

PiperJaffray®

800 Nicollet Mall, Suite 800
Mail Stop J09N05
Minneapolis, Minnesota 55402
612 303-6000

March 16, 2009

Dear Shareholders:

You are cordially invited to join us for our 2009 annual meeting of shareholders, which will be held on Thursday, May 7, 2009, at 3:30 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.

Of the items of business described in the Notice of Annual Meeting of Shareholders, the proposal to approve an increase in the available shares under our Amended and Restated 2003 Annual and Long-Term Incentive Plan is of critical importance to Piper Jaffray. The increase in shares will allow us to strengthen our employee ownership culture and further align employees' interests with the interests of shareholders. The Board of Directors recommends that you vote for approval of this increase in available shares under the plan.

Also, we are pleased to inform you this year that 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,



ANDREW S. DUFF
Chairman and Chief Executive Officer

PiperJaffray®

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Mail Stop J09N05
Minneapolis, Minnesota 55402
612 303-6000

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

- Date and Time:** Thursday, May 7, 2009, at 3:30 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 five directors, each for a one-year term.
 2. Approval of an amendment to our Amended and Restated 2003 Annual and Long-Term Incentive Plan.
 3. 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 10, 2009.
- 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 Wednesday, May 6, 2009. 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 7, 2009

Our proxy statement and 2008 annual report are available at www.piperjaffray.com/proxymaterials

By Order of the Board of Directors



JAMES L. CHOSY
Secretary

March 16, 2009

**PROXY STATEMENT
TABLE OF CONTENTS**

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING	1
What is the purpose of the meeting?	1
Who is entitled to vote at the meeting?	1
What are my voting rights?	1
How many shares must be present to hold the meeting?	1
What is a proxy?	1
What is a proxy statement?	2
Why did I receive a one-page Notice of Internet Availability of Proxy Materials in the mail this year instead of a full set of proxy materials?	2
How can I get electronic access to the proxy materials if I don't already receive them via e-mail?	2
What is the difference between a shareholder of record and a "street name" holder?	2
How do I submit my proxy?	2
How do I vote if I hold shares in the Piper Jaffray Companies Retirement Plan or U.S. Bancorp 401(k) Savings Plan?	3
What does it mean if I receive more than one Notice of Internet Availability of Proxy Materials?	3
Can I vote my shares in person at the meeting?	3
How does the Board recommend that I vote?	3
What if I do not specify how I want my shares voted?	3
Can I change my vote after submitting my proxy?	4
What vote is required to approve each item of business included in the notice of meeting?	4
How are votes counted?	4
How can I attend the meeting?	5
Who pays for the cost of proxy preparation and solicitation?	5
ITEM 1 — ELECTION OF DIRECTORS	5
Nominees for Election to the Board of Directors for a One-Year Term Expiring in 2010	6
Members of the Board of Directors Continuing in Office	7
INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE	7
Codes of Ethics and Business Conduct	7
Director Independence	7
Lead Director	9
Meetings of the Outside Directors	10
Committees of the Board	10
Audit Committee	10
Compensation Committee	10
Nominating and Governance Committee	11
Meeting Attendance	12
Procedures for Contacting the Board of Directors	12
Procedures for Selecting and Nominating Director Candidates	12
Compensation Program for Non-Employee Directors	13
Non-Employee Director Compensation for 2008	14

EXECUTIVE COMPENSATION	15
Compensation Discussion and Analysis	15
Compensation Committee Report	24
Summary Compensation Table	25
Grants of Plan-Based Awards	27
Outstanding Equity Awards at Fiscal Year End	29
Option Exercises and Stock Vested	30
Non-Qualified Deferred Compensation Plans	30
Potential Payments Upon Termination or Change-in-Control	32
SECURITY OWNERSHIP	34
Stock Ownership Guidelines	34
Beneficial Ownership of Directors, Nominees and Executive Officers	34
Beneficial Owners of More than Five Percent of Our Common Stock	37
SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE	37
CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	38
Compensation Committee Interlocks and Insider Participation	38
Transactions with Related Persons	38
Review and Approval of Transactions with Related Persons	38
AUDIT COMMITTEE REPORT AND PAYMENT OF FEES TO OUR INDEPENDENT AUDITOR	39
Audit Committee Report	39
Auditor Fees	39
Auditor Services Pre-Approval Policy	40
APPOINTMENT OF INDEPENDENT AUDITOR	40
ITEM 2 — Approval of Amendment to the Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan	41
SHAREHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING	49
HOUSEHOLDING	49
OTHER MATTERS	50
Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan, as Amended	Appendix A

PROXY STATEMENT
2009 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 7, 2009

The Board of Directors of Piper Jaffray Companies is soliciting proxies for use at the annual meeting of shareholders to be held on May 7, 2009, 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 16, 2009.

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 and the approval of an amendment to our Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan"), which is being amended principally to increase the number of shares of our common stock available for issuance under the Incentive Plan by 1,500,000 shares.

With respect to the Incentive Plan proposal, the Board of Directors believes that this proposal is critical to Piper Jaffray's future success. The increase in shares will allow us to strengthen our employee ownership culture and further align employees' interests with the interests of shareholders. The Board of Directors recommends that you vote for approval of this increase in available shares under the plan.

Who is entitled to vote at the meeting?

The Board has set March 10, 2009, as the record date for the annual meeting. If you were a shareholder of record at the close of business on March 10, 2009, you are entitled to vote at the meeting. As of the record date, 19,669,601 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 19,669,601 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 2009 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 in the mail this year 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 will reduce 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. 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?

You will need your control number to get electronic access to the proxy materials, which was provided to you in the Notice of Internet Availability 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:

- over the telephone by calling a toll-free number;
- through the Internet using *www.proxyvote.com*; 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 telephone or Internet, 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 procedures when prompted. The procedures 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. Bancorp 401(k) Savings Plan?

If you hold shares of Piper Jaffray common stock in the Piper Jaffray Companies Retirement Plan or U.S. Bancorp 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. Bancorp 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?

If you receive more than one Notice of Internet Availability 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. Bancorp 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. Bancorp 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; and
- **FOR** the amendment to the Incentive Plan to increase the number of shares of our common stock available for issuance under the Incentive Plan by 1,500,000 shares. The Board of Directors believes that this proposal is critical to Piper Jaffray's future success, so please vote your shares, or instruct your broker, bank, trust or other nominee to vote **FOR** this proposal.

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; and
- **FOR** the amendment to the Incentive Plan.

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. With respect to the election of the nominees for director, the rules permit member brokers (other than our broker-dealer subsidiary, Piper Jaffray & Co.) to exercise voting discretion as to the uninstructed shares. If the broker, bank or other nominee does not exercise this discretion, the uninstructed shares will be referred to as a “broker non-vote.” With respect to the amendment to the Incentive Plan, however, member brokers (including Piper Jaffray & Co.) may *not* exercise voting discretion and thus uninstructed shares will not be voted on this proposal. 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 Wednesday, May 6, 2009;
- 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 five 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 amend the Incentive Plan, provided, however, that a majority of the total number of outstanding shares of common stock must vote on the proposal.

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 the other proposal. If you properly submit your proxy but withhold authority to vote for one or more director nominees or abstain from voting on the other proposal, 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 amend the Incentive Plan, if you abstain from voting this 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. However, a failure to vote or a broker non-vote with respect to the Incentive Plan may affect the voting to the extent that the failure to vote or the broker non-vote causes less than a majority of the outstanding shares of common stock to be voted on this proposal.

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 \$25,000 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 eight. In 2007, our Board of Directors and shareholders approved an amendment and restatement of our Amended and Restated Certificate of Incorporation, which declassified our Board of Directors and provided for the annual election of all of our directors in a manner that does not affect the unexpired terms of the directors elected prior to our 2008 annual meeting. By staggering the implementation of the declassified board in a manner that does not affect unexpired terms, the directors who previously served in Classes II and III are the only nominees for election at our 2009 annual meeting. At our 2010 annual meeting and each annual meeting thereafter, our shareholders will be asked to vote for the entire Board of Directors.

At this year’s annual meeting, the terms of our directors who previously served as Class II and Class III directors will expire. Michael R. Francis, B. Kristine Johnson, Addison L. Piper, Lisa K. Polsky and Jean M. Taylor have been nominated for reelection to the Board to serve until our 2010 annual meeting of shareholders or until their successors are elected and qualified. Each of the nominees has agreed to serve as a director if elected. The five 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 five 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 five director nominees. Proxies will be voted FOR the election of the five nominees unless otherwise specified.

Following is biographical information for each of the nominees for election as a director and for the directors whose terms of office will continue after the meeting.

Nominees for Election to the Board of Directors for a One-Year Term Expiring in 2010

MICHAEL R. FRANCIS: Age 46, director since December 31, 2003. Mr. Francis is executive vice president and chief marketing officer for Target Corporation, a position he has held since August 2008. Target Corporation operates Target-brand general merchandise discount stores and an online business, Target.com. Mr. Francis began his career with Marshall Field's department stores in 1985 and has been with Target Corporation since its acquisition of Marshall Field's in 1990. 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.

B. KRISTINE JOHNSON: Age 57, 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.

ADDISON L. PIPER: Age 62, 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 11, 2006, Mr. Piper also had responsibility for our venture and private capital fund activities. Mr. Piper also is a member of the board of directors of Renaissance Learning Corporation.

LISA K. POLSKY: Age 52, director since May 2, 2007. In February 2009, Ms. Polsky joined Jane Street Capital, LLC, a New York-based quantitative proprietary trading firm. From March 2008 until joining Jane Street Capital, she served as partner and head of global investment solutions for Duff Capital Advisors, which provides integrated 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 is a member of the board of directors of thinkorswim Group Inc.

JEAN M. TAYLOR: Age 46, director since July 27, 2005. Ms. Taylor is the president and chief executive officer of Taylor Corporation, positions she has held since 2001 and 2007, respectively. Taylor Corporation is a privately held group of approximately 80 affiliated entrepreneurial companies engaged in marketing, fulfillment, personalization and printing services. These businesses operate throughout North America, Europe and Australia and together employ more than 15,000 employees. Ms. Taylor joined Taylor Corporation in 1994 as vice president and served as executive vice president from 1999 to 2001.

Members of the Board of Directors Continuing in Office

ANDREW S. DUFF: Age 51, 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 also 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.

SAMUEL L. KAPLAN: Age 72, director since December 31, 2003. Mr. Kaplan is a partner and founding member of the law firm of Kaplan, Strangis and Kaplan, P.A., Minneapolis, Minnesota, and has served as the firm's president continuously since the firm was founded in 1978.

FRANK L. SIMS: Age 58, director since December 31, 2003. Mr. Sims retired from Cargill, Inc. effective 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.

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, all of which are available on our website at www.piperjaffray.com. Other corporate governance documents available on our website include 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. All of these documents also are available in print to any shareholder who requests them.

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 and are available in print to any shareholder who requests them. We will post on our website at www.piperjaffray.com 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 the following categorical Director Independence Standards, which are available on our website at www.piperjaffray.com. Under the Director Independence Standards, a director will be deemed independent for purposes of service on the Board if:

- (1) the director does not have any relationship described in Rule 303A.02(b) of the New York Stock Exchange corporate governance rules;

- (2) in the event the director has a relationship that is not of a type described in the Director Independence Standards or that exceeds the limits of the relationships described in the Director Independence Standards, the Board determines in its judgment, after broad consideration of all relevant facts and circumstances, that the relationship is not material; and
- (3) the Board reviews all commercial, banking, consulting, legal, accounting, charitable, familial and other relationships the director has with Piper Jaffray that are not of a type described in the Director Independence Standards and determines in its judgment, after broad consideration of all relevant facts and circumstances, that the relationship is not material.

Our Director Independence Standards deem the following types of relationships not to be material relationships that would cause a director not to be independent:

- (a) Piper Jaffray has made payments for goods or services to, or has received payments for goods or services from, the primary business affiliation of the director or an immediate family member of the director in an aggregate amount during a fiscal year that does not exceed the greater of \$1 million or 2% of such other company's consolidated gross revenues for that fiscal year;
- (b) lending relationships, deposit relationships, or other banking relationships between Piper Jaffray, on one hand, and a director's or immediate family member's primary business affiliation, on the other hand, if the relationship is in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with similarly situated non-affiliates;
- (c) the director or an immediate family member, or their primary business affiliation, maintains a brokerage, margin or similar account with, or has purchased investment services, investment products, securities or similar products and services from Piper Jaffray, including ownership of interests in partnerships or funds sponsored or managed by Piper Jaffray, if the relationship is on substantially the same terms as those prevailing at the time for comparable transactions with similarly situated non-affiliates;
- (d) the director or an immediate family member is a partner or associate of, or of counsel to, a law firm providing services to Piper Jaffray if (i) such person has not personally provided legal services to Piper Jaffray, and (ii) the aggregate payments received by the law firm from Piper Jaffray in any fiscal year do not exceed the greater of \$1 million or 2% of the law firm's consolidated gross revenues for that fiscal year;
- (e) a relationship arising solely from a director's, an immediate family member's, or their primary business affiliation's ownership of an equity or limited partnership interest in an entity that engages in a transaction with Piper Jaffray, if the director's, the immediate family member's or their primary business affiliation's ownership interest does not exceed 5% of the total equity or partnership interests in that other entity;
- (f) a relationship arising solely from a director's position as a director of another company that provides services to, or is provided services by, Piper Jaffray;
- (g) a relationship arising from both an interest as described in subsection (e) and a position as described in subsection (f) above;
- (h) a relationship arising solely because an immediate family member of the director is a director or employee of another company that provides services to, or is provided services by, Piper Jaffray;
- (i) the director or an immediate family member has received personal loans from Piper Jaffray that are specifically permitted under Section 402 of the Sarbanes-Oxley Act of 2002 and any regulations adopted thereunder;
- (j) the director or an immediate family member is a director, trustee or executive officer of a foundation, university or other non-profit organization that receives from Piper Jaffray or the

Piper Jaffray Foundation charitable contributions in an amount that does not exceed the greater of \$100,000 or 5% of the organization's aggregate annual charitable receipts during its preceding fiscal year; and

- (k) the director's primary business affiliation is a venture capital, private equity, hedge fund, merchant bank, asset manager or similar investment firm and a portfolio company thereof engages Piper Jaffray or its subsidiaries to provide investment banking or financial advisory services and such engagement is in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with similarly situated companies.

For purposes of these standards, a director's "primary business affiliation" means an entity of which the director is an executive officer, partner or employee or owns directly at least a 10% equity interest, and an immediate family member's "primary business affiliation" means an entity of which the immediate family member is an executive officer, general partner or owns directly or indirectly at least a 10% equity interest.

The Board has affirmatively determined, in accordance with the foregoing Director Independence Standards, that none of our non-employee directors other than Addison L. Piper has a material relationship with Piper Jaffray and that other than Mr. Piper, each non-employee director (including Michael R. Francis, B. Kristine Johnson, Samuel L. Kaplan, Lisa K. Polsky, Frank L. Sims and Jean M. Taylor) is independent. None of the independent directors has a relationship described in Rule 303A.02(b) of the New York Stock Exchange rules, and, with one exception, every relationship between Piper Jaffray and each of these directors is of a type described in the Director Independence Standards and does not exceed the limits set forth in the Director Independence Standards. Within the types of relationships listed above, Messrs. Francis and Kaplan, Ms. Johnson, Ms. Taylor and Ms. Polsky have relationships with Piper Jaffray of the type described in (a); Mr. Francis, Ms. Johnson and Ms. Taylor have relationships with Piper Jaffray of the type described in (f); Messrs. Francis, Kaplan and Sims and Ms. Johnson and Ms. Taylor have relationships with Piper Jaffray of the type described in (j); and Ms. Johnson has a relationship with Piper Jaffray of the type described in (k). The Board also considered that Ms. Johnson's nephew is an investment banking analyst for our company and determined that this relationship is not material given the nature of the family relationship and the position.

Our other directors, Mr. Duff and Mr. Piper, cannot be considered independent directors because of relationships with the company that are described in Rule 303A.02(b) of the New York Stock Exchange corporate governance rules. Specifically, Mr. Duff is employed as our chief executive officer, and Mr. Piper was employed as an executive officer of Piper Jaffray within the last three years.

Lead Director

The Board of Directors has appointed Mr. Kaplan to serve as the lead director of the Board. 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.

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. Kaplan, our lead director, serves as the presiding director of 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 Messrs. Piper and Duff.

Committees of the Board

Audit Committee

Members: Frank L. Sims, *Chairperson*
Samuel L. Kaplan
Lisa K. Polsky

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. The Audit Committee 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 2008. 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 and Ms. Polsky is an "audit committee financial expert" as defined by regulations of the Securities and Exchange Commission.

Compensation Committee

Members: Lisa K. Polsky, *Chairperson*
Michael R. Francis
Frank L. Sims
Jean M. Taylor

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. 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. In addition, 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 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. The annual equity grants are 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 chief administrative officer and our Human Resources department. These personnel work closely with the chief executive officer and, as appropriate, the chief financial and accounting officers and the 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.”

In 2008, the Compensation Committee engaged an independent outside compensation consultant, Towers Perrin, to provide peer group analyses, competitive assessments, program design recommendations and advice to the Committee, as described below under “Compensation Discussion and Analysis — Setting Compensation — Compensation Consultant.”

The 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 five times during 2008. 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

Members: Samuel L. Kaplan, *Chairperson*
Michael R. Francis
B. Kristine Johnson
Jean M. Taylor

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, evaluates 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 six times during 2008. 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 eight meetings during 2008. Each of our directors attended at least 75% of the meetings of the Board of Directors and the committees on which he or she served during 2008, other than Mr. Francis. Mr. Francis attended 70% of the meetings of the Board of Directors and the committees on which he served for the year as a result of absences due to a prolonged family medical issue during 2008. Attendance at our Board and committee meetings during 2008 averaged 94.7% for our directors as a group, and six of our directors attended the 2008 annual meeting of shareholders.

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 J09N05, 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 J09N05, 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, geography, age, gender and ethnic diversity. The Committee will reassess the qualifications of a director, including the director's attendance and contributions at Board and committee meetings, prior to recommending a director for reelection.

Compensation Program for Non-Employee Directors

Directors who are not Piper Jaffray employees receive an annual cash retainer of \$50,000 for service on our Board and Board committees. No separate meeting fees are paid. The lead director and the chairperson of the Audit Committee each receives an additional annual cash retainer of \$8,000. The chairperson of each other standing committee of the Board each receives an additional annual cash retainer of \$5,000. In addition to the cash retainer, we grant equity awards to our non-employee directors to further align their interests with those of our shareholders. We grant non-employee directors who continue their service on the Board following an annual meeting of shareholders 1,000 shares of our common stock on the date of the annual meeting. In addition, each non-employee director receives 500 shares of our common stock on the date of the director's initial election to the Board. The 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 pro rata annual retainers and awarded pro rata equity awards based on the period they serve as directors 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 by our non-employee directors. 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 as a non-employee director. 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 also 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. In addition, our non-employee directors are reimbursed 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, 2008.

Non-Employee Director Compensation for 2008

Director	Fees Earned or Paid in Cash					Total (\$)
	Annual Retainer (\$)	Additional Retainer ⁽¹⁾ (\$)	Stock Awards ⁽²⁾⁽³⁾ (\$)	Option Awards ⁽³⁾ (\$)	All Other Compensation ⁽⁴⁾ (\$)	
Michael R. Francis	50,000	5,000	37,630	—	—	92,630
B. Kristine Johnson	50,000	—	37,630	—	1,500	89,130
Samuel L. Kaplan	50,000 ⁽⁵⁾	13,000 ⁽⁵⁾	37,630 ⁽⁷⁾	—	1,500	102,130
Addison L. Piper	50,000	—	47,691 ⁽⁸⁾	1,824 ⁽⁸⁾	22,566	122,081
Lisa K. Polsky	50,000 ⁽⁵⁾	1,352 ⁽⁵⁾	37,630 ⁽⁷⁾	—	1,500	90,482
Frank L. Sims	50,000	8,000	37,630 ⁽⁷⁾	—	1,500	97,130
Jean M. Taylor	50,000 ⁽⁶⁾	—	37,630 ⁽⁷⁾	—	1,500	89,130

⁽¹⁾ The amounts in this column reflect the additional cash retainer of \$8,000 paid to each of the lead director and the chairperson of the Audit Committee as well as the additional cash retainer of \$5,000 paid to the chairperson of each other standing committee of the Board. Ms. Polsky became the chairperson of the Compensation Committee on September 23, 2008 and received a pro rated portion of the additional cash retainer payable to the chairperson of the Compensation Committee for 2008.

⁽²⁾ Each non-employee director received a grant of 1,000 shares of our common stock on May 7, 2008, the day of our 2008 annual meeting of shareholders. The values in this column reflect the \$37.63 closing sale price of our common stock on the New York Stock Exchange on May 7, 2008 multiplied by the number of shares granted, which is grant date fair value of each award computed in accordance with Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)").

⁽³⁾ As of December 31, 2008, our non-employee directors held stock and option awards as set forth in the table below. The stock award values are based on the \$39.76 closing sale price of our common stock on the New York Stock Exchange on December 31, 2008, and the option award values are based on the difference between the exercise price of the in-the-money stock options and the closing price of \$39.76. The amounts for Mr. Piper include restricted stock and stock option awards granted to him in 2005, 2006 and 2007 during his tenure as an executive officer of the company. Refer to Note 21 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on February 28, 2009 for a discussion of the relevant assumptions used to determine the valuation of our stock and option awards for accounting purposes.

Director	Stock Awards (#)	Year-End Value of Stock Awards (\$)	Option Awards (#)	Year-End Value of Option Awards (\$)
Michael R. Francis	2,000	79,520	11,800	67,128
B. Kristine Johnson	2,000	79,520	11,800	67,128
Samuel L. Kaplan	2,000	79,520	11,800	67,128
Addison L. Piper	12,924	513,858	11,614	304
Lisa K. Polsky	2,169	86,239	—	—
Frank L. Sims	2,000	79,520	11,800	67,128
Jean M. Taylor	2,000	79,520	5,963	25,446

- (4) All other compensation for non-employee directors for the year ended December 31, 2008 consists of the following:
- The amounts for Ms. Johnson, Ms. Polsky, Ms. Taylor and Messrs. Kaplan and Sims include charitable matching contributions made by Piper Jaffray.
 - The amount for Mr. Piper consists of the following: (A) \$16,968 for the cost of office space that the company agreed to provide Mr. Piper following his retirement and related moving expenses, (B) \$1,098 for travel expenses for Mr. Piper related to a teaching engagement profiling the company conducted at a leading university's graduate business school, (C) \$3,000 paid to Mr. Piper for his service as a member of an investment committee for certain funds managed by our private equity business, and (D) \$1,500 of charitable matching contributions made by Piper Jaffray.
- (5) All of the cash fees received were deferred pursuant to the Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors.
- (6) Twenty percent of the cash fees received were deferred pursuant to the Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors.
- (7) All of the restricted shares received were deferred pursuant to the Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors.
- (8) The amount includes amounts amortized in accordance with restricted stock and stock option awards granted to Mr. Piper prior to 2008 under our Incentive Plan during his tenure as an executive officer of the company.

EXECUTIVE COMPENSATION COMPENSATION DISCUSSION AND ANALYSIS

Introduction

In 2008, global economic and financial market conditions were extraordinarily difficult, and these conditions resulted in Piper Jaffray posting an operating loss for the year. We believe, however, that as a firm we fared comparatively well overall, and remain focused on two key priorities: 1) appropriately adjusting our cost structure to enable us to operate through the difficult period, and 2) positioning the firm for when the markets eventually turn positive. **Given our operating loss and these priorities, our Compensation Committee determined, based in part upon the recommendation of our chief executive officer, that no member of the company's Leadership Team would receive any type of annual incentive award for 2008 performance.**

The Leadership Team consists of eleven individuals who serve as the executive officers of the company. Within this group, five constitute our "named executive officers" for purposes of this proxy statement. These individuals are:

- Andrew S. Duff, our chairman and chief executive officer;
- Debbra L. Schoneman, our chief financial officer;
- Thomas P. Schnettler, our president and chief operating officer, who served as our vice chairman and chief financial officer until May 2008;
- Jon W. Salveson, head of our Investment Banking business; and
- Robert W. Peterson, head of our Equities business.

In addition to the named executive officers, the Leadership Team includes the following six individuals: our chief executive officer of Piper Jaffray Ltd. (our European operation), our head of Piper Jaffray Asia, our head of Public Finance Services, our head of Fixed Income Services, our chief administrative officer, and our general counsel. **None of these eleven individuals received an annual incentive award for 2008 performance.**

Compensation Philosophy and Objectives

The company's 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. The company continually reviews its 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* — As noted above, the Leadership Team, which includes our named executive officers, did not receive annual incentive compensation for 2008 based on the company's operating results for the year. Consistent with historic industry practice, the company's performance-based annual incentive has typically accounted for a significant portion of the total compensation for each named executive officer. The amount of compensation paid is based first on the performance of the company, then applicable business unit performance and individual performance goals. In 2008, the company posted an operating loss, and the Compensation Committee, based in part upon the recommendation of our chief executive officer, determined that the company's Leadership Team would not receive any annual incentive award. The Committee reached this determination based on overall company performance even though certain executive officers within this group met their business unit and individual performance goals.
- *Stock Ownership* — The company is committed to increasing executive stock ownership over time. Equity ownership better aligns the interests of executives with those of our shareholders and helps to focus our executives on long-term shareholder value creation. The company's practice has been to pay a significant portion of the total compensation for our named executive officers in the form of equity awarded under our Incentive Plan. In addition, for the first time since our spin-off from U.S. Bancorp on December 31, 2003, the Committee granted the Leadership Team a long-term, performance-based restricted stock award in May 2008, which requires that the company meet a return on adjusted common equity target of 11% over a twelve-month period by April 30, 2013. This performance target is a significant increase to the company's historic return on equity, and the award is described in more detail below under "— 2008 Long-Term, Performance-Based Equity Grant".
- *Recruiting and Retention* — The securities industry has historically been marked by intense competition, and one of our key objectives has been to attract and retain outstanding executives who are motivated to achieve our mission to build the leading international middle-market investment bank and institutional securities firm. In previous years, retention has been a key area of focus for not only the Leadership Team, but also employees throughout the organization. As the company works to position itself for when the markets eventually turn positive, we will be focused not only on retaining our executives, but also on firm efforts to recruit.
- *Tax Deductibility and Compliance* — The company's executive compensation program is designed to maximize the tax deductibility of compensation payments to our named executive officers, to ensure that compensation is delivered as cost-efficiently as possible, and to comply with the deferred compensation rules set forth in Section 409A of the Internal Revenue Code, to avoid the payment of punitive excise taxes by our executive officers.

Setting Compensation

The Compensation Committee of our Board of Directors (referred 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. Early each year, 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, and establishes performance goals for the Leadership Team 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 —

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 chief administrative officer and our Human Resources department. Our chief administrative officer and head of human resources work closely with our chief executive officer and, as appropriate, our chief financial officer and general counsel, to prepare and present information and recommendations for review and consideration by the Committee in connection with its executive compensation decisions, including regarding 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.

Specifically with respect to annual incentive compensation, our chief executive officer presents the Committee with his recommendations for each member of the Leadership Team other than himself. In November 2008, he made a recommendation to the Committee that no member of our Leadership Team should receive an annual incentive award based on the company’s operating results, and following further discussion the Committee approved his recommendation at its first regular meeting of 2009.

Compensation Peer Group

Our Human Resources department annually identifies a compensation peer group of firms with which we compete for executive talent, and this group currently consists of Cowen Group, Inc.; FBR Capital Markets Corporation; Jefferies Group, Inc.; KBW, Inc.; and Thomas Weisel Partners Group, Inc. 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. The external market surveys that we used for 2008 were prepared by McLagan Partners, Towers Perrin and Mercer, and generally related to our industry and sub-sectors within our industry.

In prior years, the Committee compared the base salaries, cash incentives and long-term incentive compensation of our executive officers to the market median data derived from the compensation peer group, the external market surveys and other available data, taking into consideration the features and constraints of this information. In 2008, our operating results took precedence over the actions of peer firms. Also, the rapid deterioration of global economic and financial market conditions during 2008 rendered the available data less meaningful, as prior year comparisons failed to accurately reflect current market conditions. Ultimately, the Committee determined not to award annual incentives to our entire Leadership Team based on the operating results of the company for 2008.

Compensation Consultant

In 2008, the Committee engaged an independent outside compensation consultant, Towers Perrin, to provide ongoing assessments and advice to the Committee. The independent compensation consultant participated in four Committee meetings during the year, and advised the Committee regarding the information presented to the Committee by our Human Resources department. The only services provided by the compensation consultant to the company related to its services for the Committee, other than our Human Resources department’s use of three external market surveys prepared by Towers Perrin.

Compensation Program and Payments

The key components of our executive compensation program are base salary and annual incentive compensation, and the equity portion of our annual incentive compensation has historically served as long-term incentive compensation. In 2008, long-term incentive compensation consisted of a one-time,

performance-based equity award, which is described below under “— 2008 Long-Term, Performance-Based Equity Grant”. Our executives also have the opportunity to participate in our company-wide Retirement Plan and to receive certain personal benefits, as described below. From time to time, some of our executives receive (or may be entitled to receive in the future) compensation paid out under historical compensation programs in which they participated in prior years and that continue to provide benefits, also as described below.

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 market practices. Base salaries for our executive officers are determined annually by the Committee based on a review of the executive’s role and responsibilities, external market data for similar positions in companies with which we compete for executive talent, and the recommendations of the chief executive officer. The base salary levels of our named executive officers reflect a desire to maintain a relatively equitable compensation baseline among the individuals serving on our Leadership Team, other than our chief executive officer and our president whose contributions are distinguished by a higher base salary reflective of the decision-making responsibility of these positions. Consistent with industry practice and our pay-for-performance objective, the base salary for each of our named executive officers accounts for a relatively small portion of overall compensation.

Historically, we have not adjusted base salaries for our Leadership Team members on an annual basis but have adjusted salaries for individuals upon their initial appointment to the Leadership Team, and have adjusted salaries for the Leadership Team as a group when warranted to reflect changes in market pay levels, as reported in external compensation sources, changes in the officers’ roles or responsibilities, or changes in contributions to the company. In light of this practice and the operating environment of 2008, the Committee did not make any changes to the base salaries of any named executive officers for 2009, except for two promotional increases. Mr. Schnettler’s base salary was increased to \$300,000 as a result of his appointment as our president and chief operating officer, and Ms. Schoneman’s base salary was increased to \$225,000 as a result of her appointment as our chief financial officer. Since the company’s spin-off from U.S. Bancorp in December 2003, the Committee has only increased the base salaries of the Leadership Team (outside of promotional increases) on one occasion, which occurred in 2007.

Annual Incentive Compensation

As noted above, the Committee determined, based in part upon the recommendation of our chief executive officer, that no member of the Leadership Team would receive any type of annual incentive award for 2008 performance. This determination was based primarily on the company’s operating results and management’s inability to achieve the performance goals established in February 2008 under the company’s annual incentive program designed to reward pay for performance.

The annual incentive 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).

Under the annual incentive program, the Committee sets a performance target in February of each year — typically a financial performance goal related to pre-tax operating income — that the Leadership Team must attain before the annual incentive program will fund. Consistent with prior years, the Committee used adjusted pre-tax operating income as the performance goal, and granted a performance-based award in February 2008 to each of member of the Leadership Team in an amount equal to 5% of our 2008 adjusted pre-tax operating income. However, these performance awards are subject to

an aggregate limitation for our Leadership Team as a group, expressed as a designated percentage of our adjusted pre-tax operating income. 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. Adjustments have historically included the elimination of amounts expensed during the year under our Leadership Team annual incentive program, equity amortization expense incurred during the year for our Leadership Team members, and expenses related to our cash award program (described below under “— Cash Award Program”).

In January 2009, the Committee determined that the company failed to achieve any adjusted pre-tax operating income for 2008. Consequently, no member of the Leadership Team, including the company’s chief executive officer, president and chief operating officer, chief financial officer, head of Investment Banking and head of Equities, received any type of annual incentive award for 2008 performance. The amount of base salary earnings and total incentive compensation, as measured internally by the company, is included in the following table. This table is not a substitute for the information required by the rules of the Securities and Exchange Commission, specifically the Summary Compensation Table and the related tables that appear later in this proxy statement.

Name		Base Salary Earnings	Annual Incentive Compensation ⁽¹⁾			Total Incentive
			Cash Incentive	Restricted Stock	Stock Options	
Andrew S. Duff	2008	\$400,000	-0-	-0-	-0-	-0-
	2007	\$396,667	\$1,123,777	\$ 786,644	\$505,700	\$2,416,121
	2006	\$380,000	\$1,633,732	\$1,560,828	\$275,440	\$3,470,000
Debbra L. Schoneman	2008	\$205,417	-0-	-0-	-0-	-0-
	2007	\$271,875	-0-	-0-	-0-	-0-
Thomas P. Schnettler	2008	\$221,667	\$1,182,250	\$ 677,106	\$435,282	\$2,294,638
	2007	\$205,000	\$1,687,105	\$1,173,305	\$207,054	\$3,067,464
	2006	\$225,000	-0-	-0-	-0-	-0-
Jon W. Salvesson	2008	\$221,667	\$1,034,598	\$ 592,542	\$380,920	\$2,008,060
	2007	\$180,000	\$2,045,762 ⁽²⁾	\$1,111,754	\$196,192	\$3,353,708
	2006	\$225,000	-0-	-0-	-0-	-0-
Robert W. Peterson	2008	\$221,667	\$ 725,483	\$ 415,504	\$267,110	\$1,408,097
	2007	\$205,000	\$1,039,144	\$ 722,678	\$127,531	\$1,889,353
	2006	\$205,000	-0-	-0-	-0-	-0-

⁽¹⁾ Restricted stock and stock option amounts reflect the value of equity compensation granted to the named executive officers for 2007 performance (paid in 2008) and 2006 performance (paid in 2007) under our Incentive Plan. Amounts shown in the Summary Compensation Table appearing later in this proxy statement reflect the respective dollar amounts of stock-based compensation expense associated with equity awards for a given year in accordance with SFAS 123(R).

⁽²⁾ \$742,520 of Mr. Salvesson’s cash incentive amount for 2006 was paid outside of the annual incentive program for named executive officers because he did not become an executive officer until August 11, 2006, and was not covered by the annual incentive program for executive management prior to that date.

2008 Long-Term, Performance-Based Equity Grant

In May 2008, the Committee granted a long-term, performance-based restricted stock award to the company’s Leadership Team. This incremental grant is 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 for our Leadership Team. This performance-based grant will not vest unless the company meets a return on adjusted common equity target of 11% over a twelve-month period, at which time it will vest in its entirety. This performance target represents a significant increase to the company’s historic twelve-month return on adjusted common equity levels, and the target must be met by April 30, 2013 or the awards will be forfeited. The adjustment to the return on common equity metric eliminates the remaining goodwill associated with the 1998 acquisition of our predecessor

company by U.S. Bancorp, which we acquired at the time of our spin-off from U.S. Bancorp. We excluded this goodwill from the definition of return on common equity because we believe it does not accurately reflect the equity deployed in our businesses. The award terms also require the recipient to be employed for vesting, which acts as a retention tool for our Leadership Team, and the Committee has the discretion to forfeit the award if a recipient leaves the Leadership Team but remains an employee of the company.

This performance-based grant was awarded to each member of the Leadership Team as of May 15, 2008, which included each of our named executive officers other than Ms. Schoneman, our chief financial officer. Ms. Schoneman was granted a performance-based award following her appointment as chief financial officer, and her award has the same vesting provisions as the other members of the Leadership Team, i.e., the award requires a return on adjusted common equity of 11% sustained over a twelve-month period to be attained by April 30, 2013. The total number of shares granted in connection with these awards was 362,037, and the value of these awards and the number of shares granted to each named executive officer is reported below in the Grants of Plan-Based Awards table that follows the Summary Compensation Table.

Other Compensation

Members of our Leadership Team receive limited additional compensation in the form of a monthly stipend to cover parking expenses (which was discontinued effective December 31, 2008), reimbursement of dues for club memberships used for business purposes, and certain insurance premiums. Our executive officers who participate in our Retirement Plan, a 401(k) plan, receive company matching contributions on 100% of their annual contributions up to a maximum of 6% of their total pay, up to the social security taxable wage base; their contributions are matched on the same basis we match contributions by non-executive employees. Some of our named 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 example, our named executive officers receive payments under the U.S. Bancorp Piper Jaffray Inc. Second Century Growth Deferred Compensation Plan (As Amended and Restated Effective September 30, 1998) (the “Second Century 1998 Plan”) and the U.S. Bancorp Piper Jaffray Inc. Second Century 2000 Deferred Compensation Plan (the “Second Century 2000 Plan”). Certain key employees were eligible to participate in these plans, under which participants were granted one or more deferred awards that were deemed invested in certain measuring investments. Following a liquidity event for a particular investment, the participant receives a benefit payment based on the deemed return to the participant and payment of the portion of the participant’s account that was deemed invested. Participants may continue to receive payments under the plans until a liquidity or bankruptcy event has occurred with respect to each measuring investment. Messrs. Peterson, Salvesson and Schnettler were granted deferred awards under these plans in 1996, 1997, 1998 and/or 2000, and received payouts in 2008, 2007 and 2006 as set forth in the Summary Compensation Table. No new awards have been granted under these plans since 2000, and participation in the plans is frozen.

2003 Cash Award Program Following Our Spin-Off From U.S. Bancorp

In connection with our spin-off from U.S. Bancorp on December 31, 2003, we established a cash award program pursuant to which we granted cash awards to a large number of our employees, including our executive officers, who were employed by us on December 15, 2003. This cash award program was a unique, one-time event that resulted from our spin-off from U.S. Bancorp, and all awards under this program have now been paid. Under the program, an employee could receive an award that replaced the lost value of U.S. Bancorp equity or a discretionary award to aid in retention.

With respect to our Leadership Team, Messrs. Duff, Schnettler, Salvesson and Peterson and Ms. Schoneman were granted cash awards replacing the lost value of U.S. Bancorp equity, which totaled \$4,567,096; \$244,184; \$82,500; \$559,622; and \$20,564, respectively. Fifty percent of each of these cash awards was paid on March 31, 2004, with the remaining 50% payable in four equal installments

on each of March 31, 2005, 2006, 2007 and 2008. In addition, Mr. Duff and Ms. Schoneman were granted discretionary cash awards in the amount of \$500,000 and \$40,000, respectively, which were payable in four equal installments on each of March 31, 2004, 2005, 2006 and 2007. The Summary Compensation Table below also includes the amount of the cash awards paid to each named executive officer in the year indicated.

Termination and Change in Control Arrangements

Non-Qualified Retirement Plan

Following our spin-off from U.S. Bancorp on December 31, 2003, we assumed liability for the non-qualified benefits accrued for our employees under the defined benefit excess plan component of the U.S. Bancorp Cash Balance Pension Plan. In 2004, we established the Piper Jaffray Companies Non-Qualified Retirement Plan to maintain and administer these benefits, which were transferred to us following the spin-off. Thereafter, participation in the plan was frozen. No new benefits may be earned by participants in this plan, but participating employees will continue to receive investment credits on their transferred plan balances until the plan balance is paid out upon the employee's retirement or termination of employment. As of December 31, 2008, the Non-Qualified Retirement Plan account balances for our named executive officers were as follows: Mr. Duff, \$383,857; Ms. Schoneman, \$12,651; Mr. Schnettler, \$601,559; Mr. Salveson, \$377,649; and Mr. Peterson, \$332,065.

Severance Plans

All of our named executive officers are eligible to participate in the Piper Jaffray Severance Plan, a broad-based plan in which all of our full-time, U.S.-based employees generally are eligible to participate. In the event of certain involuntary terminations of employment resulting from an employer-determined severance event, employees may receive severance pay up to a maximum of their weekly base salary multiplied by 52, subject to a maximum dollar amount equal to the limit in effect under Internal Revenue Code section 401(a)(17) for the year in which the employee's employment involuntarily terminates. (For 2009, this limit is \$245,000.) Employer-determined severance events may include, depending on the circumstances, closure of a company facility, a permanent reduction in our workforce or certain organizational changes that result in the elimination of the employee's position.

Other Termination and Change-in-Control Provisions

Certain award agreements and plans under which compensation has been awarded to our named executive officers include provisions regarding the payment of the covered 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 in 2007 and 2008 and our restricted stock awards 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. For stock option awards granted prior to 2007, unvested stock options are immediately canceled upon termination of employment for any reason other than death, disability or qualifying retirement, in which case the options will either vest immediately (in the case of death or disability) or continue to vest according to their original vesting schedule (in the case of retirement) and may be exercised for a designated period or the full term of the option, as set forth in the award agreement. For pre-2007 stock option grants, vested stock options may be exercised only while the optionee remains employed by us, except that vested options may be exercised for 90 days after termination of employment for a reason other than death, disability, qualifying retirement or termination for cause. A qualifying retirement means any termination of employment when an optionee is age 55 or older and has at least five years of service with Piper Jaffray. None of the named executive officers currently meets the qualifications for retirement under the terms of the option award agreement.

- 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. If a payout is made to the terminated executive, the amount will be based on adjusted pre-tax operating income for the portion of the year preceding the executive's termination.
- Under our Incentive Plan, following a termination of employment as a result of a change in control, all outstanding stock options will become fully vested and exercisable, all outstanding restricted stock (other than the long-term, performance-based restricted stock awards that were granted to the Leadership Team in 2008) 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 for our Leadership Team members, will be considered to be earned and payable in full, and such annual performance 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 out to the Leadership Team as a group under the annual incentive program, the specific amounts that would be payable to our Leadership Team upon a change in control historically have been indeterminable.
- Under the applicable award agreements for the long-term, performance-based restricted stock awards that were granted to the Leadership Team in 2008, no amount of the award would vest upon a change in control as of December 31, 2008, but 20% of the award will vest if a change in control occurs between April 30, 2009 and April 30, 2010 and an additional 20% will vest in each subsequent year if a change in control occurs during that year.
- Under the Non-Qualified Retirement Plan, employees are entitled to a payout of their vested account balance upon any employment termination other than a termination for cause.
- Participants in the Second Century 2000 Plan remain entitled to receive full benefits under the plan if the participant's employment terminates following a change in control or if the participant's employment terminates for any other reason, so long as the individual is not terminated for cause and does not violate certain post-termination restrictions; otherwise the amount of the benefits may be limited to the lesser of (i) the amount of the participant's deferred award plus simple interest at 6.5% per annum from the effective date of the plan (February 28, 2000) through the participant's termination date, and (ii) the value of the participant's account under the plan.
- Participants in the Second Century 1998 Plan remain entitled to receive full benefits under the plan if the participant's employment terminates following a change in control or if the participant's employment terminates for any other reason, so long as the individual does not violate certain post-termination restrictions and does not commit any act of "gross misconduct," as defined in the plan; otherwise the benefits are forfeited.
- Our employees who are at least 55 years old and have at least five years of service with us at the time of their employment termination are eligible to participate in our retiree medical insurance program following their termination of employment. Under this program, the employee pays premiums to cover the cost of retiree medical insurance that is negotiated by us at a group rate and therefore may be more economical than what is available for employees purchasing insurance on their own. Employees who meet certain eligibility requirements accrue credits during their employment with us that may be applied to offset two-thirds of the cost of the employee's retiree medical insurance premiums, until the credit balance is depleted. Such credits begin to accrue to employees when the employee first meets one of the following age and years of service thresholds: age of 45 plus at least 15 years of service with us, or age of 50 plus at least 10 years of service with us. The credits are valued at \$1,200 per year and accrue annual interest

of 5.5%. As of December 31, 2008, our named executive officers had accrued credit balances as follows: Mr. Duff, \$9,920; and Mr. Schnettler, \$11,666; Messrs. Salveson and Peterson and Ms. Schoneman do not meet the eligibility requirements to receive credits. None of the named executive officers currently meets the eligibility requirements to participate in our retiree medical insurance program.

Compensation Policies

Executive Stock Ownership

We have adopted stock ownership guidelines to ensure that each member of the Leadership Team maintains a meaningful equity stake in the company, which aligns management's interests with those of our shareholders. The guidelines, which help to drive long-term performance and strengthen retention, provide for our Leadership Team members to hold Piper Jaffray Companies stock as follows:

- For the chief executive officer, a value equal to seven times base salary;
- For the president and chief operating officer, a value equal to six times base salary;
- For the head of each business line (including the chief executive officer of Piper Jaffray Ltd. (our European operation) and the chief executive officer of Piper Jaffray Asia), a value equal to five times base salary; and
- For the chief financial officer, chief administrative officer and general counsel, a value equal to two times base salary.

These goals must be attained within five years of joining the Leadership Team. As of January 2, 2009, all of the named executive officers meet the guidelines based on 2009 salary levels. We also have adopted a share retention policy requiring members of our Leadership Team to hold at least 50% of the shares awarded to them through our incentive plans, or acquired upon exercise of stock options awarded to them, net of taxes and transaction costs, for a minimum of five years. Shares held by Leadership Team members that were acquired prior to the member joining the Leadership Team are not subject to these retention guidelines.

We have an employee trading policy providing that employees may not sell our stock short and may not enter into any derivatives transaction in our stock if the effect of the transaction would be substantially equivalent to a short position in our stock or any standardized options strategy other than a covered call or protective put, and employees may not utilize any hedging strategy with respect to non-transferable Piper Jaffray securities, including restricted stock. Subject to these rules, our employees are permitted to hedge investments in our stock so long as they do not initiate any part of the hedge or unwind any part of such a hedge during designated trading blackout periods.

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 equity grant timing 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. The grant dates under this policy are outside of the designated trading blackout periods that apply to our employees generally and fall within the regularly scheduled trading window periods during which our executive officers generally are permitted to trade in our securities.

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 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.

Restatement

In February of this year, the company announced that certain previously-issued financial statements, including the annual financial statements for the years ended December 31, 2007 and 2006, and the related reports of our independent registered public accounting firm, Ernst & Young LLP, should no longer be relied upon. The company reached this conclusion after management re-evaluated the practice of expensing our stock-based compensation typically over a period of three years. Management believed that expensing these awards was permitted based on the terms of the equity award agreement and Statement of Financial Accounting Standards No 123(R), “Share-Based Payment”. Following an extensive analysis of the complex criteria with SFAS 123(R), management concluded, in consultation with our auditors, that the company’s results should be restated to recognize expense for all of the outstanding affected equity awards in the year in which those awards were deemed to be earned, rather than over the three-year vesting period. The Committee has evaluated the impact of this event on the prior compensation of our Leadership Team, including the named executive officers, and determined that no adjustment is necessary or appropriate.

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

Lisa K. Polsky, *Chairperson*

Michael R. Francis

Frank L. Sims

Jean M. Taylor

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. **None of named executive officers included in the following table received an annual incentive award for 2008 performance.** The 2008 amounts included in the following table (other than an individual's salary) consist primarily of equity amortization expense under SFAS 123(R) for a long-term, performance-based restricted stock award that is subject to forfeiture if the company does not achieve a return on adjusted common equity target within five years, and cash awards dating back to our spin-off from U.S. Bancorp on December 31, 2003, that were paid out on a five-year schedule.

Name & Principal Position	Year	Salary (\$)	Bonus ⁽²⁾⁽³⁾ (\$)	Stock Awards ⁽⁴⁾ (\$)	Option Awards ⁽⁴⁾ (\$)	All Other Compensation ⁽⁵⁾ (\$)	Total (\$)
Andrew S. Duff Chairman and CEO	2008	400,000	—	491,990	54,847	585,470	1,532,307
	2007	396,667	1,248,777	1,192,612	639,170	585,200	4,062,426
	2006	380,000	1,758,732	2,910,694	562,283	579,206	6,190,915
Debra L. Schoneman Chief Financial Officer ⁽¹⁾	2008	205,417	—	117,586	244	12,408	335,655
Thomas P. Schnettler President and Chief Operating Officer	2008	271,875	—	429,532	64,103	77,896	843,406
	2007	225,000	1,182,249	1,109,970	563,493	69,065	3,149,777
	2006	205,000	1,687,105	2,655,542	339,907	49,077	4,936,631
Jon W. Salveson Head of Investment Banking	2008	225,000	—	334,616	8,937	37,591	606,144
	2007	225,000	1,034,598	835,132	447,029	57,000	2,598,759
	2006	180,000	2,045,762	2,420,060	299,054	18,608	4,963,484
Robert W. Peterson Head of Equities	2008	225,000	—	264,631	36,755	100,058	626,444
	2007	225,000	725,483	631,790	336,245	80,023	1,998,541
	2006	205,000	1,039,144	1,567,888	204,504	80,622	3,097,158

(1) Ms. Schoneman became our chief financial officer in May 2008 and was not one of our named executive officers for 2007 or 2006. As permitted by regulations of the Securities and Exchange Commission, the table above includes Ms. Schoneman's compensation only for the year in which she was one of our named executive officers.

(2) The amounts in this column include the cash compensation paid under our annual incentive program, which is designed to permit the company to deduct the compensation paid. 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 and not the "Non-Equity Incentive Plan Compensation" column. For 2008, the Company failed to achieve any adjusted pre-tax operating income and no amounts were paid.

(3) The amounts in this column for Mr. Duff in 2007 and 2006 also include \$125,000 paid to him in each of those years pursuant to a discretionary cash award granted to him in December 2003 in connection with our spin-off from U.S. Bancorp. In addition to these discretionary awards, Mr. Duff received a cash award in December 2003 to replace the lost value of U.S. Bancorp equity, and these amounts are included in the "All Other Compensation" column and footnote 5 below. These cash awards are described in more detail above in "Compensation Discussion and Analysis — Compensation Program and Payments — 2003 Cash Award Program Following Our Spin-Off From U.S. Bancorp." The amount in this column for Mr. Salveson in 2006 also includes \$742,520 that was paid to him outside of the annual incentive program described above because he did not become an executive officer until August 11, 2006.

(4) The entries in the stock awards and option awards columns reflect the respective dollar amounts of stock-based compensation recognized for 2008, 2007 and 2006 financial statement reporting purposes in accordance with SFAS 123(R). The amounts for 2008 relate to the long-term, performance based restricted stock awards that were granted to the Leadership Team in 2008 as described above in "Compensation Discussion and Analysis — Compensation Program and Payments — 2008 Long-Term,

Performance-Based Equity Grant.” These amounts have been reported on a restated basis following a determination that resulted in the recognition of expense associated with these equity awards in the year in which the awards were earned rather than over the three-year vesting period. Refer to Notes 1 and 21 in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on February 28, 2009 for a discussion of this restatement and the relevant assumptions used to determine the valuation of our stock and option awards for accounting purposes.

(5) All other compensation consists of the following:

<u>Form of All Other Compensation</u>	<u>Year</u>	<u>Andrew S. Duff</u>	<u>Debra L. Schoneman</u>	<u>Thomas P. Schnettler</u>	<u>Jon W. Salveson</u>	<u>Robert W. Peterson</u>
Parking stipend	2008	2,880	2,880	2,880	2,880	2,880
	2007	2,880	n/a	2,880	2,160	2,880
	2006	2,880	n/a	2,880	2,160	2,880
Club membership dues	2008	4,494	—	—	—	—
	2007	4,494	n/a	—	—	—
	2006	4,494	n/a	—	—	—
401(k) matching contributions	2008	6,120	6,120	6,120	6,120	6,120
	2007	5,850	n/a	5,850	5,850	5,850
	2006	—	n/a	3,768	3,768	3,768
Life and long-term disability insurance premiums	2008	1,089	837	1,089	855	855
	2007	1,089	n/a	1,089	855	855
	2006	945	n/a	1,089	855	837
2003 cash awards (replacing the lost value of U.S. Bancorp equity)	2008	570,887	2,571	30,523	10,313	69,953
	2007	570,887	n/a	30,523	10,313	69,953
	2006	570,887	n/a	30,523	10,313	69,953
Other	2008	—	—	37,284	17,423	20,250
	2007	—	n/a	28,723	37,822	485
	2006	—	n/a	10,817	1,512	3,184

The “Parking stipend” has been discontinued, and the “Other” amounts identified in the table above include:

- For Messrs. Schnettler, Salveson and Peterson, amounts paid out in 2008, 2007 and 2006 under the Second Century 1998 Plan and the Second Century 2000 Plan.
- For Mr. Salveson for 2008, the amount also includes a \$5,175 cash payment representing his proportionate share of a venture capital fund carried interest held by the company as part of a compensation program implemented prior to our spin-off from U.S. Bancorp.

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, 2008.

Name	Grant Date	Compensation Committee Approval Date ⁽¹⁾	Estimated Possible Payouts Under Incentive Plan Awards Maximum (\$) ⁽²⁾	All Other Stock Awards: Number of Shares of Stock ⁽³⁾⁽⁴⁾ (#)	All Other Option Awards: Number of Securities Underlying Options ⁽³⁾⁽⁵⁾ (#)	Exercise Price of Option Awards ⁽⁶⁾ (\$)	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾⁽⁵⁾ (\$)
Andrew S. Duff	5/15/2008	5/2/2008	—	78,314	—	—	3,250,000
	2/15/2008	1/22/2008	3,706,500	19,145	32,149	41.09	1,292,344
Debra L. Schoneman	8/15/2008	7/30/2008	—	24,390	—	—	863,406
	2/15/2008	1/22/2008	3,706,500	1,922	—	—	78,975
Thomas P. Schnettler	5/15/2008	5/2/2008	—	66,266	—	—	2,750,000
	2/15/2008	1/22/2008	3,706,500	16,479	27,673	41.09	1,112,388
Jon W. Salvesson	5/15/2008	5/2/2008	—	54,217	—	—	2,250,000
	2/15/2008	1/22/2008	3,706,500	14,421	24,217	41.09	973,462
Robert W. Peterson	5/15/2008	5/2/2008	—	42,169	—	—	1,750,000
	2/15/2008	1/22/2008	3,706,500	10,113	16,981	41.09	682,614

⁽¹⁾ The Compensation Committee approved a grant of stock and option awards identified in the all other stock awards and all other option award columns of this table at a meeting on January 22, 2008. In accordance with the terms of this approval and our equity grant timing policy, the awards were granted on February 15, 2008. In addition, the Compensation Committee approved a long-term, performance-based restricted stock award to the named executive officers other than Ms. Schoneman on May 2, 2008, and this award was granted on May 15, 2008 in accordance with the terms of our equity grant timing policy. Ms. Schoneman's long-term, performance-based award was approved in connection with her promotion as chief financial officer on July 30, 2008, and the award was granted on August 15, 2008 in accordance with the terms of our equity grant timing policy. These long-term, performance based restricted stock awards are identified in the all other stock awards column of the above table, and the vesting provisions of these awards require that the company meet a return on adjusted common equity target of 11% over a twelve-month period, to be achieved by April 30, 2013.

⁽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 2008 performance under the annual incentive program for our Leadership Team, had we achieved the same adjusted pre-tax operating income for 2008 as was achieved for 2007. 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 2008 performance were indeterminable at the time the awards were granted. Accordingly, we estimated these amounts using our adjusted pre-tax operating income for 2007. In addition, because the Committee has full discretion to determine the total dollar value of the respective amounts to be paid out under the awards in the form of cash and equity, the amount of each form of payment under the awards is indeterminable until after the awards are paid. No amounts were actually paid under our 2008 annual incentive program as discussed above in "Compensation Discussion and Analysis — Compensation Program and Payments — Annual Incentive Compensation."

⁽³⁾ The amounts in these columns reflect equity compensation paid out to the named executive officers in 2008 pursuant to annual qualified performance-based awards granted to these officers in 2007 under our annual incentive program for the Leadership Team. The shares of restricted stock and stock options

were granted to these officers on February 15, 2008 following the Compensation Committee's certification of the attainment of 2007 annual financial performance goals established by the Committee under the annual incentive program. All of the restricted stock and stock options were granted under our Incentive Plan and will vest in full on February 15, 2011, 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 — Other Termination and Change-in-Control Provisions." The amounts in the all other stock awards column also reflect the long-term, performance-based restricted stock awards that were granted to the Leadership Team in 2008. All of the named executive officers other than Ms. Schoneman were granted this award on May 15, 2008, and Ms. Schoneman was granted the award on August 15, 2008 following her appointment as chief financial officer. For more information regarding these grants, refer to "Compensation Discussion and Analysis — Compensation Program and Payments — 2008 Long-Term, Performance-Based Equity Grant."

- (4) The restricted stock awards (other than the long-term, performance-based restricted stock award that was granted to the Leadership Team in 2008) 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 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 2007 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 \$41.09, the closing price of our common stock on the February 15, 2008 grant date. With respect to Messrs. Duff, Schnettler, Salveson and Peterson, the number of shares of restricted stock awarded in connection with our long-term performance-based grant in May 2008 was determined by the Compensation Committee by reference to a number of shares for each individual that could not exceed a pre-determined maximum value for each based on the closing price of our common stock on the grant date. On the date of grant, this maximum value reduced the number of shares for each individual. With respect to Ms. Schoneman, the number of shares of restricted stock awarded to her in August 2008 was an amount that correlated with the awards in May for other Leadership Team members in corporate support functions, except that the number of shares to be awarded was not reduced on the grant date because the maximum value had not been reached.
- (5) The stock option awards granted under our 2007 annual incentive program expire on the tenth anniversary of the grant date if not earlier exercised; they 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 for the remaining vesting term of the awards. The number of shares of stock options awarded to each officer in 2008 for 2007 performance was determined by dividing specified dollar amounts representing a percentage of the individual's total annual incentive compensation for that year by the Black-Scholes value of one option share on the grant date.
- (6) The exercise price equals the \$41.09 closing sale price of one share of our common stock on the grant date of the options (February 15, 2008).

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, 2008.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date ⁽¹⁾	Number of Shares of Stock that Have Not Vested ⁽²⁾ (#)	Market Value of Shares of Stock That Have Not Vested ⁽³⁾ (\$)
	Exercisable	Unexercisable				
Andrew S. Duff	24,940	—	47.30	2/12/2014	135,704	5,395,591
	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	—	—
Debbra L. Schoneman . .	485	—	47.30	2/12/2014	27,478	1,092,525
	290	—	39.62	2/22/2015	—	—
Thomas P. Schnettler . .	1,938	—	47.30	2/12/2014	118,462	4,710,049
	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	—	—
Jon W. Salvesson	5,729	—	47.30	2/12/2014	103,759	4,125,458
	10,639	—	39.62	2/22/2015	—	—
		6,868	70.13	2/15/2017	—	—
		24,217	41.09	2/15/2018	—	—
Robert W. Peterson		1,938	47.30	2/12/2014	73,779	2,933,453
	6,250	—	39.62	2/22/2015	—	—
		4,269	47.85	2/21/2016	—	—
		4,646	70.13	2/15/2017	—	—
		16,981	41.09	2/15/2018	—	—

⁽¹⁾ Option awards expiring on February 21, 2016, will vest on February 21, 2009; option awards expiring on February 15, 2017, will vest on February 15, 2010; and option awards expiring on February 15, 2018, will vest on February 15, 2011; in each case so long as the award recipient complies with the terms and conditions of the applicable award agreement.

⁽²⁾ 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	Number of Shares Scheduled to Vest That Are Held by Each Named Executive Officer				
	Andrew S. Duff	Debbra L. Schoneman	Thomas P. Schnettler	Jon W. Salvesson	Robert W. Peterson
February 21, 2009	15,988	617	18,986	19,268	11,192
February 15, 2010	22,257	549	16,731	15,853	10,305
February 15, 2011	19,145	1,922	16,479	14,421	10,113

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. Schnettler, 66,266 shares; Mr. Salvesson,

54,217 shares; and Mr. Peterson, 42,169 shares. The shares of restricted stock are forfeited, however, if the performance metric for the company is not met by April 30, 2013.

⁽³⁾ The values in this column are based on the \$39.76 closing sale price of our common stock on the New York Stock Exchange on December 31, 2008.

Option Exercises and Stock Vested

The following table sets forth certain information concerning stock vested during the year ended December 31, 2008. No stock options were exercised by any of the named executive officers in 2008.

<u>Name</u>	<u>Stock Awards</u>	
	<u>Number of Shares Acquired on Vesting (#)</u>	<u>Value Realized on Vesting⁽¹⁾ (\$)</u>
Andrew S. Duff	28,963	1,190,090
Debbra L. Schoneman	884	36,324
Thomas P. Schnettler	31,377	1,289,281
Jon W. Salvesson	16,941	696,106
Robert W. Peterson	15,447	634,717

⁽¹⁾ The value realized upon vesting of the stock awards is based on the \$41.09 closing sale price of our common stock on the February 15, 2008 vesting date of the awards.

Non-Qualified Deferred Compensation Plans

The following table provides information regarding amounts accrued by the named executive officers in our Non-Qualified Retirement Plan. As discussed in the Compensation Discussion and Analysis, participation in this plan was frozen in 2004 and no new benefits may be earned by participants in the plan. However, participating employees will continue to receive investment credits on their transferred plan balances in accordance with the terms of the plan. The investment credits are paid in a lump-sum on December 31 each year to employees who remain employed by us on that date. Each employee's plan balance will be payable by us upon the employee's retirement or termination of employment. No amounts or portions of amounts reported in the column reporting aggregate earnings in the last fiscal year were included in the Summary Compensation Table because the amounts earned were not earned at a preferential rate. We previously have reported fiscal year-end balances in our proxy statement but not in the Summary Compensation Table.

<u>Name</u>	<u>Aggregate Earnings (Loss) in Last Fiscal Year (\$)</u>	<u>Aggregate Balance at Last Fiscal Year-End (\$)</u>
Andrew S. Duff	(106,006)	383,857
Debbra L. Schoneman	(5,357)	12,651
Thomas P. Schnettler	(254,753)	601,559
Jon W. Salvesson	(55,038)	377,649
Robert W. Peterson	(140,625)	332,065

Under the Second Century 1998 Plan and the Second Century 2000 Plan described in the Compensation Discussion and Analysis, certain key employees were granted one or more deferred bonus awards that were deemed invested in certain measuring investments. Following a liquidity event for a particular investment, the participant receives a benefit payment based on the deemed return to the participant and payment of the portion of the participant's account that was deemed invested. Participants may continue to receive payments under the plans until a liquidity or bankruptcy event has occurred with respect to each measuring investment. No new awards have been granted under these plans since 2000, and participation in the plans is frozen. The following table identifies the amounts

earned in 2008 and the deferred balances for each of the named executive officers who received one or more deferred bonuses under the plans. The amounts earned in 2008 are included in “All Other Compensation” in the Summary Compensation Table. We previously have not included fiscal year-end balances in the Summary Compensation Table, but have included earnings paid out in a given year in the Summary Compensation Table for that year.

<u>Name</u>	<u>Aggregate Earnings Paid Out in Last Fiscal Year (\$)</u>	<u>Deferred Balance (Deemed Investment) at Last Fiscal Year-End (\$)</u>
Thomas P. Schnettler	37,284	550,000
Jon W. Salveson	12,248	100,000
Robert W. Peterson	20,252	200,000

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, 2008. In the following table, unless indicated otherwise, all equity is listed at its dollar value as of December 31, 2008, based on the closing sale price of our common stock on that date. Options are shown at intrinsic value, which represents the difference between the exercise price of the option and the stock price on December 31, 2008.

Name	Type of Termination					Involuntary Termination for Cause
	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	
Andrew S. Duff						
Severance ⁽¹⁾	—	—	—	\$400,000	—	—
Restricted Stock ⁽²⁾⁽³⁾	\$2,281,826	\$2,281,826	\$2,281,826	\$2,281,826	\$2,281,826	—
Stock Options ⁽²⁾⁽³⁾	—	—	—	—	—	—
Annual Incentive Award ⁽²⁾	—	—	—	—	—	—
Non-Qualified Retirement Plan ⁽⁴⁾	\$383,857	\$383,857	\$383,857	\$383,857	\$383,857	—
Debra L. Schoneman						
Severance ⁽¹⁾	—	—	—	\$152,308	—	—
Restricted Stock ⁽²⁾⁽³⁾	\$122,779	\$122,779	\$122,779	\$122,779	\$122,779	—
Stock Options ⁽²⁾⁽³⁾	—	—	—	—	—	—
Annual Incentive Award ⁽²⁾	—	—	—	—	—	—
Non-Qualified Retirement Plan ⁽⁴⁾	\$12,651	\$12,651	\$12,651	\$12,651	\$12,651	—
Thomas P. Schnettler						
Severance ⁽¹⁾	—	—	—	\$186,154	—	—
Restricted Stock ⁽²⁾⁽³⁾	\$2,075,313	\$2,075,313	\$2,075,313	\$2,075,313	\$2,075,313	—
Stock Options ⁽²⁾⁽³⁾	—	—	—	—	—	—
Annual Incentive Award ⁽²⁾	—	—	—	—	—	—
Non-Qualified Retirement Plan ⁽⁴⁾	\$601,559	\$601,559	\$601,559	\$601,559	\$601,559	—
Second Century Deferred Compensation Plans ⁽⁵⁾	—	Indeterminable	Indeterminable	Indeterminable	Indeterminable	—
Jon W. Salvesson						
Severance ⁽¹⁾	—	—	—	\$126,923	—	—
Restricted Stock ⁽²⁾⁽³⁾	\$1,969,790	\$1,969,790	\$1,969,790	\$1,969,790	\$1,969,790	—
Stock Options ⁽²⁾⁽³⁾	—	—	—	—	—	—
Annual Incentive Award ⁽²⁾	—	—	—	—	—	—
Non-Qualified Retirement Plan ⁽⁴⁾	\$377,649	\$377,649	\$377,649	\$377,649	\$377,649	—
Second Century Deferred Compensation Plans ⁽⁵⁾	—	Indeterminable	Indeterminable	Indeterminable	Indeterminable	—
Robert W. Peterson						
Severance ⁽¹⁾	—	—	—	\$126,923	—	—
Restricted Stock ⁽²⁾⁽³⁾	\$1,197,703	\$1,197,703	\$1,197,703	\$1,197,703	\$1,197,703	—
Stock Options ⁽²⁾⁽³⁾	—	—	—	—	—	—
Annual Incentive Award ⁽³⁾	—	—	—	—	—	—
Non-Qualified Retirement Plan ⁽⁴⁾	\$332,065	\$332,065	\$332,065	\$332,065	\$332,065	—
Second Century Deferred 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, except that salary continuation payments under the plan are capped at \$490,000. 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 our Incentive Plan, in the event of a change in control of Piper Jaffray, regardless of whether an employee's employment is terminated, all outstanding stock options will become fully vested and exercisable, all outstanding restricted stock (other than the long-term, performance-based awards that were granted to the Leadership Team in 2008) will vest and all restrictions on the restricted stock will lapse. Under the applicable award agreements for the long-term, performance-based restricted stock awards that were granted to the Leadership Team in 2008, no amount of the award would vest upon a change in control as of December 31, 2008, but 20% of the award will vest if a change in control occurs between April 30, 2009 and April 30, 2010 and an additional 20% will vest in each subsequent year if a change in control occurs during that year. With respect to annual performance awards, including the qualified performance-based awards granted under the annual incentive program for the Leadership Team, the award will be considered to be earned and payable in full, and such performance awards will be settled in cash or shares, as determined by the Compensation Committee, as promptly as practicable. Because we did not generate adjusted pre-tax operating income for 2008, no annual incentive award would have been earned or payable for that year assuming any named executive officer's employment terminated at the end of the year.
- (3) Under the applicable award agreements, stock options granted since 2007 and all of the restricted stock awards (other than the long-term, performance-based awards that were granted to the Leadership Team in 2008) 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. The long-term, performance-based restricted stock awards that were granted to the Leadership Team in 2008 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 an involuntary termination under the Severance Plan so long as the employee complies with the terms of the applicable severance agreement. The stock options granted prior to 2007 will continue to vest upon a qualifying retirement, and vesting of these stock option awards and all the restricted stock awards will accelerate in the event of termination due to death or disability. The restricted stock (including the long-term, performance-based awards that were granted to the Leadership Team in 2008) and stock option awards granted since 2007 will continue to vest following a termination of employment under the Severance Plan. Under the terms of the stock option awards granted prior to 2007, vested stock options may be exercised only while the optionee remains employed by us, except that vested options may be exercised for 90 days after termination of employment for a reason other than death, disability, qualifying retirement or termination for cause, and may be exercised for up to three years following a termination due to death or disability. A qualifying retirement means any termination of employment when an optionee is age 55 or older and has at least five years of service with us. If an optionee meets these requirements at the time of termination and the termination is not for cause, the options granted prior to 2007 will continue to vest and may be exercised for the full term of the option. As of December 31, 2008, none of the named executive officers met the requirements for a qualifying retirement. 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) The amounts reflect account balances under the Non-Qualified Retirement Plan as of December 31, 2008. Under this plan, employees are entitled to receive their account balances following a termination of employment for any reason other than cause.
- (5) The amounts shown reflect potential payouts under the Second Century 1998 Plan and the Second Century 2000 Plan. Under these plans, participants were granted one or more deferred awards, which were deemed invested in certain measuring investments. Following a liquidity event (as defined in the plan) for a particular measuring investment, the participant receives a benefit payment based on the deemed return to the participant with respect to the measuring investment as well as payment of that portion of the participant's account that was deemed invested. Participants may continue to receive payments under the plans until a liquidity or bankruptcy event has occurred with respect to each measuring investment in which deferred awards are deemed to be invested. Individuals remain entitled to receive full benefits under these plans following a termination of employment, so long as the individual does not violate certain post-termination restrictions and is not terminated for cause (under

the 2000 plan) or as the result of an act of gross misconduct (under the 1998 plan). If the employee fails to comply with these provisions, under the 1998 plan the employee will lose his benefits, and under the 2000 plan the participant will receive the amount originally deferred with interest at 6.5% per annum. 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. The following is a table of deferred awards for the 1998 Plan and 2000 Plan.

Name	Deferred Award Amounts under 1998 Plan						Deferred Award Amounts Under 2000 Plan	
		(\$)						(\$)
Thomas P. Schnettler . . .	1996	\$250,000	1997	\$125,000	1998	\$75,000	2000	\$100,000
Jon W. Salvesson	1996	\$ 25,000	1997	\$ 50,000	1998	\$25,000		—
Robert W. Peterson	1996	\$ 50,000	1997	\$ 75,000	1998	\$75,000		—

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 Board of Directors has adopted stock ownership guidelines to establish its minimum expectations for our directors and executive officers with respect to this equity stake. As discussed above in the Compensation Discussion and Analysis, our executive officers are subject to stock ownership guidelines that provide for equity ownership in an amount having a market value ranging from two to seven times the individual’s annual base salary, depending upon the individual’s position, to be achieved within five years of the date the individual became subject to the guidelines. Both common stock and restricted stock count towards these guidelines. The table below under “Beneficial Ownership of Directors, Nominees and Executive Officers” shows how many shares of stock were owned as of March 10, 2009, by each of our named executive officers for purposes of measuring compliance with the guidelines. As of January 2, 2009, all of the named executive officers met the guidelines based on 2009 salary levels and the date of their appointment to the Leadership Team.

Our Board increased stock ownership guidelines applicable to non-employee directors in 2007 to provide for equity ownership by our non-employee directors in an amount equal to four times the director’s annual cash retainer, to be achieved within four years after the director’s initial election to the Board, except that non-employee directors elected prior to January 31, 2007 have a total of five years to achieve these ownership levels. Accordingly, each of our current non-employee directors other than Ms. Polsky has five years to achieve these ownership levels. Both common stock and phantom stock (acquired through deferral of cash or stock under our Deferred Compensation Plan for Non-Employee Directors) are counted towards these ownership guidelines. As of January 2, 2009, all of the non-employee directors met the guidelines based on the 2009 annual retainer and the date of their election to the Board.

Beneficial Ownership of Directors, Nominees and Executive Officers

The following table shows how many shares of our common stock were beneficially owned as of March 10, 2009 (except with respect to ownership in the Piper Jaffray Companies Retirement Plan, which is reported as of December 31, 2008) by each of our directors, director nominees 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 March 10, 2009 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 Counted Towards Director Stock Ownership Guidelines**</u>
Andrew S. Duff	210,990 ⁽¹⁾	—
Michael R. Francis	14,880 ⁽²⁾	2,904
B. Kristine Johnson	16,410 ⁽³⁾	1,743
Samuel L. Kaplan	23,523 ⁽⁴⁾	8,795
Robert W. Peterson	98,652 ⁽⁵⁾	—
Addison L. Piper	21,638 ⁽⁶⁾	1,743
Lisa K. Polsky	7,500 ⁽⁷⁾	5,279
Jon W. Salvesson	132,162 ⁽⁸⁾	—
Thomas P. Schnettler	161,378 ⁽⁹⁾	—
Debbra L. Schoneman	29,333 ⁽¹⁰⁾	—
Frank L. Sims	20,380 ⁽¹¹⁾	2,000
Jean M. Taylor	6,463 ⁽¹²⁾	4,121
All directors, director nominees, named executive officers and other executive officers as a group (18 persons)	1,025,333 ⁽¹³⁾	26,585

* None of the individual beneficial owners identified in this table owns more than 1% of Piper Jaffray common stock outstanding as of March 10, 2009 with the exception of Mr. Duff who beneficially owns 1.07%. As a group, our directors, director nominees and executive officers hold 5.17% of Piper Jaffray common stock as of March 10, 2009. 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 22,257 shares of restricted stock that vest in full on February 15, 2010, 19,145 shares of restricted stock that vest in full on February 15, 2011, 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, 47,174 shares of common stock held directly, 10 shares of common stock held by his two minor children, 1,333 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 42,757 shares of common stock covered by options that are currently exercisable.

(2) Includes 3,000 shares of common stock held directly and 11,880 shares of common stock covered by options that are currently exercisable.

(3) Includes 1,200 shares of common stock held in an individual retirement account, 2,330 shares of common stock held in a family trust, 1,000 shares of common stock held directly, and 11,880 shares of common stock covered by options that are currently exercisable.

(4) Includes 11,643 shares of common stock held in the Kaplan, Strangis & Kaplan profit-sharing trust for the benefit of Mr. Kaplan and 11,880 shares of common stock covered by options that are currently exercisable.

(5) Includes 10,305 shares of restricted stock that vest in full on February 15, 2010, 10,113 shares of restricted stock that vest in full on February 15, 2011, 42,169 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, 23,111 shares of common stock held directly, 483 shares of common stock held in the Piper Jaffray Companies Retirement Plan, 14 shares of common stock held in an individual retirement account, and 12,457 shares of common stock covered by options that are currently exercisable.

- (6) Includes 8,797 shares of common stock held directly, 177 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 15,853 shares of restricted stock that vest in full on February 15, 2010, 14,421 shares of restricted stock that vest in full on February 15, 2011, 54,217 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, 30,820 shares of common stock held directly, 483 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 16,368 shares of common stock covered by options that are currently exercisable.
- (9) Includes 16,731 shares of restricted stock that vest in full on February 15, 2010, 16,479 shares of restricted stock that vest in full on February 15, 2011, 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, 39,544 shares of common stock held directly, 483 shares of common stock held in the Piper Jaffray Companies Retirement Plan, and 21,875 shares of common stock covered by options that are currently exercisable.
- (10) Includes 549 shares of restricted stock that vest in full on February 15, 2010, 1,922 shares of restricted stock that vest in full on February 15, 2011, 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, 1,213 shares of common stock held directly, 1 share of common stock held by her spouse, 483 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..
- (11) Includes 8,500 shares of common stock held directly and 11,880 shares of common stock covered by options that are currently exercisable.
- (12) Includes 500 shares of common stock held directly and 5,963 shares of common stock covered by options that are currently exercisable.
- (13) Includes 159,681 shares of restricted stock that vest in full on February 15, 2010, 88,367 shares of restricted stock that vest in full on February 15, 2011, 386,134 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, 8,084 shares of common stock held in the Piper Jaffray Companies Retirement Plan, 16,191 shares held in a retirement or profit-sharing plan or account other than the Piper Jaffray Companies Retirement Plan, 192,391 shares of common stock held directly or by family members, and 174,485 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(d) and Section 13(g) of the Securities Exchange Act of 1934 as of March 10, 2009, 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>
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	1,656,074 ⁽¹⁾	8.70%
Barclays Global Investors, N.A. 400 Howard Street San Francisco, CA 94105	1,224,309 ⁽²⁾	6.48%
Advisory Research, Inc. 180 North Stetson Street, Suite 5500 Chicago, IL 60601	1,157,308 ⁽³⁾	6.13%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	970,935 ⁽⁴⁾	5.14%

- (1) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 11, 2009 by T. Rowe Price Associates, Inc. T. Rowe Price Associates reported that it has sole voting power as to 350,440 shares and sole dispositive power as to 1,656,074 shares. T. Rowe Price Associates serves as investment adviser to certain individual and institutional clients holding the shares listed above, and as an investment adviser, 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.
- (2) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 5, 2009 by Barclays Global Investors, N.A. and a group of affiliated entities, which reported sole voting and dispositive power as follows: Barclays Global Investors, N.A., sole voting power as to 334,606 shares and sole dispositive power as to 384,171 shares; Barclays Global Fund Advisors, sole voting power as to 658,444 shares and sole dispositive power as to 829,913 shares; and Barclays Global Investors, Ltd., sole voting power as to 525 shares and sole dispositive power as to 10,225 shares.
- (3) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2009 by Advisory Research, Inc. Advisory Research reported that it has sole voting and dispositive power with respect to all 1,157,308 shares reflected in the table.
- (4) This information is based on a Schedule 13G filed with the Securities and Exchange Commission on February 9, 2009 by Dimensional Fund Advisors LP. Dimensional reported that it has sole voting power as to 969,935 shares and sole dispositive power as to 970,935 shares. As an investment advisor, Dimensional may be deemed to have beneficial ownership of the shares owned by its advisory clients, but it disclaims beneficial ownership of these shares. Dimensional reported that none of its advisory clients was known by it to own more than 5% of our common stock.

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 2008 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 investment and financial advisory services. With respect to our executive officers and employee directors, such goods and services are provided on terms comparable to those extended to employees of our company generally. With respect to our non-employee directors and their affiliates, such goods and services are provided on substantially the same terms as those prevailing at the time for comparable transactions with non-employees.

T. Rowe Price Associates, Inc. acts as investment advisor to client accounts that own greater than 5% of the outstanding shares of our common stock, and we received institutional brokerage revenue of approximately \$1.0 million from transactions placed by T. Rowe Price Associates, Inc. on behalf of client accounts during 2008. During 2008, we paid approximately \$1.2 million to Faegre & Benson LLP for legal services provided to us and our subsidiaries. The spouse of James L. Chosy, our general counsel and secretary, is a partner with Faegre & Benson. Mr. Chosy's spouse has not personally provided any legal services to us or our subsidiaries. From time to time, certain of our directors, executive officers and other employees who are accredited investors may invest their personal funds directly in funds managed by Piper Jaffray, through our subsidiaries, on the same terms and with the same conditions as the other investors in these funds. Messrs. Schnettler and Peterson each committed to invest \$150,000 in one such fund in 2008.

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) any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law or person (other than a tenant or employee) sharing the same household of any person described in (a) or (b), and (d) the primary business affiliation of any person described in (a), (b) or (c). These transactions are considered "related person transactions." Unless exempted from the policy as described below, 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 and therefore do not require review and approval by the Nominating and Governance Committee.

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, 2008 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 accountant's communications with the Audit Committee concerning independence, and has discussed with the independent accountant the independent accountant's independence.

Management is responsible for the company's system of internal controls and the 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, 2008, for filing with the Securities and Exchange Commission.

Audit Committee of the Board of Directors of Piper Jaffray Companies

Frank L. Sims, *Chairperson*

Samuel L. Kaplan

Lisa K. Polsky

Auditor Fees

Ernst & Young LLP served as our independent auditor for 2008 and 2007. The following table presents fees for professional audit services for the audit of our annual consolidated financial statements for 2008 and 2007 as well as fees for the review of our interim consolidated financial statements for

each quarter in 2008 and 2007 and for all other services performed for 2008 and 2007 by Ernst & Young LLP.

	<u>2008</u>	<u>2007</u>
Audit Fees	\$1,004,300	\$ 949,328
Audit-Related Fees ⁽¹⁾	108,950	107,150
Tax Fees	0	0
All Other Fees ⁽²⁾	<u>15,615</u>	<u>5,000</u>
Total	<u>\$1,128,865</u>	<u>\$1,061,478</u>

⁽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 2008 and 2007 included services relating to IRA Keogh agreed-upon procedures, employee benefit plan audits and the issuance of an independent auditor's report on controls placed in operation and tests of operating effectiveness.

⁽²⁾ Services for all other fees in 2008 and 2007 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 19, 2008, the Audit Committee pre-approved certain services to be provided by our independent auditor relating to engagements occurring on or after February 19, 2008.

APPOINTMENT OF INDEPENDENT AUDITOR

Ernst & Young LLP served as our independent auditor for the year ended December 31, 2008, and has served in that capacity since being appointed at the time of our spin-off from U.S. Bancorp in January 2004. In January 2009, the Company, in consultation with Ernst & Young LLP, determined that the post-termination provisions for certain equity awards granted in 2008, 2007 and 2006 did not meet the criteria for an in-substance service condition as required by Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment", which the company adopted on January 1, 2006. This determination necessitated restating our financial results for 2008, 2007 and 2006 to recognize expense for all of the outstanding affected equity awards in the year in which those awards were deemed to be earned rather than over the three-year vesting period. Following this determination and restatement, and in connection with the Audit Committee conducting its annual evaluation of the independent auditor as required by its charter, the Audit Committee decided to review the appointment of the independent auditor to ensure that the Company is receiving appropriate service and value with respect to this engagement. As a result, the Audit Committee has reappointed Ernst & Young LLP as our independent auditor, but has submitted a request for proposal to several prominent independent registered public accounting firms (including Ernst & Young LLP) to serve as the Company's independent auditor. After receiving and reviewing these proposals, the Audit Committee will select and appoint an independent auditor for the remainder of the year ending December 31, 2009. Based on this process,

the Company is not submitting the reappointment of Ernst & Young LLP for ratification at the annual meeting. While not required to do so, the Company's historic practice has been to submit the selection of the independent auditor for ratification in order to ascertain the views of our shareholders, and we fully expect to resume this practice in 2010. We also expect that representatives of Ernst & Young LLP will 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.

ITEM 2 — APPROVAL OF AMENDMENT OF THE PIPER JAFFRAY COMPANIES AMENDED AND RESTATED 2003 ANNUAL AND LONG-TERM INCENTIVE PLAN

Our Board of Directors has unanimously approved, upon the recommendation of the Compensation Committee, an amendment to our Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan") to increase the number of shares of our common stock that may be issued under the Incentive Plan by 1,500,000. This amendment is subject to the approval of our shareholders at the 2009 annual meeting. The Incentive Plan was originally adopted at the time of our spin-off from U.S. Bancorp in December 2003 and authorized the issuance of 2,000,000 shares. Since 2003, we have obtained shareholder approval to increase the shares authorized for issuance to the current level of 5,500,000 and the 1,500,000 would increase this amount to 7,000,000. **The Board of Directors recommends that you vote FOR this proposal.**

In 2006, we launched a new mission for our firm: to build the leading, international middle-market investment bank. Over the past few years we have diligently executed against this mission across sectors, products, and geographies. Our compensation program, including equity, is a critical component to achieving our long-term strategy. During the extraordinarily difficult operating environment of 2008, we focused on executing our long-term strategy through two key priorities: 1) adjusting our cost structure to enable us to operate through the difficult period, and 2) ensuring that we are well-positioned for when the capital markets improve. Despite the difficult operating environment, we continue to believe that our compensation program, including providing equity, is a key component to successfully executing our strategy over the long-term. We also believe our program is structured to be competitive and to further shareholders' best interests. Following are the key reasons we believe that shareholders should vote **FOR** this proposal.

Equity awards will allow us to strengthen our employee ownership culture and continue to motivate employees to create shareholder value. We believe that equity ownership fosters a partnership culture within the company that motivates employees to think and act like owners. Through ownership, we believe that our employees will focus on shareholder value creation and the long-term success of the company. We have worked since our spin-off from U.S. Bancorp in December 2003 to increase employee ownership levels, primarily through the use of equity as a significant part of our annual incentive awards. Our employee ownership has increased from negligible levels at the time of the spin-off to approximately 23% as of February 28, 2009. We believe it is important to achieve a level similar to our peers, which on average is approximately 39%. Similarly, we want to continue to increase the share ownership of our Leadership Team (currently approximately 5%) to be more in line with the executive share ownership of our peer competitors, which on average is approximately 11%. We took action in this regard as we granted the Leadership Team a long-term, performance-based restricted stock award in 2008. The award will not vest unless the company meets a return on adjusted common equity target of 11% over a twelve-month period by April 30, 2013, which represents a significant increase compared to our historical twelve-month return on adjusted common equity levels.

Our annual equity awards are granted in lieu of — not in addition to — annual cash incentive compensation, and over the last three years have constituted on average 78% of the total of our shares granted. We expect to use the majority of the 1,500,000 shares in our annual grant consistent with our historical performance. Under our performance-based compensation program, employees receive a percentage of their annual incentive compensation in the form of equity awards in lieu of receiving all annual incentive compensation in cash. An employee's annual performance-based incentive

compensation is first determined as a dollar amount, then that amount is divided into a cash component and an equity component. Over the last three years, annual equity awards comprised on average approximately 78% of the total of our shares granted each year. These annual equity awards are in lieu of — not in addition to — annual cash incentive compensation.

Equity awards constitute a significant component of our employees' total compensation. Annual equity awards are a significant component of our employees' total compensation. As an employee's total compensation increases, the percentage of his or her compensation paid in equity generally increases. Over the past five years, we have granted equity awards, on average, to approximately 38% of our employees as part of their annual compensation, and these equity awards constituted, on average, between 9% and 50% of annual incentive compensation.

We need additional shares to grant equity for 2009 annual incentive compensation to be awarded in February 2010. We have approximately 378,582 shares available for grant under our existing Incentive Plan as of February 28, 2009, and we typically use over a million shares for annual equity compensation. The additional 1,500,000 shares for which we are seeking approval will allow us to continue our compensation program using the same mix of cash and equity as we have in past annual grants. Without shares available for grant, we may need to increase the cash component of our annual incentive compensation to make up for the missing equity component. In the current difficult operating environment, we believe it prudent to conserve cash where possible and use equity to continue to strengthen our employee ownership culture.

Equity awards are a critical recruitment and retention tool. We believe that our firm has a unique opportunity to capitalize on the current turmoil in the competitive landscape. During 2008 we added 47 senior, client-facing professionals to strengthen our ability to capture market share. Firms in our industry typically replace equity that is canceled by the employee's prior employer. In 2008, we granted over 220,000 shares in recruiting new talent to our company, and we believe it is critical to have sufficient shares available for opportunistic strategic hires in 2009. In addition, we granted a little over 245,000 shares to key business performers during 2008 to solidify our franchise continuity, and 91% of these key performers have been retained.

We have sought to address shareholder concerns about dilution through share repurchases. We are cognizant of and sensitive to shareholder concerns about dilution and, in an effort to reduce dilution, we have repurchased 4,983,229 shares of our common stock during the last five years. In addition, 1,788,903 shares have been returned to the Incentive Plan through forfeitures and tax withholdings over the same time period. Taken together, we have more than offset the 6,227,516 shares (including shares subject to stock options) that have been granted to employees during the past five years. In 2008, we reduced our level of repurchases as we believed it prudent to conserve our capital during the extraordinarily difficult operating conditions. We remain committed to offsetting dilution in a more normalized environment and we have \$85 million of authorization remaining under our current share repurchase program.

<u>Year</u>	<u>Shares Granted Under Incentive Plan</u>	<u>Shares Returned to Plan or Repurchased During Fiscal Year</u>	<u>Shares Issued and Outstanding at Fiscal Year End</u>
2004	872,644	44,749	19,865,146
2005	1,420,271	1,487,228	19,782,621
2006	898,229	2,462,296	18,544,719
2007	829,859	1,903,715	17,483,635
2008	2,280,336	874,144	18,851,209
Total	6,301,339	6,772,132	N/A

The terms of our annual equity awards are designed to protect shareholder interests. The Compensation Committee determines the vesting, payment and cancellation provisions of our annual equity awards. Our annual awards generally do not vest for three years, at which time they vest in full.

These terms are designed to encourage employees to focus on the long-term success of the company. Furthermore, these awards generally are subject to cancellation for, among other things, termination for cause or failing to comply with certain post-termination restrictions.

Our share retention policy and stock ownership guidelines further protect shareholder interests. Leadership Team members are subject to our share retention policy that the members to retain at least 50% of the shares awarded to them through our incentive plans, or acquired by them upon exercise of stock options awarded to them, net of taxes and transaction costs, for at least five years. This commitment ties a portion of their net worth to the company's stock price and provides a continuing incentive for them to work towards long-term stock performance. In addition, all Leadership Team members are subject to stock ownership guidelines that provide for each to hold company stock with a value equal to seven times base salary for the chief executive officer, and two to five times base salary for the other executive officers, depending on the individual's position, to be achieved within five years after becoming subject to the guidelines. As of January 2, 2009, each of our Leadership Team members were in compliance with our guidelines based on 2009 salary levels on the date of their appointment to the Leadership Team.

Description of the Incentive Plan.

A copy of the Incentive Plan as proposed to be amended is attached as Appendix A, marked to show changes from the current version of the Incentive Plan. The following information summarizes the Incentive Plan as proposed to be amended and is qualified in its entirety by reference to Appendix A.

Summary of Key Terms

<i>Shares Currently Authorized</i>	5,500,000 shares. Also, shares used by a participant as full or partial payment to us of the purchase price relating to an award, including in connection with the satisfaction of tax obligations relating to an award, will again be available for granting awards.
<i>Amendment to Increase Shares</i>	Increase of 1,500,000 shares.
<i>Shares Available for Grant</i>	There are approximately 378,582 shares available for grant as of February 28, 2009.
<i>Expected Share Usage</i>	All shares that currently remain available for grant are expected to be used in the next 12 months in connection with 2009 recruiting, retention, director compensation and annual incentive compensation, and <i>we will need additional shares to complete our annual incentive grants to employees in February 2010.</i>
<i>Vesting</i>	Vesting is determined by the Compensation Committee, but historically all employee awards have had three-year cliff vesting.
<i>Prohibitions</i>	The Incentive Plan prohibits the grant of stock options at a price below fair market value as well as the repricing of stock options without shareholder approval.
<i>No Other Equity Plans</i>	The Incentive Plan is our only equity plan that permits us to grant equity awards.

Purpose

The purpose of the Incentive Plan is to promote the interests of our company and our shareholders by making us competitive in attracting, retaining and motivating officers, employees, directors and consultants, to offer these persons incentives directly linked to the profitability of our businesses and increases in shareholder value, and to provide these persons an opportunity to acquire a proprietary interest in Piper Jaffray.

Eligibility

Our current and prospective directors, officers, employees and consultants, as well as those of our affiliates, are eligible to participate in the Incentive Plan. As of February 28, 2009, approximately 1,045 persons were eligible to participate in the Incentive Plan.

Administration

The Incentive Plan is administered by the Compensation Committee of our Board of Directors, which has broad authority to administer the plan. This authority includes the power to ⁽¹⁾ delegate certain administrative responsibilities with respect to the Incentive Plan to directors and certain officers selected in the Committee's discretion, and ⁽²⁾ determine the eligible individuals to whom and the time or times at which awards will be granted, the number of shares subject to awards to be granted to any eligible individual, the life of any award and any terms and conditions of the grant that are not contained in the Incentive Plan. Each grant under the Incentive Plan is confirmed by and subject to the terms of an award agreement.

Authorized Shares

The Incentive Plan was originally adopted in December 2003 in connection with our spin-off from U.S. Bancorp and authorized the issuance of 2,000,000 shares of our common stock. We amended the Incentive Plan at our 2004, 2006 and 2008 annual meetings of shareholders to add 2,100,000 shares, 400,000 shares and 1,000,000 shares, respectively. There are approximately 378,582 shares available for grant under the company's existing Incentive Plan as of February 28, 2009. We currently expect that shares remaining available for grant will be used in the next 12 months in connection with 2009 recruiting, retention, director compensation and annual incentive compensation and, as a result, we are requesting a 1,500,000-share increase expected to cover our annual incentive grants to employees in February 2010. We typically grant awards to employees (including officers) based on performance and retention objectives, in addition to any other objectives that our Compensation Committee may determine to be relevant. With respect to our directors, our grants are compensatory and will be in the amounts described above under "Information Regarding the Board of Directors and Corporate Governance — Compensation Program for Non-Employee Directors."

Grants of shares that may be issued under the Incentive Plan may be authorized but unissued shares or shares reacquired and held in our treasury. In general, we use treasury shares to the extent available before issuing new shares in connection with awards. No more than 250,000 shares of common stock may be subject to "qualified performance-based awards" granted to any eligible individual in any fiscal year of the company.

If an award entitles the holder to receive or purchase shares, the number of shares covered by the award or to which the award relates will be counted on the date of grant of the award against the aggregate number of shares available for granting awards under the Incentive Plan. Any shares that are used by a participant as full or partial payment to us of the purchase price relating to an award, including in connection with the satisfaction of tax obligations relating to an award, will again be available for granting awards under the Incentive Plan. In addition, if any shares covered by an award or to which an award relates are not purchased or are forfeited, or if an award otherwise terminates without delivery of any shares, then the number of shares counted against the aggregate number of

shares available under the Incentive Plan to the extent of any such forfeiture or termination will again be available for granting awards under the Incentive Plan.

Adjustments

In the event of certain types of corporate transactions or restructurings, such as stock splits, mergers, consolidations, separations, spin-offs, liquidations, reorganizations or other distributions of stock or property of our company, including an extraordinary stock or cash dividend, the Committee or our Board may make adjustments to the aggregate number and kind of shares reserved for issuance under the Incentive Plan, in the maximum share limitations upon stock options, stock appreciation rights and other awards to be granted to any individual, in the number, kind and exercise price of outstanding stock options and stock appreciation rights, in the number and kind of shares subject to other outstanding awards granted under the Incentive Plan, and may also make any other equitable substitutions or adjustments that the Committee or Board determines to be appropriate; however, any adjustments made to an award that is considered to be deferred compensation under Section 409A of the Internal Revenue Code must comply with Section 409A.

Restricted Stock and Restricted Stock Units

Shares of restricted stock and restricted stock units (RSUs) will be subject to such restrictions as the Committee may impose, which may lapse separately or in combination at such time or times, in installments or otherwise as the Committee may deem appropriate. The grant or vesting of restricted stock and RSUs may be performance-based, time-based or both. Restricted stock and RSUs may be “qualified performance-based awards,” in which event the grant or vesting of such restricted stock or RSUs will be conditioned upon the attainment of performance goals. Except as otherwise determined by the Committee, upon a participant’s termination of employment (as determined under criteria established by the Committee) during the restriction period, all shares of restricted stock and RSUs subject to restriction will be forfeited and reacquired by the company, except that the Committee may waive in whole or in part any or all remaining restrictions with respect to shares of restricted stock or RSUs.

If the grant is intended to be a “qualified performance-based award,” the applicable performance goals must be based on the attainment of specified levels of one or more of the following measures: revenue growth; earnings before interest, taxes, depreciation, and amortization; earnings before interest and taxes; operating income; pre- or after-tax income; earnings per share; cash flow; cash flow per share; return on equity; return on tangible equity; return on invested capital; return on assets; economic value added (or an equivalent metric); share price performance; total shareholder return; improvement in or attainment of expense levels; or improvement in or attainment of working capital levels.

These goals are established by the Committee and may be established on a company-wide basis or with respect to one or more business units, divisions or subsidiaries and can be on an absolute or relative basis. A “qualified performance-based award” is a grant of restricted stock or RSUs designated as such by the Committee at the time of grant based upon a determination that (a) the recipient is or may be a “covered employee” within the meaning of Section 162(m) of the Internal Revenue Code in the year in which we would expect to be able to claim a tax deduction with respect to such award and (b) the Committee wishes such grant to qualify for the exemption from the limitation on deductibility of compensation with respect to any covered employee imposed by Section 162(m) of the Internal Revenue Code.

The provisions of restricted stock and RSUs, including any applicable performance goals, need not be the same with respect to each participant. During the restriction period, the Committee may require that any stock certificates evidencing restricted shares be held by us. With respect to restricted stock awards, other than restrictions on transfer and any other restrictions the Committee may impose, the participant will have all the rights of a shareholder holding the class or series of stock that is the subject of the award.

Performance Awards

The Committee may grant performance awards to eligible individuals. A performance award may be denominated or payable in cash, shares, other securities, other awards or other property and will provide the holder with the right to receive payments, in whole or in part, upon the achievement of specified performance goals. Subject to the terms of the Incentive Plan, the performance goals to be achieved, the length of any performance period, the amount of any performance award granted, the amount of any payment or transfer to be made pursuant to any performance award and any other terms and conditions of any performance award will be determined by the Committee. The Committee may, prior to or at the time of the grant, designate performance awards as “qualified performance-based awards,” in which event it will condition the settlement of the awards upon the attainment of one or more of the performance goals described above under “— Restricted Stock and Restricted Stock Units.” Performance awards denominated in cash that are payable to any individual participant with respect to any calendar year are limited to a maximum of \$7.5 million.

Stock Options

The Committee may grant stock options to eligible individuals. Only non-qualified stock options are permitted to be granted under the Incentive Plan. The exercise price per share purchasable under a stock option will be determined by the Committee, but cannot be less than 100% of the fair market value of a share of our common stock on the date of grant of the option. The term of each stock option will be fixed by the Committee at the time of grant, but in no event may it be more than ten years from the grant date. The Committee will determine the time or times at which a stock option may be exercised in whole or in part and the method or methods by which, and the form or forms in which, payment of the exercise price may be made.

Stock Appreciation Rights

The Committee may grant stock appreciation rights to eligible individuals. Each stock appreciation right will confer upon the holder upon exercise the right to receive, as determined by the Committee, cash or a number of shares equal to the excess of (a) the fair market value of one share of our common stock on the date of exercise (or, if the Committee determines, at any time during a specified period before or after the date of exercise) over (b) the grant price of the stock appreciation right as determined by the Committee. The grant price may not be less than 100% of the fair market value of one share on the date of grant of the stock appreciation right. Subject to the terms of the Incentive Plan, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions (including conditions or restrictions on the exercise thereof) of any stock appreciation right will be as determined by the Committee, but in no event may the term of a stock appreciation right be longer than ten years.

Other Stock-Based Awards

Other awards of common stock and other awards that are valued by reference to, or otherwise based upon, common stock, including without limitation dividend equivalents and convertible debentures, may also be granted under the Incentive Plan, either alone or in conjunction with other awards.

Transferability of Awards

Awards are non-transferable other than by will or the laws of descent and distribution. However, in the discretion of the Committee, non-qualified stock options may be transferred to the holder’s immediate family members, directly or indirectly or by means of a trust, partnership or otherwise. Stock options and stock appreciation rights may be exercised only by the initial holder, a permitted transferee or a guardian, legal representative or beneficiary.

Change in Control

Notwithstanding any other provision of the Incentive Plan, unless otherwise provided by the Committee in any award agreement, in the event of a change in control of Piper Jaffray any stock options and stock appreciation rights outstanding as of the date of such change in control, and which are not then exercisable and vested, will become fully exercisable and vested; the restrictions and deferral limitations applicable to any restricted stock and RSUs will lapse, and such restricted stock and RSUs will become free of all restrictions and become fully vested; all performance awards will be considered to be earned and payable in full; and any deferral or other restriction will lapse and such performance awards will be settled in cash or shares, as determined by the Committee, as promptly as is practicable. All restrictions on other awards will lapse and such awards will become free of all restrictions and fully vested.

Amendments and Termination

Our Board of Directors may at any time amend, alter or discontinue the Incentive Plan, but shareholder approval is required for any amendment that could increase the number of shares granted under the Incentive Plan and as otherwise may be required by applicable law or stock exchange rules.

The Committee generally may amend the terms of any outstanding stock option or other award but may not decrease the exercise price of an outstanding stock option or take any action that would constitute a “repricing” of an outstanding stock option unless the amendment is approved by shareholders as required by applicable law or stock exchange rules. Further, the Committee may not amend an award in a way that causes a “qualified performance-based award” to cease to qualify for the Section 162(m) exemption or that impairs the rights of any holder without the holder’s consent.

In the event an award is granted to an individual who is employed outside the United States and is not compensated from a payroll maintained in the United States, the Committee may, in its sole discretion, modify the provisions of the grant as they pertain to such individual to achieve the purposes of the Incentive Plan.

Term of the Incentive Plan

If the amendment to the Incentive Plan is approved by shareholders, the Incentive Plan will terminate on May 7, 2018, which is the tenth anniversary of the approval date of the Incentive Plan, as amended, or on any earlier date determined by our Board of Directors.

Registration

We have registered shares of common stock that currently may be issued under the Incentive Plan on four registration statements on Form S-8. The amount of shares registered includes shares of common stock currently available for issuance under the Incentive Plan as well as shares of common stock forfeited by plan participants or used to satisfy tax obligations of plan participants and again available for issuance pursuant to the terms of the Plan. If this proposal is approved, we intend to register on Form S-8 the additional 1,500,000 shares to be issued under the Incentive Plan as well as shares that are again available for grant due to forfeitures and tax withholdings.

Tax Consequences of Awards

The tax consequences of options granted under the Incentive Plan are complex and depend, in large part, on the surrounding facts and circumstances. This section provides a brief summary of certain significant federal income tax consequences of the Incentive Plan under existing U.S. law. This summary is not a complete statement of applicable law and is based upon the Internal Revenue Code, as well as administrative and judicial interpretations of the Internal Revenue Code, as in effect on the date of this description. If federal tax laws, or interpretations of such laws, change in the future, the information

provided here may no longer be accurate. This section does not consider state, local or foreign tax consequences, nor does it discuss the effect of gift, estate or inheritance taxes.

No later than the date as of which an amount first becomes includible in the gross income of a participant for federal income tax purposes with respect to any award under the Incentive Plan, the participant must pay us, or make arrangements satisfactory to us regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. Our obligations under the Incentive Plan are conditional on such payment or arrangements, and we will, to the extent permitted by law, be entitled to take such action and establish such procedures as we deem appropriate to withhold or collect all applicable payroll, withholding, income or other taxes from a participant. In order to assist a participant in paying all or a portion of the federal, state, local and foreign taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an award, the Committee may permit a participant to satisfy tax obligations by (a) electing to have us withhold a portion of the shares or other property otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) an award with a fair market value equal to the amount of such taxes or (b) delivering to us shares or other property other than shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such award with a fair market value equal to the amount of such taxes. Any such election must be made on or before the date that the amount of tax to be withheld is determined.

A participant will not recognize any taxable income and we will not be entitled to a deduction at the time a non-qualified stock option is granted. When a non-qualified stock option is exercised, the excess of the fair market value of the shares acquired on the exercise of the option over the exercise price will be taxable to a participant as ordinary income. We, in computing our U.S. federal income tax, will generally be entitled to a deduction in an amount equal to the compensation taxable to the participant, subject to certain limitations. When a participant sells his or her shares of stock, the participant generally will have a capital gain (or loss), depending on the difference between the sale price and the fair market value of the stock on the date the participant exercised his or her option. The capital gain (or loss) is considered “long term” or “short term” depending on how long the participant has held the stock.

Unless a participant files an election to be taxed under Section 83(b) of the Internal Revenue Code, the participant will not realize income upon the grant of restricted stock. The participant will realize ordinary income and Piper Jaffray will be entitled to a corresponding deduction when the restrictions lapse, and the amount of such ordinary income and deduction will be the fair market value of the restricted stock on the date the restrictions lapse. If the recipient files an election to be taxed under Section 83(b) of the Internal Revenue Code, the tax consequences to the participant and Piper Jaffray will be determined as of the date the restricted stock is granted rather than as of the date the restrictions lapse.

When a participant disposes of restricted stock, the difference between the amount received upon disposition and the fair market value of the shares on the date the recipient realizes ordinary income will be treated as a capital gain or loss. The capital gain (or loss) is considered “long term” or “short term” depending on how long the participant has held such stock after the date the restrictions are removed or expire, or, if an election under Section 83(b) is filed, after the date the restricted stock is granted.

New Plan Benefits

Future plan awards to be received by or allocated to particular participants are not presently determinable.

Outstanding Equity Awards

The only equity plan we have established is our Amended and Restated 2003 Annual and Long-Term Incentive Plan. The following table summarizes, as of December 31, 2008, the number of shares

of our common stock to be issued upon exercise of outstanding options granted under the plan, the weighted-average exercise price of such options, and the number of shares remaining available for future issuance under the plan for all awards as of December 31, 2008.

<u>Plan Category</u>	<u>Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares in First Column)</u>
Equity compensation plans approved by shareholders	569,379	\$44.27	1,032,552 ⁽¹⁾
Equity compensation plans not approved by shareholders	None	N/A	None

⁽¹⁾ Based on the 5,500,000 shares currently authorized for issuance under the plan — does not reflect our proposal included in this proxy statement to increase the number of authorized shares. In addition to the 569,379 shares to be issued upon the exercise of outstanding options to purchase our common stock, 3,177,945 shares of restricted stock issued under the plan were outstanding as of December 31, 2008. All of the shares available for future issuance under the plan as of December 31, 2008, may be granted in the form of restricted stock, RSUs, options or another equity-based award authorized under the plan.

SHAREHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING

In order for a shareholder proposal, including a director nomination, to be considered for inclusion in our proxy statement for the 2010 annual meeting of shareholders, the written proposal must be received at our principal executive offices on or before November 14, 2009. The proposal should be addressed to Piper Jaffray Companies, Attention: James L. Chosy, Secretary, 800 Nicollet Mall, Suite 800, Mail Stop J09N05, 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 2010 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 7, 2010, and no later than February 6, 2010.

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. Currently, only brokers household our proxy materials and annual reports, 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 J09N05, 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.

A handwritten signature in black ink, appearing to read "J. Chosy", written in a cursive style.

JAMES L. CHOSY
Secretary

Dated: March 16, 2009

PIPER JAFFRAY COMPANIES
AMENDED AND RESTATED
2003 ANNUAL AND LONG-TERM INCENTIVE PLAN
(as amended effective May 7, 2009)

SECTION 1. *Purpose*

The purpose of the Plan is to promote the interests of the Company and its stockholders by giving the Company a competitive advantage in attracting, retaining and motivating employees, officers, consultants and Directors capable of assuring the future success of the Company, to offer such persons incentives that are directly linked to the profitability of the Company's businesses and increases in stockholder value, and to afford such persons an opportunity to acquire a proprietary interest in the Company.

SECTION 2. *Definitions*

As used in the Plan, the following terms shall have the meanings set forth below.

(a) "*Affiliate*" means any entity in which the Company has, directly or indirectly through one or more intermediaries, a controlling interest or which has, directly or indirectly through one or more intermediaries, a controlling interest in the Company, within the meaning of Treasury Regulation § 1.409A-1(b)(5)(iii)(E).

(b) "*Award*" means any Stock Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent, Other Stock Grant, Other Stock-Based Award or Tax Offset Bonus granted under the Plan.

(c) "*Award Agreement*" means any written agreement, contract or other instrument or document evidencing any Award granted under the Plan. Each Award Agreement shall be subject to the applicable terms and conditions of the Plan and any other terms and conditions (not inconsistent with the Plan) determined by the Committee.

(d) "*Board*" means the Board of Directors of the Company.

(e) "*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(f) "*Change in Control*" has the meaning set forth in Section 7.

(g) "*Committee*" means a committee of Directors designated by the Board to administer the Plan, which initially shall be the Compensation Committee of the Board. The Committee shall be comprised of not less than such number of Directors as shall be required to permit Awards granted under the Plan to qualify under Rule 16b-3 and Section 162(m) of the Code, and each member of the Committee shall be an Outside Director.

(h) "*Company*" means Piper Jaffray Companies, a Delaware corporation.

(i) "*Covered Employee*" means a Participant designated prior to the grant of Restricted Stock, Restricted Stock Units or Performance Awards by the Committee who is or may be a "covered employee" within the meaning of Section 162(m)(3) of the Code in the year in which any such Award is expected to be taxable to such Participant.

(j) "*Director*" means a member of the Board, including any Outside Director.

(k) "*Dividend Equivalent*" means any right granted under Section 6(e) of the Plan.

(l) "*Effective Date*" has the meaning set forth in Section 11 of the Plan.

(m) “*Eligible Individual*” means any employee, officer, Director or consultant providing services to the Company or any Affiliate, and prospective employees and consultants who have accepted offers of employment or consultancy from the Company or any Affiliate, whom the Committee determines to be an Eligible Individual.

(n) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time.

(o) “*Exercise Price*” has the meaning set forth in Section 6(a) of the Plan.

(p) “*Fair Market Value*” means, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee in good faith and in a manner consistent with Code Section 409A. Notwithstanding the foregoing and except as otherwise provided by the Committee, the Fair Market Value of a Share as of a given date shall be the closing sales price for one Share on the New York Stock Exchange or such other established securities market as may at the time be the principal market for the Shares, or if the Shares were not traded on such national securities market or exchange on such date, then on the next preceding date on which the Shares are traded, all as reported by such source as the Committee may select.

(q) “*Non-Qualified Stock Option*” means any Stock Option that is not designated as, or is not intended to qualify as, an “incentive stock option” within the meaning of Section 422 of the Code.

(r) “*Outside Director*” means any Director who qualifies as an “outside director” within the meaning of Section 162(m) of the Code, as a “non-employee director” within the meaning of Rule 16b-3 and as an “independent director” pursuant to the requirements of the New York Stock Exchange.

(s) “*Participant*” means an Eligible Individual designated to be granted an Award under the Plan.

(t) “*Performance Award*” means any right granted under Section 6(d) of the Plan.

(u) “*Performance Goals*” means the performance goals established by the Committee in connection with the grant of an Award. In the case of Qualified Performance-Based Awards, (i) such goals shall be based on the attainment of specified levels of one or more of the following measures with respect to the Company or such subsidiary, division or department of the Company for or within which the Participant performs services: revenue growth; earnings before interest, taxes, depreciation, and amortization; earnings before interest and taxes; operating income; pre- or after- tax income; earnings per share; cash flow; cash flow per share; return on equity; return on tangible equity; return on invested capital; return on assets; economic value added (or an equivalent metric); share price performance; total shareholder return; improvement in or attainment of expense levels; improvement in or attainment of working capital levels and (ii) such Performance Goals shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations. Such Performance Goals also may be based upon the attaining of specified levels of Company performance under one or more of the measures described above relative to the performance of other companies.

(v) “*Plan*” means this Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan, as set forth herein and as hereinafter amended from time to time.

(w) “*Qualified Performance-Based Award*” means an Award of Restricted Stock, Restricted Stock Units or Performance Awards designated as such by the Committee at the time of grant, based upon a determination that (i) the recipient is or may be a Covered Employee in the year in which the Company would expect to be able to claim a tax deduction with respect to such Restricted Stock or Performance Awards and (ii) the Committee wishes such Award to qualify for the Section 162(m) Exemption.

(x) “*Restricted Stock*” means any Share granted under Section 6(c) of the Plan.

(y) “*Restricted Stock Unit*” means any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.

(z) “*Rule 16b-3*” means Rule 16b-3, as promulgated by the Securities and Exchange Commission under Section 16(b) of the Exchange Act, as amended from time to time.

(aa) “*Section 162(m) Exemption*” means the exemption from the limitation on deductibility imposed by Section 162(m) of the Code that is set forth in Section 162(m)(4)(C) of the Code.

(bb) “*Share*” or “*Shares*” means a share or shares of common stock, par value \$.01 per share, of the Company.

(cc) “*Stock Appreciation Right*” means any right granted under Section 6(b) of the Plan.

(dd) “*Stock Option*” means a Non-Qualified Stock Option granted under Section 6(a) of the Plan.

SECTION 3. *Administration*

(a) *Power and Authority of the Committee.* The Plan shall be administered by the Committee. Subject to the terms of the Plan and to applicable law, the Committee shall have full power and authority to:

(i) designate Participants;

(ii) determine whether and to what extent any type (or types) of Award is to be granted hereunder;

(iii) determine the number of Shares to be covered by (or the method by which payments or other rights are to be determined in connection with) each Award;

(iv) determine the terms and conditions of any Award or Award Agreement;

(v) subject to Section 9 hereof, amend the terms and conditions of any Award or Award Agreement and accelerate the vesting and/or exercisability of any Stock Option or waive any restrictions relating to any Award; provided, however, that (A) except for adjustments pursuant to Section 4(c) of the Plan, in no event may any Stock Option granted under this Plan be (x) amended to decrease the Exercise Price thereof, (y) cancelled in conjunction with the grant of any new Stock Option with a lower Exercise Price, or (z) otherwise subject to any action that would be treated, for accounting purposes, as a “repricing” of such Stock Option, unless such amendment, cancellation, or action is approved by the stockholders of the Company to the extent required by applicable law and stock exchange rules and (B) the Committee may not adjust upwards the amount payable to a Covered Employee with respect to a Qualified Performance-Based Award or waive or alter the Performance Goals associated therewith in a manner that would violate Section 162(m) of the Code.

(vi) determine whether, to what extent and under what circumstances the exercise price of Awards may be paid in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended;

(vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee;

(viii) interpret and administer the Plan and any instrument or agreement, including an Award Agreement, relating to the Plan;

(ix) adopt, alter, suspend, waive or repeal such rules, guidelines and practices and appoint such agents as it shall deem advisable or appropriate for the proper administration of the Plan; and

(x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award or Award Agreement shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons, including without limitation, the Company, its Affiliates, subsidiaries, shareholders, Eligible Individuals and any holder or beneficiary of any Award.

(b) *Action by the Committee; Delegation.* Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may delegate all or any part of its duties and powers under the Plan to one or more persons, including Directors or a committee of Directors, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion; provided, however, that the Committee shall not delegate its powers and duties under the Plan (i) with regard to officers or directors of the Company or any Affiliate who are subject to Section 16 of the Exchange Act or (ii) in a manner that would cause an Award designated as a Qualified Performance-Based Award not to qualify for, or to cease to qualify for, the Section 162(m) Exemption; and provided, further, that any such delegation may be revoked by the Committee at any time.

(c) *Power and Authority of the Board.* Notwithstanding anything to the contrary contained herein, except to the extent that the grant or exercise of such authority would cause any Award or transaction to become subject to (or lose an exemption under) the short-swing profit recovery provisions of Section 16 of the Exchange Act or cause an Award designated as a Qualified Performance-Based Award not to qualify for, or to cease to qualify for, the Section 162(m) Exemption, the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan. To the extent that any permitted action taken by the Board conflicts with action taken by the Committee, the Board action shall control.

SECTION 4. *Shares Available for Awards*

(a) *Shares Available.* Subject to adjustment as provided in Section 4(c) of the Plan, the aggregate number of Shares that may be issued under the Plan shall be 7,000,000. Shares that may be issued under the Plan may be authorized but unissued Shares or Shares re-acquired and held in treasury.

(b) *Accounting for Awards.* For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan. Any Shares that are used by a Participant as full or partial payment to the Company of the purchase price relating to an Award, including in connection with the satisfaction of tax obligations relating to an Award, shall again be available for granting Awards under the Plan. In addition, if any Shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan.

(c) *Adjustments.* In the event of any change in corporate capitalization (including, but not limited to, a change in the number of Shares outstanding), such as a stock split or a corporate transaction, such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of the Company (including any extraordinary cash or stock dividend), any reorganization (whether or not such reorganization comes within the definition of such term in Section 368 of the Code) or any partial or complete liquidation of the Company, the Committee or Board may make such substitution or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan, and the maximum limitation upon Stock Options and Stock Appreciation Rights and other Awards to be granted to any Participant, in the number, kind and Exercise Price of shares subject to outstanding Stock Options and Stock Appreciation Rights, in the number and kind of shares subject to other outstanding Awards granted under the Plan and/or such other equitable substitution or adjustments as it may determine to be appropriate in its sole discretion (including, without limitation, the provision of an amount in cash in consideration for any such Awards); provided, however, that the number of shares

subject to any Award shall always be a whole number. Without limiting the generality of the foregoing, in connection with any Disaffiliation of a subsidiary of the Company, the Committee shall have the authority to arrange for the assumption or replacement of Awards with new awards based on shares of the affected subsidiary or by an affiliate of an entity that controls the subsidiary following the Disaffiliation. For purposes hereof, "Disaffiliation" of a subsidiary shall mean the subsidiary's ceasing to be a subsidiary of the Company for any reason (including, without limitation, as a result of a public offering, spin-off, sale or other distribution or transfer by the Company of the stock of the subsidiary). Notwithstanding the foregoing, to the extent that any Award is otherwise considered to be deferred compensation under Section 409A of the Code, any adjustment to such Award will comply with Section 409A of the Code (including current and future guidance issued by the Department of Treasury and or the Internal Revenue Service).

(d) *Award Limitations.* No more than 250,000 shares of Common Stock may be subject to Qualified Performance-Based Awards granted to any Eligible Individual in any fiscal year of the Company.

SECTION 5. *Eligibility*

Any Eligible Individual shall be eligible to be designated a Participant. In determining which Eligible Individuals shall receive an Award and the terms of any Award, the Committee may take into account the nature of the services rendered by the respective Eligible Individuals, their present and potential contributions to the success of the Company or such other factors as the Committee, in its discretion, shall deem relevant.

SECTION 6. *Awards*

(a) *Stock Options.* The Committee is hereby authorized to grant Stock Options (which may only be Non-Qualified Stock Options) to Eligible Individuals with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) *Exercise Price.* The purchase price per Share purchasable under a Stock Option (the "Exercise Price") shall be determined by the Committee; provided, however, that such Exercise Price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Stock Option.

(ii) *Option Term.* The term of each Stock Option shall be fixed by the Committee at the time of grant, but in no event shall be more than 10 years from the date of grant.

(iii) *Time and Method of Exercise.* The Committee shall determine the time or times at which a Stock Option may be exercised in whole or in part and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the applicable Exercise Price) in which, payment of the Exercise Price with respect thereto may be made or deemed to have been made.

(b) *Stock Appreciation Rights.* The Committee is hereby authorized to grant Stock Appreciation Rights to Eligible Individuals subject to the terms of the Plan. Each Stock Appreciation Right granted under the Plan shall confer on the holder upon exercise the right to receive, as determined by the Committee, cash or a number of Shares whose Fair Market Value is equal to the excess of (A) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine in accordance with the requirements of Code Section 409A, at any time during a specified period not more than 30 days before or after the date of exercise) over (B) the grant price of the Stock Appreciation Right as determined by the Committee, which grant price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions (including conditions or restrictions on the exercise thereof) of any Stock

Appreciation Right shall be as determined by the Committee, provided that in no event shall the term of a Stock Appreciation Right be longer than ten years.

(c) *Restricted Stock and Restricted Stock Units.* The Committee is hereby authorized to grant Restricted Stock and Restricted Stock Units to Eligible Individuals with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) *Restrictions.* Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, limitation on transfer, forfeiture conditions, limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate. The grant or vesting of Restricted Stock and Restricted Stock Units may be performance-based or time-based or both. Restricted Stock and Restricted Stock Units may be Qualified Performance-Based Awards, in which event the grant or vesting, as applicable, of such Restricted Stock or Restricted Stock Units shall be conditioned upon the attainment of Performance Goals.

(ii) *Stock Certificates; Delivery of Shares.*

(A) Any Restricted Stock granted under the Plan shall be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates. Any certificate issued in respect of shares of Restricted Stock shall be registered in the name of such Participant and shall bear an appropriate legend referring to the applicable Award Agreement and possible forfeiture of such shares of Restricted Stock. The Committee may require that the certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed and that, as a condition of any Award of Restricted Stock, the Participant shall have delivered a stock power, endorsed in blank, relating to the Shares covered by such Award.

(B) In the case of Restricted Stock Units, no Shares or other property shall be issued at the time such Awards are granted. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units (or at such later time as may be determined by the Committee), Shares or other cash or property shall be issued to the holder of the Restricted Stock Units and evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of one or more stock certificates.

(iii) *Forfeiture.* Except as otherwise determined by the Committee, upon a Participant's termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, all applicable Shares of Restricted Stock and Restricted Stock Units at such time subject to restriction shall be forfeited and reacquired by the Company; provided, however, that the Committee may, when it finds that a waiver would be in the best interest of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

(d) *Performance Awards.* The Committee is hereby authorized to grant Performance Awards to Eligible Individuals subject to the terms of the Plan. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock and Restricted Stock Units), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee. The Committee may, prior to or at the time

of the grant, designate Performance Awards as Qualified Performance-Based Awards, in which event it shall condition the settlement thereof upon the attainment of Performance Goals. Performance Awards denominated in cash that are payable to any individual Participant with respect to any calendar year will be limited to a maximum of \$7,500,000.

(e) *Dividend Equivalents.* The Committee is hereby authorized to grant Dividend Equivalents to Eligible Individuals under which the Participant shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent in value to the amount of cash dividends paid by the Company to holders of Shares with respect to a number of Shares determined by the Committee. Subject to the terms of the Plan, such Dividend Equivalents may have such terms and conditions as the Committee shall determine, but no right to a Dividend Equivalent shall be contingent, directly or indirectly, upon the exercise of a Stock Option or Stock Appreciation Right.

(f) *Other Stock Grants.* The Committee is hereby authorized, subject to the terms of the Plan, to grant to Eligible Individuals Shares without restrictions thereon as are deemed by the Committee to be consistent with the purpose of the Plan.

(g) *Other Stock-Based Awards.* The Committee is hereby authorized to grant to Eligible Individuals, subject to the terms of the Plan, such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purpose of the Plan. Shares or other securities delivered pursuant to a purchase right granted under this Section 6(g) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including, without limitation, cash, Shares, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(h) *Tax Offset Bonus.* The Committee may grant to a Participant, at the time of granting an Award or at any time thereafter, the right to receive a cash payment in an amount specified by the Committee, to be paid at such time or times (if ever) as the Award results in compensation income to the Participant, for the purpose of assisting the Participant to pay the resulting taxes, all as determined by the Committee and on such other terms and conditions as the Committee shall determine (a “Tax Offset Bonus”). Payment of a Tax Offset Bonus shall be made no later than the end of the Participant’s taxable year next following the taxable year in which the Participant remits the resulting taxes.

(i) *General.*

(i) *Consideration for Awards.* Awards may be granted for no cash consideration or for any cash or other consideration as determined by the Committee and required by applicable law.

(ii) *Awards May Be Granted Separately or Together.* Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) *Forms of Payment Under Awards.* Subject to the terms of the Plan, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or settlement of an Award may be made in such form or forms as the Committee shall determine (including cash, Shares, other securities, other Awards or other property or any combination thereof); provided, however, that such payments or transfers shall not be in the form of promissory notes. Such payments or transfers may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on

installment or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

(iv) *Limits on Transfer of Awards.* No Award (other than Other Stock Grants) and no right under any such Award shall be transferable by a Participant otherwise than by will or by the laws of descent and distribution and the Company shall not be required to recognize any attempted assignment of such rights by any Participant; provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant; and provided, further, that, if so determined by the Committee, a Participant may transfer a Non-Qualified Stock Option to any Family Member (as such term is defined in the General Instructions to Form S-8 (or successor to such Instructions or such Form)) at any time that such Participant holds such Stock Option, whether directly or indirectly or by means of a trust or partnership or otherwise, provided that the Participant may not receive any consideration for such transfer, the Family Member may not make any subsequent transfers other than by will or by the laws of descent and distribution and the Company receives written notice of such transfer. Except as otherwise determined by the Committee, each Award or right under any such Award shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. Except as otherwise determined by the Committee, no Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or other encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) *Term of Awards.* Subject to Section 6(a)(ii) of the Plan, the term of each Award shall be for such period as may be determined by the Committee.

(vi) *Restrictions.* All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Committee may direct appropriate stop transfer orders and cause other legends to be placed on the certificates for such Shares or other securities to reflect such restrictions.

SECTION 7. *Change in Control*

(a) *Impact of Event.* Notwithstanding any other provision of the Plan to the contrary, unless otherwise provided by the Committee in any Award Agreement, in the event of a Change in Control:

(i) Any Stock Options and Stock Appreciation Rights outstanding as of the date of such Change in Control, and which are not then exercisable and vested, shall become fully exercisable and vested.

(ii) The restrictions applicable to any Restricted Stock and Restricted Stock Units shall lapse, and such Restricted Stock and Restricted Stock Units shall become free of all restrictions and become fully vested.

(iii) All Performance Awards shall be considered to be earned and payable in full, and any restriction shall lapse and such Performance Awards shall be settled in cash or Shares, as determined by the Committee, as promptly as is practicable.

(iv) All restrictions on other Awards shall lapse and such Awards shall become free of all restrictions and become fully vested.

(b) *Definition of Change in Control.* For purposes of the Plan, and unless otherwise provided in an applicable Award Agreement, a “Change in Control” shall mean the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (1) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); excluding, however, the following: (1) Any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) Any acquisition by the Company, (3) Any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any entity controlled by the Company, or (4) Any acquisition pursuant to a transaction which complies with clauses (1), (2) and (3) of subsection (iii) of this Section 7(b); or

(ii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 7(b), that any individual who becomes a member of the Board subsequent to the Effective Date, whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (“Corporate Transaction”); excluding, however, such a Corporate Transaction pursuant to which (1) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or such corporation resulting from such Corporate Transaction) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction, and (3) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

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

SECTION 8. *Income Tax Withholding*

No later than the date as of which an amount first becomes includible in the gross income of a Participant for federal or foreign income tax purposes with respect to any Award under the Plan, the Participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Affiliates shall, to the extent permitted by law, be entitled to take such action and establish such procedures as it deems appropriate to withhold or collect all applicable payroll, withholding, income or other taxes from such Participant, including without limitation withholding applicable tax from Participant's cash compensation paid by the Company or an Affiliate. In order to assist a Participant in paying all or a portion of the federal, state, local and foreign taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (i) electing to have the Company withhold a portion of the Shares or other property otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes or (ii) delivering to the Company Shares or other property other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes, provided that, in either case, not more than the legally required minimum withholding may be settled with Shares. Any such election must be made on or before the date that the amount of tax to be withheld is determined.

SECTION 9. *Amendment and Termination*

(a) *Amendments to the Plan.* The Board may amend, alter, suspend, discontinue or terminate the Plan at any time; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company, no amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval:

(i) requires stockholder approval under the rules or regulations of the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company; or

(ii) increases the number of Shares authorized under the Plan as specified in Section 4(a) of the Plan.

(b) *Amendments to Awards.* The Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. Except as otherwise provided herein or in an Award Agreement, the Committee may not amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, if such action would adversely affect the rights of the holder of such Award, without the consent of the Participant or holder or beneficiary thereof or such amendment would cause a Qualified Performance-Based Award to cease to qualify for the Section 162(m) Exemption. The Committee may unilaterally amend any Award, and it will be conclusively presumed that such action will not adversely affect the rights of the holder of such Award, if such amendment is determined by the Committee to be necessary to cause the Award to be exempt from the application of, or to comply with, Code Section 409A.

(c) *Correction of Defects, Omissions and Inconsistencies.* The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 10. *General Provisions*

(a) *No Rights to Awards.* No Eligible Individual or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible

Individuals or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

(b) *Award Agreements.* No Participant will have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company and, if requested by the Company, signed by the Participant. In the event that any provision of an Award Agreement conflicts with or is inconsistent in any respect with the terms of the Plan as set forth herein or subsequently amended, the terms of the Plan shall control.

(c) *No Rights of Stockholders.* Except with respect to Shares of Restricted Stock as to which the Participant has been granted the right to vote, neither a Participant nor the Participant's legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company with respect to any Shares issuable to such Participant upon the exercise or payment of any Award, in whole or in part, unless and until such Shares have been issued in the name of such Participant or such Participant's legal representative without restrictions thereto.

(d) *No Limit on Other Compensation Plans or Arrangements.* Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) *No Right to Employment.* The Plan shall not constitute a contract of employment, and adoption of the Plan or the grant of an Award shall not be construed as giving a Participant the right to be retained as an employee of the Company or an Affiliate, or a non-employee Director to be retained as a Director, nor shall it affect in any way the right of the Company or an Affiliate to terminate such employment at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment free from any liability or any claim under the Plan or any Award, unless otherwise expressly provided in the Plan or in any Award Agreement.

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

(g) *Severability.* If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

(h) *Application to Participants Outside the United States.* In the event an Award is granted to a Participant who is employed or providing services outside the United States and who is not compensated from a payroll maintained in the United States, the Committee may, in its sole discretion, modify the provisions of the Plan as they pertain to such individual to comply with applicable foreign law.

(i) *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and an Eligible Individual or any other person. To the extent that any person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(j) *Other Benefits.* No compensation or benefit awarded to or realized by any Participant under the Plan shall be included for the purpose of computing such Participant's compensation under any compensation-based retirement, disability, or similar plan of the Company unless required by law or otherwise provided by such other plan.

(k) *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(l) *Headings.* Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

(m) *Section 16 Compliance; Section 162(m) Administration.* The Plan is intended to comply in all respects with Rule 16b-3 or any successor provision, as in effect from time to time, and in all events the Plan shall be construed in accordance with the requirements of Rule 16b-3. If any Plan provision does not comply with Rule 16b-3 as hereafter amended or interpreted, the provision shall be deemed inoperative. The Board, in its absolute discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan with respect to persons who are officers or directors subject to Section 16 of the Exchange Act without so restricting, limiting or conditioning the Plan with respect to other Eligible Individuals. The Company intends that all Stock Options and Stock Appreciation Rights granted under the Plan to individuals who are or who the Committee believes will be Covered Employees will constitute “qualified performance-based compensation” within the meaning of Section 162(m) of the Code.

(n) *Conditions Precedent to Issuance of Shares.* Shares shall not be issued pursuant to the exercise or payment of the Exercise Price or purchase price relating to an Award unless such exercise or payment and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended from time to time, the Exchange Act, the rules and regulations promulgated thereunder, the requirements of any applicable stock exchange and the Delaware General Corporation Law. As a condition to the exercise or payment of the Exercise Price or purchase price relating to such Award, the Company may require that the person exercising or paying the Exercise Price or purchase price represent and warrant that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation and warranty is required by law.

(o) *Conformance to Section 409A of the Code.* To the extent that any Award constitutes a deferral of compensation subject to Section 409A of the Code, the following provisions shall apply notwithstanding any other provision of the Plan:

(i) If such Award provides for a change in the time or form of payment of such Award upon a Change in Control of the Company, no Change in Control shall be deemed to have occurred upon an event described in Section 7(b) of the Plan unless such event would also constitute a change in ownership or effective control of, or a change in the ownership of a substantial portion of the assets of, the Company under Section 409A of the Code.

(ii) If any amount is payable under such Award upon a termination of employment or other service, a termination of employment or other service will be deemed to have occurred only at such time as the Participant has experienced a “separation from service” as such term is defined for purposes of Code Section 409A.

(iii) If any amount shall be payable with respect to any such Award as a result of a Participant’s “separation from service” at such time as the Participant is a “specified employee,” then no payment shall be made, except as permitted under Code Section 409A, prior to the first day of the seventh (7th) calendar month beginning after the Participant’s separation from service (or the date of his or her earlier death). The Company may adopt a “specified employee identification policy” which specifies the identification date, the effective date of any change in the key employee group, compensation definition and other variables that are relevant in identifying specified employees, and which may include an alternative method of identifying specified

employees consistent with the regulations under Code Section 409A. In the absence of any such policy or policy provision, for purposes of the above, the “identification date” is each December 31st, and an employee who satisfies the above conditions will be considered to be a “specified employee” from April 1st following the identification date to March 31st of the following year, and the compensation and other variables, and special rules for corporate events and special rules relating to nonresident aliens, that is necessary in identifying specified employees will be determined and applied in accordance with the defaults specified in the regulations under Code Section 409A. Any Specified Employee Identification Policy will apply uniformly to all nonqualified deferred compensation plans subject to Code Section 409A that are maintained by the Company or an Affiliate.

To the extent the Committee elects to exercise its discretion to permit or require a Participant to defer receipt of cash or Shares that would otherwise be due to him or her under the Plan upon the vesting or settlement of any Award, such deferral shall occur in accordance with a written plan, rules or procedures adopted for that purpose by the Committee. Any such plan, rules or procedures shall comply with the requirements of Code Section 409A, including those with respect to the time when a deferral election may be made, the period of the deferral and the events that would result in the payment of the deferred amount.

SECTION 11. *Effective Date of Plan*

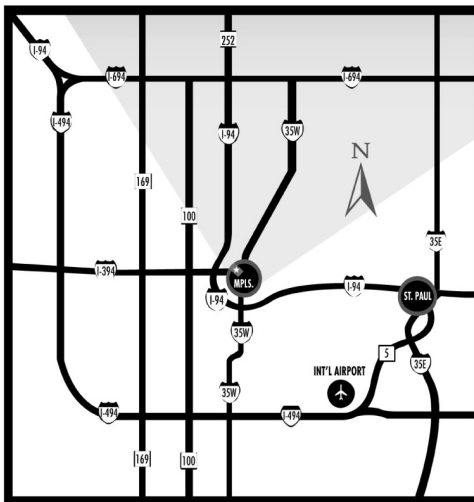
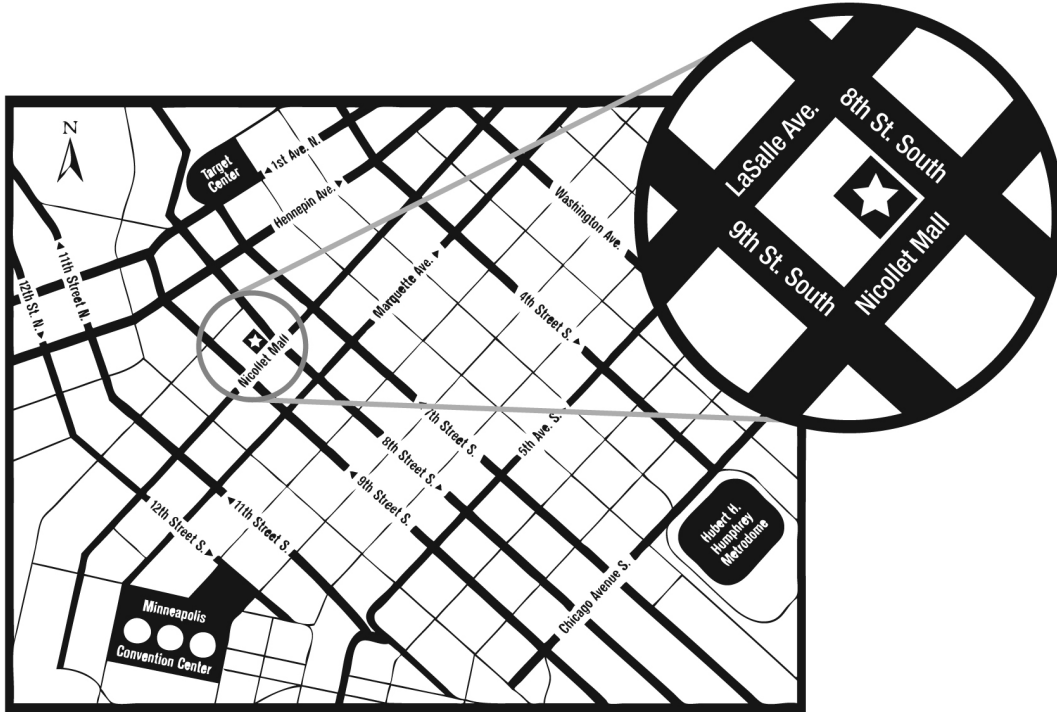
Upon adoption by the Board the Plan shall be submitted for approval by the stockholders of the Company and shall be effective as of the date of such approval (the “Effective Date”).

SECTION 12. *Term of the Plan*

The Plan will terminate on the tenth anniversary of the Effective Date or any earlier date of discontinuation or termination established pursuant to Section 9 of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee provided for hereunder with respect to the Plan and any Awards, and the authority of the Board to amend the Plan, shall extend beyond the termination of the Plan.

LOCATION OF PIPER JAFFRAY COMPANIES ANNUAL MEETING OF SHAREHOLDERS

Thursday, May 7, 2009, at 3:30 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 1-35 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.