eliminating this goodwill impairment charge, in accordance with the formula established at the outset of the year, more accurately reflects our operating performance for the year. As to the two components, we eliminated the entire \$105.5 million pre-tax goodwill impairment charge created from the 1998 acquisition of our predecessor firm by U.S. Bancorp, which we retained after our spin-off from U.S. Bancorp on December 31, 2003, but only half of the remaining \$14.8 million pre-tax goodwill impairment charge. Only 50% of the latter was permitted to be excluded

under the formula for pre-tax operating income because this component of goodwill related to acquisitions undertaken by management following our spin-off from U.S. Bancorp.

In applying the formula described above, our adjusted pre-tax operating income for 2011 was \$27.1 million, resulting in a maximum amount payable to each award recipient of \$1.89 million, subject to a maximum aggregate payout of \$6.76 million for the group as a whole (other than the general counsel as described above). Consistent with prior years, the Committee paid less than the maximum amount payable for 2011, paying an aggregate of \$2.87 million, or 10.6% of our adjusted pre-tax operating income for 2011. The table below sets forth a calculation of our adjusted pre-tax operating income for 2011 (in thousands):

| | |
|---|-------------|
| Net income/(loss) | (\$100,557) |
| Removal of net income applicable to noncontrolling interests | (\$ 1,463) |
| Income tax expense | \$ 10,876 |
| Expense under our annual incentive program | \$ 3,712 |
| Amortization expense for equity awards granted in connection with acquisitions | \$ 1,579 |
| Goodwill impairment charge (U.S. Bancorp-related) | \$ 105,522 |
| Goodwill impairment charge (other) | \$ 7,388 |
| Adjusted pre-tax operating income | \$ 27,057 |

Mr. Chosy's annual incentive is discretionary and based on a percentage of salaries for corporate support leaders and full-firm profitability. For 2011, 50% of his annual incentive was based on full-firm profitability. The Committee believes his annual incentive compensation should be less dependent on our performance than the other named executive officers, who have a greater ability to affect our performance.

Compensation Determinations and Relevant Factors

When determining the amount of incentive compensation to be paid for 2011, the Committee reviewed and considered the following information:

- for the chief executive officer, a self-evaluation, a performance review with input from his direct reports, and feedback from the full Board of Directors, gathered by the Committee chairperson, regarding performance for 2011;
- performance evaluations of each other named executive officer prepared by the chief executive officer and the head of our human capital department;
- the financial performance of the company and each business unit;
- peer group financial and compensation data, including total shareholder return for the peer group as compared to the company;
- compensation market data provided by our human capital department;
- the recommendations of the chief executive officer regarding the incentive compensation to be paid to each executive officer for 2011, which the Committee discussed with the chief executive officer; and
- tally sheets specifying each element of compensation paid to the executive officers for the current and prior year and reflecting the total proposed compensation for 2011 based on the

recommendations of the chief executive officer, as well as the potential compensation to be received by the executive officers under various scenarios, including a change-in-control of the company and terminations of employment under a variety of circumstances.

In determining the payments made to our named executive officers, the Committee took into account all of the information described above and the annual incentive program provision governing the maximum aggregate amount payable under the qualified performance-based awards granted to our named executive officers other than Mr. Chosy.

The Committee considers all of the factors described above in exercising its discretion to determine the annual incentive compensation paid to each named executive officer. For executives responsible for a business unit, payouts were impacted by the financial performance of their business unit. Our chief executive officer's incentive was impacted by the operating performance of public finance and fixed income, as to which he had primary operational responsibility for the year. Also, our former president and chief operating officer's incentive was impacted by results for equity investment banking and institutional brokerage, the businesses that he managed during the year. Our head of asset management was impacted by the operating performance of this business. The following is a brief description of how the various factors impacted annual incentive compensation at an individual level:

- *Andrew S. Duff, chairman and chief executive officer.* Mr. Duff's compensation was primarily influenced by our decline in profitability for 2011 compared to our strong performance in 2010, with a 65% year-over-year decline in incentives. The decline in profitability was mitigated somewhat by progress against our strategic initiatives, which focus on increasing the proportion of higher margin businesses that include public finance, asset management, and merger and acquisition advisory engagements. As to business unit performance, our public finance business continued to build a national franchise and achieved strong relative results, including market share gains for 2011. As to fixed income, revenues were only down slightly in a volatile macroeconomic second half of the year that experienced widening credit spreads in a low interest rate environment.
- *Debbra L. Schoneman, chief financial officer.* Ms. Schoneman's compensation was also influenced by our decline in financial performance for 2011, with a 79% decline in year-over-year incentives. Her efforts to reduce year-over-year non-compensation expenses and our related quarterly run-rate for these expenses, as well as her continued efforts to improve our financial planning and risk management functions during 2011, positively influenced her compensation for the year.
- *James L. Chosy, general counsel and secretary.* Mr. Chosy's compensation reflected his efforts to strengthen our global compliance structure, drive our focus on ethics, and successfully manage legal expenses, which the Committee considered favorably when evaluating his 2011 performance.
- *Brien M. O'Brien, head of asset management.* Mr. O'Brien's compensation was influenced by the stable performance of our asset management business for 2011 compared to our other business lines. His efforts successfully integrating Advisory Research as well as his overall leadership of our asset management segment, which we view as a significant part of our long-term strategy, also positively impacted his 2011 compensation.
- *Thomas P. Schnettler, former president and chief operating officer.* Mr. Schnettler's compensation was primarily influenced by the decline in performance of our equity investment banking and institutional brokerage businesses compared to 2010, and in particular the loss we incurred in our Asia operations. Countering this negative performance was our positive relative performance within the U.S. and European markets in which we operate. Consistent with our

pay-for-performance philosophy, this overall decline in performance caused the incentive compensation awarded to him for 2011 to decrease 88% from \$1,691,667 for 2010 to \$200,000 for 2011.

Based on this information, the Committee evaluated the performance of the chief executive officer and determined his annual incentive compensation, assessed relative levels of responsibility and contribution during the year for each of the other named executive officers, and approved 2011 annual incentive compensation.

The table below shows the annual incentive awards that were earned by each individual in 2011. This supplemental table differs from the Summary Compensation Table appearing later in the proxy statement because it shows stock awards earned in 2011 that were granted in 2012. For the year 2011, the Summary Compensation Table (in accordance with SEC rules) shows stock awards earned in 2010 and granted in 2011, not stock awards earned in 2011 and granted in 2012. Accordingly, the year-over-year changes in compensation reflect changes in amounts earned between 2011 and 2010. *This table is not a substitute for the information required by SEC rules, specifically the Summary Compensation Table and the related tables appearing later in this proxy statement.*

Supplemental Compensation Table

| Name | | Base Salary | Annual Incentive Compensation | | | Yearly Incentive Change | Total with Base Salary | Year Total Change |
|------------------------------|------|-------------|-------------------------------|------------------|-----------------|-------------------------|------------------------|-------------------|
| | | | Cash Incentive | Restricted Stock | Total Incentive | | | |
| Andrew S. Duff | 2011 | \$650,000 | \$ 351,000 | \$ 351,000 | \$ 702,000 | -64.75% | \$1,352,000 | -48.00% |
| | 2010 | \$608,333 | \$ 995,834 | \$ 995,833 | \$1,991,667 | | \$2,600,000 | |
| | 2009 | \$400,000 | \$1,200,000 | \$1,200,000 | \$2,400,000 | | \$2,800,000 | |
| Debbra L. Schoneman . . . | 2011 | \$500,000 | \$ 45,000 | \$ 30,000 | \$ 75,000 | -79.07% | \$ 575,000 | -23.33% |
| | 2010 | \$391,667 | \$ 215,000 | \$ 143,333 | \$ 358,333 | | \$ 750,000 | |
| | 2009 | \$225,000 | \$ 315,000 | \$ 210,000 | \$ 525,000 | | \$ 750,000 | |
| James L. Chosy | 2011 | \$425,000 | \$ 82,200 | \$ 54,800 | \$ 137,000 | -35.78% | \$ 562,000 | -7.11% |
| | 2010 | \$391,667 | \$ 128,000 | \$ 85,333 | \$ 213,333 | | \$ 605,000 | |
| Brien M. O'Brien | 2011 | \$550,000 | \$1,893,990 | -0- | \$1,893,990 | -46.28% | \$2,443,990 | -37.00% |
| | 2010 | \$354,167 | \$3,525,398 | -0- | \$3,525,398 | | \$3,879,565 | |
| Thomas P. Schnettler | 2011 | \$550,000 | \$ 110,000 | \$ 90,000 | \$ 200,000 | -88.18% | \$ 750,000 | -65.91% |
| | 2010 | \$508,333 | \$ 930,417 | \$ 761,250 | \$1,691,667 | | \$2,200,000 | |
| | 2009 | \$300,000 | \$1,155,000 | \$ 945,000 | \$2,100,000 | | \$2,400,000 | |

Equity Awards

Consistent with our philosophy regarding executive stock ownership, the annual incentive compensation for the named executive officers was paid out in a combination of cash and equity. Our equity awards each year are not in addition to other incentive amounts. Rather, we calculate a total annual incentive, then divide that amount between cash and equity. Since 2009, we have granted equity awards to our executive officers in the form of restricted stock. We believe restricted stock awards strongly align the executive officers' interests with those of shareholders by ensuring that the same fluctuations in our stock that affect our shareholders also directly affect the value of the awards granted to executive officers. In 2012, the Committee intends to further consider potential long-term incentives in the form of equity to facilitate increased alignment of the interests of our stockholders and management and foster long-term shareholder valuation creation.

In determining the allocation between cash and equity, the Committee, together with the Nominating and Governance Committee, reviews the executive officer compensation process, which

includes a review of the allocation for the prior year. The Committee also reviews the compensation mix between cash and equity for executives as part of its regular strategic review of executive compensation programs. This is to ensure the programs will incentivize executives to focus on firm-wide, long-term value creation for shareholders. Accordingly, the executives who are viewed to have the greatest ability to influence long-term, firm-wide results receive the largest allocation of equity within the company. In establishing the allocation between cash and equity, the Committee may consider historic practice, current equity ownership levels, input from its independent compensation consultant on current market practices, and the role of equity in overall executive compensation program design. The annual incentive compensation for our chief executive officer historically has been divided equally between cash and equity, as seen above in the Supplemental Compensation Table. Our executive officers, other than the chief executive officer and head of asset management, historically have received between 40% to 45% of their annual incentive compensation in equity and 55% and 60% in cash. Mr. O'Brien has not received equity as a part of his incentive compensation. He received a significant ownership stake in the company as part of our acquisition of Advisory Research, and currently holds 335,199 shares, 1.72% of our outstanding common stock as of February 17, 2012. Given his significant equity ownership in our company, the Committee believes his interests already are significantly aligned with our shareholders and cash is a more appropriate form of compensation for him.

Lastly, the number of shares of restricted stock granted to each officer was determined by dividing the total dollar value designated to be paid out to the officer in restricted stock by the closing price of our common stock on February 15, 2012. The restricted stock vests in three equal annual installments.

Recent Developments

Effective as of January 1, 2012, we entered into an employment agreement with Brien O'Brien, our Head of Asset Management. The agreement has a three-year term, and provides for a base salary and that we will make quarterly cash payments to Mr. O'Brien equal to 11% of the earnings before interest, taxes, depreciation and amortization (EBITDA) of our asset management business for the preceding quarter. This EBITDA calculation also excludes the impact of Mr. O'Brien's compensation, corporate overhead allocations, certain extraordinary costs related to Fiduciary Asset Management (FAMCO), and gains or losses on investments we make in funds of our asset management business. Applying the calculation to Mr. O'Brien in 2011 would have resulted in adjusted EBITDA for the year of \$32.4 million. In addition to the quarterly payments, the agreement provides for annual payments to Mr. O'Brien if the asset management business exceeds EBITDA performance thresholds for the year as follows:

| <u>Annual Asset Management EBITDA</u> | <u>Additional % of Asset Management EBITDA Payable</u> |
|--|--|
| Equal to or less than \$30 million | Nothing additional to quarterly payments |
| Greater than \$30 million but less than or equal to \$47 million | 7.5% of asset management EBITDA in excess of \$30 million |
| Greater than \$47 million | Additional 7.5% of asset management EBITDA described above, plus 9.0% of asset management EBITDA in excess of \$47 million |

Accordingly, the variable component of Mr. O'Brien's compensation pursuant to his employment agreement is dependent upon the profitability of our asset management business, for which he is primarily responsible. We entered into this agreement with Mr. O'Brien in recognition of the strategic importance of sustaining and growing our asset management operations over the long term.

Another change for 2012 was the adoption by the Committee of the Piper Jaffray Companies Mutual Fund Restricted Shares Investment Plan (the "MFRS Plan") in February 2012. The MFRS Plan allows recipients of restricted stock of the company to instead elect to receive 10% to 50% of their

equity grant in the form of restricted shares of selected mutual funds managed by our affiliates, Advisory Research or FAMCO. The mutual fund restricted shares have the same restrictions that would apply to restricted stock, and also vest ratably over three years. We adopted the MFRS Plan to provide our executives an opportunity to diversify the equity compensation they receive, and believe the plan will help us attract and retain top talent. It also capitalizes on the strength of our asset management business by allowing us to offer a compensation plan that most of our competitors cannot provide. For the current year, none of our named executive officers participated in this plan, though we expect in future years that one or more executive officers may participate.

Long-Term, Performance-Based (ROE) Equity Grant

In May 2008, the Committee granted a long-term, performance-based restricted stock award to our executive officers at that time, which will not vest unless the company meets a return on adjusted common equity target of 11% over a twelve-month period. This grant was designed to improve our executive share ownership to a more meaningful level, further link executive performance with shareholder value, and act as a significant retention tool. Presently, we do not anticipate that we will meet the return on adjusted common equity target required for these awards to vest and expect that the awards will be forfeited on April 30, 2013.

Other Compensation

Our executives receive only limited perquisites, as illustrated in the Summary Compensation Table. Also, we do not pay our executive officers additional amounts to cover tax liability, or gross-ups, arising from compensation they receive from us. Executive officers receive limited additional compensation in the form of reimbursement of dues for club memberships used for business purposes and certain insurance premiums. In connection with our acquisition of Advisory Research, we agreed to provide Mr. O'Brien certain perquisites that he previously received from Advisory Research for one year following the closing of the acquisition, which include parking expense reimbursement, reimbursement for automobile lease payments, reimbursement of certain insurance premiums and reimbursement of club membership dues. The cost of these perquisites is included in the "All Other Compensation" column of the Summary Compensation Table. We ceased providing these perquisites to Mr. O'Brien on March 1, 2011 as agreed upon in connection with the acquisition.

Some of our executive officers also receive payments from time to time related to historical compensation programs, typically structured as investments made by the company on behalf of certain employees. For 2011, Mr. Schnettler was the only named executive officer who participated in these plans, and he received \$16,720 in payments. These payments typically follow a liquidity event for an investment within the plan, with the participant receiving a payment based on the deemed return to his investment account. No new awards have been granted under these plans since 2000, and participation in the plans is frozen.

Termination and Change-in-Control Arrangements

We do not have any separate change-in-control agreements (often referred to as "golden parachute" arrangements) that would pay a certain multiple of an executive's compensation (e.g., base salary) upon a change-in-control of the company. In certain instances, award agreements and plans may include provisions regarding the payment of compensation in the event of a termination of employment or a change-in-control of our company, as follows:

- Under our Incentive Plan, following a termination of employment (other than as a result of a change-in-control), our stock option awards granted during and after 2007 and our restricted

stock awards granted as part of our annual incentive program will continue to vest so long as the termination was not for cause and the employee does not violate certain post-termination restrictions for the remaining vesting term of their awards.

- Executive officers who are terminated during the year (other than as a result of a change-in-control) will receive cash and equity compensation for that year under our annual incentive program in the discretion of the Committee.
- Following a change-in-control, all outstanding restricted stock (other than the long-term, performance-based (ROE) restricted stock awards) will vest and all restrictions on the restricted stock will lapse.
- Our annual performance awards, including the annual qualified performance-based awards under the annual incentive program, will be considered to be earned and payable in full upon a change-in-control, and the awards will be settled in cash or shares, as determined by the Committee, as promptly as practicable. Because annual incentive award payouts are based on adjusted pre-tax operating income, which varies from year to year, and because the Committee historically has needed to reduce the size of some awards to comply with the limits on the aggregate amount of incentive compensation that may be paid under the annual incentive program, the specific amounts that would be payable in the event of a change-in-control are indeterminable.
- The long-term, performance-based (ROE) restricted stock awards will be forfeited following a voluntary termination of employment, other involuntary termination not for cause, or involuntary termination for cause, but not in the event of a company-determined severance event so long as the employee complies with the terms of the applicable severance agreement. Upon a change-in-control, the award agreement provides that 60% of the award will vest if a change-in-control occurs between April 30, 2011 and April 30, 2012, with an additional 20% vesting in each subsequent 12-month period if a change-in-control occurs during that period.

Compensation Policies

Executive Stock Ownership

We have adopted stock retention guidelines to ensure that our executives maintain a meaningful equity stake in the company, which aligns management's interests with those of our shareholders. The guidelines also help to drive long-term performance and strengthen retention. Our stock retention guidelines provide that our executives should retain at least 50% of the shares awarded through our incentive plan, or acquired upon exercise of stock options, net of taxes and exercise costs. The guideline applies upon becoming an executive officer and remains in effect while the individual serves as an executive officer.

Equity Grant Timing Policy

In 2006, we established a policy pursuant to which equity grants to employees will be made only once each quarter, on the 15th calendar day of the month following the public release of earnings for the preceding quarter (or, if the 15th calendar day falls on a weekend or holiday, on the first business day thereafter). This policy covers grants made by the Committee as well as grants made by our chief executive officer to employees other than executive officers pursuant to authority delegated to him by the Committee. We established this policy to provide a regular, fixed schedule for equity grants that eliminates the exercise of discretion with respect to the grant date of employee equity awards.

Policy on Qualifying Compensation for Deductibility

Section 162(m) of the Internal Revenue Code limits deductions for non-performance-based annual compensation in excess of \$1 million paid to our named executive officers who served as executive officers at the end of the preceding fiscal year. Our policy is to maximize the tax deductibility of compensation paid to these officers. Accordingly, in 2004, 2006, and 2008 we sought and obtained shareholder approval for the Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan, under which our annual incentive program is administered and annual cash and equity incentives are paid. The Incentive Plan is designed and administered to qualify compensation awarded under our annual incentive program as “performance-based” to ensure that the tax deduction is available to the company. From time to time the Committee may authorize payments to the named executive officers that may not be fully deductible, if they believe such payments are in the interests of shareholders.

Non-GAAP Information

This Compensation Discussion and Analysis includes the use of non-GAAP financial measures that are not prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and that exclude the effects of a goodwill impairment charge recognized in the fourth quarter of 2011. These non-GAAP financial measures should not be considered a substitute for measures of financial performance prepared in accordance with GAAP. These non-GAAP financial measures have been used in this proxy statement because management believes they are useful to our shareholders by providing greater transparency to our operating performance and aid in comparison to other periods.

COMPENSATION COMMITTEE REPORT

The Committee has reviewed and discussed the Compensation Discussion and Analysis with management and has recommended to the Board of Directors the inclusion of the Compensation Discussion and Analysis in the company’s year-end disclosure documents.

Compensation Committee of the Board of Directors of Piper Jaffray Companies

Michele Volpi, *Chairperson*

Lisa K. Polsky

Frank L. Sims

Summary Compensation Table

The following table contains compensation information for our chief executive officer, our chief financial officer, and our three other most highly compensated executive officers.

| Name & Principal Position | Year | Salary (\$) | Bonus ⁽¹⁾ (\$) | Stock Awards ⁽²⁾ (\$) | All Other Compensation ⁽³⁾ (\$) | Total (\$) |
|--|------|----------------|------------------------------|--|--|---------------|
| Andrew S. Duff Chairman and CEO | 2011 | 650,000 | 351,000 | 995,833 | 11,691 | 2,008,524 |
| | 2010 | 608,333 | 995,834 | 1,200,000 | 11,691 | 2,815,858 |
| | 2009 | 400,000 | 1,200,000 | — | 11,691 | 1,611,691 |
| Debbra L. Schoneman Chief Financial Officer | 2011 | 500,000 | 45,000 | 143,333 | 6,963 | 695,296 |
| | 2010 | 391,667 | 215,000 | 210,000 | 6,768 | 823,435 |
| | 2009 | 225,000 | 315,000 | — | 6,963 | 546,963 |
| James L. Chosy General Counsel and Secretary ⁽⁴⁾ | 2011 | 425,000 | 82,200 | 85,333 | 11,253 | 603,786 |
| | 2010 | 391,667 | 128,000 | 170,000 | 11,253 | 700,920 |
| Brien M. O'Brien Head of Asset Management ⁽⁴⁾ | 2011 | 550,000 | 1,893,990 | — | 11,526 | 2,455,516 |
| | 2010 | 354,167 | 3,525,398 | — | 144,082 | 4,023,647 |
| Thomas P. Schnettler Former President and Chief Operating Officer | 2011 | 550,000 | 110,000 | 761,250 | 24,277 | 1,445,527 |
| | 2010 | 508,333 | 930,417 | 945,000 | 9,270 | 2,393,020 |
| | 2009 | 300,000 | 1,155,000 | — | 27,750 | 1,482,750 |

- (1) The amounts in this column include the cash compensation paid under our annual incentive program. The program allows the Committee substantial discretion to determine compensation if the company achieves adjusted pre-tax operating income, and the Committee consistently has used this discretion in establishing compensation following the completion of a fiscal year. Accordingly, we report amounts paid under this program in the “Bonus” column.
- (2) The entries in the “Stock Awards” column reflect the aggregate grant date value of the awards granted during the year computed in accordance with FASB ASC 718. SEC rules do not permit inclusion in a given year of stock awards attributable to a particular year’s performance, as is the case for salary and bonus amounts.
- (3) All other compensation consists of the following:

| Form of All Other Compensation (\$) | Year | Andrew S. Duff | Debbra L. Schoneman | James L. Chosy | Brien M. O'Brien | Thomas P. Schnettler |
|---|------|-------------------|------------------------|-------------------|---------------------|-------------------------|
| Club membership dues | 2011 | 4,494 | — | 4,200 | — | — |
| | 2010 | 4,494 | — | 4,200 | 20,669 | — |
| | 2009 | 4,494 | — | n/a | n/a | — |
| 401(k) matching contributions | 2011 | 6,408 | 6,408 | 6,408 | 6,408 | 6,408 |
| | 2010 | 6,408 | 6,408 | 6,408 | 6,408 | 6,408 |
| | 2009 | 6,408 | 6,408 | n/a | n/a | 6,408 |
| Life and long-term disability insurance premiums | 2011 | 789 | 555 | 645 | 789 | 1,149 |
| | 2010 | 789 | 360 | 645 | 78,994 | 789 |
| | 2009 | 789 | 555 | n/a | n/a | 789 |
| Automobile lease payments | 2011 | — | — | — | 429 | — |
| | 2010 | — | — | — | 34,111 | — |
| | 2009 | — | — | n/a | n/a | — |
| Other | 2011 | — | — | — | 3,900 | 16,720 |
| | 2010 | — | — | — | 3,900 | 2,073 |
| | 2009 | — | — | n/a | n/a | 20,553 |

Amount for “Club membership dues” for Messrs. Chosy and Duff in 2011 consisted for annual dues for a Minneapolis-based club membership, and the amounts for Mr. O’Brien in 2010 were provided pursuant to a now-expired letter agreement entered into as part of our acquisition of Advisory Research, Inc. The “Other” amounts identified in the table above include (i) a parking stipend paid to Mr. O’Brien and (ii) payments to Mr. Schnettler under historical compensation plans that have payouts following liquidity events related to underlying investments (no new awards have been granted under these plans since 2000, and participation in the plans is frozen).

- (4) Messrs. Chosy and O’Brien were not named executive officers for 2009. Accordingly, the table above includes the respective compensation of each of Messrs. Chosy and O’Brien only for the years in which they were one of our named executive officers.

Grants of Plan-Based Awards

The following table provides information regarding the grants of plan-based awards made to the named executive officers during the year ended December 31, 2011.

| Name | Grant Date | Compensation Committee Approval Date ⁽¹⁾ | Estimated Possible Payouts Under Incentive Plan Awards | All Other Stock Awards: Number of Shares of Stock (#) ⁽³⁾⁽⁴⁾ | Grant Date Fair Value of Stock Awards (\$) |
|----------------------|------------|---|--|---|--|
| | | | Maximum (\$) ⁽²⁾ | | |
| Andrew S. Duff | 2/15/2011 | 2/2/2011 | 1,893,990 | 23,520 | 995,833 |
| Debbra L. Schoneman | 2/15/2011 | 2/2/2011 | 1,893,990 | 3,386 | 143,333 |
| James L. Chosy | — | — | — | 2,016 | 85,333 |
| Brien M. O’Brien | 2/15/2011 | 2/2/2011 | 1,893,990 | — | — |
| Thomas P. Schnettler | 2/15/2011 | 2/2/2011 | 1,893,990 | 17,980 | 761,250 |

- (1) The Compensation Committee approved a grant of stock awards identified in the “All Other Stock Awards” column of this table on February 2, 2011. In accordance with the terms of this approval and our equity grant timing policy, the awards were granted on February 15, 2011.
- (2) The amounts in this column reflect an estimate of the maximum combined value of the cash and equity that would have been payable to the named executive officers under qualified performance-based awards granted to the named executive officers for 2011 performance under the annual incentive program, calculated using our actual 2011 performance. Because the potential amounts payable under the qualified performance-based awards are stated in the annual incentive program as a percentage of adjusted pre-tax operating income that can only be decreased, and not increased, from that maximum level, and because actual amounts paid below this maximum level are within the full discretion of the Committee, there are no identifiable threshold or target amounts under the awards, and the maximum amounts actually payable to the named executive officers pursuant to the awards for 2011 performance were indeterminable at the time the awards were granted.
- (3) The amount in this column reflects equity compensation paid to the named executive officers in 2011 pursuant to annual qualified performance-based awards granted to these officers in 2010 under our annual incentive program. The shares of restricted stock were granted to these officers on February 15, 2011 following the Compensation Committee’s certification of the attainment of 2010 annual financial performance goals established by the Committee under the annual incentive program. All of the restricted stock was granted under the Incentive Plan and will vest in three equal installments on February 15, 2012-2014, assuming the award recipient complies with the terms and conditions of the applicable award agreement, as discussed in the Compensation Discussion and Analysis under “Compensation Program and Payouts — Termination and Change-in-Control Arrangements.”

- (4) The restricted stock awards granted to the named executive officers in 2011 are subject to forfeiture prior to vesting following certain terminations of employment or in the event the award recipient is terminated for cause, misappropriates confidential company information, participates in or is employed by a talent competitor of Piper Jaffray, or solicits employees, customers or clients of Piper Jaffray, all as set forth in more detail in the applicable award agreement. Recipients have the right to vote all shares of Piper Jaffray restricted stock they hold and to receive dividends (if any) on the restricted stock at the same rate paid to our other shareholders. (We currently do not pay dividends on our common stock.) The number of shares of restricted stock awarded to each named executive officer under our 2011 annual incentive program was determined by dividing specified dollar amounts representing a percentage of the individual's total annual incentive compensation for that year by \$42.34, the closing price of our common stock on the February 15, 2011 grant date.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth certain information concerning equity awards held by the named executive officers that were outstanding as of December 31, 2011.

| Name | Option Awards | | | | Stock Awards | |
|----------------------|---|---|----------------------------|------------------------|---|--|
| | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price (\$) | Option Expiration Date | Number of Shares of Stock That Have Not Vested ⁽¹⁾ (#) | Market Value of Shares of Stock That Have Not Vested ⁽²⁾ (\$) |
| Andrew S. Duff | 24,940 | — | 47.30 | 2/12/2014 | 128,813 | 2,602,023 |
| | 11,719 | — | 39.62 | 2/22/2015 | — | — |
| | 6,098 | — | 47.85 | 2/21/2016 | — | — |
| | 9,641 | — | 70.13 | 2/15/2017 | — | — |
| | 32,149 | — | 41.09 | 2/15/2018 | — | — |
| Debra L. Schoneman | 485 | — | 47.30 | 2/12/2014 | 32,498 | 656,460 |
| | 290 | — | 39.62 | 2/22/2015 | — | — |
| James L. Chosy | 1,695 | — | 47.30 | 2/12/2014 | 29,935 | 604,687 |
| | 1,042 | — | 39.62 | 2/22/2015 | — | — |
| | 678 | — | 47.85 | 2/21/2016 | — | — |
| | 1,208 | — | 70.13 | 2/15/2017 | — | — |
| | 4,502 | — | 41.09 | 2/15/2018 | — | — |
| Brien M. O'Brien | — | — | n/a | n/a | — | — |
| Thomas P. Schnettler | 1,938 | — | 47.30 | 2/12/2014 | 105,492 | 2,130,938 |
| | 12,696 | — | 39.62 | 2/22/2015 | — | — |
| | 7,241 | — | 47.85 | 2/21/2016 | — | — |
| | 7,248 | — | 70.13 | 2/15/2017 | — | — |
| | 27,673 | — | 41.09 | 2/15/2018 | — | — |

- (1) The shares of restricted stock vest on the dates and in the amounts set forth in the table below, so long as the award recipient complies with the terms and conditions of the applicable award agreement.

| Vesting Date | Andrew S. Duff | Debra L. Schoneman | James L. Chosy | Brien M. O'Brien | Thomas P. Schnettler |
|-------------------|----------------|--------------------|----------------|------------------|----------------------|
| February 15, 2012 | 7,840 | 1,128 | 672 | — | 5,993 |
| February 15, 2013 | 7,840 | 1,129 | 672 | — | 5,993 |
| February 16, 2013 | 26,979 | 4,722 | 3,822 | — | 21,246 |
| February 15, 2014 | 7,840 | 1,129 | 672 | — | 5,994 |

In addition to the shares of restricted stock set forth in the table above, the following number of shares of restricted stock will cliff-vest if our company meets a return on adjusted common equity target of 11% over a twelve-month period, assuming the award recipient remains an employee: Mr. Duff, 78,314 shares; Ms. Schoneman, 24,390 shares; Mr. Chosy, 24,097 shares; Mr. Schnettler, 66,266 shares. The shares of restricted stock are forfeited, however, if the performance metric for the company is not met by April 30, 2013. We do not presently anticipate that we will meet the performance metric required for these awards to vest and expect that these shares will be forfeited on April 30, 2013.

- (2) The values in this column are based on the \$20.20 closing sale price of our common stock on the New York Stock Exchange on December 30, 2011, the last trading day on the New York Stock Exchange during 2011. As noted in the above footnote, the values include shares of restricted stock for Mr. Duff, Ms. Schoneman, Mr. Chosy and Mr. Schnettler that will cliff-vest if our company meets a return on adjusted common equity target of 11% over a twelve-month period. We do not presently anticipate that we will meet the performance metric required for these awards to vest, and expect that these shares will be forfeited on April 30, 2013. Without these shares, the market value of unvested restricted stock is as follows: Mr. Duff, \$1,020,080; Ms. Schoneman, \$163,782; Mr. Chosy, \$117,928; Mr. Schnettler, \$792,365.

Option Exercises and Stock Vested

The following table sets forth certain information concerning stock vested during the year ended December 31, 2011. No stock options were exercised by any of the named executive officers in 2011.

| Name | Stock Awards | |
|--------------------------------|---|---|
| | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting ⁽¹⁾ (\$) |
| Andrew S. Duff | 19,145 | 810,599 |
| Debra L. Schoneman | 1,922 | 81,377 |
| James L. Chosy | 2,681 | 113,514 |
| Brien M. O'Brien | — | — |
| Thomas P. Schnettler | 16,479 | 697,721 |

- (1) The value realized upon vesting of the stock awards is based on the \$42.34 closing sale price of our common stock on February 15, 2011, the vesting date of the awards.

Potential Payments Upon Termination or Change-in-Control

The following table sets forth quantitative information with respect to potential payments to be made to each of the named executive officers or their beneficiaries upon termination in various circumstances, assuming termination on December 31, 2011. In the following table, unless indicated otherwise, all equity is listed at its dollar value as of December 30, 2011, the last trading day on the New York Stock Exchange during 2011. Because all stock options held by our named executive officers as of December 31, 2011 were out-of-the-money, no value is attributed to these stock options.

| Name | Type of Termination | | | | | |
|---|--|--|-----------------------|--|---|-----------------------------------|
| | Change-in-Control Not Followed by Employment Termination | Involuntary Termination Within 24 Months Following a Change-in-Control | Voluntary Termination | Involuntary Termination Under Severance Plan | Other Involuntary Termination Not for Cause | Involuntary Termination for Cause |
| Andrew S. Duff | | | | | | |
| Severance ⁽¹⁾ | — | — | — | \$500,000 | — | — |
| Restricted Stock ⁽²⁾⁽³⁾ | \$1,969,237 | \$1,969,237 | \$1,020,080 | \$1,969,237 | \$1,020,080 | — |
| Annual Incentive Award ⁽²⁾ | Indeterminable | — | — | — | — | — |
| Debbra L. Schoneman | | | | | | |
| Severance ⁽¹⁾ | — | — | — | \$418,944 | — | — |
| Restricted Stock ⁽²⁾⁽³⁾ | \$459,388 | \$459,388 | \$163,782 | \$459,388 | \$163,782 | — |
| Annual Incentive Award ⁽⁴⁾ | Indeterminable | — | — | — | — | — |
| James L. Chosy | | | | | | |
| Severance ⁽¹⁾ | — | — | — | \$264,313 | — | — |
| Restricted Stock ⁽²⁾⁽³⁾ | \$409,979 | \$409,979 | \$117,928 | \$409,979 | \$117,928 | — |
| Annual Incentive Award ⁽⁴⁾ | Indeterminable | — | — | — | — | — |
| Brien M. O'Brien | | | | | | |
| Severance ⁽¹⁾ | — | — | — | \$328,790 | — | — |
| Annual Incentive Award ⁽⁴⁾ | Indeterminable | — | — | — | — | — |
| Thomas P. Schnettler | | | | | | |
| Severance ⁽¹⁾ | — | — | — | \$500,000 | — | — |
| Restricted Stock ⁽²⁾⁽³⁾ | \$1,595,517 | \$1,595,517 | \$792,365 | \$1,595,517 | 792,365 | — |
| Annual Incentive Award ⁽⁴⁾ | Indeterminable | — | — | — | — | — |
| Other compensation plans ⁽⁵⁾ ... | — | Indeterminable | Indeterminable | Indeterminable | Indeterminable | — |

- (1) Under our Severance Plan, employees may be eligible for severance payments in the event of employment termination by us due to a facility closure, permanent work-force reduction, organizational change that eliminates the employee's position, or similar event as determined by the company. The named executive officers participate in the Severance Plan on the same basis as all other employees. The amount in the table reflects salary continuation payments calculated in accordance with the provisions of the plan. Also under this plan, the named executive officers would be entitled to continue to participate in our health and welfare benefits programs at employee rates during the severance period.
- (2) Under the Incentive Plan, in the event of a change-in-control of Piper Jaffray, regardless of whether an employee's employment is terminated all outstanding restricted stock (other than the long-term, performance-based (ROE) equity awards) will vest and all restrictions on the restricted stock will lapse. Under the applicable award agreements for the performance-based restricted stock awards, 60% of the award will vest if a change-in-control occurs between April 30, 2011 and April 30, 2012 and an additional 20% will vest in each subsequent 12-month period if a change-in-control occurs during that period.
- (3) Under the applicable award agreements, all of the restricted stock awards (other than the long-term, performance-based (ROE) equity awards) will continue to vest following a termination of employment so long as the termination was not for cause and the employee does not violate certain post-termination restrictions. Also, with the exception of the performance-based awards, vesting is

accelerated upon a company-determined severance event. The long-term, performance-based restricted stock awards will be forfeited following a voluntary termination of employment, other involuntary termination not for cause, or involuntary termination for cause, but not in the event of a company-determined severance event so long as the employee complies with the terms of the applicable severance agreement. Upon a severance event, the long-term, performance-based (ROE) awards will continue to vest as set forth in the award agreement. The amounts in the table reflect these terms and conditions and assume compliance with any post-termination vesting requirements that are within the named executive officers' control.

- (4) Qualified performance-based awards granted under the annual incentive program are payable in the discretion of the Compensation Committee, and are therefore indeterminable.
- (5) Mr. Schnettler participates in two historical compensation programs, under which no new awards have been made since 2000 and participation is frozen. Mr. Schnettler is the only named executive officer that participates in these plans and his deferred balance in the plans as of December 31, 2011 was \$21,645. Under these plans, participants are entitled to receive full benefits following a termination of employment (other than for cause), so long as the individual does not violate certain post-termination restrictions. The benefits that would be payable under these plans in every event other than a termination for cause are indeterminable because they are based on the value to investors of liquidity events, the timing and value of which are not ascertainable in advance.

Risk Assessment of Compensation Policies and Practices

In early 2012, our management prepared a company-wide inventory and review of our compensation policies and practices for both executive officers and for employees generally, which management discussed with the Compensation Committee. In connection with this review and discussion, we determined that our compensation policies and practices are not reasonably likely to have a material adverse effect on our company.

Outstanding Equity Awards

The following table summarizes, as of December 31, 2011, the number of shares of our common stock to be issued upon exercise of outstanding options granted under our equity plans as of December 31, 2011. The table also includes the weighted-average exercise price of options and the number of shares remaining available for future issuance under the plans for all awards.

| Plan Category | Number of shares to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of shares remaining available for future issuance under equity compensation plans (excluding shares in first column) |
|---|---|---|---|
| Equity compensation plans approved by shareholders | 502,623 | \$44.71 | 1,582,508 ⁽¹⁾ |
| Equity compensation plans not approved by shareholders ⁽²⁾ | — | n/a | 264,422 |

(1) Based on the 7,000,000 shares currently authorized for issuance under the plan. In addition to the 502,623 shares to be issued upon the exercise of outstanding options to purchase our common stock 2,478,507 shares of restricted stock issued under the plan were outstanding as of December 31, 2011. All of the shares available for future issuance under the plan as of December 31, 2011 may be granted in the form of restricted stock, restricted stock units, options or another equity-based award authorized under the plan.

(2) In 2010, we established the Piper Jaffray Companies 2010 Inducement Plan ("Inducement Plan") in conjunction with the acquisition of Advisory Research, an asset management firm based in Chicago.

The listing requirements of the New York Stock Exchange (specifically, section 303A.08) permit the adoption of an equity compensation plan without shareholder approval if awards under the plan are to be a material inducement to prospective employees. Accordingly, we adopted the Inducement Plan to assist in retention and induce prospective employees of Advisory Research to accept employment with the company. The aggregate number of shares that may be issued under the Inducement Plan is 400,000, and we granted 158,801 restricted shares (\$7.0 million) upon the closing of the transaction on March 1, 2010. (Of the amount granted, 13,044 shares have been returned following termination of employment, and 10,179 shares have been returned due to tax withholding, for a total of 264,422 shares included in the table above.) These shares vest ratably over five years in equal installments beginning on March 1, 2011, and ending on March 1, 2015. We do not intend to grant any additional shares under this plan. The Inducement Plan is administered by the Compensation Committee, which has the authority, among other things, to designate participants in the Inducement Plan, determine whether and to what extent any type of award is to be granted, determine the number of shares to be covered by each award, determine the terms and conditions of any award or award agreement, amend the terms and conditions of any award or award agreement, accelerate the vesting and/or exercisability of any stock option or waive any restrictions relating to any award and interpret and administer the Inducement Plan and any instrument or agreement relating to the Inducement Plan. The types of awards that may be granted under the Inducement Plan are stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents, other stock grants and other stock-based awards. Awards under the Inducement Plan generally are not transferable. In the event of a change-in-control, any outstanding stock options and stock appreciation rights under the Inducement Plan which are not then exercisable and vested will become fully exercisable and vested and the restrictions applicable to any restricted stock, restricted stock units or other awards shall lapse and such awards will become free of all restrictions and become fully vested. The Board may amend, alter, suspend, discontinue or terminate the Inducement Plan at any time. If not sooner terminated by the Board, the Inducement Plan will terminate on January 1, 2020. The foregoing is only a summary of the material terms of the Inducement Plan and is qualified in its entirety by reference to the Inducement Plan, a copy of which has been filed with the SEC.

SECURITY OWNERSHIP

Stock Ownership Guidelines

We believe it is important for our directors and executive officers to maintain a meaningful equity interest in our company, to ensure that their interests are aligned with the interests of our shareholders. Our Compensation Committee has adopted stock ownership guidelines to establish expectations for our executive officers and non-employee directors with respect to their equity stake in the company. Accordingly, executive officers are expected to retain 50% of the shares awarded to them through our incentive plan, or acquired upon exercise of stock options awarded to them, net of taxes and exercise costs. The guideline applies upon becoming an executive officer and remains in effect while the individual serves as an executive officer. Non-employee directors are expected to retain 75% of the shares awarded to them through our incentive plan, or acquired upon exercise of stock options. The guideline for non-employee directors applies irrespective of taxes paid for shares awarded, but is net of exercise costs for stock options.

Beneficial Ownership of Directors, Nominees and Executive Officers

The following table shows how many shares of our common stock were beneficially owned as of February 17, 2012 by each of our directors and executive officers named in the Summary Compensation Table contained in this proxy statement, and by all of our directors and executive officers as a group. The table also includes the number of shares of phantom stock that were deemed owned as of this date by each of our non-employee directors. Unless otherwise noted, the shareholders listed in the table have sole voting and investment power with respect to the shares owned by them.

| <u>Name of Beneficial Owner</u> | <u>Shares of Piper Jaffray Common Stock*</u> | <u>Phantom Shares**</u> |
|--|--|-------------------------|
| Andrew S. Duff | 315,920 ⁽¹⁾ | — |
| James L. Chosy | 50,984 ⁽²⁾ | — |
| Michael R. Francis | 14,880 ⁽³⁾ | 7,229 |
| B. Kristine Johnson | 20,735 ⁽⁴⁾ | 1,743 |
| Brien M. O'Brien | 335,199 ⁽⁵⁾ | — |
| Addison L. Piper | 26,213 ⁽⁶⁾ | 3,495 |
| Lisa K. Polsky | 7,500 ⁽⁷⁾ | 15,486 |
| Thomas P. Schnettler | 227,191 ⁽⁸⁾ | — |
| Debbra L. Schoneman | 38,226 ⁽⁹⁾ | — |
| Frank L. Sims | 20,380 ⁽¹⁰⁾ | 6,325 |
| Jean M. Taylor | 6,463 ⁽¹¹⁾ | 8,446 |
| Michele Volpi | 4,465 ⁽¹²⁾ | — |
| Hope B. Woodhouse | — | 4,187 |
| All directors, executive officers and other named executive officers (19 persons) | 1,543,279 ⁽¹³⁾ | 46,911 |

* None of the individuals identified in this table owns more than 1% of Piper Jaffray common stock outstanding with the exception of Mr. Duff with 1.62%, Mr. O'Brien with 1.72% and Mr. Schnettler with 1.16%. As a group, our directors, director nominees and executive officers hold 7.91% of Piper Jaffray common stock. (These percentages are calculated using our outstanding shares as of February 17, 2012 plus 275,358 shares of common stock covered by options that are currently exercisable for the group.) The holders of restricted stock identified in the footnotes below have no investment power with respect to the restricted stock.

** The directors have no voting or investment power with respect to the shares of phantom stock. All shares of phantom stock have been deferred pursuant to the Deferred Compensation Plan for Non-Employee Directors, as described above under “Compensation Program for Non-Employee Directors.”

- (1) Includes 26,979 shares of restricted stock that vest in full on February 16, 2013, 15,680 shares of restricted stock that will vest in equal installments on February 15, 2013-14, 15,208 shares of restricted stock that will vest in equal installments on February 15, 2013-15, 78,314 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 92,653 shares of common stock held directly, 10 shares of common stock held by his two minor children, 2,529 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 84,547 shares of common stock covered by options that are currently exercisable.
- (2) Includes 3,822 shares of restricted stock that vest in full on February 16, 2013, 1,344 shares of restricted stock that will vest in equal installments on February 15, 2013-14, 3,653 shares of restricted stock that will vest in equal installments on February 15, 2013-15, 24,097 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 7,232 shares of common stock held indirectly through a family trust, 423 shares of common stock held directly, 1,284 shares of common stock held in the Piper Jaffray Companies Retirement Plan, 4 shares held in an individual retirement account, and 9,125 shares of common stock covered by options that are currently exercisable.
- (3) Includes 3,000 shares of common stock held directly and 11,880 shares of common stock covered by options that are currently exercisable.
- (4) Includes 3,325 shares of common stock held directly, 1,200 shares of common stock held in an individual retirement account, 4,330 shares of common stock held in a family trust, and 11,880 shares of common stock covered by options that are currently exercisable.
- (5) Includes 113,620 shares of common stock held directly, 87,593 shares of restricted stock that will vest on December 1, 2012, 87,593 that will vest on October 1, 2014, and 46,393 shares held in a trust in which a third party is designated as the sole trustee and has control over the investment decisions of the trust. Of the shares held in trust, 16,274 will vest on December 1, 2012, and 16,274 will vest on October 1, 2014. All of Mr. O’Brien’s shares were issued in connection with the acquisition of Advisory Research, and, of the shares issued to Mr. O’Brien, 201,886 are currently held in escrow pursuant to the indemnification escrow agreement entered into as part of the transaction.
- (6) Includes 13,370 shares of common stock held directly, 179 shares of common stock held in the Piper Jaffray Companies Retirement Plan, 1,000 shares of common stock held in an individual retirement account, and 11,614 shares of common stock covered by options that are currently exercisable. The amount for Mr. Piper also includes 50 shares of common stock held by Mr. Piper’s spouse, as to which he disclaims beneficial ownership because he does not have voting or dispositive power over the shares.
- (7) All shares beneficially owned by Ms. Polsky are held directly.
- (8) Includes 21,246 shares of restricted stock that vest in full on February 16, 2013, 11,987 shares of restricted stock that will vest in equal installments on February 15, 2013-14, 3,900 shares of restricted stock that will vest in equal installments on February 15, 2013-15, 66,266 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 65,712 shares of common stock held directly, 1,284 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 56,796 shares of common stock covered by options that are currently exercisable.

- (9) Includes 4,722 shares of restricted stock that vest in full on February 16, 2013, 2,258 shares of restricted stock that will vest in equal installments on February 15, 2013-14, 1,300 shares of restricted stock that will vest in equal installments on February 15, 2013-15, 24,390 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 3,496 shares of common stock held directly, 1 share of common stock held by her spouse, 1,284 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 775 shares of common stock covered by options that are currently exercisable.
- (10) Includes 8,500 shares of common stock held directly and 11,880 shares of common stock covered by options that are currently exercisable.
- (11) Includes 500 shares of common stock held directly and 5,963 shares of common stock covered by options that are currently exercisable.
- (12) All shares beneficially owned by Mr. Volpi are held directly.
- (13) Includes 112,949 shares of restricted stock that vest in full on February 16, 2013, 64,521 shares of restricted stock that will vest in equal installments on February 15, 2013-14, 30,236 shares of restricted stock that will vest in equal installments on February 15, 2013-15, 307,820 shares of restricted stock that will vest if the company meets a performance target of return on adjusted common equity of 11% over a twelve-month period, 19,314 shares of common stock held in the Piper Jaffray Companies Retirement Plan, 733,081 shares of common stock held directly, by family members, by family trusts or by a retirement or profit-sharing plan or account other than the Piper Jaffray Companies Retirement Plan, and 275,358 shares covered by options that are currently exercisable.

Beneficial Owners of More than Five Percent of Our Common Stock

Based on filings made under Section 13(g) of the Securities Exchange Act of 1934, the persons known by us to be beneficial owners of more than 5% of our common stock were as follows:

| <u>Name of Beneficial Owner</u> | <u>Shares of Piper Jaffray Common Stock</u> | <u>Percent of Class</u> |
|---|---|-------------------------|
| BlackRock, Inc. 40 East 52nd Street New York, NY 10022 | 1,411,525 ⁽¹⁾ | 7.36% |
| T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202 | 1,113,815 ⁽²⁾ | 5.8% |
| The Bank of New York Mellon Corporation and affiliated companies One Wall Street, 31st Floor New York, NY 10286 | 966,482 ⁽³⁾ | 5.04% |

- (1) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 10, 2012, by BlackRock, Inc. BlackRock reported sole voting and dispositive power with respect to all shares reported in the table.
- (2) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2012, by T. Rowe Price Associates, Inc. T. Rowe Price Associates reported that it has sole voting power as to 219,450 shares and sole dispositive power as to 1,113,815 shares. T. Rowe Price Associates serves as investment advisor to certain individual and institutional clients holding the shares listed above, and as an investment advisor may be deemed to have beneficial ownership of the

shares owned by its advisory clients. T. Rowe Price Associates disclaims beneficial ownership of these shares. T. Rowe Price Associates, Inc. is a wholly owned subsidiary of T. Rowe Price Group, Inc., which is a publicly traded financial services holding company.

- (3) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on January 30, 2012, by The Bank of New York Mellon Corporation and certain of its affiliates. The reporting persons reported that they have sole voting power as to 698,984 shares, sole dispositive power as to 752,708 shares and shared dispositive power as to 198,694 shares. All of the shares listed above are owned by The Bank of New York Mellon or its affiliates in their various fiduciary capacities and, in every instance, another entity is entitled to the dividends or proceeds of sale from such shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors to file initial reports of ownership of our securities and reports of changes in ownership with the Securities and Exchange Commission. Based on our knowledge and on written representations from our executive officers and directors, we believe that all Section 16(a) filing and disclosure requirements applicable to our executive officers and directors for 2011 have been satisfied.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Compensation Committee Interlocks and Insider Participation

The Compensation Committee, comprised entirely of independent, non-employee directors, is responsible for establishing and administering our policies involving the compensation of our executive officers. No employee of the company serves on the Compensation Committee. The Committee members have no interlocking relationships as defined by the Securities and Exchange Commission.

Transactions with Related Persons

From time to time in the ordinary course of business, Piper Jaffray, through our subsidiaries, engages in transactions with other corporations or entities whose executive officers or directors also are directors or executive officers of Piper Jaffray or have an affiliation with our directors or executive officers. Such transactions are conducted on an arm's-length basis and may not come to the attention of our directors or executive officers or those of the other corporations or entities involved. In addition, from time to time our executive officers and directors and their affiliates may engage in transactions in the ordinary course of business involving goods and services provided by Piper Jaffray, such as brokerage, asset management and financial advisory services. Such transactions are made on substantially the same terms and conditions as other similarly-situated clients who are neither directors nor employees.

We engage in ordinary course trading, brokerage and similar transactions with BlackRock, T. Rowe Price Associates, and The Bank of New York Mellon and its affiliates, all of whom are 5% shareholders of the company. The transactions we conduct with these firms are negotiated on an arms-length basis and contain customary terms and conditions.

From time to time, we permit our employees, including executive officers, who are accredited investors to personally invest in private funds managed by Piper Jaffray or our asset management subsidiaries (Advisory Research and FAMCO) to support marketing efforts for these funds. To encourage employee participation in these private funds, they may be offered to employees, including

executive officers, on a reduced or no management fee basis. With respect to registered funds advised or sub-advised by our asset management subsidiaries, executive officers and directors may invest their personal funds in these funds on substantially the same terms and conditions as other similarly-situated investors in these funds who are neither directors nor employees.

Review and Approval of Transactions with Related Persons

To minimize actual and perceived conflicts of interests, our Board of Directors has adopted a written policy governing our company's transactions where the aggregate amount involved is reasonably expected to exceed \$120,000 and any of the following persons has or may have a direct or indirect interest: (a) our executive officers or directors (including nominees), (b) shareholders who own more than 5% of our common stock, (c) immediate family members of any executive officer or director, and (d) the primary business affiliation of any person described in (a), (b) or (c). Unless exempted from the policy, related person transactions must be submitted for review by our Nominating and Governance Committee. The Nominating and Governance Committee considers the available, relevant facts and circumstances and will approve or ratify only those related person transactions that it determines are in, or are not inconsistent with, the best interests of our company and its shareholders. The chairperson of the Nominating and Governance Committee may approve and ratify transactions if it is not practicable to wait until the next committee meeting, but the chairperson is required to report to the committee at its next meeting any approval or ratification pursuant to this delegated authority. The Board of Directors also may exercise the powers and duties of the Nominating and Governance Committee under our policy governing related person transactions. Certain transactions that would not be required to be disclosed under applicable rules and regulations of the Securities and Exchange Commission are exempted from the definition of related person transactions under our policy.

AUDIT COMMITTEE REPORT AND PAYMENT OF FEES TO OUR INDEPENDENT AUDITOR

Audit Committee Report

The primary function of our Audit Committee is oversight of our financial reporting process, publicly filed financial reports, internal accounting and financial controls, and the independent audit of the consolidated financial statements. The consolidated financial statements of Piper Jaffray Companies for the year ended December 31, 2011 were audited by Ernst & Young LLP, independent auditor for the company.

As part of its activities, the Committee has:

1. Reviewed and discussed with management and the independent auditor the company's audited financial statements;
2. Discussed with the independent auditor the matters required to be communicated under *Statement on Auditing Standards No. 61 (Communications with Audit Committees)*; and
3. Received the written disclosures and letter from the independent auditor required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and has discussed with the independent auditor the independent auditor's independence.

Management is responsible for the company's system of internal controls and financial reporting process. Ernst & Young LLP is responsible for performing an independent audit of the consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and for issuing a report thereon. Our Committee's responsibility is to monitor and oversee these

processes. Based on the foregoing review and discussions and a review of the report of Ernst & Young LLP with respect to the consolidated financial statements, and relying thereon, we have recommended to the Board of Directors of Piper Jaffray Companies the inclusion of the audited consolidated financial statements in Piper Jaffray's Annual Report on Form 10-K for the year ended December 31, 2011, for filing with the Securities and Exchange Commission.

Audit Committee of the Board of Directors of Piper Jaffray Companies

Frank L. Sims, *Chairperson*

Lisa K. Polsky

Hope B. Woodhouse

Auditor Fees

Ernst & Young LLP served as our independent auditor for 2011 and 2010. The following table presents fees for professional audit services for the audit of our annual consolidated financial statements for 2011 and 2010, as well as fees for the review of our interim consolidated financial statements for each quarter in 2011 and 2010 and for all other services performed for 2011 and 2010 by Ernst & Young LLP.

| | 2011 | 2010 |
|---|-----------|-------------|
| Audit Fees | \$819,400 | \$ 941,300 |
| Audit-Related Fees ⁽¹⁾ | 100,500 | 70,500 |
| Tax Fees | 0 | 0 |
| All Other Fees ⁽²⁾ | 26,175 | 2,820 |
| Total | \$946,075 | \$1,014,620 |

⁽¹⁾ Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of our financial statements. Specifically, the services provided for 2011 and 2010 included services relating to IRA Keogh agreed-upon procedures, employee benefit plan audits, security custody surprise audit count and the issuance of an independent auditor's report on controls placed in operation and tests of operating effectiveness.

⁽²⁾ For all other fees in 2011 and 2010, services consist of capital markets accounting consultations.

Auditor Services Pre-Approval Policy

The Audit Committee has adopted an auditor services pre-approval policy applicable to services performed for us by our independent auditor. In accordance with this policy, the Audit Committee's practice is to approve annually all audit, audit-related and permissible non-audit services to be provided by the independent auditor during the year. If a service to be provided is not pre-approved as part of the annual process or if it may exceed pre-approved fee levels, the service must receive a specific and separate pre-approval by the Audit Committee, which has delegated authority to grant such pre-approvals during the year to the chairperson of the Audit Committee. Any pre-approvals granted pursuant to this delegated authority are reported to the Audit Committee at its next regular meeting.

Our Audit Committee has determined that the provision of the non-audit services described in the table above was compatible with maintaining the independence of our independent auditor. The Audit Committee reviews each non-audit service to be provided and assesses the impact of the service on the auditor's independence. On February 23, 2011, the Audit Committee pre-approved certain services to be provided by our independent auditor relating to engagements occurring on or after that date.

ITEM 2 — RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR

The Audit Committee of our Board of Directors has selected Ernst & Young LLP to serve as our independent auditor for the year ending December 31, 2012. While it is not required to do so, our Board of Directors is submitting the selection of Ernst & Young LLP for ratification in order to ascertain the views of our shareholders with respect to the choice of audit firm. If the selection is not ratified, the Audit Committee will reconsider its selection. Representatives of Ernst & Young LLP are expected to be present at the annual meeting, will be available to answer shareholder questions and will have the opportunity to make a statement if they desire to do so.

The Board of Directors recommends that you vote FOR ratification of the selection of Ernst & Young LLP as the independent auditor of Piper Jaffray Companies and our subsidiaries for the year ending December 31, 2012. Proxies will be voted FOR ratification of this selection unless otherwise specified.

ITEM 3 — ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

We are asking our shareholders to provide advisory approval of the compensation of the officers included in this proxy statement, as we have described it in the “*Executive Compensation*” section. While this vote is advisory, and not binding on our company, the Compensation Committee of the Board of Directors will consider the outcome of the vote when making future compensation decisions for our executive officers. Following are some of the key points of our 2011 executive compensation program:

Our compensation practices demonstrate sound corporate governance. We continually review our executive compensation program to ensure it reflects good governance practices and the best interests of shareholders. Our executive compensation program currently includes:

- Annual incentives directly tied to profitability for each year
- No stand-alone change-in-control agreements
- No employment agreements with our executives other than our head of asset management
- Meaningful annual equity awards granted in lieu of — not in addition to — annual cash incentives
- Limited perquisites
- No tax gross-ups

We have designed our annual incentive and long-term compensation programs to be pay-for-performance. Our annual incentive plan is funded through profitability, and awards from this plan correspond with our level of profitability for a given year. For 2011, year-over-year adjusted pre-tax income declined and we significantly reduced annual incentives and total compensation for the year. As a result, year-over-year annual incentives declined as follows:

- 65% decline for our chief executive officer
- 79% decline for our chief financial officer
- 88% decline for our former president and chief operating officer
- 46% decline for our head of asset management
- 36% decline for our general counsel

The effect of these reductions was to meaningfully reduce total compensation for each named executive officer in 2011 — a clear demonstration of our pay-for-performance objective.

We performed well in a challenging environment and continue to execute our plan to improve our long-term financial performance. Our net loss of \$102.0 million for 2011 included a one-time \$118.4 million after-tax, non-cash goodwill impairment charge, which means we had non-GAAP net income of \$16.4 million for the year excluding the impairment charge. The impairment charge primarily related to goodwill created from the 1998 acquisition of our predecessor company by U.S. Bancorp, which we retained at the time of our spin-off from U.S. Bancorp, and which we believe is not indicative of our operating performance for 2011. We achieved these results in a very difficult macroeconomic environment in the second half of the year that included intense market volatility and significant declines in capital-raising, especially initial public offerings that constitute a large portion of our underwriting engagements. However, with our continued efforts to diversify our business mix by growing our higher-margin businesses — public finance, asset management and merger and acquisition activity — we believe we are well-positioned to serve clients and improve our performance when economic conditions improve.

The Board of Directors recommends that shareholders approve the following advisory resolution:

RESOLVED, that the compensation paid to the individuals identified in the Summary Compensation Table, as disclosed in this proxy statement pursuant to the compensation disclosure rules of the SEC (which disclosure includes the Compensation Discussion and Analysis section, the compensation tables and the accompanying footnotes and narratives within the Executive Compensation section of this proxy statement), is hereby approved.

The Board of Directors recommends that you vote FOR the advisory (non-binding) resolution.

SHAREHOLDER PROPOSALS FOR THE 2013 ANNUAL MEETING

In order for a shareholder proposal, including a director nomination, to be considered for inclusion in our proxy statement for the 2013 annual meeting of shareholders, the written proposal must be received at our principal executive offices on or before November 23, 2012. The proposal should be addressed to Piper Jaffray Companies, Attention: James L. Chosy, Secretary, 800 Nicollet Mall, Suite 800, Mail Stop J12SSH, Minneapolis, Minnesota 55402. The proposal must comply with Securities and Exchange Commission regulations regarding the inclusion of shareholder proposals in company-sponsored proxy materials.

In accordance with our bylaws, in order to be properly brought before the 2013 annual meeting, a shareholder's notice of the matter the shareholder wishes to present must be delivered to our principal executive offices in Minneapolis, Minnesota, at the address identified in the preceding paragraph, not less than 90 nor more than 120 days prior to the first anniversary of the date of this year's annual meeting. As a result, any notice given by or on behalf of a shareholder pursuant to these provisions of our bylaws (and not pursuant to Rule 14a-8 of the Securities and Exchange Commission) must be received no earlier than January 9, 2013, and no later than February 8, 2013.

HOUSEHOLDING

The Securities and Exchange Commission has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more shareholders sharing the same address by delivering a single proxy statement or annual report, as applicable, addressed to those shareholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. We household our proxy materials and annual reports for shareholders, delivering a single proxy statement and annual report to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders.

If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement or annual report, or if you are receiving multiple copies of either document and wish to receive only one, please contact us in writing or by telephone at Piper Jaffray Companies, Attention: Investor Relations, 800 Nicollet Mall, Suite 800, Mail Stop J12SSH, Minneapolis, Minnesota 55402, (612) 303-6277. We will deliver promptly upon written or oral request a separate copy of our annual report and/or proxy statement to a shareholder at a shared address to which a single copy of either document was delivered.

OTHER MATTERS

We do not know of any other matters that may be presented for consideration at the annual meeting. If any other business does properly come before the meeting, the persons named as proxies above will vote as they deem in the best interests of Piper Jaffray.

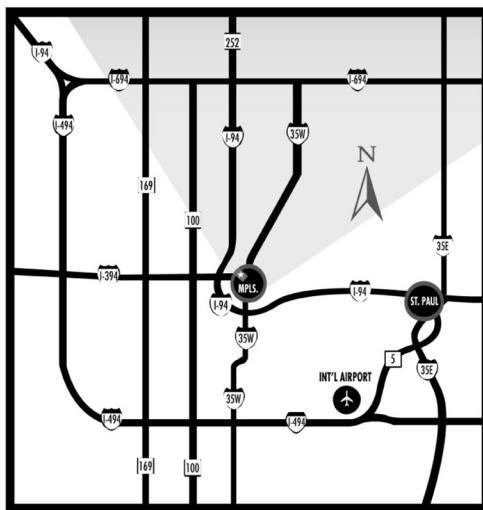
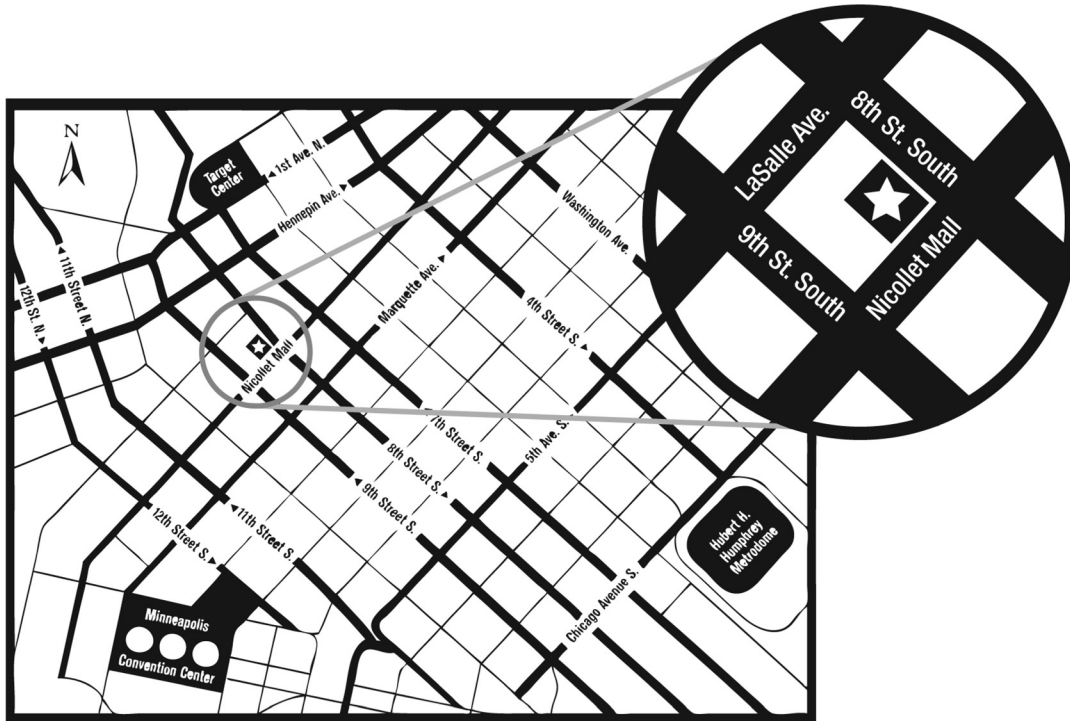


JAMES L. CHOSY
Secretary

Dated: March 23, 2012

LOCATION OF PIPER JAFFRAY COMPANIES ANNUAL MEETING OF SHAREHOLDERS

Wednesday, May 9, 2012, at 2:30 p.m.
The Huber Room in our Minneapolis Headquarters
12th Floor, U.S. Bancorp Center
800 Nicollet Mall
Minneapolis, MN 55402



PARKING: Recommended in the U.S. Bancorp Center Public Parking on LaSalle Avenue. The entrance is on LaSalle Avenue between 8th and 9th streets.

FROM THE NORTH:

Take I-94 South/East to 4th Street exit. Continue straight onto 4th Street North. Turn right onto 1st Avenue North. Turn left onto 8th Street North. Turn right onto LaSalle Avenue. Follow LaSalle Avenue for .5 blocks and U.S. Bancorp Center Public Parking will be on your left.

FROM THE SOUTH (AIRPORT):

Take I-494 West from the Minneapolis Airport. Take the I-35 North exit and go north on I-35 towards DOWNTOWN EXITS. Take the 5th Avenue South exit. Turn left onto 9th Street South. Turn right onto LaSalle Avenue. Follow LaSalle Avenue for .5 blocks and U.S. Bancorp Center Public Parking will be on your right.

FROM THE EAST:

Take I-94 West towards Minneapolis. Take the 11th Street South exit. Turn slight left to take the 11th Street South ramp. Turn slight left onto 11th Street South. Turn right onto LaSalle. Follow LaSalle Avenue for 2.5 blocks and U.S. Bancorp Center Public Parking will be on your right.

FROM THE WEST:

Take I-394 East towards Minneapolis. Take the 12th Street North exit. Turn slight right onto 12th Street North. Turn left onto Hennepin Avenue. Turn right onto 8th Street South. Turn right onto LaSalle Avenue. Follow LaSalle Avenue for .5 blocks and U.S. Bancorp Center Public Parking will be on your left.

Beneficial owners of common stock held in street name by a broker, bank, trust or other nominee may need proof of ownership to be admitted to the meeting. A brokerage statement or letter from the broker, bank, trust or other nominee are examples of proof of ownership.