PIPER JAFFRAY COMPANIES
Form DEF 14A
March 16, 2009

**Table of Contents**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**(RULE 14a-101)**

**SCHEDULE 14A INFORMATION**

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES**

**EXCHANGE ACT OF 1934**

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-12

PIPER JAFFRAY COMPANIES

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

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*

**Table of Contents**

**Table of Contents**

800 Nicollet Mall, Suite 800
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<br>12th Floor, U.S. Bancorp Center<br>800 Nicollet Mall<br>Minneapolis, MN 55402 |
| **Items of Business:** | 1. The election of five directors, each for a one-year term.<br><br>2. Approval of an amendment to our Amended and Restated 2003 Annual and Long-Term Incentive Plan.<br><br>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**

**Table of Contents**

Table of Contents

# 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.

Table of Contents

**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.

Table of Contents

**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;

Table of Contents

(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

9

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

11

Table of Contents

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).

Table of Contents

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

13

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**

| | Fees Earned or Paid in Cash | | | | | |
|---|---|---|---|---|---|---|
| **Director** | **Annual Retainer ($)** | **Additional Retainer(1) ($)** | **Stock Awards(2)(3) ($)** | **Option Awards(3) ($)** | **All Other Compensation(4) ($)** | **Total ($)** |
| 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.

| | **Stock** | **Option** |
|---|---|---|

| Director | Awards (#) | Year-End Value of Stock Awards ($) | Awards (#) | Year-End Value of Option Awards ($) |
|---|---|---|---|---|
| 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.**

Table of Contents

## 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

16

Table of Contents

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

Table of Contents

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) Cash Incentive | Restricted Stock | Stock Options | Total Incentive |
|---|---|---|---|---|---|---|
| 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- |
| Thomas P. Schnettler | 2008 | $ 271,875 | -0- | -0- | -0- | -0- |
| | 2007 | $ 221,667 | $ 1,182,250 | $ 677,106 | $ 435,282 | $ 2,294,638 |
| | 2006 | $ 205,000 | $ 1,687,105 | $ 1,173,305 | $ 207,054 | $ 3,067,464 |
| Jon W. Salveson | 2008 | $ 225,000 | -0- | -0- | -0- | -0- |
| | 2007 | $ 221,667 | $ 1,034,598 | $ 592,542 | $ 380,920 | $ 2,008,060 |
| | 2006 | $ 180,000 | $ 2,045,762(2) | $ 1,111,754 | $ 196,192 | $ 3,353,708 |
| Robert W. Peterson | 2008 | $ 225,000 | -0- | -0- | -0- | -0- |
| | 2007 | $ 221,667 | $ 725,483 | $ 415,504 | $ 267,110 | $ 1,408,097 |
| | 2006 | $ 205,000 | $ 1,039,144 | $ 722,678 | $ 127,531 | $ 1,889,353 |

(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. Salveson 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, Salveson 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, Salveson 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

Table of Contents

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.

Table of Contents

### *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 | 2008 | 400,000 | | 491,990 | 54,847 | 585,470 | 1,532,307 |
| Chairman and CEO | 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 |
| Debbra L. Schoneman | 2008 | 205,417 | | 117,586 | 244 | 12,408 | 335,655 |
| Chief Financial Officer[1] | | | | | | | |
| Thomas P. Schnettler | 2008 | 271,875 | | 429,532 | 64,103 | 77,896 | 843,406 |
| President and Chief Operating Officer | 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 | 2008 | 225,000 | | 334,616 | 8,937 | 37,591 | 606,144 |
| Head of Investment Banking | 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 | 2008 | 225,000 | | 264,631 | 36,755 | 100,058 | 626,444 |
| Head of Equities | 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,

Table of Contents

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:

| Form of All Other Compensation | Year | Andrew S. Duff | Debbra L. Schoneman | Thomas P. Schnettler | Jon W. Salveson | Robert W. Peterson |
|---|---|---|---|---|---|---|
| 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 | 2008 | 1,089 | 837 | 1,089 | 855 | 855 |
| disability insurance premiums | 2007 | 1,089 | n/a | 1,089 | 855 | 855 |
| | 2006 | 945 | n/a | 1,089 | 855 | 837 |
| 2003 cash awards (replacing the | 2008 | 570,887 | 2,571 | 30,523 | 10,313 | 69,953 |
| lost value of U.S. Bancorp equity) | 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 |
| Debbra 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. Salveson | 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).

Table of Contents

### 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.

| | Option Awards | | | | Stock Awards | |
|---|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Option Exercise Price ($) | Option Expiration Date[(1)] | Number of Shares of Stock that Have Not Vested[(2)] (#) | Market Value of Shares of Stock That Have Not Vested[(3)] ($) |
| 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. Salveson | 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.

| | **Number of Shares Scheduled to Vest That Are Held by Each Named Executive Officer** | | | | |
|---|---|---|---|---|---|
| **Vesting Date** | **Andrew S. Duff** | **Debbra L. Schoneman** | **Thomas P. Schnettler** | **Jon W. Salveson** | **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. Salveson, 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.

| | **Stock Awards** | |
|---|---|---|
| **Name** | **Number of Shares Acquired on Vesting (#)** | **Value Realized on Vesting[1] ($)** |
| Andrew S. Duff | 28,963 | 1,190,090 |
| Debbra L. Schoneman | 884 | 36,324 |
| Thomas P. Schnettler | 31,377 | 1,289,281 |
| Jon W. Salveson | 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.

| **Name** | **Aggregate Earnings (Loss) in Last Fiscal Year ($)** | **Aggregate Balance at Last Fiscal Year-End ($)** |
|---|---|---|
| Andrew S. Duff | (106,006) | 383,857 |

| | | |
|---|---|---|
| Debbra L. Schoneman | (5,357) | 12,651 |
| Thomas P. Schnettler | (254,753) | 601,559 |
| Jon W. Salveson | (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

Table of Contents

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.

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

Table of Contents

**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.

| | Type of Termination | | | | | |
|---|---|---|---|---|---|---|
| **Name** | **Change in Control Not Followed by Employment Termination** | **Involuntary Termination Within 24 Months Following a Change in Control** | **Voluntary Termination** | **Involuntary Termination Under Severance Plan** | **Other Involuntary Termination Not for Cause** | **Involuntary Termination for Cause** |
| **Andrew S. Duff** | | | | | | |
| Severance[1] | | | | $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 | |
| **Debbra 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 | |
| | | Indeterminable | Indeterminable | Indeterminable | Indeterminable | |

| | | | | | |
|---|---|---|---|---|---|
| Second Century Deferred Compensation Plans(5) | | | | | |
| **Jon W. Salveson** | | | | | |
| 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

Table of Contents

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. Salveson | 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

Table of Contents

otherwise noted, the shareholders listed in the table have sole voting and investment power with respect to the shares owned by them.

| Name of Beneficial Owner | Shares of Piper Jaffray Common Stock* | Phantom Shares Counted Towards Director Stock Ownership Guidelines** |
|---|---|---|
| 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. Salveson | 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 |