UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2019
Commission File No. 001-31720

PIPER SANDLER COMPANIES

(Exact Name of Registrant as specified in its Charter)

Delaware	**30-0168701**
(State or Other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*
800 Nicollet Mall, Suite 900	
Minneapolis , Minnesota	**55402**
(Address of Principal Executive Offices)	*(Zip Code)*

(612) 303-6000
(Registrant's Telephone Number, Including Area Code)

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

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

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the 13,852,980 shares of the Registrant's Common Stock, par value $0.01 per share, held by non-affiliates based upon the last sale price, as reported on the New York Stock Exchange, of the Common Stock on June 28, 2019 was approximately $1.0 billion.

As of February 21, 2020, the registrant had 17,318,184 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Proxy Statement for its 2020 Annual Meeting of Shareholders to be held on May 15, 2020.

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 31, 2019 (this "Form 10-K") contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These forward-looking statements include, among other things, statements other than historical information or statements of current conditions and may relate to our future plans and objectives and results, and also may include our belief regarding the effect of various legal proceedings, as set forth under "Legal Proceedings" in Part I, Item 3 of this Form 10-K and in our subsequent reports filed with the Securities and Exchange Commission ("SEC"). Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including those factors discussed below under "Risk Factors" in Part I, Item 1A of this Form 10-K, as well as those factors discussed under "External Factors Impacting Our Business" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K and in our subsequent reports filed with the SEC. Our SEC reports are available at our Web site at www.pipersandler.com and at the SEC's Web site at www.sec.gov. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update them in light of new information or future events.

As described in Note 26 to our consolidated financial statements in Part II, Item 8 of this Form 10-K and as previously disclosed in our Current Report on Form 8-K filed with the SEC on January 6, 2020, Piper Jaffray Companies completed the acquisition of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill") on January 3, 2020. Upon completion of the acquisition, Piper Jaffray Companies was renamed Piper Sandler Companies. The consolidated financial statements and notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented in this Form 10-K cover periods that ended prior to the completion of our acquisition of Sandler O'Neill, and therefore only include the results of Piper Jaffray Companies. Sandler O'Neill's results of operations will be included in our consolidated financial statements prospectively from the date of acquisition.

ITEM 1. *BUSINESS.*

Overview

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

Our Business

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

- *Investment Banking* – For our corporate clients, we provide advisory services, primarily relating to mergers and acquisitions, equity private placements, and debt and restructuring advisory. We also help raise capital through equity and debt financings. We operate in the following focus sectors: healthcare; energy; consumer; diversified industrials and services; business services; technology; financial services; and agriculture, clean technologies and renewables, primarily focusing on middle-market clients. For our government and non-profit clients, we underwrite debt issuances, provide municipal financial advisory and loan placement services, and offer various over-the-counter derivative products. Our public finance investment banking capabilities focus on state and local governments, cultural and social service non-profit entities, and the education, healthcare, hospitality, senior living and transportation sectors.

- *Equity and Fixed Income Institutional Brokerage* – We offer both equity and fixed income advisory and trade execution services for institutional investors and government and non-profit entities. Integral to our capital markets efforts, we have equity sales and trading relationships with institutional investors in North America and Europe that invest in our core sectors. Our research analysts provide investment ideas and support to our trading clients on approximately 875 companies, inclusive of Sandler O'Neill's research coverage. Our fixed income sales and trading professionals have expertise in municipal, corporate, mortgage, agency, treasury and structured product securities and cover a range of institutional investors. We principally engage in trading activities to facilitate customer needs. Our strategic trading activities (i.e., proprietary trading) are dedicated solely to investing firm capital, and focus principally on proprietary investments in municipal bonds.

- *Alternative Asset Management Funds* – We have created alternative asset management funds in merchant banking, energy and senior living in order to invest firm capital and to manage capital from outside investors.

Discontinued Operations

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

Financial Information about Geographic Areas

As of December 31, 2019, the substantial majority of our net revenues and long-lived assets were located in the U.S.

Competition

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

In addition, there is significant competition within the securities industry for obtaining and retaining the services of qualified employees. Our business is a human capital business and the performance of our business is dependent upon the skills, expertise and performance of our employees. Therefore, our ability to compete effectively is dependent upon attracting and retaining qualified individuals who are motivated to serve the best interests of our clients, thereby serving the best interests of our company. Attracting and retaining employees depends, among other things, on our company's culture, management, work environment, geographic locations and compensation.

Employees

As of February 21, 2020, we had approximately 1,565 employees, of whom approximately 1,108 were registered with the Financial Industry Regulatory Authority, Inc. ("FINRA").

Regulation

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

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

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

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

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

We maintain subsidiaries that are registered as investment advisors with the SEC and subject to regulation and oversight by the SEC. Piper Jaffray Investment Management LLC ("PJIM"), PSC Capital Partners LLC, and Piper Sandler Advisors LLC are asset management subsidiaries and registered investment advisors. As registered investment advisors, these entities are subject to requirements that relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between advisor and advisory clients, as well as general anti-fraud prohibitions. Piper Sandler & Co. is also a registered investment advisor and subject to these requirements. PJIM is registered with the Commodity Futures Trading Commission ("CFTC") and the National Futures Association ("NFA") as a commodities pool operator. The registrations with the CFTC and NFA allow PJIM to enter into derivative instruments (e.g., interest rate swaps) to hedge risks associated with certain security positions of funds managed by PJIM. Parallel General Partners Limited is the general partner of several private equity limited partnerships; it and the limited partnerships are registered and regulated by the GFSC.

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

Information About our Executive Officers

Information regarding our executive officers and their ages as of February 21, 2020, are as follows:

Name	Age	Position(s)
Chad R. Abraham	51	Chief Executive Officer
Debbra L. Schoneman	51	President
Timothy L. Carter	52	Chief Financial Officer
James P. Baker	52	Global Co-Head of Investment Banking and Capital Markets
Jonathan J. Doyle	54	Vice Chairman and Head of Financial Services Group
John W. Geelan	44	General Counsel and Secretary
R. Scott LaRue	59	Global Co-Head of Investment Banking and Capital Markets

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

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

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

James P. Baker is our global co-head of investment banking and capital markets, a position he has held since January 2019. Prior to that, he served as our co-head of energy investment banking from February 2016 to December 2018. Mr. Baker joined Piper Sandler in February 2016 in connection with our acquisition of Simmons & Company International, where Mr. Baker was a managing director and leader of its midstream/downstream investment banking group.

Jonathan J. Doyle is our vice chairman, senior managing principal and head of the financial services group, a position he has held since January 2020. Mr. Doyle joined Piper Sandler in connection with our acquisition of Sandler O'Neill, where Mr. Doyle served as a senior managing principal.

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

R. Scott LaRue is our global co-head of investment banking and capital markets, a position he has held since October 2010. Prior to that, he served as global co-head of consumer investment banking from February 2010 to September 2010 and co-head of consumer investment banking from August 2004 to January 2010. Mr. LaRue joined Piper Sandler in 2003.

Additional Information

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

ITEM 1A. *RISK FACTORS.*

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

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

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

Strategic and Market Risk

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

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

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

- Our equities investment banking revenue, in the form of advisory (i.e., mergers and acquisitions) and underwriting, is directly related to macroeconomic conditions and corresponding financial market activity. When the outlook for macroeconomic conditions is uncertain or negative, financial market activity generally tends to decrease, which can reduce our equities investment banking revenues. As an example, a significant portion of our equities investment banking revenues in recent years have been derived from advisory engagements in our focus sectors, and activity in this area is highly correlated to the macroeconomic environment and market conditions. Reduced expectations of U.S. economic growth or a decline in the global macroeconomic outlook could cause financial market activity to decrease and negatively affect our advisory revenues. In addition, global macroeconomic conditions and U.S. financial markets remain vulnerable to the potential risks posed by exogenous shocks, which could include, among other things, political and financial uncertainty in the United States and the European Union, renewed concern about China's economy, complications involving terrorism and armed conflicts around the world, or other challenges to global trade or travel, such as might occur in the event of a wider pandemic involving COVID-19, the illness caused by the novel coronavirus which was identified at the end of 2019. More generally, because our business is closely correlated to the macroeconomic outlook, a significant deterioration in that outlook or an exogenous shock would likely have an immediate and significant negative impact on our equities investment banking business and our overall results of operations.

- U.S. equity markets were generally strong in 2019 largely due to continuing strength in U.S. economic conditions and accommodative interest rate policy from the U.S. Federal Reserve. Although volatility was pronounced at times during the year due to concerns about trade disputes and the possibility of slowing GDP growth or recession, companies were generally able to continue to access U.S. equity markets in initial public offerings and other listings during most of 2019, which contributed positively to our operating results for the year. However, if volatility in the U.S. equity markets were to return or increase in 2020, whether due to the aforementioned factors or other concerns about U.S. or global economic conditions or political and financial uncertainty in the U.S., Europe, or other major global economies, or due to some other exogenous shock, companies may find it more difficult to conduct initial public offerings or raise additional capital from public equity markets, which could have a negative impact on our equity capital markets business and our overall results of operations.

It is difficult to predict the economic and market conditions for 2020, which are dependent upon the pace of global and U.S. economic growth and geopolitical events globally. Our smaller scale and the cyclical nature of the economy and the financial services industry leads to volatility in our financial results, including our operating margins, compensation ratios, business mix, and revenue and expense levels. Our financial performance may be limited by the fixed nature of certain expenses, the impact from unanticipated losses or expenses during the year, our business mix, and the inability to scale back costs in a timeframe to match decreases in revenue-related changes in market and economic conditions. As a result, our financial results may vary significantly from quarter-to-quarter and year-to-year.

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

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

- Our equities investment banking business focuses on specific sectors, including healthcare, financial services, energy, consumer, diversified industrials and services, business services, technology, and agriculture, clean technologies and renewables. Volatility, uncertainty, or slowdowns in any of these sectors may adversely affect our business, sometimes disproportionately, and may cause volatility in the net revenues we receive from our corporate advisory and capital markets activities. In recent years, the healthcare sector has been a significant contributor to our overall results, and going forward, the financial services sector will be a significant contributor following our acquisition of Sandler O'Neill, and negative developments in either of these sectors would materially and disproportionately impact us, even if general economic conditions were strong. In addition, we may not participate, or may participate to a lesser degree than other firms, in sectors that experience significant activity, such as real estate, and our operating results may not correlate with the results of other firms that participate in these sectors.

- Our public finance investment banking business depends heavily upon conditions in the municipal market. It focuses on investment banking activity in sectors that include state and local government, education, senior living, healthcare, transportation, and hospitality sectors, with an emphasis on transactions with a par value of $500 million or less. Concerns about a slowdown in U.S. economic growth could have a disproportionate impact on high-yield sectors, which could have a negative impact on our public finance business. Further, the enactment, or the threat of enactment, of any legislation that alters the financing alternatives available to local or state governments or tax-exempt organizations through the elimination or reduction of tax-exempt bonds could have a negative impact on our results of operations in these businesses. For example, the Tax Cuts and Jobs Act of 2017 ("Tax Cuts and Jobs Act") eliminated tax-exempt advance refunding bonds, which are bonds issued by a local or state government to refinance outstanding bonds before the original bonds mature or are callable in order to take advantage of lower borrowing costs. The elimination of tax-exempt advance refunding bonds has led to a reduction in the total amount of refunding issuances made by issuers, which has impacted our public finance business.

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

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

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

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

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

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

We may grow in part through corporate development or similar activities that could include acquisitions, joint ventures and minority investment stakes, and entering into new lines of business. There are a number of risks associated with these activities. Costs or difficulties relating to a transaction, including integration of products, employees, technology systems, accounting systems and management controls, or entry into a new business line, may be difficult to predict accurately and be greater than expected causing our estimates to differ from actual results. Importantly, we may be unable to retain key personnel after a transaction, including personnel who are critical to the success of the ongoing business. We may incur unforeseen liabilities of an acquired company or from entry into a new business line, that could impose significant and unanticipated legal costs on us. In 2019, we announced our acquisitions of Sandler O'Neill and Weeden & Co. L.P. ("Weeden & Co."). These transactions represented a significant investment in our equities investment banking and institutional brokerage businesses, and we believe will present us with the challenges and risks discussed above, especially those relating to integration, execution, and retention of key personnel. We will need to successfully manage these risks in order to fully realize the anticipated benefits of these transactions.

Longer-term, our corporate development activities may require increased costs in the form of management personnel, financial and management systems and controls and facilities, which, in the absence of continued revenue growth, could cause our operating margins to decline. In addition, when we acquire a business, a substantial portion of the purchase price is often allocated to goodwill and other identifiable intangible assets. Our goodwill and intangible assets are tested at least annually for impairment. If, in connection with that test, we determine that a reporting unit's fair value is less than its carrying value, we would be required to recognize an impairment to the goodwill associated with that reporting unit. More generally, any difficulties that we experience could disrupt our ongoing business, increase our expenses and adversely affect our operating results and financial condition. We also may be unable to achieve anticipated benefits and synergies from a transaction as fully as expected or within the expected time frame.

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

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

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

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

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

Damage to our reputation could harm our business.

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

Human Capital Risk

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

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

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

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

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

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

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

We invest time and resources in carefully assessing opportunities for acquisitions, and we have made acquisitions in the past several years to broaden the scope and depth of our human capital in various businesses, including our acquisition of Weeden & Co. in 2019 and of Sandler O'Neill in 2020. Despite diligence and integration planning, acquisitions still present certain risks, including the difficulties in integrating and bringing together different work cultures and employees, and retaining those employees for the period of time necessary to realize the anticipated benefits of the acquisition. Difficulties in integrating our acquisitions, including attracting and retaining talent to realize the expected benefits of these acquisitions, may adversely affect our financial condition and results of operations.

Liquidity and Credit Risk

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

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

Liquidity, or ready access to funds, is essential to our business. To fund our business, we rely on financing provided by Pershing LLC ("Pershing") under our fully disclosed clearing agreement, as well as bank financing, commercial paper, and other funding sources. The financing provided by Pershing is at Pershing's discretion (i.e., uncommitted) and could be denied without prior notice. To help mitigate this risk, during 2019, the Company issued $175 million of unsecured fixed rate senior notes as financing for general corporate purposes, including to finance a portion of our acquisition of Sandler O'Neill in early 2020. We also entered into an unsecured $50 million revolving credit facility that we intend to use for working capital and general corporate purposes. Our broker dealer subsidiary also renewed a $125 million committed credit facility in December 2019 for an additional twelve months.

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

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

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

Concentration of risk increases the potential for significant losses.

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

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

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

Particular activities or products within our business expose us to increased credit risk, including inventory positions, interest rate swap contracts with customer credit exposure, counterparty risk with one major financial institution related to customer interest rate swap contracts without customer credit exposure, investment banking and advisory fee receivables, liquidity providers on variable rate demand notes we remarket, and similar activities. With respect to interest rate swap contracts with customer credit exposure, we have retained the credit exposure with five non-publicly rated counterparties totaling $19.2 million at December 31, 2019 as part of our matched-book interest rate swap program. In the event of a termination of the contract, the counterparty would owe us the applicable amount of the credit exposure. If our counterparty is unable to make its payment to us, we would still be obligated to pay our hedging counterparty, resulting in credit losses. Non-performance by our counterparties, clients and others, including with respect to our inventory positions and interest rate swap contracts with customer credit exposures, could result in losses, potentially material, and thus have a significant adverse effect on our business and results of operations.

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

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

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

Our underwriting, proprietary trading, and alternative asset management activities expose us to risk of loss.

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

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

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

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

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

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

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

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

Investments in private companies are valued based on an assessment of each underlying security, considering rounds of financing, third party transactions and market-based information, including comparable company transactions, trading multiples (e.g., multiples of revenue and earnings before interest, taxes, depreciation, and amortization ("EBITDA")) and changes in market outlook, among other factors. These valuation techniques require significant management estimation and judgment.

Operational Risk

Operational risk is the risk of loss, or damage to our reputation, resulting from inadequate or failed processes, people and systems or from external events. Such loss or reputational damage could negatively impact our future financial condition and results of operations. The following are those operational risk factors that we have identified as posing the most significant risks to us.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We refine our risk management techniques, strategies and assessment methods on an ongoing basis. However, risk management techniques and strategies, both ours and those available to the market generally, may not be fully effective in identifying and mitigating our risk exposure in all economic market environments or against all types of risk. For example, we may fail to identify or anticipate particular risks that our systems are capable of identifying, or the systems that we use, and that are used within the industry generally, may not be capable of identifying certain risks, or every economic and financial outcome, or the specifics and timing of such outcomes. In addition, our risk management techniques and strategies seek to balance our ability to profit from our market-making and investing positions with our exposure to potential losses. Some of our strategies for managing risk are based upon our use of observed historical market behavior. We apply statistical and other tools to these observations to quantify our risk exposure. Any failures in our risk management techniques and strategies to accurately quantify our risk exposure could limit our ability to manage risks. In addition, any risk management failures could cause our losses to be significantly greater than the historical measures indicate. Further, our quantified modeling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses.

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

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

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

We have documented and tested our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors regarding our internal control over financial reporting. We are in compliance with Section 404 of the Sarbanes-Oxley Act as of December 31, 2019. However, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to maintain an effective internal control environment could materially adversely affect our business.

Legal and Regulatory Risk

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

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

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

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

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

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

Our business also subjects us to the complex income and payroll tax laws of the national and local jurisdictions in which we have business operations, and these tax laws may be subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. We must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income and other taxes. We are subject to contingent tax risk that could adversely affect our results of operations, to the extent that our interpretations of tax laws are disputed upon examination or audit, and are settled in amounts in excess of established reserves for such contingencies.

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

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

Proposed changes in laws or regulations relating to our business could decrease, perhaps significantly, the revenue that we receive from certain products or services that we provide, or otherwise have a material adverse effect on our results of operations. For example, the Tax Cuts and Jobs Act eliminated the tax-exemption for advance refunding bonds, which are bonds issued by local or state governments to refinance outstanding bonds before the original bonds are callable in order to take advantage of lower borrowing costs. To the extent that this elimination of tax-exemption, or any other component of legislation that may be enacted in the future (whether at the local, state, or federal level), reduces the total amount of issuances or other financing activities for which we compete, our results of operations could be adversely affected.

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

When we conduct business outside the United States, for example in Asia and Europe, we are subject to risks, including, without limitation, the risk that we will be unable to provide effective operational support to these business activities, the risk of noncompliance with foreign laws and regulations, and the general economic and political conditions in countries where we conduct business, which may differ significantly from those in the United States. In January 2018, new regulations adopted in the European Union required the unbundling of equity trading and research fees, among other requirements, which has impacted the way that our equity institutional business receives fees from our European clients and may have an impact on our U.S. business over time. Also, the effect of Brexit is still developing and could require us to obtain additional regulatory licenses or impose new restrictions on our ability to conduct business in Europe.

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

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

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

Other Risks to Our Shareholders

The following are additional risk factors that we have identified as posing the most significant risks to our shareholders:

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

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

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

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

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

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

ITEM 1B. *UNRESOLVED STAFF COMMENTS.*

None.

ITEM 2. ***PROPERTIES.***

As of February 21, 2020, we conducted our operations through 62 principal offices in 29 states, and the District of Columbia, and in London, Aberdeen and Hong Kong. All of our offices are leased. Our principal executive office is located at 800 Nicollet Mall, Suite 900, Minneapolis, Minnesota 55402 and, as of February 21, 2020, comprises approximately 124,000 square feet of space under a lease which expires November 30, 2025, with an early termination option effective January 31, 2022.

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

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

Litigation-related expenses include amounts we reserve and/or pay out as legal and regulatory settlements, awards or judgments, and fines. Parties who initiate litigation and arbitration proceedings against us may seek substantial or indeterminate damages, and regulatory investigations can result in substantial fines being imposed on us. We reserve for contingencies related to legal proceedings at the time and to the extent we determine the amount to be probable and reasonably estimable. However, it is inherently difficult to predict accurately the timing and outcome of legal proceedings, including the amounts of any settlements, judgments or fines. We assess each proceeding based on its particular facts, our outside advisors' assessment and our past experience with similar matters, and expectations regarding the current legal and regulatory environment and other external developments that might affect the outcome of a particular proceeding or type of proceeding. Subject to the foregoing, we believe, based on our current knowledge, after appropriate consultation with outside legal counsel and taking into account our established reserves, that pending legal actions, investigations and regulatory proceedings, will be resolved with no material adverse effect on our consolidated financial condition, results of operations or cash flows. However, there can be no assurance that our assessments will reflect the ultimate outcome of pending proceedings, and the outcome of any particular matter may be material to our operating results for any particular period, depending, in part, on the operating results for that period and the amount of established reserves. Reasonably possible losses in excess of amounts accrued at December 31, 2019 are not material. We generally have denied, or believe that we have meritorious defenses and will deny, liability in all significant cases currently pending against us, and we intend to vigorously defend such actions.

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

Not applicable.

PART II

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

Market Information

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

Shareholders

We had 10,669 shareholders of record and approximately 25,958 beneficial owners of our common stock as of February 21, 2020.

Dividend Policy

Beginning in 2017, we initiated the payment of a quarterly cash dividend. In addition, our board of directors approved a dividend policy with the intention of returning between 30 percent and 50 percent of our adjusted net income from the previous fiscal year to shareholders. This includes an annual special cash dividend, payable in the first quarter of each year, beginning in 2018.

Our board of directors has declared a special cash dividend on the company's common stock of $0.75 per share related to 2019 adjusted net income. This special dividend will be paid on March 13, 2020, to shareholders of record as of the close of business on March 2, 2020. Including this special cash dividend and the regular quarterly dividends totaling $1.50 per share paid during 2019, we will have returned $2.25 per share, or approximately 33 percent of our fiscal year 2019 adjusted net income to shareholders. In addition, our board of directors has declared a quarterly cash dividend on the company's common stock of $0.375 per share to be paid on March 13, 2020, to shareholders of record as of the close of business on March 2, 2020.

Our board of directors is free to change our dividend policy at any time. Restrictions on our U.S. broker dealer subsidiary's ability to pay dividends are described in Note 23 to the consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of Piper Sandler Companies or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the quarter ended December 31, 2019.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares Yet to be Purchased Under the Plans or Programs (1)
Month #1 (October 1, 2019 to October 31, 2019)	331	$ 74.95	—	$ —
Month #2 (November 1, 2019 to November 30, 2019)	2,821	$ 76.26	—	$ —
Month #3 (December 1, 2019 to December 31, 2019)	—	$ —	—	$ —
Total	3,152	$ 76.12	—	$ —

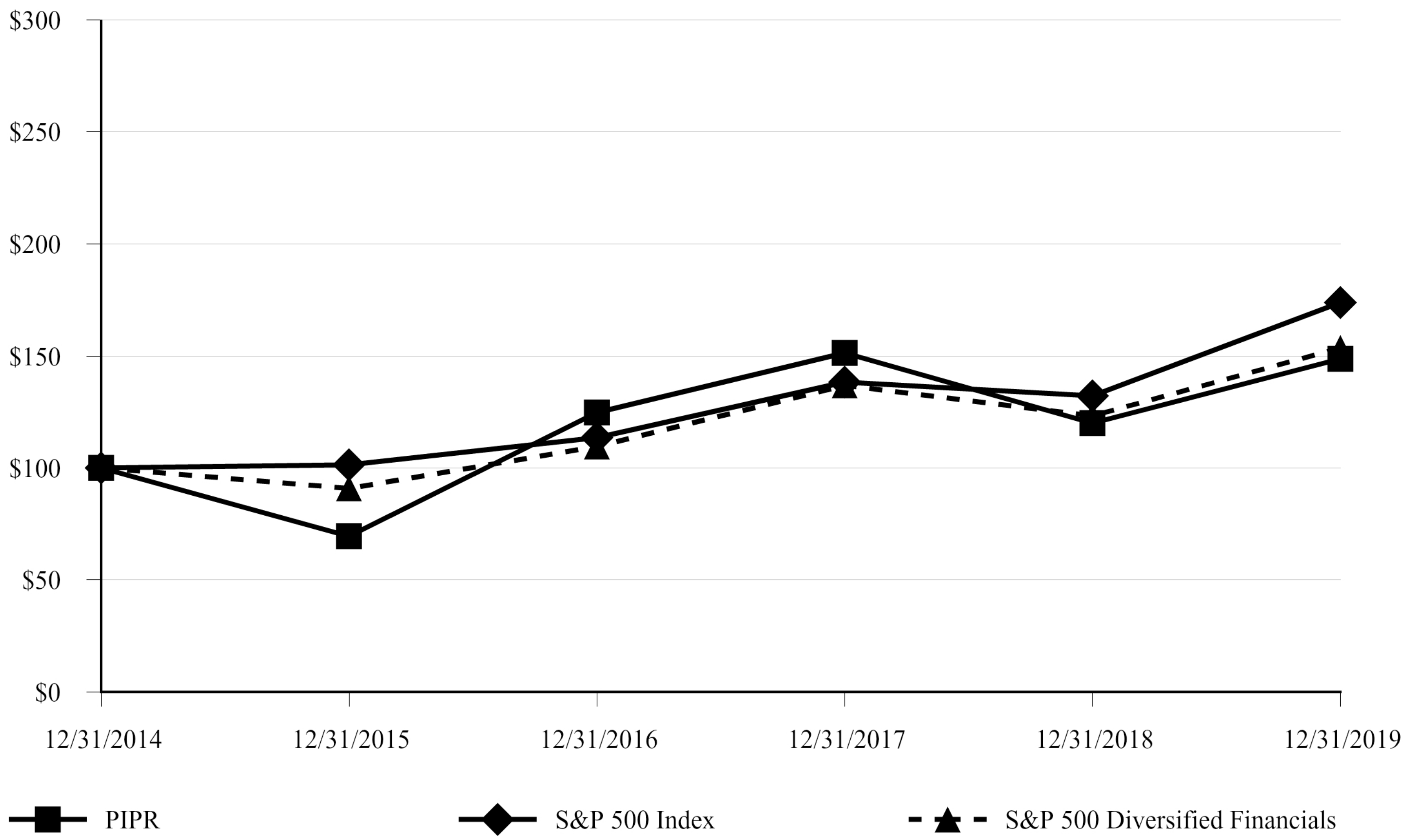
(1) Effective September 30, 2017, our board of directors authorized the repurchase of up to $150.0 million of common stock, which expired on September 30, 2019. On November 15, 2019, our board of directors authorized the repurchase of up to $150.0 million of common stock. This authorization will be effective January 1, 2020 through December 31, 2021.

Stock Performance Graph

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

The following graph compares the performance of an investment in our common stock from December 31, 2014 through December 31, 2019, with the S&P 500 Index and the S&P 500 Diversified Financials Index. The graph assumes $100 was invested on December 31, 2014, in each of our common stock, the S&P 500 Index and the S&P 500 Diversified Financials Index and that all dividends were reinvested on the date of payment without payment of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

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



Company/Index	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Piper Sandler Companies	$ 100	$ 69.55	$ 124.81	$ 151.29	$ 119.98	$ 148.64
S&P 500 Index	100	101.38	113.51	138.29	132.23	173.86
S&P 500 Diversified Financials	100	90.90	109.58	136.86	123.28	153.57

ITEM 6. ***SELECTED FINANCIAL DATA.***

The following table presents our selected consolidated financial data in accordance with U.S. generally accepted accounting principles ("GAAP") for the periods and dates indicated. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included in this Form 10-K.

	For the year ended December 31,				
(Amounts in thousands, except per share data)	**2019**	**2018**	**2017 (1)**	**2016 (1)**	**2015 (1)**
Revenues:					
Investment banking	$ 629,392	$ 588,978	$ 633,837	$ 490,340	$ 414,118
Institutional brokerage	167,891	124,738	154,712	161,293	155,192
Interest	26,741	32,749	31,954	33,074	41,557
Investment income	22,275	11,039	23,386	31,032	14,795
Total revenues	846,299	757,504	843,889	715,739	625,662
Interest expense	11,733	16,551	20,268	22,525	23,399
Net revenues	834,566	740,953	823,621	693,214	602,263
Non-interest expenses:					
Compensation and benefits	516,090	488,487	589,637	482,749	388,895
Restructuring and integration costs	14,321	3,498	—	10,196	—
Other	185,176	176,479	154,668	158,625	147,652
Total non-interest expenses	715,587	668,464	744,305	651,570	536,547
Income from continuing operations before income tax expense	118,979	72,489	79,316	41,644	65,716
Income tax expense	24,577	18,046	53,808	10,926	19,618
Income from continuing operations	94,402	54,443	25,508	30,718	46,098
Discontinued operations:					
Income/(loss) from discontinued operations, net of tax	23,772	1,387	(85,060)	(44,464)	12,384
Net income/(loss)	118,174	55,830	(59,552)	(13,746)	58,482
Net income/(loss) applicable to noncontrolling interests	6,463	(1,206)	2,387	8,206	6,407
Net income/(loss) applicable to Piper Sandler Companies	$ 111,711	$ 57,036	$ (61,939)	$ (21,952)	$ 52,075
Net income/(loss) applicable to Piper Sandler Companies' common shareholders	$ 107,200	$ 49,993	$ (64,875) (2)	$ (21,952) (2)	$ 48,060

Continued on next page

(Amounts in thousands, except per share data)	For the year ended December 31, 2019	2018	2017 (1)	2016 (1)	2015 (1)
Amounts applicable to Piper Sandler Companies					
Net income from continuing operations	$ 87,939	$ 55,649	$ 23,121	$ 22,512	$ 39,691
Net income/(loss) from discontinued operations	23,772	1,387	(85,060)	(44,464)	12,384
Net income/(loss) applicable to Piper Sandler Companies	$ 111,711	$ 57,036	$ (61,939)	$ (21,952)	$ 52,075
Earnings/(loss) per basic common share					
Income from continuing operations	$ 6.21	$ 3.68	$ 1.57	$ 1.78	$ 2.55
Income/(loss)from discontinued operations	1.69	0.09	(6.64)	(3.51)	0.80
Earnings/(loss) per basic common share	$ 7.90	$ 3.78	$ (5.07)	$ (1.73)	$ 3.34
Earnings/(loss) per diluted common share					
Income from continuing operations	$ 6.05	$ 3.63	$ 1.57	$ 1.76	$ 2.55
Income/(loss) from discontinued operations	1.65	0.09	(6.55)	(3.48)	0.79
Earnings/(loss) per diluted common share	$ 7.69	$ 3.72	$ (4.99) (3)	$ (1.72) (3)	$ 3.34
Dividends declared per common share	$ 2.51	$ 3.12	$ 1.25	$ —	$ —
Weighted average number of common shares outstanding					
Basic	13,555	13,234	12,807	12,674	14,368
Diluted	13,937	13,425	12,978 (3)	12,779 (3)	14,389
Other data					
Total assets	$1,628,719	$1,345,269	$2,024,683	$2,125,503	$2,138,518
Senior notes	$ 175,000	$ —	$ 125,000	$ 175,000	$ 175,000
Total common shareholders' equity	$ 731,283	$ 677,444	$ 693,332	$ 759,250	$ 783,659
Total shareholders' equity	$ 806,528	$ 730,416	$ 741,235	$ 816,266	$ 832,820
Total employees (4)	1,249 (5)	1,197	1,203	1,227	1,082

(1) *We adopted new revenue recognition guidance effective as of January 1, 2018 under the modified retrospective method. The new guidance was applied prospectively in our consolidated financial statements beginning January 1, 2018 and reported financial information for periods prior to the year ended December 31, 2018 has not been revised. For a description of our revenue recognition accounting policies, see Note 2 to our consolidated financial statements in this Form 10-K.*

(2) *No allocation of undistributed income was made due to loss position. See Note 21 to our consolidated financial statements in this Form 10-K.*

(3) *Earnings per diluted common share is calculated using the basic weighted average number of common shares outstanding for periods in which a loss is incurred.*

(4) *Number of employees reflect continuing operations.*

(5) *The total number of employees was 1,541 on January 3, 2020, which reflects the employees who joined our firm as a result of the Sandler O'Neill acquisition.*

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

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

Explanation of Non-GAAP Financial Measures

We have included financial measures that are not prepared in accordance with U.S. GAAP. These non-GAAP financial measures include adjustments to exclude (1) revenues and expenses related to noncontrolling interests, (2) amortization of intangible assets related to acquisitions, (3) compensation and non-compensation expenses from acquisition-related agreements, (4) acquisition-related restructuring and integration costs, (5) the impact from remeasuring deferred tax assets resulting from changes to the U.S. federal tax code, (6) the impact of a deferred tax asset valuation allowance and (7) discontinued operations. These adjustments affect the following financial measures: net revenues, compensation expenses, non-compensation expenses, income tax expense, net income/(loss) applicable to Piper Sandler Companies, earnings/(loss) per diluted common share, operating expenses, pre-tax operating income, pre-tax operating margin and return on average common shareholders' equity. Management believes that presenting these results and measures on an adjusted basis in conjunction with the corresponding U.S. GAAP measures provides the most meaningful basis for comparison of our operating results across periods, and enhances the overall understanding of our current financial performance by excluding certain items that may not be indicative of our core operating results. The non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP.

Executive Overview

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

Investment banking services include financial advisory services, management of and participation in underwritings and public finance activities. Revenues are generated through the receipt of advisory and financing fees. Institutional sales, trading and research services focus on the trading of equity and fixed income products with institutions, government and non-profit entities. Revenues are generated through commissions and sales credits earned on equity and fixed income institutional sales activities, net interest revenues on trading securities held in inventory, profits and losses from trading these securities, and research checks as clients pay us for research services and corporate access offerings. Also, we generate revenue through strategic trading activities, which focus on investments in municipal bonds. In order to invest firm capital and to manage capital from outside investors, we have created alternative asset management funds in merchant banking that involve equity investments in late stage private companies; senior living, which provide financing to U.S. senior living facilities; and in the energy sector, whose principal activity is to invest in oil and gas services companies headquartered in Europe. We receive management and performance fees for managing these funds.

Discontinued Operations **–** Prior to September 30, 2019, we owned ARI, a traditional asset management business. This business was sold in two separate transactions in the third quarter of 2019. ARI's results, previously reported in our Asset Management segment, have been presented herein as discontinued operations for all periods presented. See Note 4 to our consolidated financial statements for further discussion of our discontinued operations.

Our Business Strategy **–** We continue to execute on our business strategy to drive shareholder value through revenue growth and increased profitability. We are focused on providing market leadership in the areas in which we compete and increasing revenues through market share gains, continued sector and geographic expansion, and new product offerings. Part of our continued growth will also include selectively adding partners who share our client-centric culture and who can leverage our platform to better serve clients. We also see continued growth in our advisory services business over the medium-term by capitalizing on the strength of our U.S. franchise to expand further in Europe. Revenue growth combined with operating discipline will drive increased margins and profitability.

Over the past few years, solid execution on our strategy has produced increased revenues and earnings.

Strategic Activities – We took important steps in the execution of our business strategy in 2019. These strategic activities, which impacted our results in 2019 and will significantly impact our go-forward operations, were as follows:

- On January 3, 2020, we completed the acquisition of Sandler O'Neill, a full-service investment banking firm and broker dealer focused on the financial services industry. This transaction accelerates our goal of increasing our advisory services revenues, diversifies and enhances scale in corporate underwritings, adds a differentiated fixed income business, and increases scale in our equity brokerage business.
- On August 2, 2019, we completed the acquisition of Weeden & Co. L.P. ("Weeden & Co."). Weeden & Co. is a broker dealer focused on providing institutional clients with global trading solutions, specializing in best execution through the use of high-touch, low-touch and program trading capabilities. The transaction added enhanced trade execution capabilities and scale to our equity brokerage business.
- In the third quarter of 2019, we completed the sale of ARI. Exiting the traditional asset management business generated capital to deploy in our capital markets business.
- On February 21, 2020, we announced a definitive agreement to acquire The Valence Group, an investment bank offering mergers and acquisitions advisory services to companies and financial sponsors with a focus on the chemicals, materials and related sectors. The transaction adds a new industry sector and expands our presence in Europe. The transaction is expected to close in the second quarter of 2020, subject to obtaining required regulatory approvals and other customary closing conditions.

Financial Highlights

	Year Ended December 31,		
(Amounts in thousands, except per share data)	**2019**	**2018**	**2019 v2018**
U.S. GAAP			
Net revenues	**$ 834,566**	$ 740,953	12.6%
Compensation and benefits	**516,090**	488,487	5.7
Non-compensation expenses	**199,497**	179,977	10.8
Net income applicable to Piper Sandler Companies	**111,711**	57,036	95.9
Earnings per diluted common share	**$ 7.69**	$ 3.72	106.7
Non-GAAP [(1)]			
Adjusted net revenues	**$ 823,797**	$ 737,332	11.7%
Adjusted compensation and benefits	**510,952**	459,241	11.3
Adjusted non-compensation expenses	**176,458**	169,609	4.0
Adjusted net income applicable to Piper Sandler Companies	**106,197**	87,412	21.5
Adjusted earnings per diluted common share	**$ 7.36**	$ 5.72	28.7

For the year ended December 31, 2019

- Net revenues increased 12.6 percent compared to 2018 as higher advisory services, debt financing and institutional brokerage revenues, and higher investment income, were partially offset by lower equity financing revenues.
- Compensation and benefits expenses were up 5.7 percent compared to the year-ago period as higher compensation expenses resulting from increased revenues were partially offset by lower acquisition-related compensation costs.
- Non-compensation expenses increased 10.8 percent compared to 2018 due to the addition of Weeden & Co. to our platform in the third quarter of 2019 and $14.3 million of acquisition-related restructuring and integration costs.
- For the years ended December 31, 2019 and 2018, we recorded a tax benefit of $5.1 million and $7.1 million, respectively, related to stock-based compensation awards vesting at values greater than the grant price. The tax benefit increased earnings per diluted common share by $0.36 and $0.46 in 2019 and 2018, respectively.
- In 2019, our return on average common shareholders' equity was 13.0 percent, compared with 8.1 percent for 2018. On an adjusted basis, we generated a return on average common shareholders' equity of 15.7 percent[(2)] in 2019, compared with 12.7 percent[(2)] for 2018.

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

(Amounts in thousands, except per share data)	*Year Ended December 31,*	
	2019	*2018*
Net revenues:		
Net revenues – U.S. GAAP basis	***$ 834,566***	*$ 740,953*
Adjustments:		
Revenue related to noncontrolling interests	***(10,769)***	*(3,621)*
Adjusted net revenues	***$ 823,797***	*$ 737,332*
Compensation and benefits:		
Compensation and benefits – U.S. GAAP basis	***$ 516,090***	*$ 488,487*
Adjustments:		
Compensation from acquisition-related agreements	***(5,138)***	*(29,246)*
Adjusted compensation and benefits	***$ 510,952***	*$ 459,241*
Non-compensation expenses:		
Non-compensation expenses – U.S. GAAP basis	***$ 199,497***	*$ 179,977*
Adjustments:		
Non-compensation expenses related to noncontrolling interests	***(4,306)***	*(4,827)*
Acquisition-related restructuring and integration costs	***(14,321)***	*—*
Amortization of intangible assets related to acquisitions	***(4,298)***	*(4,858)*
Non-compensation expenses from acquisition-related agreements	***(114)***	*(683)*
Adjusted non-compensation expenses	***$ 176,458***	*$ 169,609*
Net income applicable to Piper Sandler Companies:		
Net income applicable to Piper Sandler Companies – U.S. GAAP basis	***$ 111,711***	*$ 57,036*
Adjustment to exclude net income from discontinued operations	***23,772***	*1,387*
Net income from continuing operations	***$ 87,939***	*$ 55,649*
Adjustments:		
Compensation from acquisition-related agreements	***4,124***	*21,992*
Acquisition-related restructuring and integration costs	***10,770***	*—*
Amortization of intangible assets related to acquisitions	***3,250***	*3,655*
Non-compensation expenses from acquisition-related agreements	***114***	*514*
Impact of the Tax Cuts and Jobs Act legislation	***—***	*952*
Impact of deferred tax asset valuation allowance	***—***	*4,650*
Adjusted net income applicable to Piper Sandler Companies	***$ 106,197***	*$ 87,412*
Earnings per diluted common share:		
Earnings per diluted common share – U.S. GAAP basis	***$ 7.69***	*$ 3.72*
Adjustment to exclude net income from discontinued operations	***1.65***	*0.09*
Income from continuing operations	***$ 6.05***	*$ 3.63*
Adjustment related to participating shares (3)	***0.04***	*—*
	$ 6.09	*$ 3.63*
Adjustments:		
Compensation from acquisition-related agreements	***0.29***	*1.44*
Acquisition-related restructuring and integration costs	***0.75***	*—*
Amortization of intangible assets related to acquisitions	***0.23***	*0.24*
Non-compensation expenses from acquisition-related agreements	***0.01***	*0.04*
Impact of the Tax Cuts and Jobs Act legislation	***—***	*0.06*
Impact of deferred tax asset valuation allowance	***—***	*0.31*
Adjusted earnings per diluted common share	***$ 7.36***	*$ 5.72*

(2) Adjusted return on average common shareholders' equity, a non-GAAP measure, is computed by dividing adjusted net income applicable to Piper Sandler Companies for the last 12 months by average monthly common shareholders' equity. For a detailed explanation of the components of adjusted net income, see "Reconciliation of U.S. GAAP to adjusted non-GAAP financial information" in footnote (1).

(3) A non-GAAP measure for which the adjustment related to participating shares excludes the impact of the annual special cash dividend paid in the first quarter.

Market Data

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

Year Ended	2019	2018	2017	2019 v2018	2018 v2017
S&P 500 *(a)*	**3,231**	2,507	2,677	28.9 %	(6.4)%
Nasdaq *(a)*	**8,973**	6,635	6,950	35.2 %	(4.5)%
Mergers and Acquisitions - Middle Market					
(number of transactions in U.S.) *(b)*	**2,920**	2,933	2,727	(0.4)%	7.6 %
Public Equity Offerings					
(number of transactions in U.S.) *(c) (f)*	**888**	979	961	(9.3)%	1.9 %
Initial Public Offerings					
(number of transactions in U.S.) *(c)*	**207**	226	182	(8.4)%	24.2 %
Equity Capital Markets Fee Pool - Sub $5 billion					
(value of transactions in millions in U.S.) *(d)*	**$ 4,729**	$ 5,244	$ 5,300	(9.8)%	(1.1)%
Municipal Negotiated Issuances					
(number of transactions in U.S.) *(e)*	**7,450**	5,872	8,041	26.9 %	(27.0)%
Municipal Negotiated Issuances					
(value of transactions in billions in U.S.) *(e)*	**$ 326.4**	$ 264.1	$ 350.4	23.6 %	(24.6)%
Average CBOE Volatility Index (VIX)	**15**	17	11	(11.8)%	54.5 %
NYSE Average Daily Number of Shares Traded					
(millions of shares)	**1,690**	1,708	1,510	(1.1)%	13.1 %
Nasdaq Average Daily Number of Shares Traded					
(millions of shares)	**1,381**	1,428	1,179	(3.3)%	21.1 %
10-Year Treasury Average Rate	**2.14%**	2.91%	2.33%	(26.5)%	24.9 %
3-Month Treasury Average Rate	**2.11%**	1.97%	0.95%	7.1 %	107.4 %
Average 10-Year Municipal-Treasury Ratio *(g)*	**0.79**	0.85	0.89	(7.1)%	(4.5)%

(a) Data provided is at period end.

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

(c) Source: Dealogic (offerings with reported market value greater than $20 million).

(d) Source: Dealogic, PlacementTracker, public filings with the SEC and Piper Sandler Equity Capital Markets (includes IPO, follow-on offerings and convertible offerings with deal values greater than $10 million and PIPEs/RDs greater than $5 million for issuers with post-deal market caps greater than $2 billion).

(e) Source: Thomson Reuters.

(f) Number of transactions includes convertible offerings.

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

External Factors Impacting Our Business

Performance in the financial services industry in which we operate is highly correlated to the overall strength of economic conditions and financial market activity. Overall market conditions are a product of many factors, which are beyond our control, often unpredictable and at times inherently volatile. These factors may affect the financial decisions made by investors, including their level of participation in the financial markets. In turn, these decisions may affect our business results. With respect to financial market activity, our profitability is sensitive to a variety of factors, including the demand for investment banking services as reflected by the number and size of advisory transactions and equity and debt financings, the relative level of volatility of the equity and fixed income markets, changes in interest rates and credit spreads (especially rapid and extreme changes), overall market liquidity, the level and shape of various yield curves, the volume and value of trading in securities, and overall equity valuations.

Factors that differentiate our business within the financial services industry also may affect our financial results. For example, our capital markets business focuses on specific industry sectors while serving principally middle-market clientele. If the business environment for our focus sectors is impacted adversely, our business and results of operations could reflect these impacts. In addition, our business, with its specific areas of focus and investment, may not track overall market trends. Given the variability of the capital markets and securities businesses, our earnings may fluctuate significantly from period to period, and results for any individual period should not be considered indicative of future results.

Outlook for 2020

We believe that the U.S. economy will continue to grow at a moderate pace in 2020, although this pace may be impacted by geopolitical and macroeconomic risks, such as uncertainties surrounding trade policy, negotiations regarding Brexit, a disease pandemic and global economic conditions. These risks and uncertainties may pose consequences for the global economy and inject periods of heightened volatility into the U.S. equity and debt markets. The 2020 U.S. presidential election may also influence the volatility or direction of markets based on investors' assessment of the outcome and the overall political outlook in the U.S.

U.S. monetary policy will continue to be a critical factor impacting the economy and financial markets. Uncertainties around global growth, inflation expectations, and U.S. employment data continue to influence the U.S. Federal Reserve's interest rate policies. Factors such as these resulted in three reductions in short-term interest rates during 2019.

Despite the geopolitical and macroeconomic risks, market conditions remain conducive to advisory engagements, especially in the U.S. middle market, our primary market. Advisory activity has been driven by continued solid economic growth domestically, healthy valuations, ample financing availability with low interest rates, and demand from private equity investors. The addition of Sandler O'Neill will elevate our advisory services practice in the middle market through its market leadership in financial services. We believe our advisory services business will continue to perform well in 2020 as our pipeline remains strong across our industry sectors and will likely be more weighted to the second half of the year. Advisory services revenues for any given quarter are impacted by the timing and size of the deals closing, which can result in fluctuations in revenues period over period.

Equity capital raising had a strong finish to 2019 driven by favorable market conditions for capital raising transactions. The addition of Sandler O'Neill in 2020 will diversify and add scale to our corporate financing activities. We believe that our combined corporate financing pipeline is strong in a market conducive to capital raising. However, if the equity market experiences sustained bouts of higher volatility or a material market correction, our advisory services and corporate capital raising revenues may suffer.

In our equity brokerage business, low volatility and volumes continued through the end of 2019, as the market presented few catalysts for clients to trade as the equity markets continued to advance, despite growth concerns and trade tensions. While lower volatility benefits our capital raising revenues, it adversely impacts our equity sales and trading business. Our acquisition of Weeden & Co. enhanced the scale of our equity brokerage business by upgrading our trading capabilities and broadening our client base, driving an increase in revenues in 2019. Our acquisition of Sandler O'Neill will further enhance our equity brokerage business in 2020 through expanded research and account coverage.

Interest rates remain relatively low by historical standards and the yield curve steepened in the fourth quarter of 2019. Market conditions, including interest rates and credit spreads, as well as the level of client activity will continue to impact our fixed income results in 2020. Sandler O'Neill will broaden our fixed income product offerings and client mix to increase our fixed income brokerage revenues in 2020. In our public finance business, municipal issuance levels increased in 2019 compared to 2018 driven by lower interest rates and increased client demand. In 2020, we expect market issuance volumes to be up from 2019 levels, notwithstanding material increases in interest rates.

Results of Operations

Financial Summary

The following table provides a summary of the results of our operations on a U.S. GAAP basis and the results of our operations as a percentage of net revenues for the periods indicated.

	Year Ended December 31,					As a Percentage of Net Revenues for the Year Ended December 31,		
(Dollars in thousands)	2019	2018	2017	2019 v2018	2018 v2017	2019	2018	2017
Revenues:								
Investment banking	**$ 629,392**	$ 588,978	$ 633,837	6.9%	(7.1)%	**75.4%**	79.5%	77.0 %
Institutional brokerage	**167,891**	124,738	154,712	34.6	(19.4)	**20.1**	16.8	18.8
Interest	**26,741**	32,749	31,954	(18.3)	2.5	**3.2**	4.4	3.9
Investment income	**22,275**	11,039	23,386	101.8	(52.8)	**2.7**	1.5	2.8
Total revenues	**846,299**	757,504	843,889	11.7	(10.2)	**101.4**	102.2	102.5
Interest expense	**11,733**	16,551	20,268	(29.1)	(18.3)	**1.4**	2.2	2.5
Net revenues	**834,566**	740,953	823,621	12.6	(10.0)	**100.0**	100.0	100.0
Non-interest expenses:								
Compensation and benefits	**516,090**	488,487	589,637	5.7	(17.2)	**61.8**	65.9	71.6
Outside services	**36,184**	36,528	33,981	(0.9)	7.5	**4.3**	4.9	4.1
Occupancy and equipment	**36,795**	34,194	31,943	7.6	7.0	**4.4**	4.6	3.9
Communications	**30,760**	28,656	26,430	7.3	8.4	**3.7**	3.9	3.2
Marketing and business development	**28,780**	26,936	28,673	6.8	(6.1)	**3.4**	3.6	3.5
Deal-related expenses	**25,823**	25,120	—	2.8	N/M	**3.1**	3.4	—
Trade execution and clearance	**10,186**	8,014	8,166	27.1	(1.9)	**1.2**	1.1	1.0
Restructuring and integration costs	**14,321**	3,498	—	309.4	N/M	**1.7**	0.5	—
Intangible asset amortization	**4,298**	4,858	10,178	(11.5)	(52.3)	**0.5**	0.7	1.2
Back office conversion costs	—	—	3,927	N/M	N/M	—	—	0.5
Other operating expenses	**12,350**	12,173	11,370	1.5	7.1	**1.5**	1.6	1.4
Total non-interest expenses	**715,587**	668,464	744,305	7.0	(10.2)	**85.7**	90.2	90.4
Income from continuing operations before income tax expense	**118,979**	72,489	79,316	64.1	(8.6)	**14.3**	9.8	9.6
Income tax expense	**24,577**	18,046	53,808	36.2	(66.5)	**2.9**	2.4	6.5
Income from continuing operations	**94,402**	54,443	25,508	73.4	113.4	**11.3**	7.3	3.1
Discontinued operations:								
Income/(loss) from discontinued operations, net of tax	**23,772**	1,387	(85,060)	N/M	N/M	**2.8**	0.2	(10.3)
Net income/(loss)	**118,174**	55,830	(59,552)	111.7	N/M	**14.2**	7.5	(7.2)
Net income/(loss) applicable to noncontrolling interests	**6,463**	(1,206)	2,387	N/M	(150.5)	**0.8**	(0.2)	0.3
Net income/(loss) applicable to Piper Sandler Companies	**$ 111,711**	$ 57,036	$ (61,939)	95.9%	N/M	**13.4%**	7.7%	(7.5)%

N/M — Not meaningful

For the year ended December 31, 2019, we recorded net income applicable to Piper Sandler Companies, including continuing and discontinued operations, of $111.7 million. Net revenues from continuing operations for the year ended December 31, 2019 were $834.6 million, a 12.6 percent increase compared to $741.0 million in the year-ago period. In 2019, investment banking revenues increased 6.9 percent to $629.4 million, compared with $589.0 million in 2018, as higher advisory services and debt financing revenues were offset by lower equity financing revenues. For the year ended December 31, 2019, institutional brokerage revenues were $167.9 million, up 34.6 percent compared with $124.7 million in 2018, due to higher equity and fixed income institutional brokerage revenues. Net interest income decreased to $15.0 million in 2019, compared with $16.2 million in 2018. For the year ended December 31, 2019, investment income was $22.3 million, compared with $11.0 million in 2018. The increase was driven by higher gains on our investment and the noncontrolling interests in the merchant banking funds that we manage. Non-interest expenses from continuing operations were $715.6 million for the year ended December 31, 2019, an increase of 7.0 percent compared to $668.5 million in the prior year, as higher compensation expenses from increased revenues were partially offset by lower acquisition-related compensation. Additionally, non-interest expenses increased due to incremental expenses resulting from the addition of Weeden & Co. to our platform and $14.3 million of acquisition-related restructuring and integration costs.

For the year ended December 31, 2018, we recorded net income applicable to Piper Sandler Companies, including continuing and discontinued operations, of $57.0 million. Net revenues from continuing operations for the year ended December 31, 2018 were $741.0 million, a 10.0 percent decrease compared to $823.6 million in 2017. In 2018, investment banking revenues decreased 7.1 percent to $589.0 million, compared with $633.8 million in 2017, as higher equity financing revenues were more than offset by lower advisory services and debt financing revenues. For the year ended December 31, 2018, institutional brokerage revenues were $124.7 million, down 19.4 percent compared with $154.7 million in 2017, due to lower equity and fixed income institutional brokerage revenues. For the year ended December 31, 2018, net interest income increased to $16.2 million, compared with $11.7 million in 2017. The increase was driven by lower long-term financing expenses. We repaid $50 million of variable rate senior notes upon maturity on May 31, 2017. In addition, we repaid $125 million of fixed rate senior notes upon maturity on October 9, 2018. In 2018, investment income was $11.0 million, compared with $23.4 million in 2017. The decrease was due to lower gains on our investment and the noncontrolling interests in the merchant banking funds that we manage, as well as lower gains on our other firm investments. Non-interest expenses from continuing operations were $668.5 million for the year ended December 31, 2018, a decrease of 10.2 percent compared to $744.3 million in 2017. In 2018, lower compensation expenses from decreased revenues and lower acquisition-related costs were partially offset by the impact of presenting deal-related expenses on a gross basis on the consolidated statements of operations. Beginning in 2018, new accounting guidance required the gross presentation of client reimbursed deal expenses.

Consolidated Non-Interest Expenses from Continuing Operations

Compensation and Benefits – Compensation and benefits expenses, which are the largest component of our expenses, include salaries, incentive compensation, benefits, stock-based compensation, employment taxes, income associated with the forfeiture of stock-based compensation and other employee-related costs. A portion of compensation expense is comprised of variable incentive arrangements, including discretionary incentive compensation, the amount of which fluctuates in proportion to the level of business activity, increasing with higher revenues and operating profits. Other compensation costs, primarily base salaries and benefits, are more fixed in nature. The timing of incentive compensation payments, which generally occur in February, has a greater impact on our cash position and liquidity than is reflected on our consolidated statements of operations.We have granted restricted stock and restricted cash with service conditions as a component of our acquisition deal consideration, which is amortized to compensation expense over the service period.

For the year ended December 31, 2019, compensation and benefits expenses increased 5.7 percent to $516.1 million from $488.5 million in 2018. Compensation expenses increased due to higher revenues. Partially offsetting this increase was lower acquisition-related compensation costs. Compensation and benefits expenses as a percentage of net revenues was 61.8 percent in 2019, compared with 65.9 percent in 2018. The compensation expense ratio was favorably impacted by decreased acquisition-related compensation related to the acquisition of Simmons & Company International ("Simmons") as the requisite service period for our Simmons acquisition-related compensation arrangements ended in the second quarter of 2019. Partially offsetting this decline was acquisition-related compensation related to the Weeden & Co. acquisition, which closed on August 2, 2019. Beginning in 2020, we will incur additional acquisition-related compensation related to the acquisition of Sandler O'Neill, which closed on January 3, 2020, and a full year of acquisition-related compensation related to Weeden & Co.

For the year ended December 31, 2018, compensation and benefits expenses decreased 17.2 percent to $488.5 million from $589.6 million in 2017. Compensation expenses decreased due to lower revenues as well as lower acquisition-related compensation costs, which were driven by a decline in compensation expenses related to the Simmons performance award plan implemented at the time of acquisition. Our compensation costs related to this performance plan decreased to $8.9 million in 2018, compared to $27.0 million in 2017. Compensation costs were higher in 2017 due to outperformance of the Simmons business in 2017. Compensation and benefits expenses as a percentage of net revenues was 65.9 percent in 2018, compared with 71.6 percent in 2017. The lower compensation expense ratio reflects decreased acquisition-related compensation and the impact of presenting investment banking revenues gross of related client reimbursed deal expenses, as required by accounting guidance effective January 1, 2018. This change resulted in a 230 basis point decrease to the compensation ratio in 2018.

Outside Services – Outside services expenses include securities processing expenses, outsourced technology functions, outside legal fees, fund expenses associated with our consolidated alternative asset management funds and other professional fees. Outside services expenses were $36.2 million in 2019, down slightly compared with 2018.

Outside services expenses increased 7.5 percent to $36.5 million in 2018, compared with $34.0 million in 2017. Excluding the portion of expenses from non-controlled equity interests in our consolidated alternative asset management funds, outside services expenses increased 6.0 percent due to an increase in professional fees, partially offset by a reduction in securities processing costs as a result of migrating to a fully disclosed clearing model in the third quarter of 2017.

Occupancy and Equipment – For the year ended December 31, 2019, occupancy and equipment expenses increased 7.6 percent to $36.8 million, compared with $34.2 million in 2018. The increase was primarily due to an increase in software maintenance expense and incremental expense related to the acquisition of Weeden & Co.

For the year ended December 31, 2018, occupancy and equipment expenses increased 7.0 percent to $34.2 million, compared with $31.9 million in 2017. The increase was primarily due to incremental occupancy costs related to transitioning to new office space in Houston, Texas, along with a few smaller office locations.

Communications – Communication expenses include costs for telecommunication and data communication, primarily consisting of expenses for obtaining third party market data information. For the year ended December 31, 2019, communication expenses increased 7.3 percent to $30.8 million, compared with $28.7 million for the year ended December 31, 2018. The increase in expense was due to higher market data expenses and incremental expense related to the acquisition of Weeden & Co.

For the year ended December 31, 2018, communication expenses increased 8.4 percent to $28.7 million, compared with $26.4 million for the year ended December 31, 2017. The increase was primarily due to higher market data services.

Marketing and Business Development – Marketing and business development expenses include travel and entertainment costs, advertising and third party marketing fees. In 2019, marketing and business development expenses increased 6.8 percent to $28.8 million, compared with $26.9 million for the year ended December 31, 2018. The increase was driven by higher travel and entertainment costs related to increased investment banking activity.

In 2018, marketing and business development expenses decreased 6.1 percent to $26.9 million, compared with $28.7 million for the year ended December 31, 2017. The decline was attributable to lower marketing and travel expenses.

Deal-Related Expenses – Deal-related expenses include costs we incurred over the course of a completed investment banking deal, which primarily consist of legal fees, offering expenses, and travel and entertainment costs. For the year ended December 31, 2019, deal-related expenses increased 2.8 percent to $25.8 million, compared with $25.1 million for the year ended December 31, 2018. The amount of deal-related expenses is principally dependent on the level of deal activity and may vary from period to period as the recognition of deal-related costs typically coincides with the closing of a transaction.

Effective January 1, 2018, new revenue recognition guidance required us to present reimbursed deal expenses as non-interest expenses on the consolidated statements of operations, rather than netting deal expenses incurred for completed investment banking deals within revenues.

Trade Execution and Clearance – For the year ended December 31, 2019, trade execution and clearance expenses were $10.2 million, compared with $8.0 million for the year ended December 31, 2018. The increase in trade execution and clearance expenses was reflective of higher trading volumes driven by the addition of Weeden & Co. onto our platform.

For the year ended December 31, 2018, trade execution and clearance expenses were $8.0 million, essentially flat compared with the year ended December 31, 2017.

Restructuring and Integration Costs – For the year ended December 31, 2019, we incurred acquisition-related restructuring and integration costs of $14.3 million related to the acquisitions of Weeden & Co. and Sandler O'Neill. The expenses consisted of $6.9 million of professional fees related to the transactions, $2.9 million of severance benefits, $2.8 million of contract termination costs and $1.7 million for vacated leased office space. We expect to incur additional restructuring and integration costs related to the acquisition of Sandler O'Neill in the first half of 2020.

For the year ended December 31, 2018, we recorded restructuring costs of $3.5 million related to our brokerage business, consisting of $3.2 million of severance benefits, $0.1 million for vacated leased office space and $0.2 million for contract termination costs.

Intangible Asset Amortization – Intangible asset amortization includes the amortization of definite-lived intangible assets consisting of customer relationships, internally developed software and the Simmons trade name. For the year ended December 31, 2019, intangible asset amortization was $4.3 million, compared with $4.9 million in the corresponding period of 2018. In 2020, we anticipate incurring additional intangible asset amortization expense related to the acquisition of Sandler O'Neill and a full year of intangible asset amortization expense related to the acquisition of Weeden & Co.

For the year ended December 31, 2018, intangible asset amortization was $4.9 million, compared with $10.2 million in the corresponding period of 2017.

Back Office Conversion Costs – In 2017, we migrated to a fully disclosed clearing model and are no longer self clearing. Back office conversion costs included costs incurred to transition to a fully disclosed clearing model, such as contract termination costs, vendor migration fees, professional fees, and severance benefits for impacted personnel. For the year ended December 31, 2017, we incurred back office conversion costs of $3.9 million.

Other Operating Expenses – Other operating expenses include insurance costs, license and registration fees, expenses related to our charitable giving program and litigation-related expenses, which consist of the amounts we reserve and/or pay out related to legal and regulatory matters. Other operating expenses were $12.4 million in 2019, essentially flat compared with 2018.

Other operating expenses increased slightly to $12.2 million in 2018, compared with $11.4 million in 2017.

Income Taxes – For the year ended December 31, 2019, our provision for income taxes was $24.6 million, which included a $5.1 million tax benefit related to stock-based compensation awards vesting at values greater than the grant price. Excluding the impact of this benefit, our effective tax rate was 26.4 percent.

The Tax Cuts and Jobs Act reduced the corporate federal tax rate from 35 percent to 21 percent effective January 1, 2018. SEC Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" ("SAB 118") permitted companies to report a provisional amount in the 2017 financial statements if the accounting for income tax effects of the Tax Cuts and Jobs Act was incomplete as of December 31, 2017. This provisional amount would be subject to adjustment in subsequent periods during a defined measurement period, which was limited to one year from the enactment date of December 22, 2017.

For the year ended December 31, 2018, our provision for income taxes was $18.0 million, which included a $7.1 million tax benefit related to stock-based compensation awards vesting at values greater than the grant price, partially offset by $4.6 million of income tax expense for a deferred tax asset valuation allowance primarily related to net operating loss carryforwards for Piper Sandler Ltd. In addition, pursuant to SAB 118, we recorded an additional $1.0 million of income tax expense for the remeasurement of our deferred tax assets at the lower enacted federal corporate tax rate. Excluding the impact of these items, our effective tax rate was 26.5 percent.

For the year ended December 31, 2017, our provision for income taxes was $53.8 million, which included a non-cash tax charge of $36.4 million for the remeasurement of our deferred tax assets arising from the enactment of the Tax Cuts and Jobs Act and the lower enacted federal corporate tax rate and a $9.0 million tax benefit related to stock-based compensation awards vesting at values greater than the grant price. Excluding the impact of these items, our effective tax rate was 34.4 percent.

Financial Performance from Continuing Operations

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

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

Adjusted pre-tax operating income and adjusted pre-tax operating margin exclude (1) revenues and expenses related to noncontrolling interests, (2) amortization of intangible assets related to acquisitions, (3) compensation and non-compensation expenses from acquisition-related agreements and (4) acquisition-related restructuring and integration costs. For U.S. GAAP purposes, these items are included in each of their respective line items on the consolidated statements of operations.

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

Adjusted pre-tax operating income and adjusted pre-tax operating margin also exclude amortization of intangible assets and compensation and non-compensation expenses from acquisition-related agreements. These amounts are excluded on a non-GAAP basis as they represent expenses specifically related to acquisitions that will eventually be fully amortized and therefore not part of our on-going operations. The acquisition-related restructuring and integration costs excluded from adjusted pre-tax operating income and adjusted pre-tax operating margin represent charges that resulted from severance benefits, vacating redundant leased office space, contract termination costs and professional fees related to the transaction. These restructuring and integration costs are excluded from our non-GAAP financial measures as they relate to an acquisition and excluding these amounts provides a better understanding of our core non-compensation expenses. Management believes that presenting adjusted pre-tax operating income and adjusted pre-tax operating margin excluding the acquisition-related amounts provides clarity on the financial results generated by the core operating components of our business.

The following table sets forth the adjusted financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP pre-tax operating income and pre-tax operating margin for the periods presented:

	Year Ended December 31,							
	2019				2018			
		Adjustments (1)				Adjustments (1)		
(Dollars in thousands)	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP
Investment banking								
Advisory services	$ 440,695	$ —	$ —	$ 440,695	$ 394,133	$ —	$ —	$ 394,133
Equity financing	104,563	—	—	104,563	122,172	—	—	122,172
Debt financing	85,701	—	—	85,701	73,262	—	—	73,262
Total investment banking	630,959	—	—	630,959	589,567	—	—	589,567
Institutional sales and trading								
Equities	88,792	—	—	88,792	77,477	—	—	77,477
Fixed income	94,922	—	—	94,922	67,784	—	—	67,784
Total institutional sales and trading	183,714	—	—	183,714	145,261	—	—	145,261
Investment income	12,324	10,769	—	23,093	8,297	3,621	—	11,918
Other financing expenses	(3,200)	—	—	(3,200)	(5,793)	—	—	(5,793)
Net revenues	823,797	10,769	—	834,566	737,332	3,621	—	740,953
Operating expenses	687,410	4,306	23,871	715,587	628,850	4,827	34,787	668,464
Pre-tax operating income	$ 136,387	$ 6,463	$ (23,871)	$ 118,979	$ 108,482	$ (1,206)	$ (34,787)	$ 72,489
Pre-tax operating margin	16.6%			14.3%	14.7%			9.8%

(1) The following is a summary of the adjustments needed to reconcile our consolidated U.S. GAAP pre-tax operating income and pre-tax operating margin to the adjusted pre-tax operating income and adjusted pre-tax operating margin:

Noncontrolling interests – The impacts of consolidating noncontrolling interests in our alternative asset management funds are not included in adjusted pre-tax operating income and adjusted pre-tax operating margin.

Other adjustments – The following table sets forth the items not included in adjusted pre-tax operating income and adjusted pre-tax operating margin for the periods presented:

	Year Ended December 31,	
(Dollars in thousands)	*2019*	*2018*
Compensation from acquisition-related agreements	*$ 5,138*	*$ 29,246*
Acquisition-related restructuring and integration costs	*14,321*	*—*
Amortization of intangible assets related to acquisitions	*4,298*	*4,858*
Non-compensation expenses from acquisition-related agreements	*114*	*683*
	$ 23,871	*$ 34,787*

Net revenues on a U.S. GAAP basis increased 12.6 percent to $834.6 million for the year ended December 31, 2019, compared with $741.0 million in the prior-year period. For the year ended December 31, 2019, adjusted net revenues were $823.8 million compared with $737.3 million for the year ended December 31, 2018. The variance explanations for net revenues and adjusted net revenues are consistent on both a U.S. GAAP and non-GAAP basis unless stated otherwise.

Investment banking revenues comprise all of the revenues generated through advisory services activities, which includes mergers and acquisitions, equity private placements, debt and restructuring advisory, and municipal financial advisory transactions, as well as equity and debt financing activities. To assess the profitability of investment banking, we aggregate investment banking fees with the net interest income or expense associated with these activities.

In 2019, investment banking revenues increased 7.0 percent to $631.0 million compared with $589.6 million in the corresponding period of the prior year. For the year ended December 31, 2019, advisory services revenues increased 11.8 percent to $440.7 million, compared with $394.1 million in 2018, due to more completed transactions with larger median fees. In 2019, we completed 178 transactions with an aggregate enterprise value of $34.0 billion, compared with 170 transactions with an aggregate enterprise value of $28.9 billion in 2018. For the year ended December 31, 2019, equity financing revenues were $104.6 million, down 14.4 percent compared with $122.2 million in the strong prior-year period, due to fewer completed transactions. Equity financing activity was slow in the first half of 2019 due to the impact of the federal government shut down. Additionally, the cyclical energy market was not conducive to equity financing activity throughout 2019. During 2019, we completed 74 equity financings, compared with 85 equity financings in the year-ago period. Debt financing revenues for the year ended December 31, 2019 were $85.7 million, up 17.0 percent compared with $73.3 million in the year-ago period, driven by an increase in municipal market issuance volumes. The increase was driven by lower interest rates leading to increased refunding activity, as well as higher new money issuance volumes. Market conditions improved as the year progressed due to the reduction in interest rates and increased investor demand. During 2019, we completed 563 negotiated municipal issues with a total par value of $12.2 billion, compared with 438 negotiated municipal issues with a total par value of $11.5 billion during the prior-year period.

Institutional sales and trading revenues comprise all of the revenues generated through trading activities, which consist of facilitating customer trades, executing competitive municipal underwritings and our strategic trading activities in municipal bonds. To assess the profitability of institutional brokerage activities, we aggregate institutional brokerage revenues with the net interest income or expense associated with financing, economically hedging and holding long or short inventory positions. Our results may vary from quarter to quarter as a result of changes in trading margins, trading gains and losses, net interest spreads, trading volumes, the timing of payments for research services, and the timing of transactions based on market opportunities.

For the year ended December 31, 2019, institutional brokerage revenues increased 26.5 percent to $183.7 million, compared with $145.3 million in the prior-year period. Equity institutional brokerage revenues were $88.8 million in 2019, up 14.6 percent compared with $77.5 million in 2018, as the five months of incremental revenues from the addition of Weeden & Co. to our platform more than offset the decline in revenues due to low volatility and volumes. For the year ended December 31, 2019, fixed income institutional brokerage revenues were $94.9 million, up 40.0 percent compared with $67.8 million in the prior-year period. The increase was driven by a combination of increasing client activity, conducive market conditions and strong execution. Additionally, markets were challenging in the prior year. In the first quarter of 2018, industry returns for municipal bonds were the worst in nearly a decade and customer demand was muted due to the impact of tax reform on the municipal asset class. Also, macroeconomic concerns caused yields to swiftly move lower in the fourth quarter of 2018.

Investment income includes realized and unrealized gains and losses on investments, including amounts attributable to noncontrolling interests, in our merchant banking, energy and senior living funds, as well as management and performance fees generated from those funds. For the year ended December 31, 2019, investment income was $23.1 million, compared to $11.9 million in 2018. In 2019, we recorded higher gains on our investment and the noncontrolling interests in the merchant banking funds that we manage. Excluding the impact of noncontrolling interests, adjusted investment income was $12.3 million in 2019 and $8.3 million in 2018.

Other financing expenses primarily represent interest paid on our senior notes along with commitment fees on our line of credit and revolving credit facility. For the year ended December 31, 2019, other financing expenses decreased to $3.2 million, compared with $5.8 million in the prior-year period. We repaid $125 million of fixed rate senior notes upon maturity on October 9, 2018, reducing financing expenses in 2019. The reduction in financing expenses was partially offset by the issuance of $175 million of fixed rate senior notes on October 15, 2019 to finance a portion of our acquisition of Sandler O'Neill. We expect other financing expenses to increase in 2020 due to a full year of interest on the fixed rate senior notes.

Pre-tax operating margin for the year ended December 31, 2019 was 14.3 percent, compared with 9.8 percent for 2018. The increase in pre-tax operating margin was driven by higher revenues and lower acquisition-related compensation which was partially offset by higher acquisition-related restructuring and integration costs. Adjusted pre-tax operating margin increased to 16.6 percent in 2019, compared with 14.7 percent in 2018, due to higher revenues.

The following table sets forth the adjusted financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP pre-tax operating income and pre-tax operating margin for the periods presented:

	Year Ended December 31,							
	2018				2017			
		Adjustments (1)				Adjustments (1)		
(Dollars in thousands)	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP	Total Adjusted	Noncontrolling Interests	Other Adjustments	U.S. GAAP
Investment banking								
Advisory services	$ 394,133	$ —	$ —	$ 394,133	$ 443,303	$ —	$ —	$ 443,303
Equity financing	122,172	—	—	122,172	98,996	—	—	98,996
Debt financing	73,262	—	—	73,262	93,434	—	—	93,434
Total investment banking	589,567	—	—	589,567	635,733	—	—	635,733
Institutional sales and trading								
Equities	77,477	—	—	77,477	81,717	—	—	81,717
Fixed income	67,784	—	—	67,784	89,609	—	—	89,609
Total institutional sales and trading	145,261	—	—	145,261	171,326	—	—	171,326
Investment income	8,297	3,621	—	11,918	18,919	5,319	—	24,238
Other financing expenses	(5,793)	—	—	(5,793)	(7,676)	—	—	(7,676)
Net revenues	737,332	3,621	—	740,953	818,302	5,319	—	823,621
Operating expenses	628,850	4,827	34,787	668,464	675,596	2,932	65,777	744,305
Pre-tax operating income	$ 108,482	$ (1,206)	$ (34,787)	$ 72,489	$ 142,706	$ 2,387	$ (65,777)	$ 79,316
Pre-tax operating margin	14.7%			9.8%	17.4%			9.6%

(1) The following is a summary of the adjustments needed to reconcile our consolidated U.S. GAAP pre-tax operating income and pre-tax operating margin to the adjusted pre-tax operating income and adjusted pre-tax operating margin:

Noncontrolling interests – The impacts of consolidating noncontrolling interests in our alternative asset management funds are not included in adjusted pre-tax operating income and adjusted pre-tax operating margin.

Other adjustments – The following table sets forth the items not included in adjusted pre-tax operating income and adjusted pre-tax operating margin for the periods presented:

	Year Ended December 31,	
(Dollars in thousands)	*2018*	*2017*
Compensation from acquisition-related agreements	*$ 29,246*	*$ 54,999*
Amortization of intangible assets related to acquisitions	*4,858*	*10,178*
Non-compensation expenses from acquisition-related agreements	*683*	*600*
	$ 34,787	*$ 65,777*

Net revenues on a U.S. GAAP basis decreased 10.0 percent to $741.0 million for the year ended December 31, 2018, compared with $823.6 million for the year ended December 31, 2017. For the year ended December 31, 2018, adjusted net revenues were $737.3 million compared with $818.3 million in the prior year. The variance explanations for net revenues and adjusted net revenues are consistent on both a U.S. GAAP and non-GAAP basis unless stated otherwise.

In 2018, investment banking revenues decreased 7.3 percent to $589.6 million compared with $635.7 million in 2017. For the year ended December 31, 2018, advisory services revenues decreased 11.1 percent to $394.1 million, compared with $443.3 million in 2017. The number of completed transactions increased from the prior year, however, revenues declined as 2017 was elevated by several large fees. We completed 170 transactions with an aggregate enterprise value of $28.9 billion during 2018, compared with 163 transactions with an aggregate enterprise value of $34.3 billion in 2017. For the year ended December 31, 2018, equity financing revenues were $122.2 million, up 23.4 percent compared with $99.0 million in 2017, due to higher revenue per transaction. The number of deals in which we were bookrunner increased approximately seven percent compared to 2017. Strong valuations and stable markets through the first three quarters of 2018 created optimum IPO conditions in the market. During 2018, we completed 85 equity financings, compared with 84 equity financings in 2017. Debt financing revenues for the year ended December 31, 2018 were $73.3 million, a decrease of 21.6 percent compared with $93.4 million in 2017, due to lower public finance revenues as municipal market issuance volume declined meaningfully compared to 2017. The first quarter of 2018 experienced a significant decline in public finance issuance volume due to record issuance volume in the fourth quarter of 2017 as issuers accelerated financings before implementation of federal tax law changes in 2018. Municipal market issuance volume began to rebound after the first quarter of 2018, but it was still down approximately 24 percent on a year-over-year basis as the increase in new money issuance volume did not offset the significant decrease in refunding activity. During 2018, we completed 438 negotiated municipal issues with a total par value of $11.5 billion, compared with 622 negotiated municipal issues with a total par value of $15.3 billion during 2017.

For the year ended December 31, 2018, institutional brokerage revenues decreased 15.2 percent to $145.3 million, compared with $171.3 million in 2017. Equity institutional brokerage revenues were $77.5 million in 2018, down 5.2 percent compared with $81.7 million in 2017, due to changes in how equity market participants pay for equity research and trade execution services at a time when the overall fee pool was shrinking. Global market participants began shifting trade execution to low-touch providers and paying for research services separately, a result of MiFID II regulation that became effective in the European Union at the beginning of 2018. For the year ended December 31, 2018, fixed income institutional brokerage revenues were $67.8 million, down 24.4 percent compared with $89.6 million in the prior year, due primarily to lower trading gains resulting from limited trading opportunities and unfavorable markets, as well as a decline in customer flow activity. Market conditions were challenging as low relative, but rising, interest rates and a flattened yield curve persisted throughout 2018 and resulted in reduced client volumes and limited trading opportunities. Our results were disproportionately impacted by the challenging fixed income markets in 2018 given our meaningful exposure to the municipal market where customer demand was muted due to the impact of federal tax reform on the municipal asset class.

For the year ended December 31, 2018, investment income was $11.9 million, compared to $24.2 million in 2017. In 2018, we recorded lower gains in our merchant banking funds and on our other firm investments. Excluding the impact of noncontrolling interests, adjusted investment income was $8.3 million in 2018 and $18.9 million in 2017.

In 2018, other financing expenses decreased to $5.8 million, compared to $7.7 million in the prior year. We repaid $50 million of variable rate senior notes upon maturity on May 31, 2017. Also, we repaid our $125 million of fixed rate senior notes upon maturity on October 8, 2018.

Pre-tax operating margin for 2018 increased slightly to 9.8 percent, compared with 9.6 percent for 2017. Adjusted pre-tax operating margin was 14.7 percent in 2018, compared with 17.4 percent in 2017. The decreased adjusted pre-tax operating margin was primarily attributable to lower adjusted net revenues. The new accounting guidance requiring the gross presentation of client reimbursed deal expenses, which totaled $25.1 million for the year ended December 31, 2018, reduced pre-tax operating margin by 50 basis points in 2018.

Discontinued Operations

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

The components of discontinued operations were as follows:

(Amounts in thousands)	Year Ended December 31, 2019	2018	2017
Net revenues	**$ 26,546**	$ 43,489	$ 51,301
Operating expenses	**22,589**	35,227	40,356
Intangible asset amortization and impairment (1)	**5,465**	5,602	5,222
Restructuring costs	**10,268**	272	—
Goodwill impairment	**—**	—	114,363
Total non-interest expenses	**38,322**	41,101	159,941
Income/(loss) from discontinued operations before income tax expense/ (benefit)	**(11,776)**	2,388	(108,640)
Income tax expense/(benefit)	**(2,522)**	1,001	(23,580)
Net income/(loss) from discontinued operations before gain on sales	**(9,254)**	1,387	(85,060)
Gain on sales, net of tax	**33,026**	—	—
Income/(loss) from discontinued operations, net of tax	**$ 23,772**	$ 1,387	$ (85,060)

(1) Includes $2.9 million of intangible asset impairment related to the ARI trade name for the year ended December 31, 2019.

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

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

Recent Accounting Pronouncements

Recent accounting pronouncements are set forth in Note 3 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K, and are incorporated herein by reference.

Critical Accounting Policies

Our accounting and reporting policies comply with U.S. GAAP and conform to practices within the securities industry. The preparation of financial statements in compliance with U.S. GAAP and industry practices requires us to make estimates and assumptions that could materially affect amounts reported in our consolidated financial statements. Critical accounting policies are those policies that we believe to be the most important to the portrayal of our financial condition and results of operations and that require us to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by us to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical, including whether the estimates are significant to the consolidated financial statements taken as a whole, the nature of the estimates, the ability to readily validate the estimates with other information (e.g., third party or independent sources), the sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be used under U.S. GAAP.

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

Valuation of Financial Instruments

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

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants at the measurement date (the exit price). Based on the nature of our business and our role as a "dealer" in the securities industry or as a manager of alternative asset management funds, the fair values of our financial instruments are determined internally. See Note 2 and Note 7 to our consolidated financial statements for additional information on the valuation of our financial instruments and our fair value processes, including specific control processes to determine the reasonableness of the fair value of our financial instruments.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 820, "Fair Value Measurement," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to inputs with little or no pricing observability (Level III measurements). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. See Note 7 to our consolidated financial statements for additional discussion of our assets and liabilities in the fair value hierarchy.

Goodwill and Intangible Assets

We record all assets acquired and liabilities assumed in acquisitions, including goodwill and other intangible assets, at fair value. Determining the fair value of assets and liabilities acquired requires certain management estimates. At December 31, 2019, we had goodwill of $87.6 million and intangible assets of $16.7 million.

We are required to perform impairment tests of goodwill and indefinite-life intangible assets annually and on an interim basis when circumstances exist that could indicate possible impairment. We have elected to test for goodwill impairment in the fourth quarter of each calendar year. We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after making an assessment, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then further analysis is unnecessary. However, if we conclude otherwise, then we are required to perform a quantitative goodwill test, which requires management to make judgments in determining what assumptions to use in the calculation. The quantitative goodwill test compares the fair value of the reporting unit to its carrying value, including allocated goodwill. An impairment is recognized for the excess amount of a reporting unit's carrying value over its fair value. See Note 12 to our consolidated financial statements for additional information on our goodwill impairment testing.

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

We elected to perform a qualitative assessment to test goodwill in our capital markets reporting unit for impairment. The following relevant events and circumstances were evaluated in concluding that it was not more likely than not that this goodwill was impaired: macroeconomic conditions, industry and market considerations, and the overall financial performance of the capital markets reporting unit. Our annual goodwill impairment testing, performed as of October 31, 2019, resulted in no impairment.

We also evaluated our intangible assets and concluded there was no impairment in 2019 associated with the capital markets reporting unit.

Compensation Plans

Stock-Based Compensation Plans

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

See Note 20 to our consolidated financial statements for additional information about our stock-based compensation plans.

Income Taxes

We file a consolidated U.S. federal income tax return, which includes all of our qualifying subsidiaries. We also are subject to income tax in various states and municipalities and those foreign jurisdictions in which we operate. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income taxes are provided for temporary differences in reporting certain items, principally restricted compensation (i.e., restricted stock, restricted stock units, restricted mutual fund shares, and deferred compensation). The realization of deferred tax assets is assessed and a valuation allowance is recognized to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. We believe that our future taxable profits will be sufficient to recognize our U.S. deferred tax assets. However, if our projections of future taxable profits do not materialize, we may conclude that a valuation allowance is necessary, which would impact our results of operations in that period. As of December 31, 2019, we have recorded a deferred tax asset valuation allowance of $4.4 million related to net operating loss carryforwards in the U.K. for Piper Sandler Ltd.

We record deferred tax benefits for future tax deductions expected upon the vesting of stock-based compensation. We recognize the income tax effects of stock-based compensation awards in the income statement when the awards vest. If deductions reported on our tax return for stock-based compensation (i.e., the value of the stock-based compensation at the time of vesting) exceed the cumulative cost of those instruments recognized for financial reporting (i.e., the grant date fair value of the compensation computed in accordance with ASC 718), we record the excess tax benefit as income tax benefit. Conversely, if deductions reported on our tax return for stock-based compensation are less than the cumulative cost of those instruments recognized for financial reporting, the deficiency is recorded as income tax expense. For the year ended December 31, 2019, we recorded a $5.1 million tax benefit from continuing operations for stock awards vesting during the period. In the first quarter of 2020, approximately 266,000 shares vested. Based upon the share prices at vesting, the resulting income tax expense/(benefit) is not material.

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

Liquidity, Funding and Capital Resources

Liquidity is of critical importance to us given the nature of our business. Insufficient liquidity resulting from adverse circumstances contributes to, and may be the cause of, financial institution failure. Accordingly, we regularly monitor our liquidity position and maintain a liquidity strategy designed to enable our business to continue to operate even under adverse circumstances, although there can be no assurance that our strategy will be successful under all circumstances.

The majority of our tangible assets consist of assets readily convertible into cash. Financial instruments and other inventory positions owned are stated at fair value and are generally readily marketable in most market conditions. Receivables and payables with brokers, dealers and clearing organizations usually settle within a few days. As part of our liquidity strategy, we emphasize diversification of funding sources to the extent possible while considering tenor and cost. Our assets are financed by our cash flows from operations, equity capital, and our funding arrangements. The fluctuations in cash flows from financing activities are directly related to daily operating activities from our various businesses. One of our most important risk management disciplines is our ability to manage the size and composition of our balance sheet. While our asset base changes due to client activity, market fluctuations and business opportunities, the size and composition of our balance sheet reflect our overall risk tolerance, our ability to access stable funding sources and the amount of equity capital we hold.

Certain market conditions can impact the liquidity of our inventory positions, requiring us to hold larger inventory positions for longer than expected or requiring us to take other actions that may adversely impact our results.

A significant component of our employees' compensation is paid in annual discretionary incentive compensation. The timing of these incentive compensation payments, which generally are made in February, has a significant impact on our cash position and liquidity.

Our acquisition of Sandler O'Neill, which closed on January 3, 2020, was funded through cash flows from operations, cash proceeds from the sale of ARI, and our unsecured fixed rate senior notes which were issued on October 15, 2019.

Our dividend policy is intended to return between 30 percent and 50 percent of our adjusted net income from the previous fiscal year to shareholders. This includes the payment of a quarterly and an annual special cash dividend, payable in the first quarter of each year. Our board of directors determines the declaration and payment of dividends on an annual and quarterly basis, and is free to change our dividend policy at any time.

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

Declaration Date		Dividend Per Share	Record Date	Payment Date
February 2, 2017	$	0.3125	February 20, 2017	March 13, 2017
April 27, 2017	$	0.3125	May 26, 2017	June 15, 2017
July 27, 2017	$	0.3125	August 28, 2017	September 15, 2017
October 26, 2017	$	0.3125	November 29, 2017	December 15, 2017
February 1, 2018 (1)	$	1.6200	February 26, 2018	March 15, 2018
February 1, 2018	$	0.3750	February 26, 2018	March 15, 2018
April 27, 2018	$	0.3750	May 25, 2018	June 15, 2018
July 27, 2018	$	0.3750	August 24, 2018	September 14, 2018
October 26, 2018	$	0.3750	November 28, 2018	December 14, 2018
February 1, 2019 (2)	$	1.0100	February 25, 2019	March 15, 2019
February 1, 2019	$	0.3750	February 25, 2019	March 15, 2019
April 26, 2019	$	0.3750	May 24, 2019	June 14, 2019
July 26, 2019	$	0.3750	August 23, 2019	September 13, 2019
October 30, 2019	$	0.3750	November 22, 2019	December 13, 2019
January 31, 2020 (3)	$	0.7500	March 2, 2020	March 13, 2020
January 31, 2020	$	0.3750	March 2, 2020	March 13, 2020

(1) Represents the annual special cash dividend based on fiscal year 2017 results.

(2) Represents the annual special cash dividend based on fiscal year 2018 results.

(3) Represents the annual special cash dividend based on fiscal year 2019 results.

Our board of directors has declared a special cash dividend on our common stock of $0.75 per share related to 2019 adjusted net income. This special dividend will be paid on March 13, 2020, to shareholders of record as of the close of business on March 2, 2020. Including this special cash dividend and the regular quarterly dividends totaling $1.50 per share paid during 2019, we will have returned $2.25 per share, or approximately 33 percent of our fiscal year 2019 adjusted net income to shareholders.

Effective September 30, 2017, our board of directors authorized the repurchase of up to $150.0 million in common shares through September 30, 2019. During 2019, we repurchased 501 shares of our common stock at an average price of $64.80 per share related to this authorization. This authorization expired on September 30, 2019.

On November 15, 2019, our board of directors authorized the repurchase of up to $150.0 million in common shares. This authorization will be effective from January 1, 2020 through December 31, 2021.

We also purchase shares of common stock from restricted stock award recipients upon the award vesting or as recipients sell shares to meet their employment tax obligations. During 2019, we purchased 701,217 shares or $50.6 million of our common stock for these purposes.

Cash Flows

Cash and cash equivalents at December 31, 2019 were $250.0 million, an increase of $199.7 million from December 31, 2018. Operating activities provided $67.8 million of cash, primarily due to cash generated from earnings. Our net income of $118.2 million in 2019 included a $33.0 million non-cash gain on the sale of ARI. The increase in operating assets was driven by a $46.2 million increase in our receivables from brokers, dealers and clearing organizations. The decrease in operating liabilities was due to a decrease in accrued compensation of $29.3 million resulting from the payment of the Simmons performance award plan in the third quarter of 2019. In 2019, investing activities provided $26.7 million, primarily due to proceeds from the sale of ARI. This increase was partially offset by the use of $19.7 million for the acquisition of Weeden & Co., and $6.5 million for the purchase of fixed assets. Cash of $104.7 million was provided through financing activities as we issued $175 million of fixed rate senior notes on October 15, 2019. The repurchase of $50.6 million of common stock and dividend payments of $35.6 million partially offset this increase.

Cash and cash equivalents at December 31, 2018 were $50.4 million, an increase of $16.6 million from December 31, 2017. Operating activities provided $509.8 million of cash, primarily due to cash generated from earnings as well as reductions in operating assets, most notably a $534.4 million decrease in net financial instruments and other inventory positions owned, as we discontinued certain of our strategic trading activities in municipal securities and reduced inventories to navigate the challenging fixed income market we experienced in 2018. Partially offsetting this decline were increases in our receivables from brokers, dealers and clearing organizations related to Pershing, our clearing broker dealer. The decrease in operating liabilities was primarily driven by a decrease in accrued compensation of $60.2 million, the result of lower compensation costs in 2018 resulting from decreased revenues. In 2018, investing activities used $15.8 million of cash for the purchase of fixed assets. Cash of $476.8 million was used in financing activities as we reduced amounts due under our short-term financing by $240.0 million, through the closure of our prime brokerage arrangement related to our strategic trading activities in municipal securities. We also repurchased $70.9 million of our common stock, paid $47.2 million in dividends and repaid our $125.0 million fixed rate senior notes in full on the October 9, 2018 maturity date.

Cash and cash equivalents decreased $36.6 million to $33.8 million at December 31, 2017 from December 31, 2016. Operating activities provided $203.0 million of cash, as non-cash charges and decreases in operating assets were partially offset by an increase in operating liabilities. Our $59.6 million net loss in 2017 included non-cash charges of $114.4 million related to goodwill impairment attributable to our Asset Management segment, $36.4 million for the remeasurement of our deferred tax assets arising from the enactment of the Tax Cuts and Jobs Act and the lower federal corporate tax rate of 21 percent, and $15.4 million of intangible asset amortization. The conversion to a fully disclosed clearing model in 2017 resulted in a decrease in net operating assets related to the clearing and carrying of customer accounts. This decrease was partially offset by an increase in inventory balances, particularly municipal securities, driven by a trading opportunity in the municipal market identified at the end of the year. The increase in operating liabilities was primarily driven by an increase in accrued compensation of $110.2 million, the result of higher compensation costs in 2017 resulting from increased revenues. Investing activities in 2017 used $8.0 million of cash for the purchase of fixed assets. Cash of $233.1 million was used in financing activities as we reduced amounts due under our short-term financing by $128.9 million, primarily by decreasing our commercial paper funding as our clearing relationship with Pershing provided another source of financing. In addition, we repaid $50.0 million of variable rate senior notes in full on the May 31, 2017 maturity date.

Leverage

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

(Dollars in thousands)	December 31, 2019	December 31, 2018
Total assets	**$ 1,628,719**	$ 1,345,269
Deduct: Goodwill and intangible assets	**(104,335)**	(86,139)
Deduct: Right-of-use lease asset	**(40,030)**	—
Deduct: Assets from noncontrolling interests	**(76,516)**	(53,558)
Adjusted assets	**$ 1,407,838**	$ 1,205,572
Total shareholders' equity	**$ 806,528**	$ 730,416
Deduct: Goodwill and intangible assets	**(104,335)**	(86,139)
Deduct: Noncontrolling interests	**(75,245)**	(52,972)
Tangible common shareholders' equity	**$ 626,948**	$ 591,305
Leverage ratio (1)	**2.0**	1.8
Adjusted leverage ratio (2)	**2.2**	2.0

(1) Leverage ratio equals total assets divided by total shareholders' equity.

(2) Adjusted leverage ratio equals adjusted assets divided by tangible common shareholders' equity.

Adjusted assets and tangible common shareholders' equity are non-GAAP financial measures. Goodwill and intangible assets are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as we believe that goodwill and intangible assets do not constitute operating assets that can be deployed in a liquid manner. The right-of-use lease asset is also subtracted from total assets in determining adjusted assets as it is not an operating asset that can be deployed in a liquid manner. Amounts attributed to noncontrolling interests are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as they represent assets and equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Sandler Companies. We view the resulting measure of adjusted leverage, also a non-GAAP financial measure, as a more relevant measure of financial risk when comparing financial services companies.

Funding and Capital Resources

The primary goal of our funding activities is to ensure adequate funding over a wide range of market conditions. Given the mix of our business activities, funding requirements are fulfilled through a diversified range of short-term and long-term financing. We attempt to ensure that the tenor of our borrowing liabilities equals or exceeds the expected holding period of the assets being financed. Our ability to support increases in total assets is largely a function of our ability to obtain funding from external sources. Access to these external sources, as well as the cost of that financing, is dependent upon various factors, including market conditions, the general availability of credit and credit ratings. We currently do not have a credit rating, which could adversely affect our liquidity and competitive position by increasing our financing costs and limiting access to sources of liquidity that require a credit rating as a condition to providing the funds.

Our day-to-day funding and liquidity is obtained primarily through the use of our clearing arrangement with Pershing, commercial paper issuance, a prime broker agreement and a bank line of credit, and is typically collateralized by our securities inventory. These funding sources are critical to our ability to finance and hold inventory, which is a necessary part of our institutional brokerage business. The majority of our inventory is liquid and is therefore funded by short-term facilities. Certain of these short-term facilities (i.e., committed line and commercial paper) have been established to mitigate changes in the liquidity of our inventory based on changing market conditions. In the case of our committed line, it is available to us regardless of changes in market liquidity conditions through the end of its term, although there may be limitations on the type of securities available to pledge. Our commercial paper program helps mitigate changes in market liquidity conditions given it is not an overnight facility, but provides funding with a term of 27 to 270 days. Our funding sources are also dependent on the types of inventory that our counterparties are willing to accept as collateral and the number of counterparties available. Funding is generally obtained at rates based upon the federal funds rate or LIBOR.

Pershing Clearing Arrangement – We have established an arrangement to obtain financing from Pershing related to the majority of our trading activities. Under our fully disclosed clearing agreement, the majority of our securities inventories and all of our customer activities are held by or cleared through Pershing. Financing under this arrangement is secured primarily by securities, and collateral limitations could reduce the amount of funding available under this arrangement. Our clearing arrangement activities are recorded net from trading activity and reported within receivables from or payables to brokers, dealers and clearing organizations. The funding is at the discretion of Pershing (i.e., uncommitted) and could be denied without a notice period. Our fully disclosed clearing agreement includes a covenant requiring Piper Sandler & Co., our U.S. broker dealer subsidiary, to maintain excess net capital of $120 million. At December 31, 2019, we had $0.8 million of financing outstanding under this arrangement.

Commercial Paper Program – Piper Sandler & Co. issues secured commercial paper to fund a portion of its securities inventory. This commercial paper is currently issued under two separate programs, CP Series A and CP Series II A, and is secured by different inventory classes, which is reflected in the interest rate paid on the respective program. The programs can issue commercial paper with maturities of 27 to 270 days. CP Series II A includes a covenant that requires Piper Sandler & Co. to maintain excess net capital of $100 million. The CP Series A program was retired effective January 2, 2020. The following table provides information about our commercial paper programs at December 31, 2019:

(Dollars in millions)	CP Series A	CP Series II A
Maximum amount that may be issued	$ 300.0	$ 200.0
Amount outstanding	—	50.0
Weighted average maturity, in days	—	6
Weighted average maturity at issuance, in days	—	32

Prime Broker Arrangements – We have established an overnight financing arrangement with a broker dealer related to our convertible securities inventories. Financing under this arrangement is secured primarily by convertible securities and collateral limitations could reduce the amount of funding available. The funding is at the discretion of the prime broker and could be denied subject to a notice period. This arrangement is reported within receivables from or payables to brokers, dealers and clearing organizations, net of trading activity. At December 31, 2019, we had $129.2 million of financing outstanding under this prime broker arrangement.

Additionally, we previously established an arrangement to obtain overnight financing with another prime broker related to certain strategic trading activities in municipal securities. We completed the liquidation of the municipal securities inventories associated with these strategic trading activities in the third quarter of 2018, and have closed this prime broker arrangement as we no longer needed the funding source.

Committed Line – We elected to decrease our committed line from $175 million to a one-year $125 million revolving secured credit facility in the fourth quarter of 2019. We may use this credit facility in the ordinary course of business to fund a portion of our daily operations. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires Piper Sandler & Co. to maintain a minimum regulatory net capital of $120 million, and the unpaid principal amount of all advances under the facility will be due on December 11, 2020. This credit facility has been in place since 2008 and we renewed the facility for another one-year term in the fourth quarter of 2019. At December 31, 2019, we had no advances against this line of credit.

Revolving Credit Facility – On December 20, 2019, our parent company, Piper Sandler Companies, entered into a credit agreement ("Credit Agreement") with U.S. Bank N.A., which created an unsecured $50 million revolving credit facility. The Credit Agreement will terminate on December 20, 2022, unless otherwise terminated by the parties pursuant to the terms of the Credit Agreement, and is subject to a one-year extension exercisable at our option. At December 31, 2019, we had no advances against this credit facility.

The Credit Agreement includes customary events of default and covenants that, among other things, limit our leverage ratio, require Piper Sandler & Co. to maintain a minimum regulatory net capital, require maintenance of a minimum ratio of operating cash flow to fixed charges, and impose certain limitations on our ability to make acquisitions and make payments on our capital stock. At December 31, 2019, we were in compliance with all covenants.

The following tables present the average balances outstanding for our various funding sources by quarter for 2019 and 2018:

(Dollars in millions)	Average Balance for the Three Months Ended Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	Mar. 31, 2019
Funding source:				
Pershing clearing arrangement	**$ 22.9**	$ 94.6	$ 170.2	$ 82.1
Commercial paper	**50.0**	50.0	50.0	50.0
Prime broker arrangements	**99.7**	68.0	77.1	106.4
Total	**$ 172.6**	$ 212.6	$ 297.3	$ 238.5

(Dollars in millions)	Average Balance for the Three Months Ended Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	Mar. 31, 2018
Funding source:				
Pershing clearing arrangement	$ 79.6	$ 3.0	$ 90.0	$ 47.1
Commercial paper	50.0	50.0	50.0	50.0
Prime broker arrangements	85.2	112.7	218.8	336.5
Total	$ 214.8	$ 165.7	$ 358.8	$ 433.6

The average funding in the fourth quarter of 2019 decreased to $172.6 million, compared with $212.6 million during the third quarter of 2019 and $214.8 million during the fourth quarter of 2018, due to an increase in long-term financing as a result of the new fixed rate senior notes issued during the quarter.

The following table presents the maximum daily funding amount by quarter for 2019 and 2018:

(Dollars in millions)	2019	2018
First Quarter	$ 362.7	$ 613.1
Second Quarter	$ 427.1	$ 505.0
Third Quarter	$ 416.0	$ 263.5
Fourth Quarter	$ 330.7	$ 312.3

Senior Notes

On October 15, 2019, we entered into a note purchase agreement ("Note Purchase Agreement") under which we issued unsecured fixed rate senior notes ("Notes") in the amount of $175 million. The initial holders of the Notes are certain entities advised by Pacific Investment Management Company ("PIMCO"). The Notes consist of two classes, Class A Notes and Class B Notes, with principal amounts of $50 million and $125 million, respectively. The Class A Notes bear interest at an annual fixed rate of 4.74 percent and mature on October 15, 2021. The Class B Notes bear interest at an annual fixed rate of 5.20 percent and mature on October 15, 2023. Interest on the Notes is payable semi-annually. The unpaid principal amounts are due in full on the respective maturity dates and may not be prepaid.

The Note Purchase Agreement includes customary events of default and covenants that, among other things, require Piper Sandler & Co. to maintain a minimum regulatory net capital, limit our leverage ratio and require maintenance of a minimum ratio of operating cash flow to fixed charges. At December 31, 2019, we were in compliance with all covenants.

Contractual Obligations

In the normal course of business, we enter into various contractual obligations that may require future cash payments. The following table summarizes the contractual amounts at December 31, 2019, in total and by remaining maturity. Excluded from the table are a number of obligations recorded on the consolidated statements of financial condition that generally are short-term in nature, including secured financing transactions, trading liabilities, short-term borrowings and other payables and accrued liabilities. The amounts presented in the table below may not necessarily reflect our actual future cash funding requirements because the actual timing of the future payments made may vary from the stated contractual obligation.

(Dollars in millions)	2020	2021 - 2022	2023 - 2024	2025 and thereafter	Total
Operating lease obligations	$ 17.2	$ 24.0	$ 14.9	$ 10.9	$ 67.0
Purchase commitments	19.9	17.4	7.6	8.8	53.7
Investment commitments (1)	—	—	—	—	71.0
Senior notes	—	50.0	125.0	—	175.0

(1) The investment commitments have no specified call dates. The timing of capital calls is based on market conditions and investment opportunities.

Purchase commitments include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions, and the approximate timing of the transaction. Purchase commitments with variable pricing provisions are included in the table based on the minimum contractual amounts. Certain purchase commitments contain termination or renewal provisions. The table reflects the minimum contractual amounts likely to be paid under these agreements assuming the contracts are not terminated.

Capital Requirements

As a registered broker dealer and member firm of FINRA, Piper Sandler & Co. is subject to the uniform net capital rule of the SEC and the net capital rule of FINRA. We have elected to use the alternative method permitted by the uniform net capital rule which requires that we maintain minimum net capital of $1.0 million. Advances to affiliates, repayment of subordinated liabilities, dividend payments and other equity withdrawals are subject to certain approvals, notifications and other provisions of the uniform net capital rules. We expect that these provisions will not impact our ability to meet current and future obligations. At December 31, 2019, our net capital under the SEC's uniform net capital rule was $236.9 million, and exceeded the minimum net capital required under the SEC rule by $235.9 million.

Although we operate with a level of net capital substantially greater than the minimum thresholds established by FINRA and the SEC, a substantial reduction of our capital would curtail many of our capital markets revenue producing activities.

Our committed short-term credit facility, revolving credit facility and senior notes with PIMCO include covenants requiring Piper Sandler & Co. to maintain a minimum regulatory net capital of $120 million. Secured commercial paper issued under CP Series II A includes a covenant that requires Piper Sandler & Co. to maintain excess net capital of $100 million. Our fully disclosed clearing agreement with Pershing also includes a covenant requiring Piper Sandler & Co. to maintain excess net capital of $120 million.

At December 31, 2019, Piper Sandler Ltd., our broker dealer subsidiary registered in the U.K., was subject to, and was in compliance with, the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority pursuant to the Financial Services Act of 2012.

Piper Sandler Hong Kong Limited is licensed by the Hong Kong Securities and Futures Commission, which is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance. At December 31, 2019, Piper Sandler Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Trade Commission.

Off-Balance Sheet Arrangements

In the ordinary course of business we enter into various types of off-balance sheet arrangements. The following table summarizes the notional contract value of our off-balance sheet arrangements for the periods presented:

	Expiration Per Period at December 31,						Total Contractual Amount	
(Dollars in thousands)	2020	2021	2022	2023 - 2024	2025 - 2026	Later	December 31, 2019	December 31, 2018
Customer matched-book derivative contracts (1) (2)	$ 19,040	$ 6,930	$ 25,440	$ 143,180	$ 54,160	$ 1,948,590	**$ 2,197,340**	$ 2,532,966
Trading securities derivative contracts (2)	96,500	—	—	5,000	—	9,375	**110,875**	262,275
Investment commitments (3)	—	—	—	—	—	—	**70,953**	77,984

(1) Consists of interest rate swaps. We have minimal market risk related to these matched-book derivative contracts; however, we do have counterparty risk with one major financial institution, which is mitigated by collateral deposits. In addition, we have a limited number of counterparties (contractual amount of $173.2 million at December 31, 2019) who are not required to post collateral. The uncollateralized amounts, representing the fair value of the derivative contracts, expose us to the credit risk of these counterparties. At December 31, 2019, we had $19.2 million of credit exposure with these counterparties, including $16.2 million of credit exposure with one counterparty.

(2) We believe the fair value of these derivative contracts is a more relevant measure of the obligations because we believe the notional or contract amount overstates the expected payout. At December 31, 2019 and December 31, 2018, the net fair value of these derivative contracts approximated $16.3 million and $12.5 million, respectively.

(3) The investment commitments have no specified call dates. The timing of capital calls is based on market conditions and investment opportunities.

Derivatives

Derivatives' notional or contract amounts are not reflected as assets or liabilities on our consolidated statements of financial condition. Rather, the fair value of the derivative transactions are reported on the consolidated statements of financial condition as assets or liabilities in financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased, as applicable. For a discussion of our activities related to derivative products, see Note 6 in the notes to our consolidated financial statements.

Investment Commitments

We have investments, including those made as part of our merchant banking activities, in various limited partnerships or limited liability companies that provide financing or make investments in companies. We commit capital and/or act as the managing partner of these entities. We have committed capital of $71.0 million to certain entities and these commitments generally have no specified call dates. For additional information on our activities related to these types of entities, see Note 8 in the notes to our consolidated financial statements.

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

Central banks and regulators in a number of major jurisdictions (e.g., U.S., U.K., European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for IBORs. The U.K. Financial Conduct Authority, which regulates LIBOR, has announced that it will not compel panel banks to contribute to LIBOR after 2021. We have a limited number of contractual agreements which use LIBOR. We do not expect the transition from LIBOR to a replacement rate to have a significant impact on our operations.

Risk Management

Risk is an inherent part of our business. The principal risks we face in operating our business include: strategic risk, market risk, liquidity risk, credit risk, operational risk, human capital risk, and legal and regulatory risks. The extent to which we properly identify and effectively manage each of these risks is critical to our financial condition and profitability. We have a formal risk management process to identify, assess and monitor each risk and mitigating controls in accordance with defined policies and procedures. The risk management functions are independent of our business lines. Our management takes an active role in the risk management process, and the results are reported to senior management and the Board of Directors.

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

We use internal committees to assist in governing risk and ensure that our business activities are properly assessed, monitored and managed. Our executive financial risk committee manages our market, liquidity and credit risks; oversees risk management practices related to these risks, including defining acceptable risk tolerances and approving risk management policies; and responds to market changes in a dynamic manner. Membership is comprised of senior leadership, including but not limited to, our Chief Executive Officer, President, Chief Financial Officer, Treasurer, Head of Market and Credit Risk, and Head of Fixed Income Trading. Other committees that help evaluate and monitor risk include underwriting, leadership team and operating committees. These committees help manage risk by ensuring that business activities are properly managed and within a defined scope of activity. Our valuation committee, comprised of members of senior management and risk management, provide oversight and overall responsibility for the internal control processes and procedures related to fair value measurements. Additionally, our operational risk committees address and monitor risk related to information systems and security, legal, regulatory and compliance matters, and third parties such as vendors and service providers.

With respect to market risk and credit risk, the cornerstone of our risk management process is daily communication among traders, trading department management and senior management concerning our inventory positions, including those associated with our strategic trading activities, and overall risk profile. Our risk management functions supplement this communication process by providing their independent perspectives on our market and credit risk profile on a daily basis. The broader objectives of our risk management functions are to understand the risk profile of each trading area, to consolidate risk monitoring company-wide, to assist in implementing effective hedging strategies, to articulate large trading or position risks to senior management, and to ensure accurate fair values of our financial instruments.

Risk management techniques, processes and strategies may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk, and any risk management failures could expose us to material unanticipated losses.

Strategic Risk

Strategic risk represents the risk associated with executive management failing to develop and execute on the appropriate strategic vision which demonstrates a commitment to our culture, leverages our core competencies, appropriately responds to external factors in the marketplace, and is in the best interests of our clients, employees and shareholders.

Our leadership team is responsible for managing our strategic risks. The Board of Directors oversees the leadership team in setting and executing our strategic plan.

Market Risk

Market risk represents the risk of losses, or financial volatility, that may result from the change in value of a financial instrument due to fluctuations in its market price. Our exposure to market risk is directly related to our role as a financial intermediary for our clients, to our market-making activities and our strategic trading activities. Market risks are inherent to both cash and derivative financial instruments. The scope of our market risk management policies and procedures includes all market-sensitive financial instruments.

Our different types of market risk include:

Interest Rate Risk — Interest rate risk represents the potential volatility from changes in market interest rates. We are exposed to interest rate risk arising from changes in the level and volatility of interest rates, changes in the slope of the yield curve, changes in credit spreads, and the rate of prepayments on our interest-earning assets (e.g., inventories) and our funding sources (e.g., short-term financing) which finance these assets. Interest rate risk is managed by selling short U.S. government securities, agency securities, corporate debt securities and derivative contracts. See Note 6 of our accompanying consolidated financial statements for additional information on our derivative contracts. Our interest rate hedging strategies may not work in all market environments and as a result may not be effective in mitigating interest rate risk. Also, we establish limits on the notional level of our fixed income securities inventory and manage net positions within those limits.

Equity Price Risk — Equity price risk represents the potential loss in value due to adverse changes in the level or volatility of equity prices. We are exposed to equity price risk through our trading activities primarily in the U.S. market. We attempt to reduce the risk of loss inherent in our market-making and in our inventory of equity securities by establishing limits on the notional level of our inventory and by managing net position levels within those limits.

Foreign Exchange Risk — Foreign exchange risk represents the potential volatility to earnings or capital arising from movement in foreign exchange rates. A modest portion of our business is conducted in currencies other than the U.S. dollar, and changes in foreign exchange rates relative to the U.S. dollar can therefore affect the value of non-U.S. dollar net assets, revenues and expenses. A change in the foreign currency rates could create either a foreign currency transaction gain/loss (recorded in our consolidated statements of operations) or a foreign currency translation adjustment (recorded to accumulated other comprehensive income/(loss) within the shareholders' equity section of our consolidated statements of financial condition and other comprehensive income/(loss) within the consolidated statements of comprehensive income).

Value-at-Risk ("VaR")

We use the statistical technique known as VaR to measure, monitor and review the market risk exposures in our trading portfolios. VaR is the potential loss in value of our trading positions, excluding noncontrolling interests, due to adverse market movements over a defined time horizon with a specified confidence level. We perform a daily VaR analysis on substantially all of our trading positions, including fixed income, equities, convertible bonds, mortgage-backed securities and all associated economic hedges. These positions encompass both customer-related and strategic trading activities. A VaR model provides a common metric for assessing market risk across business lines and products. Changes in VaR between reporting periods are generally due to changes in levels of risk exposure, volatilities and/or correlations among asset classes and individual securities.

We use a Monte Carlo simulation methodology for VaR calculations. We believe this methodology provides VaR results that properly reflect the risk profile of all our instruments, including those that contain optionality, and also accurately models correlation movements among all of our asset classes. In addition, it provides improved tail results as there are no assumptions of distribution, and can provide additional insight for scenario shock analysis.

Model-based VaR derived from simulation has inherent limitations including: reliance on historical data to predict future market risk; VaR calculated using a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day; and published VaR results reflect past trading positions while future risk depends on future positions.

The modeling of the market risk characteristics of our trading positions involves a number of assumptions and approximations. While we believe that these assumptions and approximations are reasonable, different assumptions and approximations could produce materially different VaR estimates. When comparing our VaR numbers to those of other firms, it is important to remember that different methodologies, assumptions and approximations could produce significantly different results.

The following table quantifies the model-based VaR simulated for each component of market risk for the periods presented, which are computed using the past 250 days of historical data. When calculating VaR we use a 95 percent confidence level and a one-day time horizon. This means that, over time, there is a one in 20 chance that daily trading net revenues will fall below the expected daily trading net revenues by an amount at least as large as the reported VaR. Shortfalls on a single day can exceed reported VaR by significant amounts. Shortfalls can also accumulate over a longer time horizon, such as a number of consecutive trading days. Therefore, there can be no assurance that actual losses occurring on any given day arising from changes in market conditions will not exceed the VaR amounts shown below or that such losses will not occur more than once in a 20-day trading period.

(Dollars in thousands)	**December 31, 2019**	December 31, 2018
Interest Rate Risk	**$ 428**	$ 370
Equity Price Risk	**52**	49
Diversification Effect (1)	**(37)**	(40)
Total Value-at-Risk	**$ 443**	$ 379

(1) Equals the difference between total VaR and the sum of the VaRs for the two risk categories. This effect arises because the two market risk categories are not perfectly correlated.

The aggregate VaR as of December 31, 2019 was higher than the reported VaR on December 31, 2018. The increase in VaR was due to our mix of inventory compared to the end of 2018.

We view average VaR over a period of time as more representative of trends in the business than VaR at any single point in time. The table below illustrates the daily high, low and average VaR calculated for each component of market risk during the years ended December 31, 2019 and 2018.

(Dollars in thousands)	High	Low	Average
For the Year Ended December 31, 2019			
Interest Rate Risk	$ 792	$ 181	$ 432
Equity Price Risk	69	42	54
Diversification Effect (1)			(41)
Total Value-at-Risk	$ 808	$ 191	$ 445

(Dollars in thousands)	High	Low	Average
For the Year Ended December 31, 2018			
Interest Rate Risk	$ 1,084	$ 268	$ 631
Equity Price Risk	91	21	54
Diversification Effect (1)			(40)
Total Value-at-Risk	$ 1,101	$ 277	$ 645

(1) Equals the difference between total VaR and the sum of the VaRs for the two risk categories. This effect arises because the two market risk categories are not perfectly correlated. Because high and low VaR numbers for these risk categories may have occurred on different days, high and low numbers for diversification effect would not be meaningful.

Trading losses exceeded our one-day VaR on eight occasions during 2019.

In addition to VaR, we also employ additional measures to monitor and manage market risk exposure including net market position, duration exposure, option sensitivities, and inventory turnover. All metrics are aggregated by asset concentration and are used for monitoring limits and exception approvals. In times of market volatility, we also perform ad hoc stress tests and scenario analysis as market conditions dictate. Unlike our VaR, which measures potential losses within a given confidence level, stress scenarios do not have an associated implied probability. Rather, stress testing is used to estimate the potential loss from market moves outside our VaR confidence levels.

Liquidity Risk

Liquidity risk is the risk that we are unable to timely access necessary funding sources in order to operate our business, as well as the risk that we are unable to timely divest securities that we hold in connection with our market-making, sales and trading, and strategic trading activities. We are exposed to liquidity risk in our day-to-day funding activities, by holding potentially illiquid inventory positions and in our role as a remarketing agent for variable rate demand notes.

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

Our inventory positions, including those associated with strategic trading activities, subject us to potential financial losses from the reduction in value of illiquid positions. Market risk can be exacerbated in times of trading illiquidity when market participants refrain from transacting in normal quantities and/or at normal bid-offer spreads. Depending on the specific security, the structure of the financial product, and/or overall market conditions, we may be forced to hold a security for substantially longer than we had planned or forced to liquidate into a challenging market if funding becomes unavailable.

Credit Risk

Credit risk refers to the potential for loss due to the default or deterioration in credit quality of a counterparty, customer, borrower or issuer of securities we hold in our trading inventory. The nature and amount of credit risk depends on the type of transaction, the structure and duration of that transaction and the parties involved. Credit risk also results from an obligor's failure to meet the terms of any contract with us or otherwise fail to perform as agreed. This may be reflected through issues such as settlement obligations or payment collections.

Our different types of credit risk include:

Credit Spread Risk — Credit spread risk arises from the possibility that changes in credit spreads will affect the value of financial instruments. Credit spreads represent the credit risk premiums required by market participants for a given credit quality (e.g., the additional yield that a debt instrument issued by a AA-rated entity must produce over a risk-free alternative). Changes in credit spreads result from potential changes in an issuer's credit rating or the market's perception of the issuer's credit worthiness. We are exposed to credit spread risk with the debt instruments held in our trading inventory, including those held for strategic trading activities. We enter into transactions to hedge our exposure to credit spread risk through the use of derivatives and certain other financial instruments. These hedging strategies may not work in all market environments and as a result may not be effective in mitigating credit spread risk.

Deterioration/Default Risk — Deterioration/default risk represents the risk due to an issuer, counterparty or borrower failing to fulfill its obligations. We are exposed to deterioration/default risk in our role as a trading counterparty to dealers and customers, as a holder of securities, and as a member of exchanges. The risk of default depends on the creditworthiness of the counterparty and/or issuer of the security. We mitigate this risk by establishing and monitoring individual and aggregate position limits for each counterparty relative to potential levels of activity, holding and marking to market collateral on certain transactions. Our risk management functions also evaluate the potential risk associated with institutional counterparties with whom we hold derivatives, TBAs and other documented institutional counterparty agreements that may give rise to credit exposure.

Collections Risk — Collections risk arises from ineffective management and monitoring of collecting outstanding debts and obligations, including those related to our customer trading activities and margin lending. Our client activities involve the execution, settlement and financing of various transactions. Client activities are transacted on a delivery versus payment, cash or margin basis. Our credit exposure to institutional client business is mitigated by the use of industry-standard delivery versus payment through depositories and clearing banks. Credit exposure associated with our customer margin accounts in the U.S. is monitored daily. Our risk management functions have credit risk policies establishing appropriate credit limits and collateralization thresholds for our customers utilizing margin lending.

Concentration Risk — Concentration risk is the risk due to concentrated exposure to a particular product; individual issuer, borrower or counterparty; financial instrument; or geographic area. We are subject to concentration risk if we hold large individual securities positions, execute large transactions with individual counterparties or groups of related counterparties, or make substantial underwriting commitments. Concentration risk can occur by industry, geographic area or type of client. Securities purchased under agreements to resell consist primarily of securities issued by the U.S. government or its agencies. The counterparties to these agreements typically are primary dealers of U.S. government securities and major financial institutions. Inventory and investment positions taken and commitments made, including underwritings, may result in exposure to individual issuers and businesses. Potential concentration risk is carefully monitored through review of counterparties and borrowers and is managed through the use of policies and limits established by senior management.

We have concentrated counterparty credit exposure with five non-publicly rated entities totaling $19.2 million at December 31, 2019. This counterparty credit exposure is part of our matched-book derivative program related to our public finance business, consisting primarily of interest rate swaps. One derivative counterparty represented 84.2 percent, or $16.2 million, of this exposure. Credit exposure associated with our derivative counterparties is driven by uncollateralized market movements in the fair value of the interest rate swap contracts and is monitored regularly by our financial risk committee. We attempt to minimize the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by senior management.

Operational Risk

Operational risk is the risk of loss, or damage to our reputation, resulting from inadequate or failed processes, people and systems or from external events. We rely on the ability of our employees and our systems, both internal and at computer centers operated by third parties, to process a large number of transactions. Our systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control. In the event of a breakdown or improper operation of our systems or improper action by our employees or third party vendors, we could suffer financial loss, a disruption of our businesses, regulatory sanctions and damage to our reputation. We also face the risk of operational failure or termination of our relationship with any of the exchanges, fully disclosed clearing firms, or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk.

Our operations rely on secure processing, storage and transmission of confidential and other information in our internal and outsourced computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, internal misconduct or inadvertent errors and other events that could have an information security impact. The occurrence of one or more of these events, which we have experienced, could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We take protective measures and endeavor to modify them as circumstances warrant.

In order to mitigate and control operational risk, we have developed and continue to enhance policies and procedures that are designed to identify and manage operational risk at appropriate levels throughout the organization. We also have business continuity plans in place that we believe will cover critical processes on a company-wide basis, and redundancies are built into our systems as we have deemed appropriate. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our various businesses are operating within established corporate policies and limits.

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

Human Capital Risk

Our business is a human capital business and our success is dependent upon the skills, expertise and performance of our employees. Human capital risks represent the risks posed if we fail to attract and retain qualified individuals who are motivated to serve the best interests of our clients, thereby serving the best interests of our company. Attracting and retaining employees depends, among other things, on our company's culture, management, work environment, geographic locations and compensation. There are risks associated with the proper recruitment, development and rewards of our employees to ensure quality performance and retention.

Legal and Regulatory Risk

Legal and regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements and loss to our reputation we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. We are generally subject to extensive regulation in the various jurisdictions in which we conduct our business. We have established procedures that are designed to ensure compliance with applicable statutory and regulatory requirements, such as public company reporting obligations, regulatory net capital requirements, sales and trading practices, potential conflicts of interest, anti-money laundering, privacy and recordkeeping. We have also established procedures that are designed to require that our policies relating to ethics and business conduct are followed. The legal and regulatory focus on the financial services industry presents a continuing business challenge for us.

Our business also subjects us to the complex income tax laws of the jurisdictions in which we have business operations, and these tax laws may be subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. We must make judgments and interpretations about the application of these inherently complex tax laws when determining the provision for income taxes.

Effects of Inflation

Because our assets are liquid and generally short-term in nature, they are not significantly affected by inflation. However, the rate of inflation affects our expenses, such as employee compensation, office space leasing costs and communications charges, which may not be readily recoverable in the price of services we offer to our clients. To the extent inflation results in rising interest rates and has adverse effects upon the securities markets, it may adversely affect our financial position and results of operations.

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

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

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

INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on its assessment and those criteria, management has concluded that we maintained effective internal control over financial reporting as of December 31, 2019.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of Piper Sandler Companies included in this Annual Report on Form 10-K, has issued an attestation report on internal control over financial reporting as of December 31, 2019. Their report, which expresses an unqualified opinion on the effectiveness of Piper Sandler Companies' internal control over financial reporting as of December 31, 2019, is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Piper Sandler Companies

Opinion on Internal Control over Financial Reporting

We have audited Piper Sandler Companies' (the Company, formerly known as Piper Jaffray Companies) internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes, and our report dated February 28, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Minneapolis, Minnesota
February 28, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Piper Sandler Companies

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Piper Sandler Companies (the Company, formerly known as Piper Jaffray Companies) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matter

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

Valuation of Investments at Fair Value

Description of the Matter

At December 31, 2019, the fair value of the Company's investments categorized as Level III of the fair value hierarchy totaled $132.3 million, primarily consisting of merchant banking investments in private companies ("merchant banking investments") that do not have readily determinable fair values. These investments are held in consolidated funds, which include $75.2 million of noncontrolling interests attributable to unrelated third party ownership. As described in Notes 2 and 7 of the consolidated financial statements, management determines the fair values of merchant banking investments internally using the best information available. These investments are valued based on an assessment of each underlying security, considering cost, terms and liquidity of the investment, the financial condition and operating results of the issuer, rounds of financing, third party transactions and market-based information, including comparable company transactions, trading multiples (e.g., multiples of revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA")) and changes in market outlook, among other factors.

Auditing the fair value of the Company's merchant banking investments was complex, as the inputs and assumptions used by the Company are highly judgmental and could have a significant effect on the fair value measurements of such investments.

How We Addressed the Matter in Our Audit

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

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

/s/ Ernst & Young LLP

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

Minneapolis, Minnesota
February 28, 2020

Piper Sandler Companies

Consolidated Statements of Financial Condition

(Amounts in thousands, except share data)	December 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	**$ 250,018**	$ 50,364
Receivables from brokers, dealers and clearing organizations	**283,108**	235,278
Financial instruments and other inventory positions owned	**434,088**	479,795
Financial instruments and other inventory positions owned and pledged as collateral	**205,674**	147,427
Total financial instruments and other inventory positions owned	**639,762**	627,222
Fixed assets (net of accumulated depreciation and amortization of $65,991 and $58,927, respectively)	**29,850**	32,300
Goodwill	**87,649**	81,855
Intangible assets (net of accumulated amortization of $40,864 and $36,566, respectively)	**16,686**	4,284
Investments	**158,141**	151,886
Net deferred income tax assets	**68,035**	72,996
Right-of-use lease asset	**40,030**	—
Other assets	**55,440**	46,443
Assets held for sale	**—**	42,641
Total assets	**$ 1,628,719**	$ 1,345,269
Liabilities and Shareholders' Equity		
Short-term financing	**$ 49,978**	$ 49,953
Senior notes	**175,000**	—
Payables to brokers, dealers and clearing organizations	**7,514**	8,657
Financial instruments and other inventory positions sold, but not yet purchased	**185,425**	177,427
Accrued compensation	**300,527**	323,588
Accrued lease liability	**57,169**	—
Other liabilities and accrued expenses	**46,578**	45,016
Liabilities held for sale	**—**	10,212
Total liabilities	**822,191**	614,853
Shareholders' equity:		
Common stock, $0.01 par value:		
Shares authorized: 100,000,000 at December 31, 2019 and December 31, 2018;		
Shares issued: 19,526,533 at December 31, 2019 and 19,518,044 at December 31, 2018;		
Shares outstanding: 13,717,315 at December 31, 2019 and 12,995,397 at December 31, 2018	**195**	195
Additional paid-in capital	**757,669**	796,363
Retained earnings	**258,669**	182,552
Less common stock held in treasury, at cost: 5,809,218 shares at December 31, 2019 and 6,522,647 shares at December 31, 2018	**(284,378)**	(300,268)
Accumulated other comprehensive loss	**(872)**	(1,398)
Total common shareholders' equity	**731,283**	677,444
Noncontrolling interests	**75,245**	52,972
Total shareholders' equity	**806,528**	730,416
Total liabilities and shareholders' equity	**$ 1,628,719**	$ 1,345,269

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Operations

(Amounts in thousands, except per share data)	Year Ended December 31, 2019	2018	2017
Revenues:			
Investment banking	**$ 629,392**	$ 588,978	$ 633,837
Institutional brokerage	**167,891**	124,738	154,712
Interest	**26,741**	32,749	31,954
Investment income	**22,275**	11,039	23,386
Total revenues	**846,299**	757,504	843,889
Interest expense	**11,733**	16,551	20,268
Net revenues	**834,566**	740,953	823,621
Non-interest expenses:			
Compensation and benefits	**516,090**	488,487	589,637
Outside services	**36,184**	36,528	33,981
Occupancy and equipment	**36,795**	34,194	31,943
Communications	**30,760**	28,656	26,430
Marketing and business development	**28,780**	26,936	28,673
Deal-related expenses	**25,823**	25,120	—
Trade execution and clearance	**10,186**	8,014	8,166
Restructuring and integration costs	**14,321**	3,498	—
Intangible asset amortization	**4,298**	4,858	10,178
Back office conversion costs	**—**	—	3,927
Other operating expenses	**12,350**	12,173	11,370
Total non-interest expenses	**715,587**	668,464	744,305
Income from continuing operations before income tax expense	**118,979**	72,489	79,316
Income tax expense	**24,577**	18,046	53,808
Income from continuing operations	**94,402**	54,443	25,508
Discontinued operations:			
Income/(loss) from discontinued operations, net of tax	**23,772**	1,387	(85,060)
Net income/(loss)	**118,174**	55,830	(59,552)
Net income/(loss) applicable to noncontrolling interests	**6,463**	(1,206)	2,387
Net income/(loss) applicable to Piper Sandler Companies	**$ 111,711**	$ 57,036	$ (61,939)
Net income/(loss) applicable to Piper Sandler Companies' common shareholders	**$ 107,200**	$ 49,993	$ (64,875) (1)

Continued on next page

Piper Sandler Companies

Consolidated Statements of Operations – Continued

(Amounts in thousands, except per share data)	Year Ended December 31, 2019	2018	2017
Amounts applicable to Piper Sandler Companies			
Net income from continuing operations	**$ 87,939**	$ 55,649	$ 23,121
Net income/(loss) from discontinued operations	**23,772**	1,387	(85,060)
Net income/(loss) applicable to Piper Sandler Companies	**$ 111,711**	$ 57,036	$ (61,939)
Earnings/(loss) per basic common share			
Income from continuing operations	**$ 6.21**	$ 3.68	$ 1.57
Income/(loss) from discontinued operations	**1.69**	0.09	(6.64)
Earnings/(loss) per basic common share	**$ 7.90**	$ 3.78	$ (5.07)
Earnings/(loss) per diluted common share			
Income from continuing operations	**$ 6.05**	$ 3.63	$ 1.57
Income/(loss) from discontinued operations	**1.65**	0.09	(6.55)
Earnings/(loss) per diluted common share	**$ 7.69**	$ 3.72	$ (4.99) (2)
Dividends declared per common share	**$ 2.51**	$ 3.12	$ 1.25
Weighted average number of common shares outstanding			
Basic	**13,555**	13,234	12,807
Diluted	**13,937**	13,425	12,978 (2)

(1) No allocation of undistributed income was made due to loss position. See Note 21.

(2) Earnings per diluted common share is calculated using the basic weighted average number of common shares outstanding for periods in which a loss is incurred.

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Comprehensive Income

(Amounts in thousands)	Year Ended December 31, 2019	2018	2017
Net income/(loss)	**$ 118,174**	$ 55,830	$ (59,552)
Other comprehensive income/(loss), net of tax:			
Foreign currency translation adjustment	**526**	(119)	1,320
Comprehensive income/(loss)	**118,700**	55,711	(58,232)
Comprehensive income/(loss) applicable to noncontrolling interests	**6,463**	(1,206)	2,387
Comprehensive income/(loss) applicable to Piper Sandler Companies	**$ 112,237**	$ 56,917	$ (60,619)

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Changes in Shareholders' Equity

(Amounts in thousands, except share amounts)	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Common Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
Balance at December 31, 2016	**12,391,970**	**$ 195**	**$ 788,927**	**$ 257,188**	**$ (284,461)**	**$ (2,599)**	**$ 759,250**	**$ 57,016**	**$ 816,266**
Net income/(loss)	—	—	—	(61,939)	—	—	(61,939)	2,387	(59,552)
Dividends	—	—	—	(18,979)	—	—	(18,979)	—	(18,979)
Amortization/issuance of restricted stock	—	—	37,250	—	—	—	37,250	—	37,250
Repurchase of common stock through share repurchase program	(36,936)	—	—	—	(2,498)	—	(2,498)	—	(2,498)
Issuance of treasury shares for options exercised	26,149	—	662	—	1,041	—	1,703	—	1,703
Issuance of treasury shares for restricted stock vestings	841,178	—	(35,077)	—	35,077	—	—	—	—
Repurchase of common stock from employees	(314,542)	—	—	—	(22,983)	—	(22,983)	—	(22,983)
Shares reserved/issued for director compensation	3,330	—	208	—	—	—	208	—	208
Other comprehensive income	—	—	—	—	—	1,320	1,320	—	1,320
Fund capital distributions, net	—	—	—	—	—	—	—	(11,500)	(11,500)
Balance at December 31, 2017	**12,911,149**	**$ 195**	**$ 791,970**	**$ 176,270**	**$ (273,824)**	**$ (1,279)**	**$ 693,332**	**$ 47,903**	**$ 741,235**
Net income/(loss)	—	—	—	57,036	—	—	57,036	(1,206)	55,830
Dividends	—	—	—	(47,157)	—	—	(47,157)	—	(47,157)
Amortization/issuance of restricted stock	—	—	48,448	—	—	—	48,448	—	48,448
Repurchase of common stock through share repurchase program	(681,233)	—	—	—	(47,142)	—	(47,142)	—	(47,142)
Issuance of treasury shares for restricted stock vestings	1,040,015	—	(44,459)	—	44,459	—	—	—	—
Repurchase of common stock from employees	(279,664)	—	—	—	(23,761)	—	(23,761)	—	(23,761)
Shares reserved/issued for director compensation	5,130	—	404	—	—	—	404	—	404
Other comprehensive loss	—	—	—	—	—	(119)	(119)	—	(119)
Cumulative effect upon adoption of new accounting standard, net of tax (1)	—	—	—	(3,597)	—	—	(3,597)	—	(3,597)
Fund capital contributions, net	—	—	—	—	—	—	—	6,275	6,275
Balance at December 31, 2018	**12,995,397**	**$ 195**	**$ 796,363**	**$ 182,552**	**$ (300,268)**	**$ (1,398)**	**$ 677,444**	**$ 52,972**	**$ 730,416**

Continued on next page

Piper Sandler Companies

Consolidated Statements of Changes in Shareholders' Equity – Continued

(Amounts in thousands, except share amounts)	Common Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Common Shareholders' Equity	Noncontrolling Interests	Total Shareholders' Equity
Net income	—	$ —	$ —	$ 111,711	$ —	$ —	$ 111,711	$ 6,463	$ 118,174
Dividends	—	—	—	(35,594)	—	—	(35,594)	—	(35,594)
Amortization/issuance of restricted stock	—	—	27,137	—	—	—	27,137	—	27,137
Repurchase of common stock through share repurchase program	(501)	—	—	—	(32)	—	(32)	—	(32)
Issuance of treasury shares for restricted stock vestings	1,415,147	—	(66,474)	—	66,474	—	—	—	—
Repurchase of common stock from employees	(701,217)	—	—	—	(50,552)	—	(50,552)	—	(50,552)
Shares reserved/issued for director compensation	8,489	—	643	—	—	—	643	—	643
Other comprehensive income	—	—	—	—	—	526	526	—	526
Fund capital contributions, net	—	—	—	—	—	—	—	15,810	15,810
Balance at December 31, 2019	**13,717,315**	**$ 195**	**$ 757,669**	**$ 258,669**	**$ (284,378)**	**$ (872)**	**$ 731,283**	**$ 75,245**	**$ 806,528**

(1) Cumulative effect adjustment upon adoption of revenue recognition guidance in ASU 2014-09, as amended.

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Cash Flows

(Amounts in thousands)	Year Ended December 31, 2019	2018	2017
Operating Activities:			
Net income/(loss)	**$ 118,174**	$ 55,830	$ (59,552)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	**9,360**	8,358	7,252
Deferred income taxes	**11,323**	(652)	(3,372)
Gain on sale of Advisory Research, Inc. ("ARI"), net of tax	**(33,026)**	—	—
Stock-based compensation	**32,003**	44,285	39,831
Goodwill impairment	**—**	—	114,363
Amortization of intangible assets	**9,763**	10,460	15,400
Amortization of forgivable loans	**4,639**	5,138	6,740
Decrease/(increase) in operating assets:			
Receivables:			
Customers	**—**	—	31,917
Brokers, dealers and clearing organizations	**(46,207)**	(89,884)	67,336
Securities purchased under agreements to resell	**—**	—	159,697
Net financial instruments and other inventory positions owned	**(4,542)**	534,355	(224,536)
Investments	**(6,255)**	24,109	(8,418)
Other assets	**117**	(3,758)	3,937
Increase/(decrease) in operating liabilities:			
Payables:			
Customers	**—**	—	(29,352)
Brokers, dealers and clearing organizations	**(1,143)**	(10,735)	(21,450)
Securities sold under agreements to repurchase	**—**	—	(15,046)
Accrued compensation	**(29,277)**	(60,191)	110,190
Other liabilities and accrued expenses	**(10,117)**	(7,915)	6,650
Decrease in assets held for sale	**20,901**	1,882	2,690
Decrease in liabilities held for sale	**(7,915)**	(1,487)	(1,276)
Net cash provided by operating activities	**67,798**	509,795	203,001
Investing Activities:			
Business acquisitions, net of cash acquired	**(19,674)**	—	—
Proceeds from sale of ARI	**52,881**	—	—
Purchases of fixed assets, net	**(6,516)**	(15,804)	(7,994)
Net cash provided by/(used in) investing activities	**26,691**	(15,804)	(7,994)

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Piper Sandler Companies

Consolidated Statements of Cash Flows – Continued

(Amounts in thousands)	Year Ended December 31, 2019	2018	2017
Financing Activities:			
Increase/(decrease) in short-term financing	**$ 25**	$ (239,984)	$ (128,895)
Issuance of senior notes	**175,000**	—	—
Repayment of senior notes	**—**	(125,000)	(50,000)
Payment of cash dividend	**(35,594)**	(47,157)	(18,947)
Increase/(decrease) in noncontrolling interests	**15,810**	6,275	(11,500)
Repurchase of common stock	**(50,584)**	(70,903)	(25,481)
Proceeds from stock option exercises	**—**	—	1,703
Net cash provided by/(used in) financing activities	**104,657**	(476,769)	(233,120)
Currency adjustment:			
Effect of exchange rate changes on cash	**508**	(651)	1,532
Net increase/(decrease) in cash and cash equivalents	**199,654**	16,571	(36,581)
Cash and cash equivalents at beginning of year	**50,364**	33,793	70,374
Cash and cash equivalents at end of year	**$ 250,018**	$ 50,364	$ 33,793
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	**$ 12,038**	$ 17,129	$ 19,917
Income taxes	**$ 9,581**	$ 17,134	$ 31,895

See Notes to the Consolidated Financial Statements

Note 1 *Organization and Basis of Presentation*

Organization

As described in Note 26, Piper Jaffray Companies completed the acquisition of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill") on January 3, 2020. Upon completion of the acquisition, Piper Jaffray Companies was renamed Piper Sandler Companies. Certain of its subsidiaries were also renamed. The financial statements presented in this report cover periods that ended prior to the completion of the acquisition, and therefore only include the results of Piper Jaffray Companies. Sandler O'Neill's results of operations will be included in the consolidated financial statements prospectively from the date of acquisition.

Piper Sandler Companies is the parent company of Piper Sandler & Co. ("Piper Sandler"), a securities broker dealer and investment banking firm; Piper Sandler Ltd., a firm providing securities brokerage and mergers and acquisitions services in Europe; Piper Sandler Finance LLC, which facilitates corporate debt underwriting in conjunction with affiliated credit vehicles; Piper Sandler Investment Group Inc. and PSC Capital Management LLC, which consist of entities providing alternative asset management services; Piper Sandler Financial Products Inc. and Piper Sandler Financial Products II Inc., entities that facilitate derivative transactions; and other immaterial subsidiaries.

Piper Sandler Companies and its subsidiaries (collectively, the "Company") operate in one reporting segment providing investment banking and institutional securities services (collectively, "Capital Markets"). The Company's Capital Markets business provides investment banking services and institutional sales, trading and research services. Investment banking services include financial advisory services, management of and participation in underwritings and public finance activities. Revenues are generated through the receipt of advisory and financing fees. Institutional sales, trading and research services focus on the trading of equity and fixed income products with institutions, government and non-profit entities. Revenues are generated through commissions and sales credits earned on equity and fixed income institutional sales activities, net interest revenues on trading securities held in inventory, and profits and losses from trading these securities. Also, the Company generates revenue through strategic trading and investing activities, which focus on investments in municipal bonds and merchant banking activities involving equity investments in late stage private companies. The Company has created alternative asset management funds in merchant banking, energy and senior living in order to invest firm capital and to manage capital from outside investors. The Company receives management and performance fees for managing these funds.

As discussed in Note 4, Advisory Research, Inc. ("ARI") was sold in the third quarter of 2019. ARI's results were previously reported in the Company's Asset Management segment, which provided traditional asset management services with product offerings in master limited partnerships and equity securities.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and include the accounts of Piper Sandler Companies, its wholly owned subsidiaries, and all other entities in which the Company has a controlling financial interest. Noncontrolling interests represent equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Sandler Companies. Noncontrolling interests include the minority equity holders' proportionate share of the equity in the Company's alternative asset management funds. All material intercompany balances have been eliminated.

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and assumptions are based on the best information available, actual results could differ from those estimates.

Note 2 *Summary of Significant Accounting Policies*

Principles of Consolidation

The Company consolidates entities in which it has a controlling financial interest. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a variable interest entity ("VIE") or a voting interest entity.

VIEs are entities in which (i) the total equity investment at risk is not sufficient to enable the entity to finance its activities independently or (ii) the at-risk equity holders do not have the normal characteristics of a controlling financial interest. A controlling financial interest in a VIE is present when an enterprise has one or more variable interests that have both (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The enterprise with a controlling financial interest is the primary beneficiary and consolidates the VIE.

Voting interest entities lack one or more of the characteristics of a VIE. The usual condition for a controlling financial interest is ownership of a majority voting interest for a corporation or a majority of kick-out or participating rights for a limited partnership.

When the Company does not have a controlling financial interest in an entity but exerts significant influence over the entity's operating and financial policies, the Company's investment is accounted for under the equity method of accounting. If the Company does not have a controlling financial interest in, or exert significant influence over, an entity, the Company accounts for its investment at fair value, if the fair value option was elected, or at cost.

Cash and Cash Equivalents

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

Customer and Collateralized Securities Transactions

Piper Sandler transitioned from a self clearing securities broker dealer to a fully disclosed clearing model in 2017. Pershing LLC ("Pershing") is Piper Sandler's clearing broker dealer responsible for the clearance and settlement of firm and customer cash and security transactions. In addition, subsequent to transitioning to a fully disclosed clearing model, the Company no longer enters into securities purchased under agreements to resell, securities sold under agreements to repurchase, and securities borrowed and loaned transactions.

Fair Value of Financial Instruments

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

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

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

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

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

Valuation of Financial Instruments – Based on the nature of the Company's business and its role as a "dealer" in the securities industry or as a manager of alternative asset management funds, the fair values of its financial instruments are determined internally. When available, the Company values financial instruments at observable market prices, observable market parameters, or broker or dealer prices (bid and ask prices). In the case of financial instruments transacted on recognized exchanges, the observable market prices represent quotations for completed transactions from the exchange on which the financial instrument is principally traded.

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

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

Fixed Assets

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

Leases

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

The Company leases its corporate headquarters and other offices under various non-cancelable leases, all of which are operating leases. In addition to rent, the leases require payment of real estate taxes, insurance and common area maintenance. Some of the leases contain renewal and/or termination options, escalation clauses, rent-free holidays and operating cost adjustments. The original terms of the Company's lease agreements generally range up to 12 years. The weighted-average remaining lease term was 5.3 years at December 31, 2019.

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

The discount rate used to determine the present value of the remaining lease payments reflects the Company's incremental borrowing rate, which is the rate the Company would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment. In calculating its discount rates, the Company takes into consideration a current financing arrangement that is on a secured (i.e., collateralized) basis, as well as market interest rates and spreads, other reference points, and the respective tenors of the Company's designated lease term ranges. The Company applies the portfolio approach in determining the discount rates for its leases. The weighted-average discount rate was 4.0 percent at December 31, 2019.

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

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

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

Goodwill and Intangible Assets

Goodwill represents the fair value of the consideration transferred in excess of the fair value of identifiable net assets at the acquisition date. The recoverability of goodwill is evaluated annually, at a minimum, or on an interim basis if circumstances indicate a possible inability to realize the carrying amount. See Note 12 for additional information on the Company's goodwill impairment testing.

Intangible assets with determinable lives consist of customer relationships, internally developed software and the Simmons & Company International ("Simmons") trade name that are amortized over their original estimated useful lives ranging from two to eight years. The pattern of amortization reflects the timing of the realization of the economic benefits of such intangible assets.

Investments

The Company's investments include equity investments in private companies and partnerships and investments in registered mutual funds. Equity investments in private companies are accounted for at fair value, as required by accounting guidance or if the fair value option was elected. Investments in partnerships are accounted for under the equity method, which is generally the net asset value. Registered mutual funds are accounted for at fair value.

Other Assets

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

Revenue Recognition

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

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

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

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

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

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

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

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

See Note 22 for revenues from contracts with customers disaggregated by major business activity.

Stock-Based Compensation

FASB Accounting Standards Codification Topic 718, "Compensation – Stock Compensation," ("ASC 718") requires all stock-based compensation to be expensed on the consolidated statements of operations based on the grant date fair value of the award. Compensation expense related to stock-based awards that do not require future service are recognized in the year in which the awards were deemed to be earned. Stock-based awards that require future service are amortized over the relevant service period. Forfeitures of awards with service conditions are accounted for when they occur. See Note 20 for additional information on the Company's accounting for stock-based compensation.

Income Taxes

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

Earnings Per Share

Basic earnings per common share is computed by dividing net income/(loss) applicable to common shareholders by the weighted average number of common shares outstanding for the period. Net income/(loss) applicable to common shareholders represents net income/(loss) reduced by the allocation of earnings to participating securities. No allocation of undistributed earnings is made for periods in which a loss is incurred, or for periods in which cash dividends exceed net income resulting in an undistributed loss. Distributed earnings (e.g., dividends) are allocated to participating securities. Diluted earnings per common share is calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive stock options, restricted stock units and non-participating restricted shares.

Unvested stock-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the earnings allocation in the earnings per share calculation under the two-class method. See Note 21 for additional information on the Company's participating and non-participating securities.

Foreign Currency Translation

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

Contingencies

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

Note 3 *Recent Accounting Pronouncements*

Adoption of New Accounting Standards

Leases

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize a ROU lease asset and lease liability on the consolidated statements of financial condition for all leases with a term longer than 12 months and disclose key information about leasing arrangements. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous U.S. GAAP.

The Company adopted ASU 2016-02 as of January 1, 2019 using the modified retrospective approach and applied the package of practical expedients in transitioning to the new guidance. Electing the package of practical expedients allowed the Company to carry forward its prior conclusions on lease definition, lease classification and initial direct costs related to the existing leases as of the adoption date. Also, the Company has elected the practical expedient to not separate lease components from nonlease components. Both at transition and for new leases thereafter, ROU lease assets and lease liabilities are initially recognized based on the present value of future minimum lease payments over the lease term, including nonlease components such as fixed common area maintenance costs and other fixed costs (e.g., real estate taxes and insurance).

Upon adoption, the Company recognized a ROU lease asset of approximately $44.0 million and a lease liability of approximately $59.0 million. The difference between the ROU lease asset and the lease liability is due to lease incentives. There were no changes to the recognition of rent expense in the Company's consolidated statements of operations upon adoption of ASU 2016-02. In addition, the new guidance has not impacted Piper Sandler's net capital position.

Future Adoption of New Applicable Accounting Standards

Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). The new guidance requires an entity to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts as opposed to delaying recognition until the loss was probable of occurring. ASU 2016-13 became effective as of January 1, 2020. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

Note 4 *Discontinued Operations*

In the third quarter of 2019, the Company completed the sale of its traditional asset management business, which was conducted through its wholly-owned subsidiary ARI. On September 20, 2019, the Company completed the sale of the master limited partnerships ("MLP") and energy infrastructure strategies business to Tortoise Capital Advisors. Additionally, on September 27, 2019, the Company completed the sale of its remaining equity strategies business to its former management team.

The transactions generated cash proceeds of $52.9 million and include the potential for the Company to receive additional cash consideration payments based on prospective revenues. The Company is eligible to receive an additional payment of up to $35.7 million contingent upon contractually defined MLP revenue exceeding a revenue threshold in the one-year period following the close of the transaction. The Company may also receive an additional payment based upon a multiple of aggregate revenue with respect to certain sub-advised accounts as of December 31, 2020. The Company will record a gain upon receipt of the earnout payments, if any.

In addition, the Company is eligible to receive additional payments of up to a total of $10.0 million based on the revenues of the equity strategies business during each of the four annual periods from January 1, 2020 to December 31, 2023. The Company estimated the fair value of this earnout to be $2.2 million upon the close of the transaction, which will be reevaluated at each reporting date.

ARI's results, previously reported in the Asset Management segment, have been presented as discontinued operations for all periods presented and the related assets and liabilities were classified as held for sale. As of December 31, 2018, the disposal group consisted of:

(Dollars in thousands)	**December 31, 2018**
Assets	
Net deferred income tax assets	$ 28,861
Fee receivables	4,128
Intangible assets	8,090
Other assets	1,562
Total assets held for sale	$ 42,641
Liabilities	
Accrued compensation	$ 9,934
Other liabilities	278
Total liabilities held for sale	$ 10,212

The components of discontinued operations were as follows:

	Year Ended December 31,		
(Dollars in thousands)	**2019**	**2018**	**2017**
Net revenues	**$ 26,546**	$ 43,489	$ 51,301
Operating expenses	**22,589**	35,227	40,356
Intangible asset amortization and impairment (1)	**5,465**	5,602	5,222
Restructuring costs	**10,268**	272	—
Goodwill impairment	**—**	—	114,363
Total non-interest expenses	**38,322**	41,101	159,941
Income/(loss) from discontinued operations before income tax expense/(benefit)	**(11,776)**	2,388	(108,640)
Income tax expense/(benefit)	**(2,522)**	1,001	(23,580)
Net income/(loss) from discontinued operations before gain on sales	**(9,254)**	1,387	(85,060)
Gain on sales, net of tax	**33,026**	—	—
Income/(loss) from discontinued operations, net of tax	**$ 23,772**	$ 1,387	$ (85,060)

(1) Includes $2.9 million of intangible asset impairment related to the ARI trade name for the year ended December 31, 2019.

Note 5 *Acquisition of Weeden & Co. L.P.*

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

The Company acquired net assets with a fair value of $24.0 million as described below. As part of the purchase price, the Company granted $10.1 million in restricted cash as consideration on the acquisition date. The Company also entered into acquisition-related compensation arrangements with certain employees of $7.3 million in restricted stock for retention purposes. Both the restricted cash and restricted stock are subject to graded vesting, beginning on the third anniversary of the acquisition date, so long as the applicable employee remains continuously employed by the Company for such period. Compensation expense will be amortized on a straight-line basis over the requisite service period of four years.

Additional cash of up to $31.5 million may be earned if a net revenue target is achieved during the period from January 1, 2020 to June 30, 2021. Weeden & Co.'s equity holders, a portion of which are now employees of the Company, are eligible to receive the additional payment. Employees must fulfill service requirements in exchange for the rights to the additional payment. Amounts estimated to be payable to employees, if any, will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period. The Company recorded a liability as of the acquisition date for the fair value related to non-employee equity holders. If earned, the amount will be paid by September 30, 2021.

This acquisition was accounted for pursuant to FASB Accounting Standards Codification Topic 805, "Business Combinations." Accordingly, the purchase price was allocated to the acquired assets and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the net assets acquired was allocated between goodwill and intangible assets. The Company recorded $5.8 million of goodwill on the consolidated statements of financial condition, all of which is expected to be deductible for income tax purposes. The final goodwill recorded on the Company's consolidated statements of financial condition may differ from that reflected herein as a result of measurement period adjustments. In management's opinion, the goodwill represents the reputation and operating expertise of Weeden & Co.

Identifiable intangible assets purchased by the Company consisted of customer relationships and internally developed software with acquisition-date fair values of $12.0 million and $4.7 million, respectively.

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

In the fourth quarter of 2019, the Company recorded the following measurement period adjustments: $1.5 million to reflect the final fair value of Weeden & Co.'s intangible assets and $4.1 million related to a liability for uncertain state and local income tax positions and the corresponding indemnification asset and deferred tax asset.

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

(Dollars in thousands)

Assets	
Cash and cash equivalents	$ 4,351
Receivables from brokers, dealers and clearing organizations	1,623
Fixed assets	289
Goodwill	5,794
Intangible assets	16,700
Right-of-use lease asset	6,811
Other assets	10,888
Total assets acquired	46,456
Liabilities	
Accrued compensation	2,156
Accrued lease liability	6,811
Other liabilities and accrued expenses	13,464
Total liabilities assumed	22,431
Net assets acquired	$ 24,025

Weeden & Co.'s results of operations have been included in the Company's consolidated financial statements prospectively beginning on the date of acquisition. The acquisition has been fully integrated with the Company's existing operations. Accordingly, post-acquisition revenues and net income are not discernible. The following unaudited pro forma financial data assumes that the acquisition had occurred at the beginning of the comparable prior period presented. Pro forma results have been prepared by adjusting the Company's historical results to include Weeden & Co.'s results of operations adjusted for the following changes: amortization expense was adjusted to account for the acquisition-date fair value of intangible assets; compensation and benefits expenses were adjusted to reflect the restricted cash issued as part of the purchase price and the restricted stock issued for retention purposes; and the income tax effect of applying the Company's statutory tax rates to Weeden & Co.'s results of operations. The Company's consolidated unaudited pro forma information presented does not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable periods presented, does not contemplate client account overlap and anticipated operational efficiencies of the combined entities, nor does it indicate the results of operations in future periods.

	Year Ended December 31,		
(Dollars in thousands)	**2019**	**2018**	**2017**
Net revenues	**$ 870,525**	$ 816,366	$ 894,582
Net income from continuing operations applicable to Piper Sandler Companies	**83,582**	53,561	20,070

Note 6 *Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased*

(Dollars in thousands)	**December 31, 2019**	**December 31, 2018**
Financial instruments and other inventory positions owned:		
Corporate securities:		
Equity securities	**$ 3,046**	$ 1,458
Convertible securities	**146,406**	92,485
Fixed income securities	**28,176**	31,906
Municipal securities:		
Taxable securities	**22,570**	38,711
Tax-exempt securities	**222,192**	268,804
Short-term securities	**67,901**	52,472
Mortgage-backed securities	**13**	15
U.S. government agency securities	**51,773**	123,384
U.S. government securities	**77,303**	954
Derivative contracts	**20,382**	17,033
Total financial instruments and other inventory positions owned	**$ 639,762**	$ 627,222
Financial instruments and other inventory positions sold, but not yet purchased:		
Corporate securities:		
Equity securities	**$ 94,036**	$ 82,082
Fixed income securities	**10,311**	20,180
U.S. government agency securities	**9,935**	10,257
U.S. government securities	**67,090**	60,365
Derivative contracts	**4,053**	4,543
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 185,425**	$ 177,427

At December 31, 2019 and 2018, financial instruments and other inventory positions owned in the amount of $205.7 million and $147.4 million, respectively, had been pledged as collateral for short-term financings.

Financial instruments and other inventory positions sold, but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price, thereby creating a liability to purchase the security in the market at prevailing prices. The Company is obligated to acquire the securities sold short at prevailing market prices, which may exceed the amount reflected on the consolidated statements of financial condition. The Company economically hedges changes in the market value of its financial instruments and other inventory positions owned using inventory positions sold, but not yet purchased, interest rate derivatives, and U.S. treasury bond futures and options.

Derivative Contract Financial Instruments

The Company uses interest rate swaps, interest rate locks, and U.S. treasury bond futures and options as a means to manage risk in certain inventory positions. The Company also enters into interest rate swaps to facilitate customer transactions. The following describes the Company's derivatives by the type of transaction or security the instruments are economically hedging.

Customer matched-book derivatives: The Company enters into interest rate derivative contracts in a principal capacity as a dealer to satisfy the financial needs of its customers. The Company simultaneously enters into an interest rate derivative contract with a third party for the same notional amount to hedge the interest rate and credit risk of the initial client interest rate derivative contract. In certain limited instances, the Company has only hedged interest rate risk with a third party, and retains uncollateralized credit risk as described below. The instruments use interest rates based upon either the London Interbank Offered Rate ("LIBOR") index or the Securities Industry and Financial Markets Association ("SIFMA") index.

Trading securities derivatives: The Company enters into interest rate derivative contracts and uses U.S. treasury bond futures and options to hedge interest rate and market value risks associated with its fixed income securities. These instruments use interest rates based upon the Municipal Market Data ("MMD") index, LIBOR or the SIFMA index. Prior to 2018, the Company used credit default swap index contracts to hedge credit risk associated with its taxable fixed income securities and option contracts to hedge market value risk associated with its convertible securities.

Derivatives are reported on a net basis by counterparty (i.e., the net payable or receivable for derivative assets and liabilities for a given counterparty) when a legal right of offset exists and on a net basis by cross product when applicable provisions are stated in master netting agreements. Cash collateral received or paid is netted on a counterparty basis, provided a legal right of offset exists. The total absolute notional contract amount, representing the absolute value of the sum of gross long and short derivative contracts, provides an indication of the volume of the Company's derivative activity and does not represent gains and losses. The following table presents the gross fair market value and the total absolute notional contract amount of the Company's outstanding derivative instruments, prior to counterparty netting, by asset or liability position:

(Dollars in thousands)	**December 31, 2019**			**December 31, 2018**		
Derivative Category	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**
Interest rate						
Customer matched-book	**$ 209,119**	**$ 198,315**	**$ 2,197,340**	$ 181,199	$ 169,950	$ 2,532,966
Trading securities	**8**	**1,852**	**110,875**	408	4,202	262,275
	$ 209,127	**$ 200,167**	**$ 2,308,215**	$ 181,607	$ 174,152	$ 2,795,241

(1) Derivative assets are included within financial instruments and other inventory positions owned on the consolidated statements of financial condition.

(2) Derivative liabilities are included within financial instruments and other inventory positions sold, but not yet purchased on the consolidated statements of financial condition.

The Company's derivative contracts do not qualify for hedge accounting, therefore, unrealized gains and losses are recorded on the consolidated statements of operations. The gains and losses on the related economically hedged inventory positions are not disclosed below as they are not in qualifying hedging relationships. The following table presents the Company's unrealized gains/ (losses) on derivative instruments:

(Dollars in thousands)		Year Ended December 31,		
Derivative Category	**Operations Category**	**2019**	**2018**	**2017**
Interest rate derivative contract	Investment banking	**$ (912)**	$ (1,880)	$ (2,608)
Interest rate derivative contract	Institutional brokerage	**2,417**	334	(16,772)
Credit default swap index contract	Institutional brokerage	**—**	—	4,482
Futures and equity option derivative contracts	Institutional brokerage	**—**	—	(17)
		$ 1,505	$ (1,546)	$ (14,915)

Credit risk associated with the Company's derivatives is the risk that a derivative counterparty will not perform in accordance with the terms of the applicable derivative contract. Credit exposure associated with the Company's derivatives is driven by uncollateralized market movements in the fair value of the contracts with counterparties and is monitored regularly by the Company's financial risk committee. The Company considers counterparty credit risk in determining derivative contract fair value. The majority of the Company's derivative contracts are substantially collateralized by its counterparties, who are major financial institutions. The Company has a limited number of counterparties who are not required to post collateral. Based on market movements, the uncollateralized amounts representing the fair value of the derivative contract can become material, exposing the Company to the credit risk of these counterparties. As of December 31, 2019, the Company had $19.2 million of uncollateralized credit exposure with these counterparties (notional contract amount of $173.2 million), including $16.2 million of uncollateralized credit exposure with one counterparty.

Note 7 *Fair Value of Financial Instruments*

Based on the nature of the Company's business and its role as a "dealer" in the securities industry or as a manager of alternative asset management funds, the fair values of its financial instruments are determined internally. The Company's processes are designed to ensure that the fair values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, unobservable inputs are developed based on an evaluation of all relevant empirical market data, including prices evidenced by market transactions, interest rates, credit spreads, volatilities and correlations and other security-specific information. Valuation adjustments related to illiquidity or counterparty credit risk are also considered. In estimating fair value, the Company may utilize information provided by third party pricing vendors to corroborate internally-developed fair value estimates.

The Company employs specific control processes to determine the reasonableness of the fair value of its financial instruments. The Company's processes are designed to ensure that the internally-estimated fair values are accurately recorded and that the data inputs and the valuation techniques used are appropriate, consistently applied, and that the assumptions are reasonable and consistent with the objective of determining fair value. Individuals outside of the trading departments perform independent pricing verification reviews as of each reporting date. The Company has established parameters which set forth when the fair value of securities are independently verified. The selection parameters are generally based upon the type of security, the level of estimation risk of a security, the materiality of the security to the Company's consolidated financial statements, changes in fair value from period to period, and other specific facts and circumstances of the Company's securities portfolio. In evaluating the initial internally-estimated fair values made by the Company's traders, the nature and complexity of securities involved (e.g., term, coupon, collateral, and other key drivers of value), level of market activity for securities, and availability of market data are considered. The independent price verification procedures include, but are not limited to, analysis of trade data (both internal and external where available), corroboration to the valuation of positions with similar characteristics, risks and components, or comparison to an alternative pricing source, such as a discounted cash flow model. The Company's valuation committee, comprised of members of senior management and risk management, provides oversight and overall responsibility for the internal control processes and procedures related to fair value measurements.

The following is a description of the valuation techniques used to measure fair value.

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of 90 days or less. Actively traded money market funds are measured at their net asset value and classified as Level I.

Financial Instruments and Other Inventory Positions Owned

The Company records financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased at fair value on the consolidated statements of financial condition with unrealized gains and losses reflected on the consolidated statements of operations.

Equity securities – Exchange traded equity securities are valued based on quoted prices from the exchange for identical assets or liabilities as of the period-end date. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level I. Non-exchange traded equity securities (principally hybrid preferred securities) are measured primarily using broker quotations, prices observed for recently executed market transactions and internally-developed fair value estimates based on observable inputs and are categorized within Level II of the fair value hierarchy.

Convertible securities – Convertible securities are valued based on observable trades, when available, and therefore are generally categorized as Level II.

Corporate fixed income securities – Fixed income securities include corporate bonds which are valued based on recently executed market transactions of comparable size, internally-developed fair value estimates based on observable inputs, or broker quotations. Accordingly, these corporate bonds are categorized as Level II.

Taxable municipal securities – Taxable municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II.

Tax-exempt municipal securities – Tax-exempt municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II. Certain illiquid tax-exempt municipal securities are valued using market data for comparable securities (e.g., maturity and sector) and management judgment to infer an appropriate current yield or other model-based valuation techniques deemed appropriate by management based on the specific nature of the individual security and are therefore categorized as Level III.

Short-term municipal securities – Short-term municipal securities include auction rate securities, variable rate demand notes, and other short-term municipal securities. Variable rate demand notes and other short-term municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II. Auction rate securities with limited liquidity are categorized as Level III and are valued using discounted cash flow models with unobservable inputs such as the Company's expected recovery rate on the securities.

Mortgage-backed securities – Mortgage-backed securities are valued using observable trades, when available. Certain mortgage-backed securities are valued using models where inputs to the model are directly observable in the market, or can be derived principally from or corroborated by observable market data. To the extent we hold, these mortgage-backed securities are categorized as Level II. Certain mortgage-backed securities collateralized by residential mortgages are valued using cash flow models that utilize unobservable inputs including credit default rates, prepayment rates, loss severity and valuation yields. As judgment is used to determine the range of these inputs, these mortgage-backed securities are categorized as Level III.

U.S. government agency securities – U.S. government agency securities include agency debt bonds and mortgage bonds. Agency debt bonds are valued by using either direct price quotes or price quotes for comparable bond securities and are categorized as Level II. Mortgage bonds include bonds secured by mortgages, mortgage pass-through securities, agency collateralized mortgage-obligation ("CMO") securities and agency interest-only securities. Mortgage pass-through securities, CMO securities and interest-only securities are valued using recently executed observable trades or other observable inputs, such as prepayment speeds and therefore are generally categorized as Level II. Mortgage bonds are valued using observable market inputs, such as market yields on spreads over U.S. treasury securities, or models based upon prepayment expectations. These securities are categorized as Level II.

U.S. government securities – U.S. government securities include highly liquid U.S. treasury securities which are generally valued using quoted market prices and therefore categorized as Level I. The Company does not transact in securities of countries other than the U.S. government.

Derivative contracts – Derivative contracts include interest rate swaps, interest rate locks, and U.S. treasury bond futures and options. These instruments derive their value from underlying assets, reference rates, indices or a combination of these factors. The majority of the Company's interest rate derivative contracts, including both interest rate swaps and interest rate locks, are valued using market standard pricing models based on the net present value of estimated future cash flows. The valuation models used do not involve material subjectivity as the methodologies do not entail significant judgment and the pricing inputs are market observable, including contractual terms, yield curves and measures of volatility. These instruments are classified as Level II within the fair value hierarchy. Certain interest rate locks transact in less active markets and were valued using valuation models that included the previously mentioned observable inputs and certain unobservable inputs that required significant judgment, such as the premium over the MMD curve. These instruments are classified as Level III.

Investments

The Company's investments valued at fair value include equity investments in private companies and partnerships and investments in registered mutual funds. Investments in registered mutual funds are valued based on quoted prices on active markets and classified as Level I. Investments in private companies are valued based on an assessment of each underlying security, considering rounds of financing, third party transactions and market-based information, including comparable company transactions, trading multiples (e.g., multiples of revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA")) and changes in market outlook, among other factors. These securities are generally categorized as Level III.

Fair Value Option – The fair value option permits the irrevocable fair value option election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The fair value option was elected for certain merchant banking and other investments at inception to reflect economic events in earnings on a timely basis. Merchant banking and other equity investments of $2.1 million and $3.0 million, included within investments on the consolidated statements of financial condition, were accounted for at fair value and were classified as Level III assets at December 31, 2019 and 2018, respectively. The realized and unrealized net impact from fair value changes included in earnings as a result of electing to apply the fair value option to certain financial assets were losses of $0.6 million, gains of $0.6 million and gains of $1.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The following table summarizes quantitative information about the significant unobservable inputs used in the fair value measurement of the Company's Level III financial instruments as of December 31, 2019:

	Valuation Technique	Unobservable Input	Range	Weighted Average (1)
Assets				
Financial instruments and other inventory positions owned:				
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in basis points ("bps") (2)	6.5 bps	6.5 bps
Investments at fair value:				
Equity securities in private companies	Market approach	Revenue multiple (2)	3 - 6 times	4.5 times
		EBITDA multiple (2)	11 - 20 times	15.7 times
Liabilities				
Financial instruments and other inventory positions sold, but not yet purchased:				
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in bps (3)	0 - 21 bps	4.7 bps

Uncertainty of fair value measurements:

(1) Unobservable inputs were weighted by the relative fair value of the financial instruments.

(2) Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly higher/(lower) fair value measurement.

(3) Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly lower/(higher) fair value measurement.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2019:

(Dollars in thousands)	Level I	Level II	Level III	Counterparty and Cash Collateral Netting (1)	Total
Assets					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 469	$ 2,577	$ —	$ —	$ 3,046
Convertible securities	—	146,406	—	—	146,406
Fixed income securities	—	28,176	—	—	28,176
Municipal securities:					
Taxable securities	—	22,570	—	—	22,570
Tax-exempt securities	—	222,192	—	—	222,192
Short-term securities	—	67,901	—	—	67,901
Mortgage-backed securities	—	—	13	—	13
U.S. government agency securities	—	51,773	—	—	51,773
U.S. government securities	77,303	—	—	—	77,303
Derivative contracts	—	209,119	8	(188,745)	20,382
Total financial instruments and other inventory positions owned	77,772	750,714	21	(188,745)	639,762
Cash equivalents	226,744	—	—	—	226,744
Investments at fair value	17,658	—	132,329 (2)	—	149,987
Total assets	$ 322,174	$ 750,714	$ 132,350	$ (188,745)	$ 1,016,493
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 88,794	$ 5,242	$ —	$ —	$ 94,036
Fixed income securities	—	10,311	—	—	10,311
U.S. government agency securities	—	9,935	—	—	9,935
U.S. government securities	67,090	—	—	—	67,090
Derivative contracts	—	198,604	1,563	(196,114)	4,053
Total financial instruments and other inventory positions sold, but not yet purchased	$ 155,884	$ 224,092	$ 1,563	$ (196,114)	$ 185,425

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

(2) Noncontrolling interests of $75.2 million are attributable to unrelated third party ownership in consolidated merchant banking and senior living funds.

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2018:

(Dollars in thousands)	Level I	Level II	Level III	Counterparty and Cash Collateral Netting (1)	Total
Assets					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 331	$ 1,127	$ —	$ —	$ 1,458
Convertible securities	—	92,485	—	—	92,485
Fixed income securities	—	31,906	—	—	31,906
Municipal securities:					
Taxable securities	—	38,711	—	—	38,711
Tax-exempt securities	—	268,804	—	—	268,804
Short-term securities	—	52,472	—	—	52,472
Mortgage-backed securities	—	—	15	—	15
U.S. government agency securities	—	123,384	—	—	123,384
U.S. government securities	954	—	—	—	954
Derivative contracts	—	181,378	229	(164,574)	17,033
Total financial instruments and other inventory positions owned	1,285	790,267	244	(164,574)	627,222
Cash equivalents	20,581	—	—	—	20,581
Investments at fair value	33,587	2,649	107,792 (2)	—	144,028
Total assets	$ 55,453	$ 792,916	$ 108,036	$ (164,574)	$ 791,831
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 81,575	$ 507	$ —	$ —	$ 82,082
Fixed income securities	—	20,180	—	—	20,180
U.S. government agency securities	—	10,257	—	—	10,257
U.S. government securities	60,365	—	—	—	60,365
Derivative contracts	—	169,950	4,202	(169,609)	4,543
Total financial instruments and other inventory positions sold, but not yet purchased	$ 141,940	$ 200,894	$ 4,202	$ (169,609)	$ 177,427

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

(2) Noncontrolling interests of $53.0 million are attributable to unrelated third party ownership in consolidated merchant banking and senior living funds.

The Company's Level III assets were $132.4 million and $108.0 million, or 13.0 percent and 13.6 percent of financial instruments measured at fair value at December 31, 2019 and 2018, respectively. There were no significant transfers between levels for the year ended December 31, 2019.

The following tables summarize the changes in fair value associated with Level III financial instruments held at the beginning or end of the periods presented:

(Dollars in thousands)	**Balance at December 31, 2018**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	**Balance at December 31, 2019**	**Unrealized gains/ (losses) for assets/ liabilities held at December 31, 2019**
Assets									
Financial instruments and other inventory positions owned:									
Mortgage-backed securities	**$ 15**	$ —	$ (6)	$ —	$ —	$ (23)	$ 27	**$ 13**	**$ —**
Derivative contracts	**229**	42	(796)	—	—	755	(222)	**8**	**8**
Total financial instruments and other inventory positions owned	**244**	42	(802)	—	—	732	(195)	**21**	**8**
Investments at fair value	**107,792**	23,624	(14,897)	—	(783)	2,901	13,692	**132,329**	**16,105**
Total assets	**$ 108,036**	$ 23,666	$ (15,699)	$ —	$ (783)	$ 3,633	$ 13,497	**$ 132,350**	**$ 16,113**
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 4,202**	$ (16,311)	$ —	$ —	$ —	$ 16,311	$ (2,639)	**$ 1,563**	**$ 1,563**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 4,202**	$ (16,311)	$ —	$ —	$ —	$ 16,311	$ (2,639)	**$ 1,563**	**$ 1,563**

(Dollars in thousands)	Balance at December 31, 2017	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses)	Unrealized gains/ (losses)	Balance at December 31, 2018	Unrealized gains/ (losses) for assets/ liabilities held at December 31, 2018
Assets									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	**$ 700**	$ —	$ —	$ —	$ (700)	$ —	$ —	**$ —**	**$ —**
Short-term securities	**714**	—	(775)	—	—	54	7	**—**	**—**
Mortgage-backed securities	**481**	—	(5)	—	—	—	(461)	**15**	**(95)**
Derivative contracts	**126**	725	(3,807)	—	—	3,082	103	**229**	**229**
Total financial instruments and other inventory positions owned	**2,021**	725	(4,587)	—	(700)	3,136	(351)	**244**	**134**
Investments at fair value	**126,060**	15,988	(36,444)	—	(502)	14,015	(11,325)	**107,792**	**(1,775)**
Total assets	**$ 128,081**	$ 16,713	$ (41,031)	$ —	$ (1,202)	$ 17,151	$ (11,676)	**$ 108,036**	**$ (1,641)**
Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 4,433**	$ (2,815)	$ 3,266	$ —	$ —	$ (451)	$ (231)	**$ 4,202**	**$ 4,202**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 4,433**	$ (2,815)	$ 3,266	$ —	$ —	$ (451)	$ (231)	**$ 4,202**	**$ 4,202**

Realized and unrealized gains/(losses) related to financial instruments, with the exception of customer matched-book derivatives, are reported in institutional brokerage on the consolidated statements of operations. Realized and unrealized gains/(losses) related to customer matched-book derivatives are reported in investment banking. Realized and unrealized gains/(losses) related to investments are reported in investment banking revenues or investment income on the consolidated statements of operations.

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

Note 8 *Variable Interest Entities ("VIEs")*

The Company has investments in and/or acts as the managing partner of various partnerships, limited liability companies, or registered mutual funds. These entities were established for the purpose of investing in securities of public or private companies, or municipal debt obligations, or providing financing to senior living facilities, and were initially financed through the capital commitments or seed investments of the members.

VIEs are entities in which equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities. The determination as to whether an entity is a VIE is based on the structure and nature of each entity. The Company also considers other characteristics such as the power through voting rights or similar rights to direct the activities of an entity that most significantly impact the entity's economic performance and how the entity is financed.

The Company is required to consolidate all VIEs for which it is considered to be the primary beneficiary. The determination as to whether the Company is considered to be the primary beneficiary is based on whether the Company has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE.

Consolidated VIEs

The Company's consolidated VIEs at December 31, 2019 include certain alternative asset management funds in which the Company has an investment and, as the managing partner, is deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these funds.

The following table presents information about the carrying value of the assets and liabilities of the VIEs which are consolidated by the Company and included on the consolidated statements of financial condition at December 31, 2019. The assets can only be used to settle the liabilities of the respective VIE, and the creditors of the VIEs do not have recourse to the general credit of the Company. One of these VIEs has $25.0 million of bank line financing available with an interest rate based on prime plus an applicable margin. The assets and liabilities are presented prior to consolidation, and thus a portion of these assets and liabilities are eliminated in consolidation.

(Dollars in thousands)	Alternative Asset Management Funds
Assets	
Investments	$ 129,646
Other assets	2,586
Total assets	$ 132,232
Liabilities	
Other liabilities and accrued expenses	$ 2,859
Total liabilities	$ 2,859

The Company has investments in a grantor trust which was established as part of a nonqualified deferred compensation plan. The Company is the primary beneficiary of the grantor trust. Accordingly, the assets and liabilities of the grantor trust are consolidated by the Company on the consolidated statements of financial condition. See Note 20 for additional information on the nonqualified deferred compensation plan.

Nonconsolidated VIEs

The Company determined it is not the primary beneficiary of certain VIEs and accordingly does not consolidate them. These VIEs had net assets approximating $0.3 billion at December 31, 2019 and 2018. The Company's exposure to loss from these VIEs is $7.0 million, which is the carrying value of its capital contributions recorded in investments on the consolidated statements of financial condition at December 31, 2019. The Company had no liabilities related to these VIEs at December 31, 2019 and 2018. Furthermore, the Company has not provided financial or other support to these VIEs that it was not previously contractually required to provide as of December 31, 2019.

Note 9 *Receivables from and Payables to Brokers, Dealers and Clearing Organizations*

(Dollars in thousands)	December 31, 2019	December 31, 2018
Receivable from clearing organizations	**$ 260,436**	$ 223,987
Receivable from brokers and dealers	**19,161**	7,700
Other	**3,511**	3,591
Total receivables from brokers, dealers and clearing organizations	**$ 283,108**	$ 235,278

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Notes to the Consolidated Financial Statements – Continued

(Dollars in thousands)	December 31, 2019	December 31, 2018
Payable to brokers and dealers	$ 7,514	$ 3,923
Payable to clearing organizations	—	4,734
Total payables to brokers, dealers and clearing organizations	$ 7,514	$ 8,657

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

Note 10 *Investments*

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

(Dollars in thousands)	December 31, 2019	December 31, 2018
Investments at fair value	$ 149,987	$ 144,028
Investments at cost	1,084	1,512
Investments accounted for under the equity method	7,070	6,346
Total investments	158,141	151,886
Less investments attributable to noncontrolling interests (1)	(75,245)	(52,972)
	$ 82,896	$ 98,914

(1) Noncontrolling interests are attributable to third party ownership in consolidated merchant banking and senior living funds.

At December 31, 2019, investments carried on a cost basis had an estimated fair market value of $1.1 million. Because valuation estimates were based upon management's judgment, investments carried at cost would be categorized as Level III assets in the fair value hierarchy, if they were carried at fair value.

Investments accounted for under the equity method include general and limited partnership interests. The carrying value of these investments is based on the investment vehicle's net asset value. The net assets of investment partnerships consist of investments in both marketable and non-marketable securities. The underlying investments held by such partnerships are valued based on the estimated fair value determined by management in the Company's capacity as general partner or investor and, in the case of investments in unaffiliated investment partnerships, are based on financial statements prepared by the unaffiliated general partners.

Note 11 *Other Assets*

(Dollars in thousands)	December 31, 2019	December 31, 2018
Fee receivables	$ 18,574	$ 18,990
Accrued interest receivables	2,977	4,240
Income tax receivables	2,658	—
Forgivable loans, net	5,227	7,152
Prepaid expenses	10,687	8,763
Other	15,317	7,298
Total other assets	$ 55,440	$ 46,443

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Note 12 *Goodwill and Intangible Assets*

(Dollars in thousands)		
Goodwill		
Balance at December 31, 2017	**$**	**81,855**
Goodwill acquired		—
Balance at December 31, 2018	**$**	**81,855**
Goodwill acquired		5,794
Balance at December 31, 2019	**$**	**87,649**
Intangible assets		
Balance at December 31, 2017	**$**	**9,142**
Intangible assets acquired		—
Amortization of intangible assets		(4,858)
Balance at December 31, 2018	**$**	**4,284**
Intangible assets acquired		16,700
Amortization of intangible assets		(4,298)
Balance at December 31, 2019	**$**	**16,686**

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

The Company performed its annual goodwill impairment testing as of October 31, 2019, which resulted in no impairment. The annual goodwill impairment testing for 2018 and 2017 resulted in no impairment associated with the Capital Markets reporting unit.

The Company also evaluated its intangible assets and concluded there was no impairment in 2019, 2018 and 2017 associated with the Capital Markets reporting unit.

The addition of goodwill and intangible assets during the year ended December 31, 2019 related to the acquisition of Weeden & Co., as discussed in Note 5. Management identified $16.7 million of intangible assets, consisting of $12.0 million of customer relationships and $4.7 million of internally developed software, which will be amortized over a weighted average life of 8.4 years and 3.6 years, respectively.

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

(Dollars in thousands)		
2020	$	4,246
2021		3,263
2022		2,416
2023		1,686
2024		1,368
Thereafter		3,707
Total	$	16,686

Note 13 *Fixed Assets*

(Dollars in thousands)	December 31, 2019	December 31, 2018
Furniture and equipment	**$ 44,018**	$ 43,554
Leasehold improvements	**39,714**	36,069
Software	**12,109**	11,604
Total	**95,841**	91,227
Accumulated depreciation and amortization	**(65,991)**	(58,927)
	$ 29,850	$ 32,300

For the years ended December 31, 2019, 2018 and 2017, depreciation and amortization of furniture and equipment, leasehold improvements and software totaled $9.3 million, $8.1 million and $7.0 million, respectively, and are included in occupancy and equipment expense from continuing operations on the consolidated statements of operations.

Note 14 *Short-Term Financing*

The Company issues secured commercial paper to fund a portion of its securities inventory. The commercial paper notes ("CP Notes") can be issued with maturities of 27 days to 270 days from the date of issuance. The CP Notes are currently issued under two separate programs, CP Series A and CP Series II A, and are secured by different inventory classes. As of December 31, 2019, the weighted average maturity of outstanding CP Notes was six days. The CP Notes are interest bearing or sold at a discount to par with an interest rate based on LIBOR plus an applicable margin. CP Series II A includes a covenant that requires the Company's U.S. broker dealer subsidiary to maintain excess net capital of $100 million. The Company had CP Notes of $50.0 million outstanding at December 31, 2019 and 2018, with weighted average interest rates of 2.69% and 3.38%, respectively. The CP Series A program was retired effective January 2, 2020.

The Company's committed short-term bank line financing at December 31, 2019 consisted of a one-year $125 million committed revolving credit facility with U.S. Bank, N.A., which was renewed in December 2019. The Company uses this credit facility in the ordinary course of business to fund a portion of its daily operations and the amount borrowed under this credit facility varies daily based on the Company's funding needs. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital of $120 million, and the unpaid principal amount of all advances under this facility will be due on December 11, 2020. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis. At December 31, 2019, the Company had no advances against this line of credit.

On December 20, 2019, Piper Sandler Companies entered into a credit agreement ("Credit Agreement") with U.S. Bank, N.A., which created an unsecured $50 million revolving credit facility. The Credit Agreement will terminate on December 20, 2022, unless otherwise terminated, and is subject to a one-year extension exercisable at the option of the Company. At December 31, 2019, there were no advances against this credit facility.

The Credit Agreement includes customary events of default and covenants that, among other things, require the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital, limit the Company's leverage ratio, require maintenance of a minimum ratio of operating cash flow to fixed charges, and impose certain limitations on the Company's ability to make acquisitions and make payments on its capital stock.

Note 15 *Senior Notes*

On October 15, 2019, the Company entered into a note purchase agreement ("Note Purchase Agreement") with certain entities advised by Pacific Investment Management Company ("PIMCO"), under which the Company issued unsecured fixed rate senior notes ("Notes") in the amount of $175 million. The Notes consist of two classes, Class A Notes and Class B Notes, with principal amounts of $50 million and $125 million, respectively. The Class A Notes bear interest at an annual fixed rate of 4.74 percent and mature on October 15, 2021. The Class B Notes bear interest at an annual fixed rate of 5.20 percent and mature on October 15, 2023. Interest on the Notes is payable semi-annually. The unpaid principal amounts are due in full on the respective maturity dates and may not be prepaid by the Company.

The Note Purchase Agreement includes customary events of default and covenants that, among other things, require the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital, limit the Company's leverage ratio and require the Company to maintain a minimum ratio of operating cash flow to fixed charges. At December 31, 2019, the Company was in compliance with all covenants.

The senior notes are recorded at amortized cost which approximates fair value at December 31, 2019.

Note 16 *Contingencies, Commitments and Guarantees*

Legal Contingencies

The Company has been named as a defendant in various legal actions, including complaints and litigation and arbitration claims, arising from its business activities. Such actions include claims related to securities brokerage and investment banking activities, and certain class actions that primarily allege violations of securities laws and seek unspecified damages, which could be substantial. Also, the Company is involved from time to time in investigations and proceedings by governmental agencies and self-regulatory organizations ("SROs") which could result in adverse judgments, settlement, penalties, fines or other relief.

The Company has established reserves for potential losses that are probable and reasonably estimable that may result from pending and potential legal actions, investigations and regulatory proceedings. Reasonably possible losses in excess of amounts accrued at December 31, 2019 are not material. In many cases, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any potential loss, particularly where proceedings may be in relatively early stages or where plaintiffs are seeking substantial or indeterminate damages. Matters frequently need to be more developed before a loss or range of loss can reasonably be estimated.

Given uncertainties regarding the timing, scope, volume and outcome of pending and potential legal actions, investigations and regulatory proceedings and other factors, the amounts of reserves and ranges of reasonably possible losses are difficult to determine and of necessity subject to future revision. Subject to the foregoing, management of the Company believes, based on currently available information, after consultation with outside legal counsel and taking into account its established reserves, that pending legal actions, investigations and regulatory proceedings will be resolved with no material adverse effect on the consolidated statements of financial condition, results of operations or cash flows of the Company. However, if during any period a potential adverse contingency should become probable or resolved for an amount in excess of the established reserves, the results of operations and cash flows in that period and the financial condition as of the end of that period could be materially adversely affected. In addition, there can be no assurance that material losses will not be incurred from claims that have not yet been brought to the Company's attention or are not yet determined to be reasonably possible.

Litigation-related reserve activity included within other operating expenses from continuing operations was immaterial for the years ended December 31, 2019, 2018 and 2017.

Operating Lease Commitments

The Company leases office space throughout the United States and in a limited number of foreign countries where the Company's international operations reside. Aggregate minimum lease commitments on an undiscounted basis for the Company's operating leases (including short-term leases) as of December 31, 2019 were as follows:

(Dollars in thousands)	
2020	$ 17,245
2021	12,698
2022	11,324
2023	8,311
2024	6,550
Thereafter	10,860
Total	$ 66,988

Total minimum rentals to be received from 2020 through 2024 under noncancelable subleases were $2.2 million at December 31, 2019.

For the year ended December 31, 2019, the Company's operating lease cost from continuing operations was $12.1 million, of which $0.7 million related to short-term leases. The Company recorded sublease income from continuing operations of $1.6 million for the year ended December 31, 2019.

Rent expense from continuing operations was $12.7 million and $11.8 million for the years ended December 31, 2018 and 2017, respectively.

Investment Commitments

As of December 31, 2019, the Company had commitments to invest approximately $71.0 million in limited partnerships or limited liability companies that make direct or indirect equity or debt investments in companies.

Other Guarantees

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

Concentration of Credit Risk

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

Note 17 *Restructuring and Integration Costs*

The Company incurred restructuring costs from continuing operations for the year ended December 31, 2019, primarily in conjunction with its acquisition of Weeden & Co. The Company incurred restructuring costs from continuing operations for the year ended December 31, 2018, primarily related to headcount reductions. The Company incurred integration costs from continuing operations for the year ended December 31, 2019, related to the acquisition of Weeden & Co., which closed on August 2, 2019, and the acquisition of Sandler O'Neill, which closed on January 3, 2020.

	Year Ended December 31,		
(Dollars in thousands)	**2019**	**2018**	**2017**
Severance, benefits and outplacement costs	**$ 2,938**	$ 3,183	$ —
Contract termination costs	**2,798**	185	—
Vacated leased office space	**1,726**	130	—
Total restructuring costs	**7,462**	3,498	—
Integration costs	**6,859**	—	—
Total restructuring and integration costs	**$ 14,321**	$ 3,498	$ —

Note 18 *Shareholders' Equity*

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

Common Stock

The holders of the Company's common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. Subject to preferences that may be applicable to any outstanding preferred stock of Piper Sandler Companies, the holders of its common stock are entitled to receive ratably such dividends, if any, as may be declared out of funds legally available for that purpose. There are also restrictions on the payment of dividends as set forth in Note 23. The Company's board of directors determines the declaration and payment of dividends on a quarterly basis, and is free to change the Company's dividend policy at any time.

Dividends

The Company's current dividend policy includes both a quarterly and an annual special cash dividend. The annual special cash dividend is payable in the first quarter of each year, beginning in 2018, with the intention of returning a metric based on net income from the previous fiscal year.

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

In 2018, the Company declared and paid quarterly cash dividends on its common stock, aggregating $1.50 per share, and an annual special cash dividend on its common stock related to fiscal year 2017 results of $1.62 per share, totaling $47.2 million.

In 2017, the Company declared and paid quarterly cash dividends on its common stock, aggregating $1.25 per share, totaling $19.0 million.

On January 31, 2020, the board of directors declared both a quarterly and annual special cash dividend on its common stock of $0.38 and $0.75 per share, respectively, to be paid on March 13, 2020, to shareholders of record as of the close of business on March 2, 2020.

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

Share Repurchases

Effective September 30, 2017, the Company's board of directors authorized the repurchase of up to $150.0 million in common shares, which expired on September 30, 2019. In 2019, the Company repurchased 501 shares at an average price of $64.80 per share related to this authorization. In 2018, the Company repurchased 681,233 shares at an average price of $69.20 per share for an aggregate purchase price of $47.1 million related to this authorization.

Effective August 14, 2015, the Company's board of directors authorized the repurchase of up to $150.0 million in common shares through September 30, 2017. In 2017, the Company repurchased 36,936 shares at an average price of $67.62 per share for an aggregate purchase price of $2.5 million related to this authorization.

On November 15, 2019, the Company's board of directors authorized the repurchase of up to $150.0 million in common shares. This authorization will be effective from January 1, 2020 through December 31, 2021.

The Company also purchases shares of common stock from restricted stock award recipients upon the award vesting or as recipients sell shares to meet their employment tax obligations. The Company purchased 701,217 shares or $50.6 million; 279,664 shares or $23.8 million; and 314,542 shares or $23.0 million of the Company's common stock for these purposes during the years ended December 31, 2019, 2018 and 2017, respectively.

Issuance of Shares

The Company issues common shares out of treasury stock as a result of employee restricted share vesting and exercise transactions as discussed in Note 20. During the years ended December 31, 2019, 2018 and 2017, the Company issued 1,415,147 shares, 1,040,015 shares and 867,327 shares, respectively, related to these obligations.

Preferred Stock

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

Noncontrolling Interests

The consolidated financial statements include the accounts of Piper Sandler Companies, its wholly owned subsidiaries and other entities in which the Company has a controlling financial interest. Noncontrolling interests represent equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Sandler Companies. Noncontrolling interests include the minority equity holders' proportionate share of the equity in merchant banking funds of $72.7 million and a senior living fund of $2.5 million as of December 31, 2019. As of December 31, 2018, noncontrolling interests included the minority equity holders' proportionate share of the equity in merchant banking funds of $50.2 million and a senior living fund of $2.8 million.

Ownership interests in entities held by parties other than the Company's common shareholders are presented as noncontrolling interests within shareholders' equity, separate from the Company's own equity. Revenues, expenses and net income or loss are reported on the consolidated statements of operations on a consolidated basis, which includes amounts attributable to both the Company's common shareholders and noncontrolling interests. Net income or loss is then allocated between the Company and noncontrolling interests based upon their relative ownership interests. Net income applicable to noncontrolling interests is deducted from consolidated net income to determine net income applicable to the Company. There was no other comprehensive income or loss attributed to noncontrolling interests for the years ended December 31, 2019, 2018 and 2017.

Note 19 *Employee Benefit Plans*

The Company has various employee benefit plans, and substantially all employees are covered by at least one plan. The plans include health and welfare plans and a tax-qualified retirement plan (the "Retirement Plan"). During the years ended December 31, 2019, 2018 and 2017, the Company incurred employee benefits expenses from continuing operations of $18.4 million, $18.1 million and $18.8 million, respectively.

Health and Welfare Plans

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

The Company is self-insured for losses related to health claims, although it obtains third party stop loss insurance coverage on both an individual and a group plan basis. Self-insured liabilities are based on a number of factors, including historical claims experience, an estimate of claims incurred but not reported and valuations provided by third party actuaries. For the years ended December 31, 2019, 2018 and 2017, the Company recognized expense of $10.6 million, $10.7 million and $11.3 million, respectively, in compensation and benefits expense from continuing operations on the consolidated statements of operations related to its health plans.

Retirement Plan

The Retirement Plan consists of a defined contribution retirement savings plan. The defined contribution retirement savings plan allows qualified employees, at their option, to make contributions through salary deductions under Section 401(k) of the Internal Revenue Code. Employee contributions are 100 percent matched by the Company to a maximum of six percent of recognized compensation up to the social security taxable wage base. Although the Company's matching contribution vests immediately, a participant must be employed on December 31 to receive that year's matching contribution.

Note 20 *Compensation Plans*

Stock-Based Compensation Plans

The Company has three outstanding stock-based compensation plans: the Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan"), the 2019 Employment Inducement Award Plan (the "Weeden & Co. Inducement Plan") and the 2020 Employment Inducement Award Plan (the "Sandler O'Neill Inducement Plan"). The Company's equity awards are recognized on the consolidated statements of operations at grant date fair value over the service period of the award, less forfeitures.

The following table provides a summary of the Company's outstanding equity awards (in shares or units) as of December 31, 2019:

Incentive Plan	
Restricted Stock	
Annual grants	463,110
Sign-on grants	133,363
	596,473
Weeden & Co. Inducement Plan	
Restricted Stock	97,752
Total restricted stock outstanding	694,225
Incentive Plan	
Restricted Stock Units	
Leadership grants	114,315
Incentive Plan	
Stock Options	81,667

Incentive Plan

The Incentive Plan permits the grant of equity awards, including restricted stock, restricted stock units and non-qualified stock options, to the Company's employees and directors for up to 8.2 million shares of common stock (0.7 million shares remained available for future issuance under the Incentive Plan as of December 31, 2019). The Company believes that such awards help align the interests of employees and directors with those of shareholders and serve as an employee retention tool. The Incentive Plan provides for accelerated vesting of awards if there is a severance event, a change in control of the Company (as defined in the Incentive Plan), in the event of a participant's death, and at the discretion of the compensation committee of the Company's board of directors.

Restricted Stock Awards

Restricted stock grants are valued at the market price of the Company's common stock on the date of grant and are amortized over the requisite service period. The Company grants shares of restricted stock to employees as part of year-end compensation ("Annual Grants") and upon initial hiring or as a retention award ("Sign-on Grants").

The Company's Annual Grants are made each year in February. Annual Grants vest ratably over three years in equal installments. The Annual Grants provide for continued vesting after termination of employment, so long as the employee does not violate certain post-termination restrictions set forth in the award agreement or any agreements entered into upon termination. The Company determined the service inception date precedes the grant date for the Annual Grants, and that the post-termination restrictions do not meet the criteria for an in-substance service condition, as defined by ASC 718. Accordingly, restricted stock granted as part of the Annual Grants is expensed in the one-year period in which those awards are deemed to be earned, which is generally the calendar year preceding the February grant date. For example, the Company recognized compensation expense during fiscal year 2019 for its February 2020 Annual Grant. If an equity award related to the Annual Grants is forfeited as a result of violating the post-termination restrictions, the lower of the fair value of the award at grant date or the fair value of the award at the date of forfeiture is recorded within the consolidated statements of operations as a reversal of compensation expense.

Sign-on Grants are used as a recruiting tool for new employees and are issued to current employees as a retention tool. These awards have both cliff and ratable vesting terms, and the employees must fulfill service requirements in exchange for rights to the awards. Compensation expense is amortized on a straight-line basis from the grant date over the requisite service period, generally three to five years. Employees forfeit unvested shares upon termination of employment and a reversal of compensation expense is recorded.

Annually, the Company grants stock to its non-employee directors. The stock-based compensation paid to non-employee directors is fully expensed on the grant date and included within outside services expense on the consolidated statements of operations.

Restricted Stock Units

The Company grants restricted stock units to its leadership team ("Leadership Grants").

Leadership Grants Subsequent to 2016

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

Up to 75 percent of the award can be earned based on the Company achieving certain average adjusted return on equity targets, as defined in the terms of the award agreements. The fair value of this portion of the award was based on the closing price of the Company's common stock on the grant date. If the Company determines that it is probable that the performance condition will be achieved, compensation expense is amortized on a straight-line basis over the 36-month performance period. The probability that the performance condition will be achieved is reevaluated each reporting period with changes in estimated outcomes accounted for using a cumulative effect adjustment to compensation expense. Compensation expense will be recognized only if the performance condition is met. Employees forfeit unvested restricted stock units upon termination of employment with a corresponding reversal of compensation expense. As of December 31, 2019, the Company has determined that the probability of achieving the performance condition for each award is as follows:

Grant Year	Probability of Achieving Performance Condition
2019	62%
2018	50%
2017	75%

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

Grant Year	Risk-free Interest Rate	Expected Stock Price Volatility
2019	2.50%	31.9%
2018	2.40%	34.8%
2017	1.62%	35.9%

Because the market condition portion of the awards vesting depend on the Company's total shareholder return relative to a peer group, the valuation modeled the performance of the peer group as well as the correlation between the Company and the peer group. The expected stock price volatility assumptions were determined using historical volatility, as correlation coefficients can only be developed through historical volatility. The risk-free interest rates were determined based on three-year U.S. Treasury bond yields.

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

2016 Leadership Grant

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

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

Grant Year	Risk-free Interest Rate	Expected Stock Price Volatility
2016	0.98%	34.9%

Stock Options

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

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

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

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

Inducement Plans

The Company established the 2016 Employment Inducement Award Plan (the "Simmons Inducement Plan") in conjunction with the acquisition of Simmons. The Company granted $11.6 million (286,776 shares) in restricted stock under the Simmons Inducement Plan on May 16, 2016. Simmons Inducement Plan awards were amortized as compensation expense on a straight-line basis over the vesting period. All outstanding shares cliff vested on May 16, 2019. The Company terminated the Simmons Inducement Plan in July 2019.

The Company established the Weeden & Co. Inducement Plan in conjunction with its acquisition of Weeden & Co. On August 2, 2019, the Company granted $7.3 million (97,752 shares) in restricted stock. These restricted shares are subject to graded vesting, generally beginning on the third anniversary of the grant date through August 2, 2023. Weeden & Co. Inducement Plan awards are amortized as compensation expense on a straight-line basis over the vesting period. Employees forfeit unvested shares upon termination of employment and a reversal of compensation expense is recorded.

The Company established the Sandler O'Neill Inducement Plan in conjunction with its acquisition of Sandler O'Neill. On January 3, 2020, the Company granted $96.9 million (1,217,423 shares) in restricted stock.

Stock-Based Compensation Activity

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

	Year Ended December 31,		
(Dollars in millions)	**2019**	**2018**	**2017**
Stock-based compensation expense	$ 30.8	$ 43.2	$ 39.2
Forfeitures	2.6	0.9	3.0
Tax benefit related to stock-based compensation expense	5.4	6.9	9.8

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

	Unvested Restricted Stock (in Shares)	**Weighted Average Grant Date Fair Value**
December 31, 2016	**2,874,117**	**$ 43.12**
Granted	248,749	77.78
Vested	(717,782)	45.08
Canceled	(179,467)	42.70
December 31, 2017	**2,225,617**	**$ 46.40**
Granted	310,494	88.18
Vested	(945,550)	47.65
Canceled	(20,766)	54.53
December 31, 2018	**1,569,795**	**$ 53.80**
Granted	463,088	74.05
Vested	(1,306,844)	47.30
Canceled	(31,814)	76.20
December 31, 2019	**694,225**	**$ 78.52**

The fair value of restricted stock that vested during the years ended December 31, 2019, 2018 and 2017 was $61.8 million, $45.1 million and $32.4 million, respectively.

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

	Unvested Restricted Stock Units		Weighted Average Grant Date Fair Value
December 31, 2016	**374,460**	**$**	**21.63**
Granted	35,981		84.10
Vested	(115,290)		23.42
Canceled	(50,379)		31.73
December 31, 2017	**244,772**	**$**	**27.89**
Granted	53,796		92.93
Vested	(86,511)		21.83
Canceled	(17,806)		23.91
December 31, 2018	**194,251**	**$**	**48.97**
Granted	39,758		75.78
Vested	(103,707)		19.93
Canceled	(15,987)		45.79
December 31, 2019	**114,315**	**$**	**85.09**

As of December 31, 2019, there was $14.6 million of total unrecognized compensation cost related to restricted stock and restricted stock units expected to be recognized over a weighted average period of 3.1 years.

The following table summarizes the changes in the Company's outstanding stock options:

	Options Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)		Aggregate Intrinsic Value
December 31, 2016	**30,613**	**$**	**65.86**	**0.3**	**$**	**203,291**
Granted	—		—			
Exercised	(26,149)		65.13			
Canceled	—		—			
Expired	(4,464)		70.13			
December 31, 2017	**—**	**$**	**—**	**0.0**	**$**	**—**
Granted	81,667		99.00			
Exercised	—		—			
Canceled	—		—			
Expired	—		—			
December 31, 2018	**81,667**	**$**	**99.00**	**9.1**	**$**	**—**
Granted	—		—			
Exercised	—		—			
Canceled	—		—			
Expired	—		—			
December 31, 2019	**81,667**	**$**	**99.00**	**8.1**	**$**	**—**

As of December 31, 2019, there was $1.2 million of unrecognized compensation cost related to stock options expected to be recognized over a weighted average period of 3.1 years. There were no exercisable options during the years ended December 31, 2019 and 2018. For the year ended December 31, 2017, the intrinsic value of options exercised and the resulting tax benefit realized was $0.3 million and $0.1 million, respectively.

The Company has a policy of issuing shares out of treasury (to the extent available) to satisfy share option exercises and restricted stock vesting. The Company expects to withhold approximately 0.1 million shares from employee equity awards vesting in 2020, related to employee individual income tax withholding obligations on restricted stock vesting. For accounting purposes, withholding shares to cover employees' tax obligations is deemed to be a repurchase of shares by the Company.

Acquisition-related Compensation Arrangements

The Company entered into acquisition-related compensation arrangements with certain employees for retention and incentive purposes. Additional cash compensation was available to certain employees subject to exceeding an investment banking revenue threshold during the three year Simmons post-acquisition period, which ended on February 26, 2019. The Company accrued $40.1 million related to this performance award plan, which was paid in August 2019. Amounts payable related to this performance award plan were recorded as compensation expense from continuing operations on the consolidated statements of operations over the requisite performance period of three years. The Company recorded $0.6 million, $8.9 million and $27.0 million as compensation expense from continuing operations for the years ended December 31, 2019, 2018 and 2017, respectively.

Deferred Compensation Plans

The Company maintains various deferred compensation arrangements for employees.

The Mutual Fund Restricted Share Investment Plan is a fully funded deferred compensation plan which allows eligible employees to receive a portion of their incentive compensation in restricted mutual fund shares ("MFRS Awards") of investment funds. MFRS Awards are awarded to qualifying employees in February of each year, and represent a portion of their compensation for performance in the preceding year similar to the Company's Annual Grants. MFRS Awards vest ratably over three years in equal installments and provide for continued vesting after termination of employment so long as the employee does not violate certain post-termination restrictions set forth in the award agreement or any agreement entered into upon termination. Forfeitures are recorded as a reduction of compensation and benefits expense within the consolidated statements of operations. MFRS Awards are owned by employee recipients (subject to the aforementioned vesting restrictions) and as such are not included on the consolidated statements of financial condition.

The Company recorded compensation expense from continuing operations of $45.5 million, $50.2 million and $60.3 million for the years ended December 31, 2019, 2018 and 2017, respectively, related to employee MFRS Awards, less forfeitures. Forfeitures were $3.3 million, $1.6 million and $1.3 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The nonqualified deferred compensation plan is an unfunded plan which allowed certain highly compensated employees, at their election, to defer a portion of their compensation. In 2017, this plan was closed to future deferral elections by participants for performance periods beginning after December 31, 2017. The amounts deferred under this plan are held in a grantor trust. The Company invests, as a principal, in investments to economically hedge its obligation under the nonqualified deferred compensation plan. Investments in the grantor trust, consisting of mutual funds, totaled $16.7 million and $31.2 million as of December 31, 2019 and 2018, respectively, and are included in investments on the consolidated statements of financial condition. The compensation deferred by the employees was expensed in the period earned. The deferred compensation liability was $16.7 million and $31.4 million as of December 31, 2019 and 2018, respectively. Changes in the fair value of the investments made by the Company are reported in investment income and changes in the corresponding deferred compensation liability are reflected as compensation and benefits expense on the consolidated statements of operations.

Note 21 *Earnings Per Share ("EPS")*

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

The computation of earnings per share is as follows:

(Amounts in thousands, except per share data)	Year Ended December 31, 2019	2018	2017
Net income from continuing operations applicable to Piper Sandler Companies	**$ 87,939**	$ 55,649	$ 23,121
Net income/(loss) from discontinued operations	**23,772**	1,387	(85,060)
Net income/(loss) applicable to Piper Sandler Companies	**111,711**	57,036	(61,939)
Earnings allocated to participating securities (1)	**(4,511)**	(7,043)	(2,936)
Net income/(loss) applicable to Piper Sandler Companies' common shareholders (2)	**$ 107,200**	$ 49,993	$ (64,875)
Shares for basic and diluted calculations:			
Average shares used in basic computation	**13,555**	13,234	12,807
Restricted stock units	**162**	191	171
Non-participating restricted shares	**220**	—	—
Average shares used in diluted computation (3)	**13,937**	13,425	12,978
Earnings/(loss) per basic common share:			
Income from continuing operations	**$ 6.21**	$ 3.68	$ 1.57
Income/(loss) from discontinued operations	**1.69**	0.09	(6.64)
Earnings/(loss) per basic common share	**$ 7.90**	$ 3.78	$ (5.07)
Earnings/(loss) per diluted common share:			
Income from continuing operations	**$ 6.05**	$ 3.63	$ 1.57
Income/(loss) from discontinued operations	**1.65**	0.09	(6.55)
Earnings/(loss) per diluted common share (3)	**$ 7.69**	$ 3.72	$ (4.99)

(1) Represents the allocation of distributed and undistributed earnings to participating securities. No allocation of undistributed earnings is made for periods in which a loss is incurred, or for periods in which cash dividends exceed net income resulting in an undistributed loss. Distributed earnings (e.g., dividends) are allocated to participating securities. Participating securities include the Company's unvested restricted shares issued prior to the 2019 Annual Grant. The weighted average participating shares outstanding were 513,220; 1,868,883; and 2,349,476 for the years ended December 31, 2019, 2018 and 2017, respectively.

(2) Net income/(loss) applicable to Piper Sandler Companies' common shareholders for diluted and basic EPS may differ under the two-class method as a result of adding the effect of the assumed exercise of stock options, restricted stock units and non-participating restricted shares to dilutive shares outstanding, which alters the ratio used to allocate earnings to Piper Sandler Companies' common shareholders and participating securities for purposes of calculating diluted and basic EPS.

(3) Earnings per diluted common share is calculated using the basic weighted average number of common shares outstanding for periods in which a loss is incurred, or for periods in which cash dividends exceed net income resulting in an undistributed loss. Common shares of 2,225,617 were excluded from diluted EPS for the year ended December 31, 2017, as the Company had a net loss for this period.

The average shares used in the diluted computation excluded anti-dilutive stock options and non-participating restricted shares of 0.1 million for the year ended December 31, 2019. The anti-dilutive effects from stock options, restricted stock units and non-participating restricted shares were immaterial for the years ended December 31, 2018 and 2017.

Note 22 *Revenues and Business Information*

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

Segment pre-tax operating income and segment pre-tax operating margin exclude the results of discontinued operations.

Reportable financial results from continuing operations are as follows:

	Year Ended December 31,		
(Dollars in thousands)	**2019**	**2018**	**2017**
Capital Markets			
Investment banking			
Advisory services	**$ 440,695**	$ 394,133	$ 443,303
Equity financing	**104,563**	122,172	98,996
Debt financing	**85,701**	73,262	93,434
Total investment banking	**630,959**	589,567	635,733
Institutional sales and trading			
Equities	**88,792**	77,477	81,717
Fixed income	**94,922**	67,784	89,609
Total institutional sales and trading	**183,714**	145,261	171,326
Investment income	**23,093**	11,918	24,238
Other financing expenses	**(3,200)**	(5,793)	(7,676)
Net revenues	**834,566**	740,953	823,621
Operating expenses (1)	**715,587**	668,464	744,305
Segment pre-tax operating income	**$ 118,979**	$ 72,489	$ 79,316
Segment pre-tax operating margin	**14.3%**	9.8%	9.6%

(1) Operating expenses include intangible asset amortization of $4.3 million, $4.9 million and $10.2 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Note 23 *Net Capital Requirements and Other Regulatory Matters*

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

At December 31, 2019, net capital calculated under the SEC rule was $236.9 million, and exceeded the minimum net capital required under the SEC rule by $235.9 million.

The Company's committed short-term credit facility, revolving credit facility and its senior notes with PIMCO include covenants requiring Piper Sandler to maintain minimum net capital of $120 million. CP Notes issued under CP Series II A include a covenant that requires Piper Sandler to maintain excess net capital of $100 million. The Company's fully disclosed clearing agreement with Pershing also includes a covenant requiring Piper Sandler to maintain excess net capital of $120 million.

Piper Sandler Ltd., a broker dealer subsidiary registered in the United Kingdom, is subject to the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority. As of December 31, 2019, Piper Sandler Ltd. was in compliance with the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority.

Piper Sandler Hong Kong Limited is licensed by the Hong Kong Securities and Futures Commission, which is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance. At December 31, 2019, Piper Sandler Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

Note 24 *Income Taxes*

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

As a result of the Tax Cuts and Jobs Act that was enacted on December 22, 2017, and in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" ("SAB 118"), the Company made a reasonable estimate of the impact of the Tax Cuts and Jobs Act, and recorded a discrete item in its 2017 provisional income tax expense from continuing operations of $36.4 million. This amount reflected an estimated reduction of deferred tax assets as a result of the statutory federal rate decrease from 35 percent to 21 percent. Pursuant to the defined measurement period in SAB 118, the Company recorded an additional $1.0 million of income tax expense from continuing operations for the year ended December 31, 2018. The accounting for the income tax effects of the Tax Cuts and Jobs Act was complete as of December 31, 2018.

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

	Year Ended December 31,		
(Dollars in thousands)	**2019**	**2018**	**2017**
Current:			
Federal	**$ (404)**	$ 16,351	$ 30,230
State	**123**	4,784	5,896
Foreign	**96**	276	93
	(185)	21,411	36,219
Deferred:			
Federal	**19,071**	(7,326)	20,692
State	**5,517**	(524)	(1,849)
Foreign	**174**	4,485	(1,254)
	24,762	(3,365)	17,589
Total income tax expense from continuing operations	**$ 24,577**	$ 18,046	$ 53,808
Total income tax expense/(benefit) from discontinued operations	**$ 8,370**	$ 1,001	$ (23,580)

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

(Dollars in thousands)	Year Ended December 31, 2019	2018	2017
Federal income tax expense at statutory rates	**$ 24,986**	$ 15,223	$ 27,760
Increase/(reduction) in taxes resulting from:			
Impact of the Tax Cuts and Jobs Act	**—**	952	36,357
State income taxes, net of federal tax benefit	**4,906**	3,390	2,561
Net tax-exempt interest income	**(1,643)**	(3,034)	(5,040)
Foreign jurisdictions tax rate differential	**(438)**	1,067	865
Non-deductible compensation	**3,293**	1,999	—
Change in valuation allowance	**(209)**	5,299	(752)
Vestings of stock awards	**(5,171)**	(7,052)	(9,115)
Loss/(income) attributable to noncontrolling interests	**(1,357)**	253	(835)
Other, net	**210**	(51)	2,007
Total income tax expense from continuing operations	**$ 24,577**	$ 18,046	$ 53,808

In accordance with ASC 740, U.S. income taxes are not provided on undistributed earnings of international subsidiaries that are permanently reinvested. As of December 31, 2019, no deferred taxes have been provided for withholding taxes or other taxes that would result upon repatriation of the Company's foreign earnings to the U.S.

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

(Dollars in thousands)	December 31, 2019	December 31, 2018
Deferred tax assets:		
Deferred compensation	**$ 54,969**	$ 63,147
Accrued lease liability	**13,531**	—
Goodwill tax basis in excess of book basis	**11,059**	11,005
Net operating loss carryforwards	**4,965**	5,556
Liabilities/accruals not currently deductible	**1,530**	1,117
Other	**3,852**	4,733
Total deferred tax assets	**89,906**	85,558
Valuation allowance	**(4,599)**	(4,808)
Deferred tax assets after valuation allowance	**85,307**	80,750
Deferred tax liabilities:		
Right-of-use lease asset	**9,289**	—
Unrealized gains on firm investments	**3,988**	4,313
Fixed assets	**3,408**	2,886
Other	**587**	555
Total deferred tax liabilities	**17,272**	7,754
Net deferred tax assets	**$ 68,035**	$ 72,996

The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. The Company believes that its future tax profits will be sufficient to recognize its deferred tax assets, with the exception of $4.6 million in state and foreign net operating loss carryforwards.

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

(Dollars in thousands)	
Balance at December 31, 2016	**$ 123**
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	166
Reductions for tax positions of prior years	—
Settlements	(123)
Balance at December 31, 2017	**$ 166**
Additions based on tax positions related to the current year	608
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	—
Settlements	—
Balance at December 31, 2018	**$ 774**
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	4,128
Reductions for tax positions of prior years	(358)
Settlements	(285)
Balance at December 31, 2019	**$ 4,259**

As of December 31, 2019, approximately $0.2 million of the Company's unrecognized tax benefits would impact the annual effective rate, if recognized.

In 2019, the Company recorded a $4.1 million liability for uncertain state and local income tax positions related to its acquisition of Weeden & Co. This liability was recorded as a measurement period adjustment and includes a corresponding indemnification asset and deferred tax asset. The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. The Company had $1.2 million accrued related to the payment of interest and penalties at December 31, 2019. The Company had no accruals related to the payment of interest and penalties at December 31, 2018 and 2017. The Company or one of its subsidiaries files income tax returns with the various states and foreign jurisdictions in which the Company operates. The Company is not subject to examination by U.S. federal tax authorities for years before 2016 and is not subject to examination by state and local or non-U.S. tax authorities for taxable years before 2015. The Company anticipates the majority of its uncertain income tax positions will be resolved within the next twelve months.

Note 25 *Piper Sandler Companies (Parent Company only)*

Condensed Statements of Financial Condition

(Amounts in thousands)	**December 31, 2019**	December 31, 2018
Assets		
Cash and cash equivalents	**$ 200**	$ 254
Investment in and advances to subsidiaries	**931,444**	676,516
Other assets	**16,878**	27,529
Total assets	**$ 948,522**	$ 704,299
Liabilities and Shareholders' Equity		
Senior notes	**$ 175,000**	$ —
Accrued compensation	**30,336**	26,081
Other liabilities and accrued expenses	**11,903**	774
Total liabilities	**217,239**	26,855
Shareholders' equity	**731,283**	677,444
Total liabilities and shareholders' equity	**$ 948,522**	$ 704,299

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Condensed Statements of Operations

(Amounts in thousands)	Year Ended December 31, 2019	2018	2017
Revenues:			
Dividends from subsidiaries	**$ 54,762**	$ 74,896	$ 105,102
Interest	**815**	1,247	1,125
Investment income/(loss)	**2,012**	(496)	4,060
Total revenues	**57,589**	75,647	110,287
Interest expense	**1,910**	4,902	7,170
Net revenues	**55,679**	70,745	103,117
Non-interest expenses:			
Total non-interest expenses	**4,851**	5,844	4,936
Income from continuing operations before income tax expense and equity in income of subsidiaries	**50,828**	64,901	98,181
Income tax expense	**11,215**	10,833	30,366
Income from continuing operations of parent company	**39,613**	54,068	67,815
Equity in undistributed/(distributed in excess of) income of subsidiaries	**99,005**	5,469	(40,321)
Net income from continuing operations	**138,618**	59,537	27,494
Discontinued operations:			
Loss from discontinued operations, net of tax	**(26,907)**	(2,501)	(89,433)
Net income/(loss) applicable to Piper Sandler Companies	**$ 111,711**	$ 57,036	$ (61,939)

Condensed Statements of Cash Flows

(Amounts in thousands)	Year Ended December 31, 2019	2018	2017
Operating Activities:			
Net income/(loss)	**$ 111,711**	$ 57,036	$ (61,939)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:			
Stock-based compensation	**643**	404	208
Equity in undistributed/(distributed in excess of) income of subsidiaries	**(99,005)**	(5,469)	40,321
Net cash provided by/(used in) operating activities	**13,349**	51,971	(21,410)
Financing Activities:			
Issuance of senior notes	**175,000**	—	—
Repayment of senior notes	**—**	(125,000)	(50,000)
Advances from/(to) subsidiaries	**(102,225)**	188,995	117,016
Repurchase of common stock	**(50,584)**	(70,903)	(25,481)
Payment of cash dividend	**(35,594)**	(47,157)	(18,947)
Net cash provided by/(used in) financing activities	**(13,403)**	(54,065)	22,588
Net increase/(decrease) in cash and cash equivalents	**(54)**	(2,094)	1,178
Cash and cash equivalents at beginning of year	**254**	2,348	1,170
Cash and cash equivalents at end of year	**$ 200**	$ 254	$ 2,348

Note 26 *Subsequent Events*

On January 3, 2020, the Company completed the acquisition of Sandler O'Neill, a full-service investment banking firm and broker dealer focused on the financial services industry. The transaction was completed pursuant to the Agreement and Plans of Merger dated July 9, 2019. The total consideration of $485.0 million, for which the Company received $100.0 million of tangible book value, consisted of $350.0 million in cash and $135.0 million in restricted consideration, primarily in restricted stock. The Company also entered into acquisition-related compensation agreements with certain employees of $115.0 million, primarily in restricted stock, for retention purposes. Sandler O'Neill's results of operations will be included in the Company's consolidated financial statements prospectively from the date of acquisition.

On February 21, 2020, the Company announced a definitive agreement to acquire The Valence Group, an investment bank offering mergers and acquisitions advisory services to companies and financial sponsors with a focus on the chemicals, materials and related sectors. The total consideration consists of cash and restricted stock. A portion of the restricted stock consideration will be used for retentive purposes. Additional consideration may be earned if certain revenue targets are achieved. The transaction is expected to close in the second quarter of 2020, subject to obtaining required regulatory approvals and other customary closing conditions.

Piper Sandler Companies

Supplementary Data

Quarterly Information (unaudited)

(Amounts in thousands, except per share data)	2019 Fiscal Quarter			
	First	Second	Third	Fourth
Total revenues	$ 185,185	$ 175,411	$ 202,912	$ 282,791
Interest expense	2,643	2,993	2,177	3,920
Net revenues	182,542	172,418	200,735	278,871
Non-interest expenses	159,405	151,493	179,700	224,989
Income from continuing operations before income tax expense/(benefit)	23,137	20,925	21,035	53,882
Income tax expense/(benefit)	4,192	(180)	6,717	13,848
Income from continuing operations	18,945	21,105	14,318	40,034
Income/(loss) from discontinued operations, net of tax	(139)	(2,166)	26,077	—
Net income	18,806	18,939	40,395	40,034
Net income/(loss) applicable to noncontrolling interests	(616)	8,550	(2,847)	1,376
Net income applicable to Piper Sandler Companies	$ 19,422	$ 10,389	$ 43,242	38,658
Net income applicable to Piper Sandler Companies' common shareholders	$ 17,835	$ 10,151	$ 42,442	$ 38,006
Amounts applicable to Piper Sandler Companies				
Net income from continuing operations	$ 19,561	$ 12,555	$ 17,165	$ 38,658
Net income/(loss) from discontinued operations	(139)	(2,166)	26,077	—
Net income applicable to Piper Sandler Companies	$ 19,422	$ 10,389	$ 43,242	$ 38,658
Earnings per basic common share				
Income from continuing operations	$ 1.36	$ 0.90	$ 1.23	$ 2.77
Income/(loss) from discontinued operations	(0.01)	(0.15)	1.87	—
Earnings per basic common share	$ 1.35	$ 0.75	$ 3.09	$ 2.77
Earnings per diluted common share				
Income from continuing operations	$ 1.33	$ 0.87	$ 1.20	$ 2.70
Income/(loss) from discontinued operations	(0.01)	(0.15)	1.82	—
Earnings per diluted common share	$ 1.32	$ 0.72	$ 3.01	$ 2.70
Dividends declared per common share	$ 1.385	$ 0.375	$ 0.375	$ 0.375
Weighted average number of common shares outstanding				
Basic	13,204	13,588	13,708	13,714
Diluted	13,530	14,024	14,085	14,100

Piper Sandler Companies

Supplementary Data – Continued

(Amounts in thousands, except per share data)	2018 Fiscal Quarter First	Second	Third	Fourth
Total revenues	$ 163,200	$ 167,460	$ 209,656	$ 217,188
Interest expense	5,338	5,099	3,705	2,409
Net revenues	157,862	162,361	205,951	214,779
Non-interest expenses	149,740	157,474	178,165	183,085
Income from continuing operations before income tax expense/(benefit)	8,122	4,887	27,786	31,694
Income tax expense/(benefit)	(2,512)	559	6,902	13,097
Income from continuing operations	10,634	4,328	20,884	18,597
Income/(loss) from discontinued operations, net of tax	(15)	364	1,386	(348)
Net income	10,619	4,692	22,270	18,249
Net income/(loss) applicable to noncontrolling interests	16	(1,534)	247	65
Net income applicable to Piper Sandler Companies	$ 10,603	$ 6,226	$ 22,023	$ 18,184
Net income applicable to Piper Sandler Companies' common shareholders	$ 6,435	$ 5,522	$ 19,377	$ 16,164
Amounts applicable to Piper Sandler Companies				
Net income from continuing operations	$ 10,618	$ 5,862	$ 20,637	$ 18,532
Net income/(loss) from discontinued operations	(15)	364	1,386	(348)
Net income applicable to Piper Sandler Companies	$ 10,603	$ 6,226	$ 22,023	$ 18,184
Earnings per basic common share				
Income from continuing operations	$ 0.47	$ 0.40	$ 1.36	$ 1.25
Income/(loss) from discontinued operations	—	0.03	0.09	(0.02)
Earnings per basic common share	$ 0.47	$ 0.43	$ 1.45	$ 1.22
Earnings per diluted common share				
Income from continuing operations	$ 0.50	$ 0.40	$ 1.34	$ 1.23
Income/(loss) from discontinued operations	—	0.03	0.09	(0.02)
Earnings per diluted common share	$ 0.50	$ 0.43	$ 1.43	$ 1.21
Dividends declared per common share	$ 1.995	$ 0.375	$ 0.375	$ 0.375
Weighted average number of common shares outstanding				
Basic	13,096	13,303	13,343	13,191
Diluted	13,382	13,438	13,508	13,367

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

None.

ITEM 9A. *CONTROLS AND PROCEDURES.*

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is (a) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (b) accumulated and communicated to our management, including our principal executive officer and principal financial officer to allow timely decisions regarding disclosure.

During the fourth quarter of our fiscal year ended December 31, 2019, there was no change in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

ITEM 9B. *OTHER INFORMATION.*

None.

PART III

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

The information regarding our executive officers included in Part I, Item 1 of this Form 10-K under the caption "Information About our Executive Officers" is incorporated herein by reference. The information in the definitive proxy statement for our 2020 annual meeting of shareholders to be held on May 15, 2020, under the captions "Proposal One — Election of Directors," "Information Regarding the Board of Directors and Corporate Governance — Committees of the Board — Audit Committee," "Information Regarding the Board of Directors and Corporate Governance — Codes of Ethics and Business Conduct" and "Delinquent Section 16(a) Reports" is incorporated herein by reference.

ITEM 11. *EXECUTIVE COMPENSATION.*

The information in the definitive proxy statement for our 2020 annual meeting of shareholders to be held on May 15, 2020, under the captions "Executive Compensation," "Certain Relationships and Related Transactions — Compensation Committee Interlocks and Insider Participation," "Information Regarding the Board of Directors and Corporate Governance — Compensation Program for Non-Employee Directors" and "Information Regarding the Board of Directors and Corporate Governance — Non-Employee Director Compensation for 2019" is incorporated herein by reference.

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

The information in the definitive proxy statement for our 2020 annual meeting of shareholders to be held on May 15, 2020, under the captions "Security Ownership — Beneficial Ownership of Directors, Nominees and Executive Officers," "Security Ownership — Beneficial Owners of More than Five Percent of Our Common Stock" and "Executive Compensation — Outstanding Equity Awards at Fiscal Year-End" are incorporated herein by reference.

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

The information in the definitive proxy statement for our 2020 annual meeting of shareholders to be held on May 15, 2020, under the captions "Information Regarding the Board of Directors and Corporate Governance — Director Independence," "Certain Relationships and Related Transactions — Transactions with Related Persons" and "Certain Relationships and Related Transactions — Review and Approval of Transactions with Related Persons" is incorporated herein by reference.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES.*

The information in the definitive proxy statement for our 2020 annual meeting of shareholders to be held on May 15, 2020, under the captions "Audit Committee Report and Payment of Fees to Our Independent Auditor — Auditor Fees" and "Audit Committee Report and Payment of Fees to Our Independent Auditor — Auditor Services Pre-Approval Policy" is incorporated herein by reference.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.*

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

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

(a)(2) FINANCIAL STATEMENT SCHEDULES.

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

(a)(3) EXHIBITS.

Exhibit Index

Exhibit Number	Description
2.1	Separation and Distribution Agreement dated as of December 23, 2003, between U.S. Bancorp and Piper Sandler Companies (incorporated by reference to Exhibit 2.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed March 8, 2004). #
2.2	Securities Purchase Agreement dated November 16, 2015 among Piper Sandler Companies, Piper Sandler & Co., Simmons & Company International, SCI JV LP, SCI GP, LLC, and Simmons & Company International Holdings LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed November 17, 2015). #
2.3	First Amendment to Securities Purchase Agreement dated February 25, 2016 among Piper Sandler Companies, Piper Sandler & Co., Simmons & Company International, SCI JV LP, SCI GP, LLC, and Simmons & Company International Holdings LLC (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016, filed May 4, 2016). #
2.4	Second Amendment to Securities Purchase Agreement dated April 19, 2017 between Piper Sandler & Co. and SCI JV LP (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed May 9, 2017).

Exhibit Index

Exhibit Number	Description
2.5	Agreement and Plans of Merger, dated July 9, 2019, by and among Piper Jaffray Companies, SOP Holdings, LLC, Sandler O'Neill & Partners Corp., Sandler O'Neill & Partners, L.P. and the other parties thereto (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed July 10, 2019).#
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007, filed August 3, 2007).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed January 6, 2020).
3.3	Amended and Restated Bylaws (as of January 3, 2020) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed January 6, 2020).
4.1	Form of Specimen Certificate for Piper Sandler Companies Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed February 26, 2018).
4.2	Second Amended and Restated Indenture dated as of June 11, 2012 (Secured Commercial Paper Notes), between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012, filed August 2, 2012).
4.3	First Amendment to Second Amended and Restated Indenture (Secured Commercial Paper Notes - Series I), dated September 29, 2017, between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, filed November 8, 2017).
4.4	Amended and Restated Indenture (Secured Commercial Paper Notes - Series II), dated as of April 30, 2015, between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed October 2, 2017).
4.5	First Amendment to Amended and Restated Indenture (Secured Commercial Paper Notes - Series II), dated as of September 29, 2017, between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed October 2, 2017).
4.6	Second Amended and Restated Indenture dated April 21, 2014 (Secured Commercial Paper Notes - Series III), between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 21, 2014).
4.7	Description of Securities. *
10.1	Form of director indemnification agreement between Piper Sandler Companies and its directors (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 17, 2014). †
10.2	Office Lease Agreement, dated May 30, 2012, by and among Piper Sandler & Co. and Wells REIT – 800 Nicollett Avenue Owner, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 1, 2012).
10.3	Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (as amended May 31, 2015) (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed May 14, 2015). †
10.4	Piper Sandler Companies Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed July 31, 2013). †
10.5	Form of Performance Share Unit Agreement for 2016 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016, filed May 4, 2016). †
10.6	Form of Performance Share Unit Agreement for 2017 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed February 24, 2017). †
10.7	Form of Performance Share Unit Agreement for 2018 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †
10.8	Form of Performance Share Unit Agreement for 2019 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed February 26, 2019). †

Exhibit Index

Exhibit Number	Description
10.9	Form of Performance Share Unit Agreement for 2020 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan. †*
10.10	Piper Sandler Companies Deferred Compensation Plan for Non-Employee Directors, as amended and restated effective May 4, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2016, filed August 5, 2016). †
10.11	Summary of Non-Employee Director Compensation Program. †*
10.12	Form of Notice Period Agreement (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, filed March 1, 2007). †
10.13	Note Purchase Agreement dated October 15, 2019 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed October 15, 2019).
10.14	Credit Agreement, dated December 20, 2019, by and between Piper Sandler Companies and U.S. Bank National Association (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed December 20, 2019).
10.15	Amended and Restated Loan Agreement dated December 28, 2012, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed February 27, 2013).
10.16	First Amendment to Amended and Restated Loan Agreement, dated December 28, 2013, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed February 28, 2014).
10.17	Second Amendment to Amended and Restated Loan Agreement, dated December 19, 2014, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed February 26, 2015).
10.18	Third Amendment to Amended and Restated Loan Agreement, dated December 18, 2015, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed February 25, 2016).
10.19	Fourth Amendment to Amended and Restated Loan Agreement, dated December 17, 2016, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed May 9, 2017).
10.20	Fifth Amendment to Amended and Restated Loan Agreement, dated December 16, 2017, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018).
10.21	Sixth Amendment to Amended and Restated Loan Agreement, dated December 14, 2018, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed February 26, 2019).
10.22	Seventh Amendment to Amended and Restated Loan Agreement, dated December 13, 2019, between Piper Sandler & Co. and U.S. Bank National Association. *
10.23	Piper Sandler Companies Amended and Restated Mutual Fund Restricted Share Investment Plan, effective as of December 13, 2016 (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed February 24, 2017). †
10.24	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2016 (related to performance in 2015) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed February 25, 2016). †
10.25	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for California-based Employee Grants in 2016 (related to performance in 2015) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed February 25, 2016). †
10.26	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2017 (related to performance in 2016) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed February 24, 2017). †

Exhibit Index

Exhibit Number	Description
10.27	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for California-based Employee Grants in 2017 (related to performance in 2016) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed February 24, 2017). †
10.28	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2018 (related to performance in 2017) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †
10.29	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for California-based Employee Grants in 2018 (related to performance in 2017) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †
10.30	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Andrew S. Duff in 2018 (related to performance in 2017) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.36 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †
10.31	Form of 2018 Performance Share Unit Agreement for Andrew S. Duff under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †
10.32	Form of Non-Qualified Stock Option Agreement for 2018 Promotional Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 9, 2018). †
10.33	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2019 (related to performance in 2018) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed on February 26, 2019). †
10.34	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2020 (related to performance in 2019) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan. †*
10.35	Post-Termination Agreement, dated as of January 1, 2018, between Piper Sandler Companies and Andrew S. Duff (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 4, 2018). †
10.36	Piper Sandler Companies 2019 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, filed March 13, 2019). †
10.37	Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2019 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed March 13, 2019). †
10.38	Letter Agreement, dated July 8, 2019, by and between Piper Sandler Companies and Jonathan J. Doyle (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed January 6, 2020). †
10.39	Equity Consideration Restricted Stock Agreement, dated July 9, 2019, by and between Piper Sandler Companies and Jonathan J. Doyle. †*
10.40	Piper Sandler Companies 2020 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.4 to the Company’s Registration Statement on Form S-8, filed November 29, 2019). †
10.41	Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (18-Month Cliff Vesting) (incorporated by reference to Exhibit 4.5 to the Company’s Registration Statement on Form S-8, filed November 29, 2019). †
10.42	Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (3-Year Cliff Vesting) (incorporated by reference to Exhibit 4.6 to the Company’s Registration Statement on Form S-8, filed November 29, 2019). †

Exhibit Index

Exhibit Number	Description
10.43	Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (Years 3, 4 and 5 Pro-rata Vesting) (incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8, filed November 29, 2019). †
21.1	Subsidiaries of Piper Sandler Companies *
23.1	Consent of Ernst & Young LLP *
24.1	Power of Attorney *
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certifications.
101	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2019, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Consolidated Financial Statements.
104	The cover page from our Annual Report on Form 10-K for the year ended December 31, 2019, formatted in iXBRL.

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

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

* Filed herewith

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

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

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 28, 2020.

PIPER SANDLER COMPANIES

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 28, 2020.

SIGNATURE	TITLE
/s/ Chad R. Abraham Chad R. Abraham	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Timothy L. Carter Timothy L. Carter	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Jonathan J. Doyle Jonathan J. Doyle	Director
/s/ William R. Fitzgerald William R. Fitzgerald	Director
/s/ Victoria M. Holt Victoria M. Holt	Director
/s/ Addison L. Piper Addison L. Piper	Director
/s/ Debbra L. Schoneman Debbra L. Schoneman	Director
/s/ Thomas S. Schreier Jr. Thomas S. Schreier Jr.	Director
/s/ Sherry M. Smith Sherry M. Smith	Director
/s/ Philip E. Soran Philip E. Soran	Director
/s/ Scott C. Taylor Scott C. Taylor	Director

Exhibit 4.7

DESCRIPTION OF SECURITIES

This summary of general terms and provisions of the capital stock of Piper Sandler Companies, a Delaware corporation (the "Company," "we" and "our"), does not purport to be complete and is subject to and qualified by reference to our Amended and Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), and our Amended and Restated Bylaws (the "Bylaws," and together with the Certificate of Incorporation, our "Governing Documents"), each of which is included as an exhibit to the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. For additional information, please refer to our Governing Documents and to the applicable provisions of Delaware General Corporation Law (the "DGCL"). Our common stock, as described below, is our only class of securities that is registered under Section 12(b) of the Securities Exchange Act of 1934, as amended, and listed in The New York Stock Exchange under the ticker symbol "PIPR."

General

Our authorized capital stock consists of 100,000,000 shares of common stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $0.01 per share.

Common Stock

The holders of our common stock are entitled to one vote per share for each share held of record on all matters to be voted upon by our stockholders. Subject to preferences that may be applicable to any of our outstanding series of preferred stock, the holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by our board of directors out of funds legally available for that purpose. In the event of our liquidation, dissolution or winding-up, the holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of our preferred stock, if any, then outstanding.

Holders of our common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to our common stock.

Preferred Stock

Our Certificate of Incorporation authorizes 1,000,000 shares of a series of preferred stock designated as "Series A Junior Participating Preferred Stock" which has certain voting, dividend and other rights that differ from our common stock as further described therein. Additionally, our board of directors has the authority, without action by our stockholders, to designate and issue additional shares of our preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may differ from the rights of our common stock and any other series of preferred stock. Our board of directors may also increase or decrease the number of shares of any such series of preferred stock (but not below the number of shares then outstanding). While it is not possible to state the actual effect of the issuance of shares of Series A Junior Participating Preferred Stock or other series of preferred stock, the effects might include, among other things:

- decreasing the amount of earnings and assets available for distribution to holders of common stock and other series of preferred stock,
- adversely affecting the rights and powers, including voting rights, of holders of common stock and other series of preferred stock,
- impairing the liquidation rights of holders of our common stock and other series of preferred stock, or
- having the effect of delaying, deferring or preventing a change in control of the Company.

Anti-takeover Effects of Our Governing Documents and Delaware Law

Some provisions of Delaware law and our Governing Documents contain certain provisions that may be characterized as anti-takeover provisions. These provisions could make the following more difficult:

- acquisition of us by means of a tender offer,
- acquisition of us by means of a proxy contest or otherwise, or
- removal of our incumbent officers and directors.

These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions also are designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection give us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us and outweigh the disadvantages of discouraging those proposals because negotiation of them could result in an improvement of their terms.

Size of Board and Vacancies

Our Certificate of Incorporation provides that the number of directors on our board of directors will be fixed exclusively by our board of directors. Newly created directorships resulting from any increase in our authorized number of directors or any vacancies in our board of directors resulting from death, resignation, retirement, disqualification, removal from office or other cause will be filled solely by the vote of our remaining directors in office.

Elimination of Stockholder Action by Written Consent

Our Bylaws eliminate the right of our stockholders to act by written consent. Stockholder action must take place at the annual or a special meeting of our stockholders.

Special Stockholder Meetings

Under our Governing Documents, only our chairman and our board of directors may call special meetings of our stockholders.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our Bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors other than nominations made by or at the direction of our board of directors or a committee of our board of directors.

Delaware Anti-takeover Law

We are subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date such person became an interested stockholder, unless the business combination or the transaction in which such person became an interested stockholder is approved in a prescribed manner. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. Generally, an "interested stockholder" is a person that, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own,15 percent or more of a corporation's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging attempts that might result in a premium over the market price for the shares of our common stock.

Supermajority Voting

Our Governing Documents provide that amendments to provisions involving special meetings of stockholders, stockholder action by written consent, general powers of the board of directors, the number and tenure of directors, removal of directors, vacancies on the board and the supermajority amendment provision of our Governing Documents require an affirmative vote of the holders of not less than 80 percent of the voting power of all outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

No Cumulative Voting

Our Governing Documents do not provide for cumulative voting in the election of directors.

Undesignated Preferred Stock

The authorization of our undesignated preferred stock makes it possible for our board of directors to issue our preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us. These and other provisions may have the effect of deferring hostile takeovers or delaying changes of control of our management.

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

PERFORMANCE SHARE UNIT AGREEMENT

Name of Employee:[___________]	
Target No. of Performance Share Units Covered: [___________] Maximum No. of Performance Share Units Covered: [___________]	Date of Issuance:[___________]

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

Recitals

WHEREAS, the Company maintains the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan, as amended from time to time (the "Plan");

WHEREAS, the Board of Directors of the Company has delegated to the Compensation Committee (the "Committee") the authority to determine the awards to be granted under the Plan; and

WHEREAS, the Committee or its delegee has determined that the Employee is eligible to receive an award under the Plan in the form of performance share units and has set the terms thereof;

NOW, THEREFORE, the Company hereby grants this award to the Employee under the terms set by the Committee as follows.

<u>Terms and Conditions</u>[*]

1. <u>Grant of Performance Share Units</u>.

(a) Subject to the terms and conditions of this Agreement, the Company has granted to the Employee the number of Performance Share Units specified at the beginning of this Agreement (collectively the "Performance Share Units," and each a "Performance Share Unit.") Each Performance Share Unit represents the right to receive a Share and dividend equivalent amounts corresponding to the Share, subject to the terms and conditions of this Agreement and the Plan.

(b) The Performance Share Units granted to the Employee shall be credited to an account in the Employee's name. This account shall be a record of book-keeping entries only and shall be utilized solely as a device for the measurement and determination of the number of Shares to be granted to or in respect of the Employee pursuant to this Agreement.

2. <u>Vesting</u>. Except as provided in Section 4, the Performance Share Units will vest at the time that the Committee certifies the number of Performance Share Units that are earned and such earned Performance Share Units are settled in accordance with Section 5.

3. <u>Earned Performance Share Units</u>. If the Employee remains continuously employed (including during the continuance of any leave of absence as approved by the Company or an Affiliate) by the Company or an Affiliate through the date of vesting as provided in Section 2, the Employee shall earn the number of Performance Share Units determined by taking the sum of the percentages earned in the tables shown in Section 3(a) and 3(b) below, and multiplying the sum percentage times the target number of Performance Share Units specified at the beginning of this Agreement.

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

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

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

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

(b) The number of the Performance Share Units that will be earned pursuant to this Section 3(b) will be determined by reference to the Company's Average Adjusted Return on Equity as provided in the table below:

Company Average Adjusted Return on Equity	**% of Performance Share Units Earned**
Below 9.4%	0%
9.4% (threshold)	25%
14.4% (target)	50%
16.4% or greater (maximum)	75%

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

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

(i) "Adjusted Earnings" is equal to the net income attributable to the Company as set forth in the Company's published fiscal year-end financial disclosures, as adjusted to exclude (1) revenues and expenses related to non-controlling interests; (2) amortization of intangible assets related to acquisitions; (3) compensation and non-compensation expenses for acquisition-related agreements; (4) restructuring and acquisition integration costs; (5) losses related to the impairment of goodwill and other intangible assets; (6) adjustments resulting from a change in an existing, or application of a new, accounting principle that is not applied on a fully retroactive basis; and (7) other expenses, losses, income or gains that are separately disclosed and are unusual in nature or infrequent in occurrence (collectively, items #1 through #7 are the "Adjustment Items"). In each case, each Adjustment Item that is applied to determine the Adjusted Earnings shall be adjusted for any tax benefit associated with the Adjustment Item as reported in the net income attributable to the Company. The Committee may exercise discretion to not make adjustment for one or more Adjustment Items, or any amount of an Adjustment Item, when determining Adjusted Earnings, but only if the exercise of discretion reduces amounts payable under this award.

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

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

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

(v) "Beginning Price" with respect to a company means the average closing price of a share of common stock of such company as reported by such company's primary national securities market or exchange at the end of each trading day during the 60 calendar days immediately prior to the first day of the Performance Period.

(vi) "Dividends" with respect to a company means the per share amount of each cash or stock dividend paid by such company with respect to its common stock during the Performance Period. All such dividends will be deemed to be reinvested in such company's common stock for purposes of calculating Total Shareholder Return hereunder.

(vii) "End Price" with respect to a company means the average closing price of a share of common stock of such company as reported by such company's primary national securities market or exchange at the end of each trading day during the last 60 calendar days of the Performance Period.

(viii) "Peer Group" means companies identified on Appendix A attached hereto. If, after the date of this Agreement and prior to the end of the Performance Period (A) a member of the Peer Group is acquired by a company not included in the Peer Group, then the acquired company will be removed from the Peer Group effective as of the beginning of the Performance Period; (B)a member of the Peer Group is acquired by a company that is included in the Peer Group, then the acquired company will be removed from the Peer Group effective as of the beginning of the Performance Period and the acquiring company (or its successor, by merger or otherwise) will remain a member of the Peer Group subject to the other terms of this Section 3(c)(iv); and (C) any member of the Peer Group ceases continuing operations or ceases to be traded on a national securities market or exchange (other than in connection with an acquisition of such company), then such company will continue to be a member of the Peer Group and the End Price for such company will be deemed to be zero.

(ix) "Performance Period" means the 36-month period beginning on January 1, 2020 and ending on December 31, 2022.

(x) "Total Shareholder Return" with respect to a company means ((End Price + Dividends) - Beginning Price) / Beginning Price.

(xi) The Beginning Price, End Price and amount of Dividends for the Company and each company that is part of the Peer Group shall be adjusted by the Committee to account for any change in capitalization such as a stock split or a corporate transaction (such as any merger, consolidation, separation, including a spin-off, or other distribution of stock or property of such company (including any extraordinary cash or stock dividend)) in the Committee's sole discretion.

(d) Notwithstanding the foregoing, if the Employee's employment with the Company or an Affiliate terminates because of the Employee's death or long-term disability (as defined in the Company's long-term disability plan, as the same may be amended hereafter, a "Disability"), then the number of Performance Share Units that will be earned will equal the number of Performance Share Units that would otherwise be earned pursuant to Sections 3(a) and 3(b) but for the Employee's termination.

(e) Notwithstanding the foregoing, if the Employee's employment by the Company or an Affiliate terminates as a result of a Severance Event (as defined in the Company's Severance Plan, as the same may be amended hereafter, and as determined in the sole discretion of the Company), then the number of Performance Share Units that will be earned will equal (i) the number of Performance Share Units that would otherwise be earned pursuant to Sections 3(a) and 3(b) but for the Employee's termination multiplied by (ii) a fraction, (x) the numerator of which is the number of days during the Performance Period up to and including the date of termination of the Employee's employment with the Company or an Affiliate and (y) the denominator of which is the total number of days in the Performance Period (the "Pro Rata Vesting Portion").

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

If the Employee signs a Post-Termination Agreement, and thereafter complies with the Employee's obligations under such Post-Termination Agreement, including the obligation to refrain from engaging in any Restricted Activities (as defined below) for the duration of the Performance Period, and the Employee signs and does not rescind the general release as described above, then the unvested Performance Share Units shall not be forfeited, but rather, the Employee shall continue to have the opportunity to earn the number of Performance Share Units that would otherwise be earned pursuant to Sections 3(a) and 3(b) but for the Employee's Retirement provided that the Employee continuously refrains from engaging in all Restricted Activities for the duration of the remaining Performance Period.

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

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

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

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

(i) The Performance Share Units that are earned pursuant to this Section 3 will be determined by the Committee's certification of attainment of the applicable Performance Goal hereunder as provided in Section 5.

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

(a) If the Change in Control occurs within the first fiscal year of the Performance Period, the Employee shall be entitled to receive Shares of Restricted Stock (each a "Restricted Share" and collectively the "Restricted Shares"), under the Agreement based on, and assuming that, performance would have been achieved at the target level. Accordingly, the target number of Performance Share Units automatically will become an equal number of Restricted Shares (and no additional Performance Share Units shall be eligible to vest under this Agreement), and, on the closing date of the Change in Control, the Company will cause its transfer agent to make a book entry in the transfer agent's records in the name of the Employee (unless the Employee requests a certificate evidencing the Restricted Shares).

(b) If the Change in Control occurs within the second or third fiscal year of the Performance Period, the Employee shall be entitled to receive Restricted Shares based on performance achieved as if the Change in Control were the last day of the Performance Period. For purposes of determining Adjusted Return on Equity for the fiscal year in which the Change in Control occurs, net income and the average of the total common shareholders' equity as set forth in the Company's published quarterly financials for the fiscal quarter ending immediately prior to the date of the Change in Control shall be used. Accordingly, the number of Performance Share Units determined to have been earned under this paragraph shall automatically become an equal number of Restricted Shares (and no additional Performance Share Units shall be eligible to vest under this Agreement), and, on the closing date of the Change in Control, the Company will cause its transfer agent to make a book entry in the transfer agent's records in the name of the Employee (unless the Employee requests a certificate evidencing the Restricted Shares).

(c) The Employee shall have all of the rights of a shareholder with respect to the Restricted Shares. All restrictions provided for in this Section 4 will apply to each Restricted Share and to any other securities distributed with respect to that Restricted Share. Each Restricted Share will remain restricted and subject to forfeiture to the Company unless and until that Restricted Share has vested in the Employee in accordance this Section 4. Each book entry (or stock certificate if requested by the Employee) evidencing any Restricted Share may contain such notations or legends and stock transfer instructions or limitations as may be determined or authorized by the Company in its sole discretion. If a certificate evidencing any Restricted Share is requested by the Employee, the Company may, in its sole discretion, retain custody of any such certificate throughout the period during which any restrictions are in effect and require, as a condition to issuing any such certificate, that the Employee tender to the Company a stock power duly executed in blank relating to such custody. The Company will not be required (i) to transfer on its books any Restricted Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of the Restricted Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom the Restricted Shares shall have been so transferred.

(d) Provided the Employee remains continuously employed (including during the continuance of any leave of absence as approved by the Company or an Affiliate) by the Company or an Affiliate after the closing of the Change in Control through the end of the Performance Period, all unvested Restricted Shares as of the last day of the Performance Period will vest on such date.

(e) If the Employee's employment with the Company or an Affiliate is terminated after the closing of the Change in Control and prior to the end of the Performance Period (i) by the Company or an Affiliate without Cause, (ii) by the Employee for Good Reason, or (iii) in connection with the Employee's death or Disability, all unvested Restricted Shares will vest on the date of termination of the Employee's employment with the Company or an Affiliate.

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

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

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

(h) If the Change in Control is a Corporate Transaction, the Company shall arrange for the surviving entity or acquiring entity (or the surviving or acquiring entity's parent company) to assume or continue the Award evidenced hereby or to substitute a similar award for the Award evidenced hereby, in each case as determined by the Committee in its sole discretion.

(i) For purposes of this Agreement,

(i) "Good Reason" means (1)a material diminution of the Employee's duties; (2) a significant, adverse reduction in the Employee's title; or (3) any relocation of the Employee's principal place of business to a location more than a 30 mile radius from its current location; and

(ii) "Cause" means (1) the Employee's continued failure to substantially perform his or her duties with the Company or an Affiliate after written demand for substantial performance is delivered to the Employee; (2) the Employee's conviction of a crime (including a misdemeanor) that, in the Company's determination, impairs the Employee's ability to perform his or her duties with the Company or an Affiliate, (3) the Employee's violation of any policy of the Company or an Affiliate that the Company deems material; (4) the Employee's violation of any securities law, rule or regulation that the Company deems material; (5) the Employee's engagement in conduct that, in the Company's determination, exposes the Company or an Affiliate to civil or regulatory liability or injury to their reputations; (6) the Employee's engagement in conduct that would subject the Employee to statutory disqualification pursuant to Section 15(b) of the Exchange Act and the regulations promulgated thereunder; or (7) the Employee's gross or willful misconduct, as determined by the Company.

5. <u>Settlement</u>.

(a) Following the end of the Performance Period, the Committee shall certify the Total Shareholder Return and the Average Adjusted Return on Equity of the Company and the number of Performance Share Units (if any) that are earned pursuant to the terms and conditions hereof, and the Company shall cause to be issued to the Employee, or to the Employee's designated beneficiary or estate in the event of the Employee's death, one Share in payment and settlement of each earned Performance Share Unit. Such Shares shall be issued on or before the 15th day of the third calendar month after the month in which the last date of the Performance Period occurs, and the Employee shall have no power to affect the timing of such issuance. Such issuance shall be evidenced by a stock certificate or appropriate entry on the books of the Company or a duly authorized transfer agent of the Company, shall be subject to the tax withholding provisions of Section 8, and shall be in complete settlement and satisfaction of such vested Performance Share Units. Notwithstanding the foregoing, if the ownership of or issuance of Shares to the Employee as provided herein is not feasible due to applicable exchange controls, securities or tax laws or other provisions of applicable law, as determined by the Committee in its sole discretion the Employee or the Employee's legal representative shall receive cash proceeds in an amount equal to the Fair Market Value (as of the date the applicable Performance Share Units are vested) of the Shares otherwise issuable to the Employee or the Employee's legal representative, net of any amount required to satisfy withholding tax obligations as provided in Section 8.

(b) Upon the vesting of any Restricted Shares, such vested Restricted Shares will no longer be subject to forfeiture as provided in Section 6 and the Company will, or will cause its transfer agent to, remove all notations and legends and revoke all stock transfer instructions from the book entry or stock certificate evidencing the Restricted Shares so vested as may have been made or given as a result of the terms of this Agreement, and the Company will deliver to the Employee, or the Employee's designated beneficiary or estate in the event of the Employee's death, all certificates (or replacement certificates removing all legends contemplated hereby) in the Company's custody relating to the Restricted Shares.

(c) Notwithstanding the foregoing, if the common equity of the surviving entity or acquiring entity (or the surviving or acquiring entity's parent company) in any Corporate Transaction is not listed or quoted on an established securities market at the time of vesting of any Restricted Shares, the Company will deliver to the Employee or the Employee's designated beneficiary or estate in the event of the Employee's death, in lieu of shares of capital stock not subject to restrictions pursuant hereto, cash in an amount equal to the Fair Market Value (as of the date of closing of the Corporate Transaction) of the Restricted Shares vested pursuant to the terms hereof, net of any amount required to satisfy withholding tax obligations as provided in Section 8.

6. Forfeiture. If (i) the Employee attempts to pledge, encumber, assign, transfer or otherwise dispose of any of the Performance Share Units or, prior to vesting, any Restricted Shares without the Committee's prior written consent or other than by will or by the laws of descent and distribution, or if the Performance Share Units or Restricted Shares become subject to attachment or any similar involuntary process in violation of this Agreement; (ii) the Employee breaches any of the restrictive covenants provided by Section 9; or (iii) the Employee's employment with the Company or an Affiliate is terminated (1) by the Company for Cause; or (2) under any other circumstance other than (A) due to the Employee's death or Disability, or (b) by the Employee for Good Reason following a Change in Control, and the Employee does not enter into the Post-Termination Agreement or fails to comply with the terms and conditions of the Post-Termination Agreement, including execution of a general release of all claims against the Company and any designated Affiliates and their respective agents, on a form provided by the Company for this purpose and within the timeframe designated by the Company, that becomes effective and enforceable, then any Performance Share Units or Restricted Shares (as applicable) that have not previously vested automatically will be forfeited by the Employee. Any Performance Share Units or Restricted Shares that are unvested as of the last day of the Performance Period also shall be forfeited.

7. Stockholder Rights. The Performance Share Units do not entitle the Employee to any rights of a stockholder of the Company. Notwithstanding the foregoing, the Employee shall accumulate an unvested right to payment of cash dividend equivalents on the Shares underlying Performance Share Units with respect to any cash dividends paid on the Shares that have a record date on or after the Date of Issuance. Such dividend equivalents will be in an amount of cash per Performance Share Unit equal to the cash dividend paid with respect to one Share. The Employee shall be entitled solely to payment of accumulated dividend equivalents with respect to the number of Performance Share Units equal to the number of Shares (or Restricted Shares) ultimately issued to the Employee pursuant to this Agreement. Dividend equivalents will be paid to the Employee as soon as administratively posible following the date that the Shares (or Restricted Shares) are issued to the Employee. The Employee shall not be entitled to dividend equivalents with respect to dividends with a record date prior to the Date of Issuance. All dividend equivalents accumulated with respect to forfeited Performance Share Units shall also be irrevocably forfeited.

As of the date of issuance of Shares (or Restricted Shares) underlying Performance Share Units, the Employee shall have all of the rights of a stockholder of the Company with respect to any Shares (or Restricted Shares) issued pursuant hereto, except as otherwise specifically provided in this Agreement. The Employee's rights with respect to the Performance Share Units and Restricted Shares shall remain forfeitable at all times by the Employee until satisfaction of the vesting conditions set forth herein.

8. Tax Withholding. The parties hereto recognize that the Company or an Affiliate may be obligated to withhold federal and state taxes or other taxes upon the vesting of the Performance Share Units or Restricted Stock or, in the event that the Employee elects under Code Section 83(b) to report the receipt of the Restricted Shares as income in the year of receipt, upon the Employee's receipt of the Restricted Shares, and upon the payment of any cash relating to earned dividend equivalents at the time of issuance. The Employee agrees that, at such time, if the Company or an Affiliate is required to withhold such taxes, the Employee will promptly pay, in cash upon demand (or in any other manner permitted by the Committee in accordance with the terms of the Plan), to the Company or an Affiliate such amounts as shall be necessary to satisfy such obligation, and the issuance of Shares in connection with the vesting of any Performance Share Units shall be conditioned upon the prior payment by the Employee, or the establishment of arrangements satisfactory to the Committee for the payment by the Employee, of such obligation. The Employee further acknowledges that the Company has directed the Employee to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which the Employee may reside, and the tax consequences of the Employee's death.

9. Restricted Activities. In consideration of the grant of this award, the Employee agrees to comply with and be bound by the following restrictive covenants (each a "Restricted Activity" and together the "Restricted Activities"):

(a) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, except in connection with the performance of the Employee's job duties for the benefit of the Company, use, disclose or misappropriate any Company-Confidential Information (as defined below) unless the Company or an Affiliate consents otherwise in writing. "Company-Confidential Information" shall have the same meaning as provided in the Company's Code of Ethics and Business Conduct, and shall include without limitation any confidential, secret or proprietary knowledge or information of the

Company or an Affiliate that the Employee has acquired or become acquainted with during the Employee's employment with the Company or an Affiliate. For the avoidance of doubt, nothing in this paragraph or any other provision of this Agreement precludes you from reporting to the Company's management or directors or to the government, a regulator, or a self-regulatory agency conduct that you believe to be in violation of the law, or responding truthfully to questions or requests from the government, a regulator, a self-regulatory agency, or in a court of law.

(b) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee or any other person (including but not limited to any Talent Competitor (as defined below)), solicit, induce or encourage any person then employed, or employed within the 180-day period preceding the Employee's termination, by the Company or an Affiliate to terminate or otherwise modify their employment relationship with the Company;

(c) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, on behalf of the Employee or any other person (including but not limited to any Talent Competitor (as defined below)), hire, retain or employ in any capacity any person then employed, or employed within the 180-day period preceding the Employee's termination, by the Company or an Affiliate;

(d) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee or any other person (including but not limited to any Talent Competitor), solicit any customer, client or account of the Company or an Affiliate, or otherwise seek to divert any customer, client or account of the Company or an Affiliate away from engaging in business with the Company or an Affiliate. For purposes of this subparagraph, "customer, client or account" shall include the following: then-current customers, clients, or accounts of the Company or an Affiliate; any customers, clients or accounts that had been represented by or had a business relationship with the Company or an Affiliate within the 365-day period preceding the Employee's termination; and any individual, company or other form of legal entity that had been solicited or pitched for business by the Company or an Affiliate within the 365-day period preceding the Employee's termination, if the Employee was involved in any capacity in the solicitation or pitch;

(e) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, without the prior written consent of the Company or an Affiliate, (x) become a director, officer, employee, partner, consultant or independent contractor of, or otherwise work or provide services for, a Talent Competitor doing business in the same geographic or market area(s) in which the Company or an Affiliate is also doing business, or (y) acquire any material ownership or similar financial interest in any such Talent Competitor;

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

(g) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, fail to cooperate fully with and provide full and accurate information to the Company and its counsel with respect to any matter (including any audit, tax proceeding, litigation, investigation or governmental proceeding) with respect to which the Employee may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by the Employee.

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

For purposes of this Section 9, a "Talent Competitor" means any corporation, partnership, limited liability company or other business association, organization or entity that engages in the investment banking, securities brokerage or investment management business, including, but not limited to, investment banks, sell-side broker dealers, mergers and acquisitions or strategic advisory firms, merchant banks, hedge funds, private equity firms, venture capital firms, asset managers and investment advisory firms.

10. **Interpretation of This Agreement**. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive upon the Company and the Employee. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern (including, for avoidance of doubt, any provisions under the Plan imposing limitations on the number of Performance Share Units that may be awarded under this Agreement).

11. **Not Part of Employment Contract; Discontinuance of Employment**. The Employee acknowledges that this Agreement awards performance share units to the Employee, but does not impose any obligation on the Company to make any future grants or issue any future Awards to the Employee or otherwise continue the participation of the Employee under the Plan. This Agreement does not constitute a contract of employment, shall not give the Employee a right to continued employment with the Company or any Affiliate, and the Company or Affiliate employing the Employee may terminate his or her employment and otherwise deal with the Employee without regard to the effect it may have upon him or her under this Agreement.

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

13. **Choice of Law**. This Agreement is entered into under the laws of the State of Delaware and shall be construed and interpreted thereunder (without regard to its conflict-of-law principles).

14. **Entire Agreement**. This Agreement and the Plan set forth the entire agreement and understanding of the parties hereto with respect to the issuance of the Performance Share Units or Restricted Shares in lieu thereof and the administration of the Plan and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance of the Performance Share Units, Restricted Shares in lieu thereof and the administration of the Plan.

15. **Securities Law Compliance**. No Shares shall be delivered upon the vesting and settlement of any Performance Share Units unless and until the Company and/or the Employee shall have complied with all applicable federal, state or foreign registration, listing and/or qualification requirements and all other requirements of law or of any regulatory agencies having jurisdiction, unless the Committee has received evidence satisfactory to it that the Employee may acquire such shares pursuant to an exemption from registration under the applicable securities laws. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company reserves the right to legend any Share certificate or book entry, conditioning sales of such Shares upon compliance with applicable federal and state securities laws and regulations.

16. **Potential Clawback**. This Award and any compensation associated therewith is subject to the Company's Incentive Compensation Recovery Policy and may be made subject to forfeiture, recovery by the Company or other action pursuant to any compensation recovery policy adopted by the Board or the Committee at any time, including any amendment to the Company's Incentive Compensation Recovery Policy in effect as of the date hereof or in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder, or as otherwise required by law. This Agreement may be unilaterally amended by the Committee at any time to comply with any such compensation recovery policy.

17. **Amendment and Waiver**. Except as provided in this Agreement or in the Plan, this Agreement may be amended, waived, modified, or canceled only by a written instrument executed by the parties or, in the case of a waiver, by the party waiving compliance.

18. **Acknowledgment of Receipt of Copy**. By execution hereof, the Employee acknowledges having received a copy of the prospectus related to the Plan and instructions on how to access a copy of the Plan.

IN WITNESS WHEREOF, the Employee and the Company have executed this Agreement as of the date of issuance specified at the beginning of this Agreement.

EMPLOYEE

Printed name:

PIPER SANDLER COMPANIES

By
Its

Appendix A

List of companies within the Russell 3000 with the Investment Banking GICS code as of February 7, 2020 (excluding Piper Sandler Companies):

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

PIPER SANDLER COMPANIES
2020 Compensation and Benefits for Non-Employee Directors

	Amount	*Objective*	*Time and Terms of Payment*
Annual Cash Retainer	$70,000	Consideration for Board and committee service for the current calendar year	Paid quarterly in arrears. For any director joining or leaving the Board during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter.
Additional Annual Retainer for Lead Director, Committee Chairpersons	$30,000 cash -Lead Director $25,000 cash -Audit $15,000 cash -Compensation $15,000 cash -Nominating and Governance	Consideration for service as lead director or committee chairperson for the current calendar year	Paid quarterly in arrears. For any director gaining (or resigning) a lead director or committee chairperson position during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter.
Additional Annual Cash Retainer for Committee Members	$10,000-Audit $5,000-Compensation $5,000-Nominating and Governance	Consideration for service as committee member for the current calendar year	Paid quarterly in arrears. For any director joining or leaving a committee during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter.
Additional Cash Fee for Non-Member Attendance at Committee Meetings	$1,000 per meeting (Maximum annual non-member attendance fees being: $10,000 - Audit $5,000 - Compensation $5,000 - Nominating and Governance)	Consideration for attendance at a meeting of a committee on which the attendee is not a member	Paid on the last business day in December.
Initial Equity Grant	$60,000 (valued as of election date)	Establish PJC equity interest upon initial election to the Board to align director and shareholder interests	Shares of PJC common stock granted on the date of the director's initial election or appointment to the Board.
Annual Equity Grant	$90,000 (valued on the date of the annual meeting of shareholders)	Incentive compensation for continuing service on the Board and enhanced alignment of director and shareholder interests	Shares of PJC common stock granted on the date of the annual meeting of shareholders to any director whose service on the Board will continue following the annual meeting. For directors joining the Board after the annual meeting in any year, an equity award will be granted on the date the director is elected to the Board covering a pro rata number of shares based on the number of days during which the director will serve on the Board during that year.

Deferral Opportunity	All cash and equity received on an annual basis	Increase equity stake by directors	Annual opportunity to participate in the Amended and Restated Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors, permitting deferral into phantom stock units of all or a portion of the director's annual cash compensation for service as a Piper Jaffray Companies director, and deferral of any shares granted in consideration of the director's service as a director. To participate in any year, irrevocable election must be made by December 31 of the preceding year for continuing directors and on the date of initial election or appointment to the Board for new directors. Annual opportunity to change the subsequent year's election. The deferral date for the cash retainer is the date that each quarterly payment would have otherwise been made; the deferral date for the equity grant is the date of the annual meeting of shareholders each year.
Charitable Gift Matching Program	Up to $1,500	Encourage charitable giving	Pursuant to the Piper Jaffray Gift Matching Program, Piper Jaffray will match directors' gifts to eligible organizations dollar for dollar from a minimum of $50 up to an aggregate maximum of $1,500 per year (the same terms and conditions as are applicable to employees).
Reimbursement of Out-of-Pocket Expenses	In addition to the foregoing, non-employee directors will be reimbursed for reasonable out-of-pocket expenses incurred in connection with their service on the Board and Board committees.		

SEVENTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS SEVENTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") made and entered into as of December 13, 2019 (the "Effective Date"), by and between **PIPER JAFFRAY & CO.**, a Delaware corporation ("Borrower") and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association ("Lender"); has reference to the following facts and circumstances (the "Preambles"):

A Borrower and Lender entered into the Amended and Restated Loan Agreement dated as of December 28, 2012 (as amended, the "Agreement", all capitalized terms used and not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Agreement as amended by this Amendment), pursuant to which Borrower executed the Amended and Restated Revolving Credit Note dated December 28, 2012, payable to the order of Lender in the original principal amount of up to $250,000,000 (subsequently decreased to $175,000,000) (as amended, the "Note").

B The Agreement was previously amended as described in the First Amendment to Amended and Restated Loan Agreement dated as of December 28, 2013, the Second Amendment to Amended and Restated Loan Agreement dated as of December 19, 2014, the Third Amendment to Amended and Restated Loan Agreement dated as of December 18, 2015, the Fourth Amendment to Amended and Restated Loan Agreement dated as of December 17, 2016, the Fifth Amendment to Amended and Restated Loan Agreement dated as of December 16, 2017 and the Sixth Amendment to Amended and Restated Loan Agreement dated as of December 14, 2018.

C. Borrower and Lender desire to further amend the Agreement on the terms set forth below.

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

1. Preambles. The Preambles are true and correct, and, with the defined terms set forth herein, are incorporated herein by this reference.

2. Amendments to Agreement. As of the Effective Date, the Agreement is amended as follows:

(a) Recital B on page 1 of the Agreement is deleted and replaced with the following:

B. Borrower and Lender have agreed that the Original Agreement shall be amended, restated and replaced to provide for a revolving credit facility from Lender in the principal amount of up to $125,000,000

(b) The definitions of Facility Amount" and "Termination Date" in Section 1 of the Agreement are deleted and replaced with the following:

Facility Amount shall mean One Hundred Twenty-Five Million Dollars ($125,000,000).

Termination Date shall mean the earlier of December 11, 2020, or the date on which this Agreement is terminated pursuant to Section 12.

(c) Section 18 of the Agreement is deleted and replaced with the following:

18. Anti-Corruption Laws; Sanctions; Anti-Terrorism Laws.

(a) The Borrower, its Subsidiaries and their respective officers and employees and to the knowledge of the Borrower, their directors and agents, are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. The Borrower has implemented and maintain in effect for itself and its Subsidiaries policies and procedures to ensure compliance by the Borrower, its Subsidiaries, and their respective officers, employees, directors, and agents with Anti-Corruption Laws and applicable Sanctions. None of the Borrower, any of its Subsidiaries or, to the knowledge of the Borrower, any directors, officer, employee, agent, or affiliate of the Borrower or any of its Subsidiaries is an individual or entity that is, or is 50% or more owned (individually or in the aggregate, directly or indirectly) or controlled by individuals or entities (including any agency, political subdivision or instrumentality of any government) that are (i) the target of any Sanctions or (ii) located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions (currently Crimea, Cuba, Iran, North Korea and Syria).

(b) The Borrower shall, and shall cause each of its Subsidiaries to, comply with all requirements of law of any Governmental Authority having jurisdiction over it or its business, including, without limitation, all Anti-Corruption Laws and applicable Sanctions, except where the failure to comply would not reasonably be expected to have, either individually or in the aggregate, a material adverse effect. Borrower will not use or allow any tenants or subtenants to use, or permit any Subsidiary to use or allow any tenants or subtenants to use, its Property for any business activity that violates any federal or state law or that supports a business that violates any federal or state law.

(c) Borrower will not request any Advance, and the Borrower will not use, and the Borrower will ensure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Advance in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws. Borrower will not, directly or indirectly, use the proceeds of Advances, or lend, contribute or otherwise make available such proceeds to any Subsidiary, joint venture partner or other Person, (i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is, or whose government is, the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any person participating in the Advances, whether as underwriter, advisor, investor, or otherwise).

(d) Lender hereby notifies the Borrower that pursuant to the requirements of the PATRIOT Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow Lender to identify the Borrower in accordance with the PATRIOT Act.

For purposes of this Agreement:

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to Borrower or its Subsidiaries from time to time concerning or relating to bribery or corruption.

"Governmental Authority" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control, and any successor thereto.

"Person" means any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, limited liability company, corporation, institution, entity, party or Governmental Authority.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Sanctions" means sanctions administered or enforced from time to time by the U.S. government, including those administered by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant sanctions authority.

"Subsidiary" means any Person as to which the Borrower owns, directly or indirectly, at least 50% of the outstanding shares of capital stock or other interests having ordinary voting power for the election of directors, officers, managers, trustees or other controlling Persons or an equivalent controlling interest in Lender's judgment.

(d) The reference to "December 14, 2018" in Exhibit C (Pricing and Fees) to the Agreement is deleted and replaced with "December 13, 2019".

(e) The reference to "Advisory Fee" in Exhibit C (Pricing and Fees) to the Agreement is deleted and replaced with "Work Fee".

3. Amendments to Note. As of the Effective Date, the Note is amended as follows:

(a) The reference at the top of page 1 of the Note to "$175,000,000.00" is deleted and replaced with "$125,000,000.00".

(b) The first paragraph on page 1 of the Note is deleted and replaced with the following:

FOR THE VALUE RECEIVED, the undersigned, **PIPER JAFFRAY & CO.**, a Delaware corporation ("Borrower"), hereby unconditionally promises to pay, to the order of **U.S. BANK NATIONAL ASSOCIATION**, a national banking association ("Lender"), on the Termination Date (as defined in the Amended and Restated Loan Agreement between Lender and Borrower dated of even date herewith, as the same may from time to time be amended [the "Loan Agreement"; all capitalized terms not otherwise defined shall have the meanings ascribed to them in the Loan Agreement]), the principal amount of One Hundred Twenty-Five Million Dollars ($125,000,000) or, if less, the aggregate unpaid principal amount of all Advances made by Lender to Borrower and evidenced by this Amended and Restated Revolving Credit Note (as amended, this "Note"), which amount may be borrowed, paid, re-borrowed and repaid, in whole or in part, subject to the terms of this Note and the Loan Agreement.

4. Costs and Expenses. Borrower hereby agrees to reimburse Lender upon demand for all out-of-pocket costs and expenses (including charges and disbursements of outside counsel to Lender) incurred by Lender in the preparation, negotiation and execution of this Amendment and any and all other agreements, documents, instruments and/or certificates relating to the amendment of the Agreement and the other Credit

Documents. Borrower further agrees to pay or reimburse Lender for (a) any stamp or other taxes (excluding income or gross receipts taxes) which may be payable with respect to the execution, delivery, filing and/or recording of any of the Credit Documents and (b) the cost of any filings and searches, including Uniform Commercial Code filings and searches. All of the obligations of Borrower under this Section 3 shall survive the payment of the Advances and the termination of the Agreement.

5. References. This Amendment is a Credit Document and all references in the Agreement to "this Agreement" and any other references of similar import shall after the effectiveness of this Amendment pursuant to the terms hereof mean the Agreement as amended by this Amendment. All references in the other Credit Documents to "the Loan Agreement" or "the Note" and any other references of similar import shall mean the Agreement and the Note as amended by this Amendment.

6. Full Force and Effect. Except to the extent specifically amended by this Amendment, all of the terms, provisions, conditions, covenants, representations and warranties contained in the Agreement shall be and remain in full force and effect and the same are hereby ratified and confirmed.

7. Continuing Security. The Agreement, as hereby amended, and the Note, are, and shall continue to be, secured by the Collateral Pledge Agreement.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower may not assign, transfer or delegate any of its rights or obligations under the Agreement as amended by this Amendment.

9. Representations and Warranties. Borrower represents and warrants to Lender that as of the Effective Date:

(a) the execution, delivery and performance by Borrower of this Amendment are within the corporate powers of Borrower, have been duly authorized by all necessary corporate action and require no action by or in respect of, consent of or filing or recording with, any governmental or regulatory body, instrumentality, authority, agency or official or any other person or entity;

(b) the execution, delivery and performance by Borrower of this Amendment do not conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under or result in any violation of, the terms of the Certificate of Incorporation or Bylaws of Borrower, any applicable law, rule, regulation, order, writ, judgment or decree of any court or governmental or regulatory body, instrumentality authority, agency or official or any agreement, document or instrument to which Borrower is a party or by which Borrower or any of its property or assets is bound or to which Borrower or any of its property is subject;

(c) this Amendment has been duly executed and delivered by Borrower and constitutes the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) all of the representations and warranties made by Borrower in the Agreement, the Note, the Collateral Pledge Agreement, and the other Credit Documents are true and correct in all material respects on and as of the date of this Amendment as if made on and as of the date of this Amendment;

(e) Borrower is an "exempted borrower" (as defined in Section 221.2 of Federal Reserve Board Regulation U) and Borrower acknowledges that Lender is entering into this Amendment based on Lender's good faith determination that Borrower is an "exempted borrower"; and

(f) Borrower is in compliance with all provisions of the Agreement, the Note, the Collateral Pledge Agreement, and the other Credit Documents.

10. Inconsistency. In the event of any inconsistency or conflict between this Amendment and the Agreement, the terms, provisions and conditions contained in this Amendment shall govern and control.

11. Governing Law. This Amendment shall be governed by and construed in accordance with the substantive laws of the State of Minnesota (without reference to conflict of law principles) but giving effect to Federal laws applicable to national banks.

12. Electronic Imaging. Borrower hereby acknowledges the receipt of a copy of the Agreement, the Note, the Collateral Pledge Agreement, this Amendment and all other Advance Documents. Lender may, on behalf of Borrower, create a microfilm or optical disk or other electronic image of any or all of the Credit Documents. Lender may store the electronic image of any Credit Document in its electronic form and then destroy the paper original as part of Lender's normal business practices, with the electronic image deemed to be an original.

13. Headings. Section or other headings contained in this Amendment are for reference purposes only and shall not in any way affect the meaning or interpretation of this Amendment.

14. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart hereof by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

15. Conditions. Notwithstanding any provision contained in this Amendment to the contrary, this Amendment shall not be effective unless and until Lender shall have received:

(a) this Amendment and the Pricing Letter, duly executed by Borrower;

(b) the fees due and payable on the Effective Date as specified in the Pricing Letter;

(c) the Certificate of Secretary (with Resolutions) dated as of the Effective Date, certified by the Secretary of Borrower;

(d) a certificate of good standing for Borrower issued by the Delaware Secretary of State (or other evidence of good standing acceptable to Lender); and

(e) such other documents and information as reasonably required by Lender.

Borrower and Lender executed this Amendment as of the Effective Date.

[Signature Page Follows]

SIGNATURE PAGE-

SEVENTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

Borrower:

PIPER JAFFRAY & CO.

By: /s/ Kasi V. Subramanian

Name: Kasi V. Subramanian

Title: Treasurer

By: /s/ Timothy L. Carter

Name: Timothy L. Carter

Title: Chief Financial Officer

Lender:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Christopher M. Doering

Name: Christopher M. Doering

Title: Senior Vice President

[U.S. Bank Letterhead]

December 13, 2019

Piper Jaffray & Co.
800 Nicollet Mall, J09SO4
Minneapolis, Minnesota 55402
Attention: Timothy L. Carter, Chief Financial Officer and Kasi V. Subramanian, Treasurer

Re: Amended and Restated Loan Agreement dated as of December 28, 2012, executed by U.S. Bank National Association ("Lender") and Piper Jaffray & Co. ("Borrower"), as amended by the First Amendment to Amended and Restated Loan Agreement dated as of December 28, 2013, the Second Amendment to Amended and Restated Loan Agreement dated as of December 19, 2014, the Third Amendment to Amended and Restated Loan Agreement dated as of December 18, 2015, the Fourth Amendment to Amended and Restated Loan Agreement dated as of December 17, 2016, the Fifth Amendment to Amended and Restated Loan Agreement dated as of December 16, 2017, the Sixth Amendment to Amended and Restated Loan Agreement dated as of December 14, 2018 and the Seventh Amendment to Amended and Restated Loan Agreement dated as of December 13, 2019 (as amended, the "Agreement"; all capitalized terms used and not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Agreement as amended by this letter agreement)

Dear Debbra and Tim:

This letter agreement (this "Pricing Letter") is the Pricing Letter, as defined in the Agreement (and amends, restates and replaces the Pricing Letter dated December 14, 2018). The following terms are defined and incorporated into the Agreement by reference:

Applicable Margin shall mean 1.0%.

Commitment Fee. From and including the date of this Pricing Letter to but excluding the Termination Date, Borrower shall pay a nonrefundable commitment fee on the unused portion of the Facility Amount (determined by subtracting the outstanding principal amount of all Advances from the Facility Amount) at an annual rate of 0.20%. The commitment fee shall be (a) calculated on a daily basis, (b) payable quarterly in arrears on the first day of each calendar quarter prior to the Termination Date and on the Termination Date and (c) calculated on an actual day, 360-day year basis.

Work Fee. Borrower shall pay Lender, in conjunction with the Seventh Amendment to the Agreement, dated as of December 13, 2019 (the "Seventh Amendment"), a work fee in the amount of $156,250.

The payment of the fees set forth above is a condition precedent to the effectiveness of the Seventh Amendment. You agree that, once paid, the fees or any part thereof payable hereunder and under the Agreement shall be fully earned on the date hereof and shall not be refundable under any circumstances. All fees payable hereunder and under the Agreement shall be paid in immediately available funds and shall be in addition to reimbursement of the Lender's out-of-pocket expenses in accordance with the terms of the Agreement.

The Borrower's obligation to pay the foregoing fees will not be subject to counterclaim or setoff for or be otherwise affected by any claim or dispute the undersigned may have against the Lender. It is understood and agreed that this Pricing Letter shall not constitute or give rise to any obligation to provide any financing; such an obligation will arise only to the extent provided in the Agreement. This Pricing Letter may not be amended or waived except by an instrument in writing signed by the Lender and you. This Pricing Letter shall be governed by, and construed in accordance with, the laws of the State of Minnesota. This Pricing Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Pricing Letter by electronic or facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

Please indicate your acceptance of this Pricing Letter by signing in the space indicated below and returning a copy of this letter to the undersigned.

Very Truly Yours,

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Christopher M. Doering

Name: Christopher M. Doering

Title: Senior Vice President

Accepted and agreed to by Borrower as of December 13, 2019:

PIPER JAFFRAY & CO.

By: /s/ Kasi V. Subramanian

Name: Kasi V. Subramanian

Title: Treasurer

By: /s/ Timothy L. Carter

Name: Timothy L. Carter

Title: Chief Financial Officer

Exhibit 10.34

RESTRICTED STOCK AND MUTUAL FUND RESTRICTED SHARE AGREEMENT
(2020 Annual Grant)

Under the

PIPER SANDLER COMPANIES
AMENDED AND RESTATED 2003 ANNUAL AND LONG-TERM INCENTIVE PLAN
AND
MUTUAL FUND RESTRICTED SHARE INVESTMENT PLAN

Notice of Grant

Piper Sandler Companies, a Delaware corporation (the "Company"), hereby grants to the below-named employee of the Company or an Affiliate of the Company (the "Employee") (i) a Restricted Stock Award pursuant to the Company's Amended and Restated 2003 Annual and Long-Term Incentive Plan, as amended from time to time (the "2003 Plan"), and (ii) a Mutual Fund Restricted Share Award (the "MFRS Award") pursuant to the Company's Mutual Fund Restricted Share Investment Plan, as amended from time to time (the "MFRS Plan" and together with the Restricted Stock Plan, the "Plans"). The terms and conditions of the Restricted Stock Award and MFRS Award (collectively, the "Awards") are set forth in this Restricted Stock and Mutual Fund Restricted Share Agreement (the "Agreement"), consisting of this Notice of Grant and the Terms and Conditions on the following pages. This Agreement and the Awards are subject to all of the provisions of the applicable Plans. Any capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plans as they currently exist or as they are amended in the future.

Name of Employee: ________________________

Date of Issuance: _______________, 2020

Restricted Stock Award

No. of Restricted Shares Covered:
Vesting Schedule pursuant to Section 3: The Restricted Shares shall vest ratably over three years on the 16th day of the month (or, if the 16th falls on a weekend or another day on which the New York Stock Exchange is closed, on the immediately preceding business day) in which the first, second, and third anniversaries of the date of issuance occurs.

Mutual Fund Restricted Share Award

Restricted Mutual Fund Shares Covered:*

Vanguard Short-term Government Bond Index Fund	
Dodge & Cox Income Fund	
T. Rowe Price Blue Chip Growth Fund	
Vanguard Extended Market Index Fund	
Vanguard Global Equity Fund	
Vanguard 500 Index	

Vesting Schedule pursuant to Section 3:

The Restricted Mutual Fund Shares shall vest ratably over three years on the 16^{th} day of the month (or, if the 16^{th} falls on a weekend or another day on which the New York Stock Exchange is closed, on the immediately preceding business day) in which the first, second, and third anniversaries of the date of issuance occurs.

* Subject to adjustment in accordance with the terms of this Agreement

IMPORTANT ACKNOWLEDGEMENT: *By signing this Agreement, Employee voluntarily elects to receive and accept the Restricted Stock Award and MFRS Award subject to all of the terms and conditions set forth in this Agreement, and specifically acknowledges and agrees that under certain circumstances, as specified in Section 5(a), the unvested Restricted Shares and Restricted Mutual Fund Shares may cease to vest and be forfeited to the Company. Employee also acknowledges and agrees that such terms and conditions are fair and reasonable under the circumstances.*

EMPLOYEE

PIPER SANDLER COMPANIES

By__________________________________
Its __________________________________

Terms and Conditions

1. **Restricted Shares**.

(a) The Shares subject to the Restricted Stock Award are subject to the restrictions provided for in this Agreement and are referred to collectively as the "Restricted Shares" and each as a "Restricted Share."

(b) The Restricted Shares will be evidenced by a book entry made in the records of the Company's transfer agent in the name of the Employee (unless the Employee requests a certificate evidencing the Restricted Shares). All restrictions provided for in this Agreement will apply to each Restricted Share and to any other securities distributed with respect to that Restricted Share. Any dividends or distributions payable or distributable with respect to or in exchange for outstanding but unvested Restricted Shares shall be held by the Company (or its designated agent) subject to the same restrictions, vesting conditions, and other terms of this Agreement to which the underlying unvested Restricted Shares are subject. At the time the underlying Restricted Shares vest, the Company shall cause to be delivered to the Employee (without interest) the portion of such retained dividends and distributions that relate to the Restricted Shares that have vested. Unless otherwise permitted by the Committee in accordance with the terms of the Plan, the Restricted Shares may not (until such Restricted Shares have vested in the Employee in accordance with all terms and conditions of this Agreement) be assigned or transferred other than by will or the laws of descent and distribution and shall not be subject to pledge, hypothecation, execution, attachment or similar process. Each Restricted Share will remain restricted and subject to forfeiture to the Company unless and until that Restricted Share has vested in the Employee in accordance with all of the terms and conditions of this Agreement and the 2003 Plan. Each book entry (or stock certificate if requested by the Employee) evidencing any Restricted Share may contain such notations or legends and stock transfer instructions or limitations as may be determined or authorized by the Company in its sole discretion. If a certificate evidencing any Restricted Share is requested by the Employee, the Company may, in its sole discretion, retain custody of the certificate throughout the period during which any restrictions are in effect and require, as a condition to issuing a certificate, that the Employee tender to the Company a stock power duly executed in blank relating to such custody.

2. **Restricted Mutual Fund Shares**.

(a) The Restricted Mutual Fund Shares represent Restricted Mutual Fund Shares that have been awarded to the Employee by the Company as well as any additional Restricted Mutual Fund Shares that the Employee has elected to receive in lieu of amounts that would have been otherwise awarded as Restricted Shares, in accordance with the Committee's determination to permit such an election and in the amount so permitted. The Restricted Mutual Fund Shares were to be allocated by the Employee among mutual funds and exchange-traded funds selected by the Company. The deadline for submitting an allocation form for this award cycle has passed and no reallocation among selected mutual funds or exchange-traded funds shall be permitted. The Employee's allocation, and any election to increase the amount of Restricted Mutual Fund Shares received in lieu of amounts that would have been otherwise awarded as Restricted Shares, is irrevocable. If the Employee failed to allocate their Restricted Mutual Fund Shares among the available mutual funds and exchange-traded funds prior to the deadline, the Company's determination of the allocation shall be binding on the Employee, and no reallocation shall be permitted.

(b) All vesting contingencies and restrictions provided for in this Agreement will apply to each Restricted Mutual Fund Share. The Restricted Mutual Fund Shares may not (until such Restricted Mutual Fund Shares have vested in the Employee in accordance with all terms and conditions of this Agreement) be assigned or transferred other than by will or the laws of descent and distribution and shall not be subject to pledge, hypothecation, execution, attachment or similar process. Each Restricted Mutual Fund Share will remain restricted, and its unvested portion subject to forfeiture to the Company, unless and until that Restricted Mutual Fund Share has vested in the Employee in accordance with all of the terms and conditions of this Agreement and the MFRS Plan. The Employee shall execute such pledge or other agreement that the Company may require at any time to perfect such restriction.

3. **Vesting**.

(a) Continuous Employment: So long as the Employee remains continuously employed (including during the continuance of any leave of absence as approved by the Company or an Affiliate) by the Company or an Affiliate, then the Restricted Shares and Restricted Mutual Fund Shares will vest in the numbers and on the dates specified in their respective Vesting Schedules in the Notice of Grant. Except as otherwise provided herein, if and when the Employee's employment with the Company or an Affiliate terminates, whether by the Employee or by the Company (or an Affiliate), voluntarily or involuntarily, for any reason, then, in accordance with Section 5 of this Agreement, the Restricted Shares and Restricted Mutual Fund Shares shall cease vesting, the unvested Restricted Shares and Restricted Mutual Fund Shares as of the termination date shall be forfeited to the Company.

(b) Vesting in Event of Death: If the Employee's employment by the Company or an Affiliate terminates because of the Employee's death, then the unvested Restricted Shares and Restricted Mutual Fund Shares will immediately vest in full.

(c) Vesting in Event of Long-Term Disability: If the Employee's employment by the Company or an Affiliate terminates because of the Employee's long-term disability (as defined in the Company's long-term disability plan, a "Disability"), then the unvested Restricted Shares and Restricted Mutual Fund Shares will continue vesting during the Employee's long-term disability period in accordance with their respective Vesting Schedules set forth in the Notice of Grant. If, however, the Employee recovers from the Disability, and returns to gainful employment with any employer other than the Company or an Affiliate, the Employee's entitlement to the unvested Restricted Shares and Restricted Mutual Fund Shares will be subject to the requirements of subparagraph 3(f) below.

(d) Vesting in Event of Severance Event: If the Employee's employment by the Company or an Affiliate is involuntarily terminated as a result of a Company-determined severance event (i.e., an event specifically designated as a severance event by the Company in a written notice to the Employee that he or she is eligible for severance benefits under the Company's Severance Plan, as may be amended from time to time), then the unvested Restricted Shares and Restricted Mutual Fund Shares will, as set forth in writing in a severance agreement, vest in full upon the expiration of a thirty-day period commencing upon the Employee's execution of a general release of all claims against the Company and its Affiliates, on a form provided by the Company for this purpose and within the timeframe designated by the Company; provided that, no such vesting will occur unless (i) the Employee has not revoked the general release and it remains effective and enforceable upon expiration of the thirty-day period following its execution, and (ii) the Employee has complied with the terms and conditions of the Company's Severance Plan and the applicable severance agreement.

(e) Vesting in Event of For Cause Discharge: If the Employee's employment with the Company or an Affiliate terminates because the Employee was discharged for "Cause" (as that term is defined in subparagraph 5(b)) below, then the unvested Restricted Shares and Restricted Mutual Fund Shares shall cease vesting and be forfeited to the Company.

(f) Vesting in the Event of Any Other Type of Separation: If the Employee's employment with the Company or an Affiliate terminates for any reason other than the Employee's death, Disability, termination in a Company-determined severance event, or for Cause (all as described above), then the unvested Restricted Shares and Restricted Mutual Fund Shares shall cease vesting and be forfeited to the Company; *provided, however*, that at the time of termination, the Company shall offer the Employee an opportunity to (a) sign a Post-Termination Agreement, and (b) execute a general release of all claims against the Company and its Affiliates on a form provided by the Company for this purpose and within the timeframe designated by the Company.

If the Employee signs a Post-Termination Agreement, and thereafter complies with the Employee's obligations under such Post-Termination Agreement, including the obligation to refrain from engaging in any Restricted Activities (as defined below) for the shorter of the remaining vesting period of the unvested Restricted Shares and Restricted Mutual Fund Shares, or the restricted period identified in the Post-Termination Agreement (which may extend beyond the Applicable Post-Employment Restricted Period (as defined below) and be up to two years following the date of termination), and the Employee signs and does not rescind or take any action to revoke the general release as described above in whole or in part, then the unvested Restricted Shares and Restricted Mutual Fund Shares shall not cease to vest and shall not be forfeited, but rather, as set forth in the Post-Termination Agreement, shall continue to vest in the numbers and on the dates specified in their respective Vesting Schedules in the Notice of Grant for so long as the Employee continuously refrains from engaging in all Restricted Activities for the shorter of the remaining vesting period of the unvested Restricted Shares and Restricted Mutual Fund Shares, or the restricted period identified in the Post-Termination Agreement.

(g) Notwithstanding any other provisions of this Agreement to the contrary, the Committee may, in its sole discretion, declare at any time that the unvested Restricted Shares or Restricted Mutual Fund Shares, or any portion of either thereof, shall vest immediately or, to the extent they otherwise would be forfeited, shall vest in the numbers and on such dates as are determined by the Committee to be in the interests of the Company as determined by the Committee in its sole discretion.

4. Effect of Vesting. Upon the vesting of any Restricted Shares or Restricted Mutual Fund Shares, such vested Restricted Shares and Restricted Mutual Fund Shares will no longer be subject to forfeiture; provided, however, that such vested Restricted Shares and Restricted Mutual Fund Shares shall remain subject to potential recovery by the Company pursuant to Section 7 of this Agreement.

5. Forfeiture of Unvested Restricted Shares and Restricted Mutual Fund Shares.

(a) If (i) the Employee attempts to pledge, encumber, assign, transfer or otherwise dispose of any of the Restricted Shares (except as permitted by Section 1(b) of this Agreement) or the Employee's interest in or rights to any of the Restricted

Mutual Fund Shares (except as permitted by Section 2(b) of this Agreement), or the Restricted Shares or Restricted Mutual Fund Shares become subject to attachment or any similar involuntary process in violation of this Agreement, or (ii) the Employee's employment with the Company or an Affiliate (A) is terminated for Cause or (B) terminates under the circumstances covered by Section 3(d) or Section 3(f) (including as Section 3(f) applies with respect to Section 3(c)) of this Agreement and either (1) the conditions or restrictions of such Section, as applicable, are not satisfied or (2) the conditions or restrictions of such Section, as applicable, are satisfied but the Employee subsequently violates any of them, then any Restricted Shares and Restricted Mutual Fund Shares that have not previously vested shall cease to vest and shall be forfeited to the Company immediately, the Employee shall thereafter have no right, title or interest whatsoever in such unvested Restricted Shares and Restricted Mutual Fund Shares, and, if the Company does not have custody of any and all certificates representing Restricted Shares so forfeited, the Employee shall immediately return to the Company any and all certificates representing Restricted Shares so forfeited. Additionally, the Employee will deliver to the Company a stock power duly executed in blank relating to any and all certificates representing such forfeited Restricted Shares to the Company in accordance with the previous sentence or, if such stock power has previously been tendered to the Company, the Company will be authorized to deem such previously tendered stock power delivered, and the Company will be authorized to cancel any and all certificates representing Restricted Shares so forfeited and to cause a book entry to be made in the records of the Company's transfer agent in the name of the Employee (or a new stock certificate to be issued, if requested by the Employee) evidencing any Restricted Shares that vested prior to the forfeiture of unvested Restricted Shares under this Section 5. If the Restricted Shares are evidenced by a book entry made in the records of the Company's transfer agent, then the Company will be authorized to cause such book entry to be adjusted to reflect the number of Restricted Shares so forfeited.

(b) For purposes of this Agreement, "Cause" means (i) the Employee's continued failure to substantially perform his or her duties with the Company or an Affiliate after written demand for substantial performance is delivered to the Employee; the Employee shall be provided thirty (30) days to attempt to remedy the deficiencies identified by the Company or an Affiliate in its written demand; (ii) the Employee's conviction of a felony; (iii) the Employee committing a felony or engaging in other misconduct that the Company determines in its sole discretion impairs the Employee's ability to perform his or her duties with the Company or an Affiliate, and/or results in negative or otherwise adverse publicity for the Company or an Affiliate; (iv) the Employee's violation of any policy of the Company or an Affiliate that the Company, in its sole discretion, deems material; (v) the Employee's violation of any securities law, rule or regulation that the Company, in its sole discretion, deems material; (vi) the Employee's engagement in conduct that, in the Company's sole discretion, exposes the Company or an Affiliate to civil or regulatory liability or injury to its reputation; (vii) the Employee's engagement in conduct that would subject the Employee to statutory disqualification pursuant to Section 15(b) of the Exchange Act and the regulations promulgated thereunder; or (viii) the Employee's gross or willful misconduct that the Company, in its sole discretion, deems material.

6. <u>Restricted Activities</u>. In consideration of the grant of this Award, the Employee agrees to comply with and be bound by the following restrictive covenants (each a "Restricted Activity" and together the "Restricted Activities"):

(a) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, except in connection with the performance of the Employee's job duties for the benefit of the Company, use, disclose or misappropriate any Company-Confidential Information (as defined below) unless the Company or an Affiliate consents otherwise in writing. "Company-Confidential Information" shall have the same meaning as provided in the Company's Code of Ethics and Business Conduct, and shall include without limitation any confidential, secret or proprietary knowledge or information of the Company or an Affiliate that the Employee has acquired or become acquainted with during the Employee's employment with the Company or an Affiliate. For the avoidance of doubt, nothing in this paragraph or any other provision of this Agreement precludes you from reporting to the Company's management or directors or to the government, a regulator, or a self-regulatory agency conduct that you believe to be in violation of the law, or responding truthfully to questions or requests from the government, a regulator, a self-regulatory agency, or in a court of law.

(b) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee or any other person (including but not limited to any Talent Competitor (as defined below)), solicit, induce or encourage any person then employed, or employed within the 180-day period preceding the Employee's termination, by the Company or an Affiliate to terminate or otherwise modify their employment relationship with the Company;

(c) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, on behalf of the Employee or any other person (including but not limited to any Talent Competitor (as defined below)), hire, retain or employ in any capacity any person then employed, or employed within the 180-day period preceding the Employee's termination, by the Company or an Affiliate;

(d) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee or any other person (including but not limited to any Talent Competitor), solicit any customer, client or account of the Company or an Affiliate, or otherwise seek to divert any customer, client or account of the Company or an Affiliate away from engaging in business with the Company or an Affiliate. For purposes of this subparagraph, "customer, client or account" shall include the following: then-current customers, clients, or accounts of the Company or an Affiliate; any customers, clients or accounts that had been represented by or had a business relationship with the Company or an Affiliate within the 365-day period preceding the Employee's termination; and any individual, company or other form of legal entity that had been solicited or pitched for business by the Company or an Affiliate within the 365-day period preceding the Employee's termination, if the Employee was involved in any capacity in the solicitation or pitch;

(e) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, without the prior written consent of the Company or an Affiliate, (x) become a director, officer, employee, partner, consultant or independent contractor of, or otherwise work or provide services for, a Talent Competitor doing business in the same geographic or market area(s) in which the Company or an Affiliate is also doing business, or (y) acquire any material ownership or similar financial interest in any such Talent Competitor;

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

(g) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, fail to cooperate fully with and provide full and accurate information to the Company and its counsel with respect to any matter (including any audit, tax proceeding, litigation, investigation or governmental proceeding) with respect to which the Employee may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by the Employee.

For purposes of this Section 6, the "Applicable Post-Employment Restricted Period" means: (i) with respect to Sections 6(b) and (c), one year following any termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); (ii) with respect to Section 6(d), six months following any termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); and (iii) with respect to Section 6(e), one month following any termination of the Employee's employment initiated and effected by the Company or an Affiliate without Cause, or three months following any other termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); <u>provided</u>, however, that if the Employee voluntarily elects to sign a Post-Termination Agreement with the Company pursuant to Section 3(f), then such Post-Termination Agreement may include one or more restricted periods that are longer than the Applicable Post-Employment Restricted Period with respect to one or more of the Restricted Activities.

For purposes of this Section 6, a "Talent Competitor" means any corporation, partnership, limited liability company or other business association, organization or entity that engages in the investment banking, securities brokerage or investment management business, including, but not limited to, investment banks, sell-side broker dealers, mergers and acquisitions or strategic advisory firms, merchant banks, hedge funds, private equity firms, venture capital firms, asset managers and investment advisory firms.

7. <u>Potential Clawback</u>. The Employee acknowledges that he or she has been provided a copy of the Company's Incentive Compensation Recovery Policy, dated February 4, 2014 (the "Recovery Policy"), and understands, accepts and agrees that this grant in this Agreement of Restricted Shares and Restricted Mutual Fund Shares, and any other outstanding Award he or she may have been granted under the Plans after May 8, 2013 (a "Prior Award") are subject to the terms and conditions of the Recovery Policy as it currently exists and as it may be amended from time to time, which include the potential forfeiture to or recovery by the Company of the Restricted Stock Award or the MFRS Award, any Prior Award, any Shares issued or mutual fund shares vested pursuant to this Agreement or any Prior Award, any proceeds received by the Employee upon the sale of any such Shares or mutual fund shares, and any other compensatory value received by Employee under the Restricted Stock Award, the MFRS Award or any Prior Award under the circumstances and to the extent set forth in the Recovery Policy. This Agreement may be unilaterally amended by the Committee at any time to comply with the Recovery Policy as it may be amended from time to time.

8. <u>Shareholder Rights</u>. As of the date of issuance specified at the beginning of this Agreement, the Employee shall have all of the rights of a shareholder of the Company with respect to the Restricted Shares, and all the rights of a mutual fund shareholder with respect to the Restricted Mutual Fund Shares, except as otherwise specifically provided in this Agreement.

9. <u>Fund Fees and Distributions</u>.

(a) Management fees of the applicable mutual funds for the Restricted Mutual Fund Shares shall be the sole responsibility of the Employee.

(b) If any mutual fund in which the Employee holds an interest distributes dividends, income or earnings with respect to the Restricted Mutual Fund Shares prior to the vesting of such Restricted Mutual Fund Shares, then the following shall apply. In the event of distributions made in cash, such cash distributions shall be reinvested in the mutual fund from which the distribution occurred and the mutual fund shares representing the reinvested amounts shall be considered Restricted Mutual Fund Shares under this Agreement, and shall vest along with the other unvested Restricted Mutual Fund Shares in equal installments over the remaining vesting dates provided in the Vesting Schedule in the Notice of Grant. In the event of in-kind distributions, extraordinary distributions (whether in other securities or other property) or other adjustments, such distributions shall be held in the account of the Employee together with the Restricted Mutual Fund Shares. All Restricted Mutual Fund Shares received via distributions shall also be restricted and shall vest on the dates specified in the applicable Vesting Schedule in the Notice of Grant. For the avoidance of doubt, in the event that any unvested Restricted Mutual Fund Shares are forfeited in accordance with this Agreement, the distributions with respect to any such Restricted Mutual Fund Shares not previously paid out will also be forfeited.

10. Tax Withholding. The parties hereto recognize that the Company or an Affiliate may be obligated to withhold federal and state taxes or other taxes upon the vesting of the Restricted Shares or Restricted Mutual Fund Shares, or, in the event that the Employee elects under Code Section 83(b) to report the receipt of the Restricted Shares or Restricted Mutual Fund Shares as income in the year of receipt, upon the Employee's receipt of the Restricted Shares or Restricted Mutual Fund Shares, respectively. The Employee agrees that, at such time, if the Company or an Affiliate is required to withhold such taxes, the Employee will promptly pay, in cash upon demand (or in any other manner permitted by the Committee in accordance with the terms of the Plans), to the Company or an Affiliate such amounts as shall be necessary to satisfy such obligation. The Employee further acknowledges that the Company has directed the Employee to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which the Employee may reside, and the tax consequences of the Employee's death.

11. Injunctive Relief. In the event of a breach by the Employee of the Employee's obligations under this Agreement, including but not limited to a commission by the Employee of a Restricted Activity as described in Section 6, in addition to being entitled to exercise all rights granted by law, including recovery of damages, the Company will be entitled to specific performance of its rights under this Agreement. The Employee acknowledges that a violation or attempted violation of the obligations set forth herein will cause immediate and irreparable damage to the Company, and therefore agrees that the Company shall be entitled as a matter of right to an injunction, from any court of competent jurisdiction, restraining any violation or further violation of such obligations (without posting any bond or other security).

12. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. The book entry or certificate representing the Restricted Shares shall contain a notation or bear the following legend (as well as any notations or legends required by applicable state and federal corporate and securities laws) noting the existence of the restrictions and the Company's rights to reacquire the Restricted Shares set forth in this Agreement:

> "THE SHARES REPRESENTED BY THIS [BOOK ENTRY] [CERTIFICATE] MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AND MUTUAL FUND RESTRICTED SHARE AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY."

(b) Stop-Transfer Notices. The Employee agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Restricted Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of the Restricted Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom the Restricted Shares shall have been so transferred.

13. Interpretation of This Agreement. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plans shall be binding and conclusive upon the Company and the Employee. If there is any inconsistency between the provisions of this Agreement and the Plans, the provisions of the Plans shall govern.

14. **No Promise of Future Awards or Continued Employment**. The Employee acknowledges that this Agreement awards restricted stock and/or property to the Employee, but does not impose any obligation on the Company to make any future grants or issue any future restricted shares or restricted mutual fund shares to the Employee or otherwise continue the participation of the Employee under either of the Plans. This Agreement shall not give the Employee a right to continued employment with the Company or any Affiliate, and the Company or Affiliate employing the Employee may terminate his or her employment at will, and otherwise deal with the Employee without regard to this Agreement.

15. **Binding Effect**. This Agreement shall be binding in all respects on the heirs, administrators, representatives, executors and successors of the Employee, and on the Company and its successors and assigns.

16. **Agreement to Arbitrate.** The Company and the Employee each agrees (i) that any dispute, claim or controversy arising out of or relating directly or indirectly to the construction, performance or breach of this Agreement (including, without limitation, the grant, issuance or forfeiture of Restricted Shares and Restricted Mutual Fund Shares) shall be settled by arbitration conducted before and in accordance with the rules of the Financial Industry Regulatory Authority; and (ii) that judgment upon any award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Accordingly, the Company and the Employee each waive their right (if any) to a trial before a court judge and/or jury to resolve any such disputes; provided, this Section 16 shall not be construed to limit the Company's right to obtain equitable relief under Section 11 with respect to any matter or controversy subject to Section 11, and pending a final determination by the arbitrators with respect to any such matter or controversy, the Company shall be entitled to obtain any such relief by direct application to state, federal, or other applicable court, without being required to first arbitrate such matter or controversy.

17. **Choice of Law**. The Company is incorporated in the State of Delaware, and by their terms the Plans are governed by the laws of the State of Delaware. Accordingly, this Agreement is entered into under the laws of the State of Delaware and shall be construed and interpreted thereunder (without regard to its conflict-of-law principles).

18. **Modification.** In the event that any one or more of the Restricted Activities described in Section 6 above shall be held to be unenforceable, invalid or illegal for any reason including, but not limited to, being excessively broad as to duration, geographical scope, activity or subject, such restriction shall be construed or modified by limiting and reducing it, so as to provide the Company with the maximum protection of its business interests and the intent of the parties as set forth herein and yet be valid and enforceable under the applicable law as it shall then exist. If any such restriction held to be unenforceable, invalid or illegal cannot be so construed or modified, such finding shall not affect the enforceability of any of the other restrictions contained herein.

19. **Entire Agreement**. This Agreement and the Plans set forth the entire agreement and understanding of the parties hereto with respect to the issuance and sale of the Restricted Shares and Restricted Mutual Fund Shares and the administration of the Plans, and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance and sale of the Restricted Shares and Restricted Mutual Fund Shares and the administration of the Plans.

20. **Amendment and Waiver**. Except as provided in the Plans or in Section 7 above, this Agreement may be amended, modified, or canceled only by a written instrument executed by the parties. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any other act other than that specifically waived.

21. **Acknowledgment of Receipt of Copy**. By execution hereof, the Employee acknowledges having received a copy of the prospectus related to the 2003 Plan and instructions on how to access a copy of each of the Plans.

22. **Acknowledgement of Voluntary Election; Fairness.** By executing this Agreement, the Employee acknowledges his or her voluntary election to receive and accept the Restricted Shares and any Restricted Mutual Fund Shares subject to all of the terms and conditions set forth in this Agreement, and agrees to be bound thereby, including, without limitation, the terms and conditions specifying the circumstances under which the unvested Restricted Shares and Restricted Mutual Fund Shares shall cease to vest and be forfeited. Employee further acknowledges and agrees that such terms and conditions are fair and reasonable in light of the circumstances under which the award of Restricted Shares and any award of Restricted Mutual Fund Shares is being made.

PIPER JAFFRAY COMPANIES

EQUITY CONSIDERATION RESTRICTED STOCK AGREEMENT

(*Relating to the issuance of Piper Jaffray Companies Common Stock under the Merger Agreement as described below*)

Name of Recipient: Jonathan J. Doyle
Number of Shares Covered: 162,155
Vesting Schedule: Subject to the terms of this Agreement (including satisfaction of the vesting conditions), the Restricted Shares covered by this Agreement will vest in Recipient ratably on the first, second, and third anniversaries of the Date of Issuance (*i.e.*, 33% on the first (1st) anniversary, 33% on the second (2nd) anniversary, and 34% on the third (3rd) anniversary).

This is an Equity Consideration Restricted Stock Agreement (this "**Agreement**") between Piper Jaffray Companies, a Delaware corporation (the "**Company**"), and the above-named individual ("**Recipient**"). This Agreement is being entered into by the Company and Recipient pursuant to that certain Agreement and Plans of Merger (the "**Merger Agreement**"), dated July 9, 2019, by and among the Company, SOP Holdings, LLC ("**Sandler**"), and other related entities and persons. Recipient, in Recipient's capacity as a beneficial owner of Class A Units or Class C Units, as applicable, is entitled to receive the Equity Consideration in respect of certain of Recipient's Class A Units or Class C Units, as applicable, pursuant to Section 2.07(c) of the Merger Agreement. The Restricted Shares (as defined below) are being granted to Recipient in satisfaction of the Company's obligations to Recipient under Section 2.07(c) of the Merger Agreement. All capitalized terms used but not defined herein shall be defined as in the Merger Agreement to the extent defined therein.

As used herein, the terms "**Affiliate**," "**Cause**," "**Client**," "**Designated Field**," "**Investment Banking**," "**Good Reason**," and "**Restricted Territory**" shall have the meanings given in Recipient's offer letter outlining the terms of employment with the Company following the Closing.

The Company and Recipient hereby agree as follows:

Terms and Conditions

1. **Issuance of Restricted Shares**

(a) The Merger Agreement provides that "Equity Consideration" consisting of shares of the common stock, par value $0.01 per share, of the Company, will be issued to Recipient as of the Closing Date (the date of such issuance, the "**Date of Issuance**"), upon and subject to the terms and conditions of this Agreement and the Merger Agreement. Any and all of such shares, when and if issued pursuant to the Merger Agreement, shall automatically be subject to the restrictions provided for in this Agreement and are referred to collectively as the "**Restricted Shares**" and each as a "**Restricted Share**." Recipient and the Company acknowledge that (i) this Agreement will be binding immediately upon its execution, but, notwithstanding any provision of this Agreement to the contrary, this Agreement will not be effective or operative until the Date of Issuance (except for Section 3 of this Agreement, which shall be effective immediately), (ii) if the Merger Agreement is terminated prior to the Closing pursuant to its terms, Recipient shall have no right to any Restricted Shares and this Agreement will not become effective and all of the terms and provisions of this Agreement shall be null and void, (iii) the Restricted Shares will not be issued, even if the Closing occurs, if Recipient's employment with Sandler is terminated prior to the Date of Issuance except as provided in the immediately subsequent clause (iv), and (iv) if prior to the Date of Issuance (x) a Senior Managing Principal of Sandler and the Chief Executive Officer of the Company mutually agree to terminate the employment of Recipient effective prior to or on the Closing Date and any such termination was not for Cause or (y) the employment of Recipient is terminated due to death or disability, the Restricted Shares shall be granted on the Date of Issuance and, notwithstanding anything to the contrary in this Agreement, the Restricted Shares shall be fully vested and unrestricted on the Date of Issuance.

(b) The Restricted Shares will be reserved with the Company's transfer agent and records of the grant will be maintained by the Company's long-term incentive plan administrator. All restrictions provided for in this Agreement will apply to each Restricted Share and to any other securities distributed with respect to that Restricted Share. Any dividends or distributions payable or distributable with respect to or in exchange for outstanding but unvested Restricted Shares shall be held by the Company (or its designated agent) for the benefit of Recipient subject to the same restrictions, vesting conditions and other terms of this

Agreement to which the underlying unvested Restricted Shares are subject. At the time any of the underlying Restricted Shares vest, the Company shall cause to be delivered to Recipient (without interest) the portion of such retained dividends and distributions that relate to such vesting Restricted Shares. Unless otherwise expressly permitted by the Company, the Restricted Shares may not (until such Restricted Shares have vested in Recipient in accordance with all terms and conditions of this Agreement) be assigned or transferred other than by will or the laws of descent and distribution and shall not be subject to pledge, hypothecation, execution, attachment or similar process. Each Restricted Share will remain restricted and subject to cancellation unless and until that Restricted Share has vested in Recipient in accordance with all of the terms and conditions of this Agreement. Each book entry (or stock certificate if requested by Recipient) evidencing any Restricted Share shall contain such notations or legends and stock transfer instructions or limitations as specified in Section 9 of this Agreement and as may be determined or authorized by the Company consistent with the terms of this Agreement. If a certificate evidencing any Restricted Share is requested by Recipient prior to vesting of such Restricted Shares, the Company may, in its sole discretion, retain custody of the certificate until vesting and require, as a condition to issuing a certificate prior to vesting, that Recipient tender to the Company a stock power duly executed in blank relating to such custody.

2. **Restrictive Covenants**.

(a) As consideration to the Company for entering into the Merger Agreement and to further ensure that the Company receives the expected benefits of acquiring Sandler, throughout the periods provided below, Recipient agrees to the restrictive covenants set forth below:

(i) If Recipient's employment terminates for any reason, Recipient agrees that Recipient shall not become an employee of, or a consultant to, or otherwise engage (including as a director, partner, agent, or advisor) in any business, enterprise, or activity that competes with the Company or its Affiliates in (A) Investment Banking in the Restricted Territory for a period ending on the first to occur of (1) the fifth (5th) anniversary of the Closing Date and (2) the first (1st) anniversary of the date of Recipient's termination of employment by the Company without Cause (but not your termination with or without Good Reason) and (B) a Designated Field in the Restricted Territory for a period ending on the first to occur of (1) the third (3rd) anniversary of the Closing Date and (2) the first (1st) anniversary of the date of the Recipient's termination of employment by the Company without Cause (but not your termination with or without Good Reason); *provided*, *however*, that notwithstanding anything to the contrary, in the case of a termination of Recipient's employment for Good Reason, if he fails to comply with the foregoing noncompetition covenant after the first (1^{st}) anniversary of his date of termination, the Company's sole remedy for an alleged violation shall be to seek injunctive relief. In all events, the Designated Field noncompete covenant shall terminate on the third (3rd) anniversary of the Closing Date and the Investment Banking noncompete covenant shall terminate on the fifth (5th) anniversary of the Closing Date and shall have no further force and effect. Notwithstanding the foregoing, nothing in this Agreement shall prevent (x) Recipient's ownership of a passive investment interest of no more than five percent (5%) in a publicly traded company, (y) Recipient's management of Recipient's personal investments, including through Recipient's own family office, to the extent that such investments do not compete with the Company or its Affiliates in any Designated Field or Investment Banking in the Restricted Territory or (z) Recipient's engaging in a Designated Field after the third (3rd) anniversary of the Closing Date, including through a business or enterprise that primarily engages in a Designated Field but that also has an investment bank subsidiary or division that provides services in Investment Banking that compete with the Company or its Affiliates, as long as Recipient does not provide services to such subsidiary or division.

(ii) Recipient agrees that during Recipient's employment and for the period ending on the first (1st) to occur of (A) the fifth (5th) anniversary of the Closing Date and (B) the date that is twelve (12) months after the date of Recipient's termination of employment for any reason, Recipient will not, directly or indirectly, solicit or assist in the solicitation of Clients in the Restricted Territory for a firm other than the Company and its Affiliates to provide services comparable to those services provided by the Company. In all events, this covenant shall terminate on the fifth (5th) anniversary of the Closing Date and shall have no further force and effect.

(iii) Recipient agrees that during Recipient's employment and for the twelve (12)-month period following the date of Recipient's termination of employment for any reason, Recipient will not, directly or indirectly, alone or in concert with others, hire or attempt to hire any person who is, on the date of termination of Recipient's employment, an employee, an individual consultant or individual contractor of the Company or who was an employee, individual consultant or individual contractor of the Company or Sandler during the twelve (12)-months prior to the date of Recipient's termination. Recipient also agrees that during this period Recipient will not, directly or indirectly, encourage or induce any employee, individual consultant or individual contractor of the Company to cease providing services to the Company (other than general solicitations not specifically targeted at any such persons). References herein to an "individual consultant" or "individual contractor" shall refer to individuals who provide professional services exclusively to the Company or Sandler for more than a limited period of time.

(b) Recipient hereby voluntarily agrees to accept the terms of the restrictive covenants provided in Section 2(a) of this Agreement (the "**Restrictive Covenants**"), and agrees that such Restrictive Covenants are reasonable and equitable under the circumstances, and reasonable with respect to their scope, duration and geographic area. Recipient acknowledges and agrees that the consideration, including the Restricted Shares, that the Company has offered Recipient in connection with the Mergers is sufficient consideration for Recipient's agreement to these Restrictive Covenants and further acknowledges and agrees that such Restricted Covenants be valid, legal and enforceable.

3. **Representations and Warranties related to the Merger Agreement**

Recipient represents and warrants to the Company, as of the date hereof and as of the Date of Issuance, as follows:

(a) Recipient is acquiring the Restricted Shares for Recipient's own account for investment purposes only and not with a current view to, or for resale in connection with, any "distribution" thereof for purposes of the Securities Act of 1933, as amended (the "**Securities Act**").

(b) Recipient is aware of the provisions of Rule 144 promulgated by the Securities and Exchange Commission (the "**SEC**") under the Securities Act, which, in substance, permits limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of the issuer) in a nonpublic offering subject to the satisfaction of certain conditions.

(c) Recipient understands that the Restricted Shares have not been registered under any state, federal, or other securities laws, nor has any prospectus been filed with respect thereto, and that such shares may not be offered or sold without compliance with applicable securities laws, whether through registration of the offer and sale of such shares, the filing of, and obtaining of a final receipt for, a prospectus in respect of such offer and sale of such shares, or in reliance upon one or more exemptions from registration or prospectus requirements available under applicable securities laws.

(d) Recipient is an "accredited investor" as defined in Rule 501 promulgated under the Securities Act and, if a citizen or resident of any member state of the European Union, a "qualified investor" as defined in the Prospectus Directive.

(e) Recipient has such knowledge and experience in financial, tax, and business matters in general, and investments in securities in particular, that Recipient is capable of evaluating the merits and risks relating to Recipient's acquisition of the Restricted Shares and making an informed investment decision with respect to such acquisition. Recipient has been provided the opportunity to ask questions and receive answers concerning the Company and the transaction in which Restricted Shares are being issued, and to obtain any other information Recipient deems necessary to verify the accuracy of the information provided to Recipient; and has otherwise acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire the Restricted Shares.

(f) Recipient shall immediately notify the Company if any of the representations and warranties in this Section 3 cease to be true and correct in all respects at any time prior to the Date of Issuance.

4. **Vesting**

(a) Generally: Subject to the other provisions of this Section 4 and Section 6 of this Agreement, so long as Recipient remains continuously employed (including during the continuance of any leave of absence as approved by the Company or an Affiliate) by the Company or an Affiliate, then the Restricted Shares will vest as provided for in the Vesting Schedule at the beginning of this Agreement.

(b) Event of Death: If Recipient's employment by the Company or an Affiliate terminates because of Recipient's death, then the unvested Restricted Shares will immediately and automatically vest in full.

(c) Event of Long-Term Disability: If Recipient's employment by the Company or an Affiliate terminates because of Recipient's long-term disability (as defined in the Company's long-term disability plan), then the unvested Restricted Shares will immediately and automatically vest in full.

(d) Termination without Cause or Resignation for Good Reason: Upon a a termination of the Recipient's employment by the Company without Cause or a resignation by the Recipient for Good Reason, the unvested Restricted Shares will vest on the regularly scheduled vesting dates as provided for in the Vesting Schedule at the beginning of this Agreement, subject to

Recipient's continued compliance in all material respects with the Restrictive Covenants through the date of expiration applicable on a termination without Cause (even if such termination is a termination by Recipient for Good Reason).

(e) Termination for Cause or Resignation Without Good Reason: If Recipient's employment with the Company or an Affiliate is terminated by the Company for Cause or is terminated by Recipient without Good Reason, then the unvested Restricted Shares will immediately cease vesting and be cancelled in accordance with Section 6 of this Agreement.

(f) Change in Control: If a Change in Control (as defined in the Piper Jaffray 2003 Annual and Long-Term Incentive Plan, as amended and restated, as in effect on the date hereof, provided, however, that "Change in Control" shall not include an acquisition of beneficial ownership by BlackRock, Inc. or The Vanguard Group, Inc. above the applicable thresholds set forth in Section (i) of such definition) occurs, then the unvested Restricted Shares shall vest in full immediately and automatically upon such Change in Control.

(g) Company Discretion: Notwithstanding any other provision of this Agreement to the contrary, the Company may, in its sole discretion, declare at any time that the unvested Restricted Shares, or any portion thereof, shall vest immediately or, to the extent they otherwise would be cancelled, shall vest in the numbers and on such dates as the Company may determine in its sole discretion.

5. **Effect of Vesting**

Upon the vesting of any Restricted Shares, such vested Restricted Shares will no longer be subject to cancellation or forfeiture (nor will any certificates representing them be subject to return) as provided in Section 6 of this Agreement. Promptly after vesting, the Company will deliver to Recipient the Restricted Shares that have vested, either (a) in a brokerage account held by Recipient in connection with Recipient's employment with the Company, or (b) if Recipient holds no such account, as evidenced by a book entry made in the records of the Company's transfer agent in the name of Recipient with a notice of issuance provided to Recipient (unless Recipient requests a certificate evidencing such shares).

6. **Cancellation of Unvested Restricted Shares; Recourse for Merger Agreement Obligations**

If (a) Recipient attempts to pledge, encumber, assign, transfer or otherwise dispose of any of the Restricted Shares or the Restricted Shares become subject to attachment or any similar involuntary process in violation of this Agreement, in each case prior to vesting and except as permitted by Section 1(b) of this Agreement, (b) Recipient's employment with the Company or an Affiliate terminates for Cause or is terminated by Recipient without Good Reason, or (c) Recipient breaches any of the Restrictive Covenants to the extent applicable following a termination of the Recipient's employment without Cause or a resignation by the Recipient for Good Reason, then, except as provided in Section 2(a)(i), any Restricted Shares that have not previously vested shall cease to vest and shall be cancelled immediately, Recipient shall thereafter have no right, title or interest whatsoever in such unvested Restricted Shares, and, if the Company does not have custody of any and all certificates representing Restricted Shares so cancelled, Recipient shall immediately return to the Company any and all certificates representing Restricted Shares so cancelled.

7. **Stockholder Rights**

As of the Date of Issuance, Recipient shall have all of the rights of a holder the Company's common stock (including voting rights) with respect to the Restricted Shares, except as otherwise specifically provided in this Agreement.

8. **83(b) Election; Tax Treatment**

No later than thirty (30) days following the Date of Issuance, Recipient shall file an election under Section 83(b) of the Code with respect to the Restricted Shares substantially in the form attached hereto as Annex A. The parties agree to treat the Company's acquisition of Holdings Units for tax purposes (a) in the same manner as the transaction described in Revenue Ruling 99-6, Situation 2, and with respect to the Holding Units exchanged for the Restricted Shares in the same manner as Revenue Ruling 2007-49, Situation 3, and the Company agrees that the fair market value of the Holding Units is equal to the fair market value of the Restricted Shares received in exchange therefor, (b) as a sale or disposition of property to which Section 1001 of the Code applies and (c) as "closed," including with respect to the Restricted Shares, which shall not be subject to withholding or reportable as taxable income upon any future vesting event. The Company shall file or cause to be filed all tax returns and issue all reporting forms in a manner consistent with the foregoing treatment and shall not make any inconsistent statement or adjustment on any tax return or during the course of any tax-related matter, or otherwise take any tax position inconsistent with such treatment.

9. **Restrictive Legends and Stop-Transfer Orders**

(a) Legends. The book entry or certificate representing the Restricted Shares shall initially contain a notation or bear the following legends noting the existence of the restrictions and the Company's rights to reacquire the Restricted Shares set forth in this Agreement:

> 1. THE SHARES REPRESENTED BY THIS [BOOK ENTRY] [CERTIFICATE] MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.
>
> 2. THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY FEDERAL, STATE OR OTHER SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, OR ASSIGNED EXCEPT (i) PURSUANT TO REGISTRATIONS THEREOF UNDER SUCH LAWS, OR (ii) IF, IN THE OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY, THE PROPOSED TRANSFER MAY BE EFFECTED IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS WITHOUT SUCH REGISTRATIONS.

On the twelve (12) month anniversary of the Closing Date, the Company shall take all action necessary or advisable (including delivery of customary legal opinions and instruction letters) to cause the legend set forth in the item 2 above to be removed or replaced such that the book entry or certificate representing such Restricted Shares shall no longer contain the legend set forth in item 2 above or any other legend to the effect that such Restricted Shares have not been registered under any federal, state or other securities laws or are subject to limitations on transfer. Upon the date of vesting of the Restricted Shares, the Company shall take all action necessary or advisable to cause the legend set forth in item 1 above to be removed with respect to the applicable vested Restricted Shares such that the book entry or certificate representing such Restricted Shares shall no longer contain the legend set forth in item 1 above or any other legend to the effect that such Restricted Shares are subject to the terms of this Agreement.

(b) Stop-Transfer Notices. Recipient agrees that, to ensure compliance with the restrictions referred to herein, until the occurrence of the twelve (12) month anniversary of the Closing Date and the vesting of the Restricted Shares, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Restricted Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of the Restricted Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom the Restricted Shares shall have been so transferred.

(d) Rule 144 Requirements. For so long as the Company is subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), the Company covenants that it will file all reports required to be filed by it under Section 13 or 15(d) of the Exchange Act. For so long as the Company is not subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, it will, upon the request of Recipient, as promptly as reasonably practicable after the receipt of such a request, take such action as necessary to comply with Rule 144(c)(ii) under the Securities Act, in each case, so as to enable Recipient to sell any vested Restricted Shares pursuant to Rule 144 under the Securities Act, as such Rule may be amended from time to time (or any successor rule).

10. **Binding Effect**

This Agreement shall be binding in all respects on the heirs, administrators, representatives, executors and successors of Recipient, and on the Company and its successors and assigns.

11. **Choice of Law**

This Agreement and the relationship between the parties shall be governed by the laws of the State of Delaware, without giving effect to choice-of-law principles.

12. **WAIVER OF JURY TRIAL**

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY SUIT, ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTACT, TORT, OR

OTHERWISE) ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

13. **Entire Agreement**

This Agreement and the Merger Agreement and the other documents referenced herein or therein together set forth the entire agreement and understanding of the parties hereto with respect to these Restricted Shares and supersede all prior agreements, arrangements, plans, and understandings relating to these Restricted Shares.

14. **Amendment and Waiver**

This Agreement may be amended, modified, or canceled only by a written instrument executed by the parties. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any other act other than that specifically waived.

15. **Fairness**

By executing this Agreement, Recipient agrees to be bound by this Agreement, including, without limitation, the terms and conditions specifying the circumstances under which the Restricted Shares shall cease to vest and shall be cancelled. Recipient further acknowledges and agrees that such terms and conditions are fair and reasonable in light of the circumstances under which the Restricted Shares are being issued.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, Recipient has executed this Agreement as of the date first set forth above.

IMPORTANT ACKNOWLEDGEMENT: *By signing this Agreement, Recipient voluntarily elects to receive and accept the Restricted Shares subject to all of the terms and conditions set forth in this Agreement, and specifically acknowledges and agrees that the Restricted Shares may cease to vest and be cancelled under certain circumstances, as specified in* Section 6 *of this Agreement. Recipient also acknowledges and agrees that such terms and conditions are fair and reasonable under the circumstances.*

RECIPIENT

/s/ Jonathan J. Doyle
Jonathan J. Doyle

IN WITNESS WHEREOF, the Company has executed this Agreement as of the date first set forth above.

PIPER JAFFRAY COMPANIES

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

Exhibit 21.1

SUBSIDIARIES OF PIPER SANDLER COMPANIES
(as of January 31, 2020)

Name*	State or Jurisdiction of Entity
Piper Sandler & Co.	Delaware
Piper Jaffray Foundation	Minnesota
Piper Jaffray EVP, LLC	Delaware
Edgeview Partners, L.P.	Delaware
Piper Sandler European Holdings Co.	Delaware
Piper Sandler Ltd.	United Kingdom
Parallel General Partner Limited	Guernsey
Piper Jaffray Financial, LLC	Delaware
Piper Jaffray Financial Trust Depositor LLC	Delaware
Piper Sandler Financial Products Inc.	Delaware
Piper Sandler Financial Products II Inc.	Delaware
Piper Jaffray Financial Products III Inc.	Delaware
Piper Jaffray Funding LLC	Delaware
Piper Jaffray Lending LLC	Delaware
Piper Jaffray Private Capital Inc.	Delaware
PJC Capital LLC	Delaware
Piper Jaffray Asset Management Inc.	Delaware
Piper Jaffray Investment Group Inc.	Delaware
Piper Jaffray Investment Management LLC	Delaware
PJC Capital Partners LLC	Delaware
Piper Jaffray Senior Living, LLC	Delaware
Piper Jaffray Senior Living Fund I, L.P.	Delaware
PJC Capital Management LLC	Delaware
Piper Sandler Merchant Banking Fund I, L.P.	Delaware
PJC Merchant Banking Partners I, LLC	Delaware
PJC Merchant Banking Partners II, LLC	Delaware
PJC Merchant Banking Partners III, LLC	Delaware
PJC Merchant Banking Partners IV, LLC	Delaware
PJC Capital Management II LLC	Delaware
Piper Sandler Merchant Banking Fund II, L.P.	Delaware
Piper Sandler Finance LLC	Delaware
Piper Sandler Finance I, LLC	Delaware
Piper Sandler Finance II, LLC	Delaware
Piper Sandler Finance III, LLC	Delaware
Piper Sandler Finance IV, LLC	Delaware
Piper Sandler Hong Kong Limited	Hong Kong
Piper Sandler Loan Strategies, LLC	Delaware
SOMF, LLC	Delaware

Exhibit 21.1

Piper Sandler Advisors LLC	Delaware
Piper Sandler Hedging Services, LLC	Delaware

* Indentation indicates the principal parent of each subsidiary.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-111665) of the Company dated December 31, 2003
2. Registration Statement (Form S-8 No. 333-122494) of the Company dated February 2, 2005
3. Registration Statement (Form S-8 No. 333-142699) of the Company dated May 8, 2007
4. Registration Statement (Form S-8 No. 333-150962) of the Company dated May 16, 2008
5. Registration Statement (Form S-8 No. 333-159360) of the Company dated May 20, 2009
6. Registration Statement (Form S-8 No. 333-205229) of the Company dated June 25, 2015
7. Registration Statement (Form S-8 No. 333-228096) of the Company dated October 31, 2018
8. Registration Statement (Form S-8 No. 333-230241) of the Company dated March 13, 2019
9. Registration Statement (Form S-8 No. 333-235311) of the Company dated November 29, 2019

of our reports dated February 28, 2020, with respect to the consolidated financial statements of Piper Sandler Companies ("the Company") and the effectiveness of internal control over financial reporting of the Company, included in this Annual Report (Form 10-K) of the Company for the year ended December 31, 2019.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
February 28, 2020

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Chad R. Abraham, Timothy L. Carter and John W. Geelan, and each of them, his or her true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Piper Sandler Companies (the "Company") for the Company's fiscal year ended December 31, 2019, and any or all amendments to said Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to file the same with such other authorities as necessary, granting unto each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each such attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Dated and effective as of the 28th of February, 2020.

/s/ Chad R. Abraham	/s/ Debbra L. Schoneman
Chad R. Abraham, Chairman and Chief Executive Officer	Debbra L. Schoneman, Director
/s/ Timothy L. Carter	/s/ Thomas S. Schreier Jr.
Timothy L. Carter, Chief Financial Officer	Thomas S. Schreier Jr., Director
/s/ Jonathan J. Doyle	/s/ Sherry M. Smith
Jonathan J. Doyle, Director	Sherry M. Smith, Director
/s/ William R. Fitzgerald	/s/ Philip E. Soran
William R. Fitzgerald, Director	Philip E. Soran, Director
/s/ Victoria M. Holt	/s/ Scott C. Taylor
Victoria M. Holt, Director	Scott C. Taylor, Director
/s/ Addison L. Piper	
Addison L. Piper, Director	

Exhibit 31.1

CERTIFICATIONS

I, Chad R. Abraham, certify that:

1. I have reviewed this annual report on Form 10-K of Piper Sandler Companies;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ Chad R. Abraham
Chad R. Abraham
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Timothy L. Carter, certify that:

1. I have reviewed this annual report on Form 10-K of Piper Sandler Companies;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2020

/s/ Timothy L. Carter

Timothy L. Carter
Chief Financial Officer

Certification Under Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Piper Sandler Companies.

Dated: February 28, 2020

/s/ Chad R. Abraham
Chad R. Abraham
Chairman and Chief Executive Officer

/s/ Timothy L. Carter
Timothy L. Carter
Chief Financial Officer