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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2017

OR

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

For the transition period from ______ to __________

Commission File No. 001-31720

PIPER JAFFRAY 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 1000 Minneapolis, Minnesota	**55402**
(Address of Principal Executive Offices)	*(Zip Code)*

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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	☐	(Do not check if a smaller reporting company)	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 ☑

As of July 26, 2017, the registrant had 15,114,175 shares of Common Stock outstanding.

Piper Jaffray Companies

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. *FINANCIAL STATEMENTS.*

Piper Jaffray Companies

Consolidated Statements of Financial Condition

(Amounts in thousands, except share data)	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Cash and cash equivalents	**$ 26,170**	$ 41,359
Cash and cash equivalents segregated for regulatory purposes	**17,065**	29,015
Receivables:		
Customers	**31,394**	31,917
Brokers, dealers and clearing organizations	**187,435**	212,730
Securities purchased under agreements to resell	**148,892**	159,697
Financial instruments and other inventory positions owned	**530,335**	464,610
Financial instruments and other inventory positions owned and pledged as collateral	**414,156**	594,361
Total financial instruments and other inventory positions owned	**944,491**	1,058,971
Fixed assets (net of accumulated depreciation and amortization of $59,365 and $58,308, respectively)	**24,826**	25,343
Goodwill	**196,218**	196,218
Intangible assets (net of accumulated amortization of $77,661 and $70,017, respectively)	**29,590**	37,234
Investments	**164,161**	168,057
Other assets	**161,091**	164,962
Total assets	**$ 1,931,333**	$ 2,125,503
Liabilities and Shareholders' Equity		
Short-term financing	**$ 330,423**	$ 418,832
Senior notes	**125,000**	175,000
Payables:		
Customers	**28,258**	29,352
Brokers, dealers and clearing organizations	**42,867**	40,842
Securities sold under agreements to repurchase	**10,795**	15,046
Financial instruments and other inventory positions sold, but not yet purchased	**330,317**	299,357
Accrued compensation	**187,823**	288,255
Other liabilities and accrued expenses	**41,111**	42,553
Total liabilities	**1,096,594**	1,309,237
Shareholders' equity:		
Common stock, $0.01 par value:		
Shares authorized: 100,000,000 at June 30, 2017 and December 31, 2016;		
Shares issued: 19,511,708 at June 30, 2017 and 19,535,307 at December 31, 2016;		
Shares outstanding: 12,873,251 at June 30, 2017 and 12,391,970 at December 31, 2016	**195**	195
Additional paid-in capital	**784,160**	788,927
Retained earnings	**281,553**	257,188
Less common stock held in treasury, at cost: 6,638,457 at June 30, 2017 and 7,143,337 shares at December 31, 2016	**(274,729)**	(284,461)
Accumulated other comprehensive loss	**(1,604)**	(2,599)
Total common shareholders' equity	**789,575**	759,250
Noncontrolling interests	**45,164**	57,016
Total shareholders' equity	**834,739**	816,266
Total liabilities and shareholders' equity	**$ 1,931,333**	$ 2,125,503

See Notes to the Consolidated Financial Statements

Piper Jaffray Companies
Consolidated Statements of Operations
(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenues:				
Investment banking	**$ 138,528**	$ 97,414	**$ 270,778**	$ 201,352
Institutional brokerage	**37,074**	48,185	**76,210**	80,234
Asset management	**15,186**	14,595	**31,193**	28,443
Interest	**7,766**	7,922	**15,485**	16,751
Investment income	**5,453**	8,276	**15,828**	9,213
Total revenues	**204,007**	176,392	**409,494**	335,993
Interest expense	**6,262**	5,909	**11,220**	11,954
Net revenues	**197,745**	170,483	**398,274**	324,039
Non-interest expenses:				
Compensation and benefits	**134,314**	117,148	**268,692**	221,584
Outside services	**9,789**	10,184	**20,117**	18,635
Occupancy and equipment	**8,257**	8,850	**16,719**	16,568
Communications	**7,273**	7,294	**14,889**	14,624
Marketing and business development	**8,282**	9,171	**15,829**	16,175
Trade execution and clearance	**1,928**	1,916	**3,739**	3,678
Restructuring and integration costs	**—**	3,433	**—**	10,206
Intangible asset amortization expense	**3,822**	4,094	**7,644**	7,390
Back office conversion costs	**868**	—	**1,734**	—
Other operating expenses	**3,345**	1,884	**6,235**	5,228
Total non-interest expenses	**177,878**	163,974	**355,598**	314,088
Income before income tax expense	**19,867**	6,509	**42,676**	9,951
Income tax expense	**4,906**	1,996	**4,511**	2,252
Net income	**14,961**	4,513	**38,165**	7,699
Net income applicable to noncontrolling interests	**1,388**	2,575	**4,317**	3,324
Net income applicable to Piper Jaffray Companies	**$ 13,573**	$ 1,938	**$ 33,848**	$ 4,375
Net income applicable to Piper Jaffray Companies' common shareholders	**$ 11,522**	$ 1,577	**$ 28,412**	$ 3,685
Earnings per common share				
Basic	**$ 0.89**	$ 0.12	**$ 2.24**	$ 0.28
Diluted	**$ 0.89**	$ 0.12	**$ 2.21**	$ 0.28
Dividends declared per common share	**$ 0.31**	$ —	**$ 0.63**	$ —
Weighted average number of common shares outstanding				
Basic	**12,826**	12,927	**12,711**	13,043
Diluted	**12,937**	12,942	**12,930**	13,056

See Notes to the Consolidated Financial Statements

Piper Jaffray Companies

Consolidated Statements of Comprehensive Income

(Unaudited)

(Amounts in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income	**$ 14,961**	$ 4,513	**$ 38,165**	$ 7,699
Other comprehensive income/(loss), net of tax:				
Foreign currency translation adjustment	**772**	(853)	**995**	(1,256)
Comprehensive income	**15,733**	3,660	**39,160**	6,443
Comprehensive income applicable to noncontrolling interests	**1,388**	2,575	**4,317**	3,324
Comprehensive income applicable to Piper Jaffray Companies	**$ 14,345**	$ 1,085	**$ 34,843**	$ 3,119

See Notes to the Consolidated Financial Statements

Piper Jaffray Companies

Consolidated Statements of Cash Flows

(Unaudited)

(Dollars in thousands)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Operating Activities:		
Net income	**$ 38,165**	$ 7,699
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of fixed assets	**3,486**	3,088
Deferred income taxes	**8,301**	8,184
Stock-based and deferred compensation	**12,881**	25,884
Amortization of intangible assets	**7,644**	7,390
Amortization of forgivable loans	**3,717**	4,567
Decrease/(increase) in operating assets:		
Cash and cash equivalents segregated for regulatory purposes	**11,950**	38,994
Receivables:		
Customers	**520**	(9,071)
Brokers, dealers and clearing organizations	**25,295**	47,311
Securities purchased under agreements to resell	**12,682**	(5,490)
Net financial instruments and other inventory positions owned	**145,440**	(5,425)
Investments	**3,896**	(12,529)
Other assets	**(7,669)**	(15,927)
Increase/(decrease) in operating liabilities:		
Payables:		
Customers	**(1,094)**	10,027
Brokers, dealers and clearing organizations	**2,025**	84,137
Securities sold under agreements to repurchase	**(6,128)**	(6,086)
Accrued compensation	**(86,526)**	(105,857)
Other liabilities and accrued expenses	**(1,405)**	(15,547)
Net cash provided by operating activities	**173,180**	61,349
Investing Activities:		
Business acquisitions, net of cash acquired	**—**	(71,019)
Purchases of fixed assets, net	**(3,034)**	(4,245)
Net cash used in investing activities	**(3,034)**	(75,264)

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Piper Jaffray Companies

Consolidated Statements of Cash Flows – Continued

(Unaudited)

(Dollars in thousands)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Financing Activities:		
Increase/(decrease) in short-term financing	**$ (88,409)**	$ 55,656
Repayment of variable rate senior notes	**(50,000)**	—
Decrease in securities sold under agreements to repurchase	**—**	(5,502)
Payment of cash dividend	**(9,483)**	—
Increase/(decrease) in noncontrolling interests	**(16,169)**	9,178
Repurchase of common stock	**(23,597)**	(62,142)
Reduced tax benefit from stock-based compensation	**—**	(113)
Proceeds from stock option exercises	**1,703**	82
Net cash used in financing activities	**(185,955)**	(2,841)
Currency adjustment:		
Effect of exchange rate changes on cash	**620**	(910)
Net decrease in cash and cash equivalents	**(15,189)**	(17,666)
Cash and cash equivalents at beginning of period	**41,359**	189,910
Cash and cash equivalents at end of period	**$ 26,170**	$ 172,244
Supplemental disclosure of cash flow information –		
Cash paid during the period for:		
Interest	**$ 11,134**	$ 12,361
Income taxes	**$ 7,843**	$ 21,559
Non-cash investing activities –		
Issuance of common stock related to the acquisition of Simmons & Company International:		
25,525 shares for the six months ended June 30, 2016	**$ —**	$ 1,074
Non-cash financing activities –		
Issuance of restricted common stock for annual equity award:		
198,981 shares and 843,889 shares for the six months ended June 30, 2017 and 2016, respectively	**$ 16,187**	$ 35,089

See Notes to the Consolidated Financial Statements

Piper Jaffray Companies

Notes to the Consolidated Financial Statements

(Unaudited)

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Piper Jaffray Companies
Notes to the Consolidated Financial Statements
(Unaudited)

Note 1 *Organization and Basis of Presentation*

Organization

Piper Jaffray Companies is the parent company of Piper Jaffray & Co. ("Piper Jaffray"), a securities broker dealer and investment banking firm; Piper Jaffray Ltd., a firm providing securities brokerage and mergers and acquisitions services in Europe; Advisory Research, Inc. ("ARI"), which provides asset management services to separately managed accounts, closed-end and open-end funds and partnerships; Piper Jaffray Investment Group Inc., which consists of entities providing alternative asset management services; Piper Jaffray Financial Products Inc. and Piper Jaffray Financial Products II Inc., entities that facilitate derivative transactions; and other immaterial subsidiaries. Piper Jaffray Companies and its subsidiaries (collectively, the "Company") operate in two reporting segments: Capital Markets and Asset Management. A summary of the activities of each of the Company's business segments is as follows:

Capital Markets

The Capital Markets segment provides investment banking services and institutional sales, trading and research services. Investment banking services include management of and participation in underwritings, financial advisory services 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, U.S. government agency securities, and merchant banking activities involving equity or debt 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.

Asset Management

The Asset Management segment provides traditional asset management services with product offerings in equity securities and master limited partnerships to institutions and individuals. Revenues are generated in the form of management and performance fees. Revenues are also generated through investments in the partnerships and funds that the Company manages.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission ("SEC"). Pursuant to this guidance, certain information and disclosures have been omitted that are included within complete annual financial statements. Except as disclosed herein, there have been no material changes in the information reported in the financial statements and related disclosures in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

The consolidated financial statements include the accounts of Piper Jaffray 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 Jaffray 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.

Management is required 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 *Accounting Policies and Pronouncements*

Summary of Significant Accounting Policies

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for a full description of the Company's significant accounting policies. Changes to the Company's significant accounting policies are described below.

Stock-Based Compensation

Financial Accounting Standards Board ("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 16 for additional information on the Company's accounting for stock-based compensation.

Adoption of New Accounting Standards

Stock-Based Compensation

In March 2016, the FASB issued Accounting Standard Update ("ASU") No. 2016-09, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"). ASU 2016-09 made targeted amendments to the accounting for share-based payments to employees. It became effective for the Company as of January 1, 2017. There was no impact to the Company's retained earnings upon adoption of ASU 2016-09.

Under ASU 2016-09, the Company recognizes the income tax effects of stock awards in the income statement when the awards vest or are settled. For the six months ended June 30, 2017, this accounting change resulted in the recording of a $8.7 million tax benefit for stock awards vesting during the period. Prior to the adoption of this ASU, this amount would have been recorded directly to additional paid-in capital. In addition, the Company has elected to account for forfeitures of awards with service conditions as they occur. This will result in dividends originally charged against retained earnings for forfeited, unvested stock-based payment awards to be reclassified to compensation expense in the period in which the forfeiture occurs. Furthermore, tax impacts from the vesting of stock-based compensation are presented as an operating activity on the consolidated statements of cash flows on a prospective basis.

Future Adoption of New Applicable Accounting Standards

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-09"), which supersedes current revenue recognition guidance, including most industry-specific guidance. ASU 2014-09, as amended, requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services, and also requires enhanced disclosures.

The Company has identified its revenues and costs that are within the scope of the new guidance, and continues to evaluate their potential impact on the consolidated results of operations and disclosures. The current broker dealer industry treatment of netting deal expenses with investment banking revenues will change under the new guidance. As a result of adopting ASU 2014-09, the Company expects that deal expenses will generally be presented on a gross basis on the consolidated statements of operations, resulting in higher revenues and higher non-compensation expenses. In addition, the Company expects to defer the recognition of performance fees on its merchant banking, energy and senior living alternative asset management funds until such fees are no longer subject to reversal, which will cause a delay in the recognition of these fees as revenue. The Company does not currently anticipate that its current methods of recognizing investment banking revenues will be materially impacted by the new guidance.

Piper Jaffray Companies

Notes to the Consolidated Financial Statements

(Unaudited)

The AICPA industry task forces on broker dealers and asset management, the AICPA's Revenue Recognition Working Group and the AICPA's Financial Reporting Executive Committee (FinREC) continue to issue interpretive guidance on ASU 2014-09. The Company will continue to evaluate the potential impact of this guidance.

The Company will adopt this guidance effective as of January 1, 2018. The two permitted transition methods under ASU 2014-09 are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, under which the cumulative effect of applying the standard would be recognized at the date of initial application. The Company is in the process of determining its method of adoption, which depends, in part, upon the completion of further analysis.

Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities" ("ASU 2016-01"). The amendments in ASU 2016-01 address certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 is effective for annual and interim periods beginning after December 15, 2017. Except for the early application guidance outlined in ASU 2016-01, early adoption is not permitted. The adoption of ASU 2016-01 is not expected to have a material impact on the Company's results of operations or financial position, but may impact the Company's disclosures.

Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize a right-of-use asset and lease liability on the consolidated statements of financial position 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 current U.S. GAAP. ASU 2016-02 is effective for annual and interim periods beginning after December 15, 2018. As of December 31, 2016, the Company had approximately 65 operating leases for office space with aggregate minimum lease commitments of $78.4 million. The Company is evaluating other service contracts which may include embedded leases. Upon adoption of ASU 2016-02, the Company does not expect material changes to the recognition of rent expense in its consolidated statements of operations. The impact of the new guidance on Piper Jaffray's net capital is expected to be minimal.

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 is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company does not expect the adoption of ASU 2016-13 to have a material impact on its consolidated financial statements.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" ("ASU 2016-15"). ASU 2016-15 clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows. The amendments in ASU 2016-15 are effective for annual and interim periods beginning after December 31, 2017 and should be applied retrospectively. Early adoption is permitted. The Company expects that only a limited number of amendments will impact the presentation of its consolidated statements of cash flows.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" ("ASU 2016-18"). Under ASU 2016-18, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statements of cash flows. ASU 2016-18 is effective for annual and interim periods beginning after December 15, 2017 and should be applied retrospectively. Early adoption is permitted.

Goodwill Impairment

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"). ASU 2017-04 eliminates the requirement to calculate the implied fair value of goodwill (i.e., perform a hypothetical purchase price allocation) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. ASU 2017-04 is effective for the Company's annual and any interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and should be applied prospectively. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017.

Note 3 *Acquisition of Simmons & Company International*

On February 26, 2016, the Company completed the acquisition of Simmons & Company International ("Simmons"), an employee-owned investment bank and broker dealer focused on the energy industry. The economic value of the acquisition was approximately $140.0 million.

The Company acquired net assets with a fair value of $119.3 million. As part of the purchase price, the Company issued 1,149,340 restricted shares valued at $48.2 million as equity consideration on the acquisition date. Employees must fulfill service requirements in exchange for the rights to the shares. Compensation expense will be amortized on a straight-line basis over the requisite service period of one or three years (a weighted average service period of 2.7 years). The fair value of the restricted stock was determined using the market price of the Company's common stock on the date of the acquisition.

The Company also entered into acquisition-related compensation arrangements with certain employees of $20.6 million which consisted of cash ($9.0 million) and restricted stock ($11.6 million) for retention purposes. Compensation expense related to these arrangements will be amortized on a straight-line basis over the requisite service period of three years. Additional cash compensation may be available to certain investment banking employees subject to exceeding an investment banking revenue threshold during the three year post-acquisition period to the extent they are employed by the Company at the time of payment. Amounts estimated to be payable related to this performance award plan will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period of three years. As of June 30, 2017, the Company had accrued $7.0 million related to this performance award plan.

The 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 within the Capital Markets segment. The Company recorded $60.7 million of goodwill on its consolidated statements of financial condition, of which $59.4 million is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Simmons.

Identifiable intangible assets purchased by the Company consisted of customer relationships and the Simmons trade name with acquisition-date fair values of $17.5 million and $9.1 million, respectively. Transaction costs of $0.9 million were incurred for the six months ended June 30, 2016, and are included in restructuring and integration costs on the consolidated statements of operations.

Simmons' 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 the acquisition had occurred on January 1, 2015, the beginning of the prior annual period in which the acquisition occurred. Pro forma results have been prepared by adjusting the Company's historical results to include Simmons' 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 such expenses based on the Company's compensation arrangements and the restricted stock issued as equity consideration; and the income tax effect of applying the Company's statutory tax rates to Simmons' results of operations. The Company's 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 period presented, does not contemplate anticipated operational efficiencies of the combined entities, nor does it indicate the results of operations in future periods.

(Dollars in thousands)	Six Months Ended June 30, 2016
Net revenues	$ 331,836
Net income applicable to Piper Jaffray Companies	1,282

Piper Jaffray Companies

Notes to the Consolidated Financial Statements

(Unaudited)

Note 4 *Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased*

(Dollars in thousands)	June 30, 2017	December 31, 2016
Financial instruments and other inventory positions owned:		
Corporate securities:		
Equity securities	**$ 45,412**	$ 6,363
Convertible securities	**71,288**	103,486
Fixed income securities	**44,672**	21,018
Municipal securities:		
Taxable securities	**61,482**	63,090
Tax-exempt securities	**350,756**	559,329
Short-term securities	**52,249**	35,175
Mortgage-backed securities	**4,251**	5,638
U.S. government agency securities	**274,810**	205,685
U.S. government securities	**14,960**	29,970
Derivative contracts	**24,611**	29,217
Total financial instruments and other inventory positions owned	**944,491**	1,058,971
Less noncontrolling interests (1)	**—**	(57,700)
	$ 944,491	$ 1,001,271
Financial instruments and other inventory positions sold, but not yet purchased:		
Corporate securities:		
Equity securities	**$ 98,548**	$ 89,453
Fixed income securities	**23,962**	17,324
U.S. government agency securities	**19,362**	6,723
U.S. government securities	**182,653**	180,650
Derivative contracts	**5,792**	5,207
Total financial instruments and other inventory positions sold, but not yet purchased	**330,317**	299,357
Less noncontrolling interests (2)	**—**	(631)
	$ 330,317	$ 298,726

(1) Noncontrolling interests attributable to third party ownership in a consolidated municipal bond fund consist of $1.3 million of taxable municipal securities, $55.2 million of tax-exempt municipal securities, and $1.2 million of derivative contracts as of December 31, 2016.

(2) Noncontrolling interests attributable to third party ownership in a consolidated municipal bond fund consist of U.S. government securities as of December 31, 2016.

At June 30, 2017 and December 31, 2016, financial instruments and other inventory positions owned in the amount of $414.2 million and $594.4 million, respectively, had been pledged as collateral for short-term financings and repurchase agreements.

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, credit default swap index contracts, U.S. treasury bond futures and exchange traded options.

Derivative Contract Financial Instruments

The Company uses interest rate swaps, interest rate locks, credit default swap index contracts, U.S. treasury bond futures and equity option contracts 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 Offer 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 to hedge interest rate and market value risks associated with its fixed income securities. These instruments use interest rates based upon either the Municipal Market Data ("MMD") index, LIBOR or the SIFMA index. The Company also enters into 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:

	June 30, 2017			December 31, 2016		
(Dollars in thousands) **Derivative Category**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**	**Derivative Assets (1)**	**Derivative Liabilities (2)**	**Notional Amount**
Interest rate						
Customer matched-book	**$ 276,205**	**$ 260,806**	**$ 3,224,655**	$ 288,955	$ 272,819	$ 3,330,207
Trading securities	**383**	**5,831**	**327,850**	13,952	1,707	423,550
Credit default swap index						
Trading securities	**—**	**4,304**	**110,000**	—	127	7,470
	$ 276,588	**$ 270,941**	**$ 3,662,505**	$ 302,907	$ 274,653	$ 3,761,227

(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.

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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)		Three Months Ended June 30,		Six Months Ended June 30,	
Derivative Category	**Operations Category**	**2017**	**2016**	**2017**	**2016**
Interest rate derivative contract	Investment banking	**$ (483)**	$ (880)	**$ (775)**	$ (2,052)
Interest rate derivative contract	Institutional brokerage	**(2,917)**	(9,363)	**(17,655)**	(7,619)
Credit default swap index contract	Institutional brokerage	**(77)**	3,495	**178**	3,884
Futures and equity option derivative contracts	Institutional brokerage	**—**	119	**—**	148
		$ (3,477)	$ (6,629)	**$ (18,252)**	$ (5,639)

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 June 30, 2017, the Company had $20.1 million of uncollateralized credit exposure with these counterparties (notional contract amount of $182.1 million), including $15.5 million of uncollateralized credit exposure with one counterparty.

Note 5 *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 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. Accordingly, these convertible securities are 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. Certain illiquid taxable municipal securities are valued using market data for comparable securities (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.

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 (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. These mortgage-backed securities are categorized as Level II. Other mortgage-backed securities, which are principally collateralized by residential mortgages, have experienced low volumes of executed transactions resulting in less observable transaction data. 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 ranging from 65-539 basis points ("bps") on spreads over U.S. treasury securities, or models based upon prepayment expectations ranging from 0%-30% conditional prepayment rate ("CPR"). 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.

Derivatives – Derivative contracts include interest rate swaps, interest rate locks, credit default swap index contracts, U.S. treasury bond futures and equity option contracts. These instruments derive their value from underlying assets, reference rates, indices or a combination of these factors. The Company's equity option derivative contracts are valued based on quoted prices from the exchange for identical assets or liabilities as of the period-end date. To the extent these contracts are actively traded and valuation adjustments are not applied, they are categorized as Level I. The Company’s credit default swap index contracts are valued using market price quotations and are classified as Level II. 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, investments in registered mutual funds, warrants of public and private companies and private company debt. Investments in registered mutual funds are valued based on quoted prices on active markets and classified as Level I. Company-owned warrants, which have a cashless exercise option, are valued based upon the Black-Scholes option-pricing model and certain unobservable inputs. The Company applies a liquidity discount to the value of its warrants in public and private companies. For warrants in private companies, valuation adjustments, based upon management’s judgment, are made to account for differences between the measured security and the stock volatility factors of comparable companies. Company-owned warrants are reported as Level III assets. 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 $13.2 million and $19.7 million, included within investments on the consolidated statements of financial condition, are accounted for at fair value and are classified as Level III assets at June 30, 2017 and December 31, 2016, respectively. The realized and unrealized net gains from fair value changes included in earnings as a result of electing to apply the fair value option to certain financial assets were $0.7 million and $0.2 million for the six months ended June 30, 2017 and 2016, respectively.

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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 June 30, 2017:

	Valuation Technique	Unobservable Input	Range	Weighted Average
Assets:				
Financial instruments and other inventory positions owned:				
Municipal securities:				
Tax-exempt securities	Discounted cash flow	Expected recovery rate (% of par) (2)	5 - 60%	19.4%
Short-term securities	Discounted cash flow	Expected recovery rate (% of par) (2)	66 - 94%	91.0%
Mortgage-backed securities:				
Collateralized by residential mortgages	Discounted cash flow	Credit default rates (3)	0 - 4%	0.9%
		Prepayment rates (4)	7 - 22%	16.0%
		Loss severity (3)	0 - 100%	30.7%
		Valuation yields (3)	3 - 6%	4.1%
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve (1)	9 - 30 bps	24.0 bps
Investments at fair value:				
Equity securities in private companies	Market approach	Revenue multiple (2)	2 - 5 times	4.4 times
		EBITDA multiple (2)	11 - 15 times	12.7 times
		Gross profit multiple (2)	8 times	8.0 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 (1)	2 - 36 bps	16.2 bps

Sensitivity of the fair value to changes in unobservable inputs:

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

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

(3) Significant changes in any of these inputs in isolation could result in a significantly different fair value. Generally, a change in the assumption used for credit default rates is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally inverse change in the assumption for valuation yields.

(4) The potential impact of changes in prepayment rates on fair value is dependent on other security-specific factors, such as the par value and structure. Changes in the prepayment rates may result in directionally similar or directionally inverse changes in fair value depending on whether the security trades at a premium or discount to the par value.

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The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in FASB Accounting Standards Codification Topic 820, "Fair Value Measurement" ("ASC 820") as of June 30, 2017:

(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	$ 446	$ 44,966	$ —	$ —	$ 45,412
Convertible securities	—	71,288	—	—	71,288
Fixed income securities	—	44,672	—	—	44,672
Municipal securities:					
Taxable securities	—	61,482	—	—	61,482
Tax-exempt securities	—	349,639	1,117	—	350,756
Short-term securities	—	51,528	721	—	52,249
Mortgage-backed securities	—	—	4,251	—	4,251
U.S. government agency securities	—	274,810	—	—	274,810
U.S. government securities	14,960	—	—	—	14,960
Derivative contracts	—	276,205	383	(251,977)	24,611
Total financial instruments and other inventory positions owned	15,406	1,174,590	6,472	(251,977)	944,491
Cash equivalents	1,701	—	—	—	1,701
Investments at fair value	37,461	—	113,885 (2)	—	151,346
Total assets	$ 54,568	$ 1,174,590	$ 120,357	$ (251,977)	$ 1,097,538
Liabilities:					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 98,548	$ —	$ —	$ —	$ 98,548
Fixed income securities	—	23,962	—	—	23,962
U.S. government agency securities	—	19,362	—	—	19,362
U.S. government securities	182,653	—	—	—	182,653
Derivative contracts	—	265,368	5,573	(265,149)	5,792
Total financial instruments and other inventory positions sold, but not yet purchased	$ 281,201	$ 308,692	$ 5,573	$ (265,149)	$ 330,317

(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 $41.2 million are attributable to third party ownership in consolidated merchant banking and senior living funds.

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The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2016:

(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	$ 82	$ 6,281	$ —	$ —	$ 6,363
Convertible securities	—	103,486	—	—	103,486
Fixed income securities	—	21,018	—	—	21,018
Municipal securities:					
Taxable securities	—	60,404	2,686	—	63,090
Tax-exempt securities	—	558,252	1,077	—	559,329
Short-term securities	—	34,431	744	—	35,175
Mortgage-backed securities	—	273	5,365	—	5,638
U.S. government agency securities	—	205,685	—	—	205,685
U.S. government securities	29,970	—	—	—	29,970
Derivative contracts	—	288,955	13,952	(273,690)	29,217
Total financial instruments and other inventory positions owned	30,052	1,278,785	23,824	(273,690)	1,058,971
Cash equivalents	768	—	—	—	768
Investments at fair value	32,783	—	123,319 (2)	—	156,102
Total assets	$ 63,603	$ 1,278,785	$ 147,143	$ (273,690)	$ 1,215,841
Liabilities:					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 89,453	$ —	$ —	$ —	$ 89,453
Fixed income securities	—	17,324	—	—	17,324
U.S. government agency securities	—	6,723	—	—	6,723
U.S. government securities	180,650	—	—	—	180,650
Derivative contracts	—	273,166	1,487	(269,446)	5,207
Total financial instruments and other inventory positions sold, but not yet purchased	$ 270,103	$ 297,213	$ 1,487	$ (269,446)	$ 299,357

(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 $45.1 million are attributable to third party ownership in consolidated merchant banking and senior living funds.

The Company's Level III assets were $120.4 million and $147.1 million, or 11.0 percent and 12.1 percent of financial instruments measured at fair value at June 30, 2017 and December 31, 2016, respectively. The value of transfers between levels are recognized at the beginning of the reporting period. There were no significant transfers between Level I, Level II or Level III for the six months ended June 30, 2017.

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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 March 31, 2017**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses) (1)	Unrealized gains/ (losses) (1)	**Balance at June 30, 2017**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2017 (1)**
Assets:									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	**$ 1,117**	$ —	$ —	$ —	$ —	$ —	$ —	**$ 1,117**	**$ —**
Short-term securities	**744**	—	(25)	—	—	2	—	**721**	**—**
Mortgage-backed securities	**5,492**	—	(1,065)	—	—	(18)	(158)	**4,251**	**(158)**
Derivative contracts	**1,633**	5	(1,093)	—	—	1,088	(1,250)	**383**	**383**
Total financial instruments and other inventory positions owned	**8,986**	5	(2,183)	—	—	1,072	(1,408)	**6,472**	**225**
Investments at fair value	**110,693**	607	(742)	—	(601)	742	3,186	**113,885**	**3,186**
Total assets	**$ 119,679**	$ 612	$ (2,925)	$ —	$ (601)	$ 1,814	$ 1,778	**$ 120,357**	**$ 3,411**
Liabilities:									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 3,906**	$ —	$ 7,758	$ —	$ —	$ (7,758)	$ 1,667	**$ 5,573**	**$ 4,753**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 3,906**	$ —	$ 7,758	$ —	$ —	$ (7,758)	$ 1,667	**$ 5,573**	**$ 4,753**

(1) 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.

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(Dollars in thousands)	Balance at March 31, 2016	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses) (1)	Unrealized gains/ (losses) (1)	Balance at June 30, 2016	Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2016 (1)
Assets:									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Tax-exempt securities	**$ 1,177**	$ —	$ —	$ —	$ —	$ —	$ —	**$ 1,177**	**$ —**
Short-term securities	**748**	—	—	—	—	—	—	**748**	**—**
Mortgage-backed securities	**117,891**	—	(62,693)	—	—	778	77	**56,053**	**253**
Derivative contracts	**5**	246	—	—	—	(246)	13	**18**	**18**
Total financial instruments and other inventory positions owned	**119,821**	246	(62,693)	—	—	532	90	**57,996**	**271**
Investments at fair value	**116,841**	2,521	—	—	—	—	4,386	**123,748**	**4,386**
Total assets	**$ 236,662**	$ 2,767	$ (62,693)	$ —	$ —	$ 532	$ 4,476	**$ 181,744**	**$ 4,657**
Liabilities:									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 5,408**	$ (6,457)	$ —	$ —	$ —	$ 6,457	$ 9,377	**$ 14,785**	**$ 13,173**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 5,408**	$ (6,457)	$ —	$ —	$ —	$ 6,457	$ 9,377	**$ 14,785**	**$ 13,173**

(1) 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.

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(Dollars in thousands)	**Balance at December 31, 2016**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses) (1)	Unrealized gains/ (losses) (1)	**Balance at June 30, 2017**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2017 (1)**
Assets:									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Taxable securities	**$ 2,686**	$ —	$ (2,703)	$ —	$ —	$ 716	$ (699)	**$ —**	**$ —**
Tax-exempt securities	**1,077**	—	—	—	—	—	40	**1,117**	**40**
Short-term securities	**744**	—	(25)	—	—	2	—	**721**	**—**
Mortgage-backed securities	**5,365**	996	(1,854)	—	—	296	(552)	**4,251**	**(158)**
Derivative contracts	**13,952**	245	(11,979)	—	—	11,733	(13,568)	**383**	**383**
Total financial instruments and other inventory positions owned	**23,824**	1,241	(16,561)	—	—	12,747	(14,779)	**6,472**	**265**
Investments at fair value	**123,319**	7,194	(25,212)	—	(601)	9,398	(213)	**113,885**	**9,680**
Total assets	**$ 147,143**	$ 8,435	$ (41,773)	$ —	$ (601)	$ 22,145	$ (14,992)	**$ 120,357**	**$ 9,945**
Liabilities:									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 1,487**	$ (719)	$ 7,758	$ —	$ —	$ (7,039)	$ 4,086	**$ 5,573**	**$ 5,573**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 1,487**	$ (719)	$ 7,758	$ —	$ —	$ (7,039)	$ 4,086	**$ 5,573**	**$ 5,573**

(1) 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.

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(Dollars in thousands)	**Balance at December 31, 2015**	Purchases	Sales	Transfers in	Transfers out	Realized gains/ (losses) (1)	Unrealized gains/ (losses) (1)	**Balance at June 30, 2016**	**Unrealized gains/ (losses) for assets/ liabilities held at June 30, 2016 (1)**
Assets:									
Financial instruments and other inventory positions owned:									
Municipal securities:									
Taxable securities	**$ 5,816**	$ —	$ (611)	$ —	$ (5,216)	$ 11	$ —	**$ —**	**$ —**
Tax-exempt securities	**1,177**	—	—	—	—	—	—	**1,177**	**—**
Short-term securities	**720**	—	—	—	—	—	28	**748**	**28**
Mortgage-backed securities	**121,124**	26,519	(89,907)	—	—	1,845	(3,528)	**56,053**	**153**
Derivative contracts	**—**	246	—	—	—	(246)	18	**18**	**18**
Total financial instruments and other inventory positions owned	**128,837**	26,765	(90,518)	—	(5,216)	1,610	(3,482)	**57,996**	**199**
Investments at fair value	**109,444**	16,648	—	—	(9,088)	—	6,744	**123,748**	**6,744**
Total assets	**$ 238,281**	$ 43,413	$ (90,518)	$ —	$ (14,304)	$ 1,610	$ 3,262	**$ 181,744**	**$ 6,943**
Liabilities:									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	**$ 7,148**	$ (15,599)	$ —	$ —	$ —	$ 15,599	$ 7,637	**$ 14,785**	**$ 14,785**
Total financial instruments and other inventory positions sold, but not yet purchased	**$ 7,148**	$ (15,599)	$ —	$ —	$ —	$ 15,599	$ 7,637	**$ 14,785**	**$ 14,785**

(1) 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, securities either purchased or sold under agreements to resell, receivables and payables either from or to customers and brokers, dealers and clearing organizations and short-term financings approximate fair value due to their liquid or short-term nature.

Piper Jaffray Companies

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Note 6 *Variable Interest Entities ("VIEs")*

The Company has investments in and/or acts as the managing partner of various partnerships, limited liability companies, and 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 June 30, 2017 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 June 30, 2017. 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. 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:	
Receivables from brokers, dealers and clearing organizations	$ 15,611
Financial instruments and other inventory positions owned and pledged as collateral	154,852
Investments	97,216
Other assets	6,988
Total assets	$ 274,667
Liabilities:	
Short-term financing	$ 114,038
Payables to brokers, dealers and clearing organizations	25,489
Financial instruments and other inventory positions sold, but not yet purchased	10,933
Other liabilities and accrued expenses	7,914
Total liabilities	$ 158,374

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 16 for additional information on the nonqualified deferred compensation plan.

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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 $0.6 billion and $0.8 billion at June 30, 2017 and December 31, 2016, respectively. The Company's exposure to loss from these VIEs is $6.7 million, which is the carrying value of its capital contributions recorded in investments on the consolidated statements of financial condition at June 30, 2017. The Company had no liabilities related to these VIEs at June 30, 2017 and December 31, 2016, respectively. Furthermore, the Company has not provided financial or other support to these VIEs that it was not previously contractually required to provide as of June 30, 2017.

Note 7 *Receivables from and Payables to Brokers, Dealers and Clearing Organizations*

(Dollars in thousands)	**June 30, 2017**	December 31, 2016
Receivable arising from unsettled securities transactions	**$ 30,277**	$ 132,724
Deposits paid for securities borrowed	**41,252**	27,573
Receivable from clearing organizations	**33,825**	3,293
Deposits with clearing organizations	**57,817**	35,713
Securities failed to deliver	**8,114**	975
Other	**16,150**	12,452
Total receivables from brokers, dealers and clearing organizations	**$ 187,435**	$ 212,730

(Dollars in thousands)	**June 30, 2017**	December 31, 2016
Payable arising from unsettled securities transactions	**$ 25,489**	$ 13,948
Payable to clearing organizations	**3,806**	15,893
Securities failed to receive	**6,386**	3,043
Other	**7,186**	7,958
Total payables to brokers, dealers and clearing organizations	**$ 42,867**	$ 40,842

Deposits paid for securities borrowed approximate the market value of the securities. Securities failed to deliver and receive represent the contract value of securities that have not been delivered or received by the Company on settlement date.

Note 8 *Collateralized Securities Transactions*

The Company's financing and customer securities activities involve the Company using securities as collateral. In the event that the counterparty does not meet its contractual obligation to return securities used as collateral (e.g., pursuant to the terms of a repurchase agreement), or customers do not deposit additional securities or cash for margin when required, the Company may be exposed to the risk of reacquiring the securities or selling the securities at unfavorable market prices in order to satisfy its obligations to its customers or counterparties. The Company seeks to control this risk by monitoring the market value of securities pledged or used as collateral on a daily basis and requiring adjustments in the event of excess market exposure. The Company also uses unaffiliated third party custodians to administer the underlying collateral for the majority of its short-term financing to mitigate risk.

In a reverse repurchase agreement the Company purchases financial instruments from a seller, typically in exchange for cash, and agrees to resell the same or substantially the same financial instruments to the seller at a stated price plus accrued interest in the future. In a repurchase agreement, the Company sells financial instruments to a buyer, typically for cash, and agrees to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. Even though repurchase and reverse repurchase agreements involve the legal transfer of ownership of financial instruments, they are accounted for as financing arrangements because they require the financial instruments to be repurchased or resold at maturity of the agreement.

In a securities borrowed transaction, the Company borrows securities from a counterparty in exchange for cash. When the Company returns the securities, the counterparty returns the cash. Interest is generally paid periodically over the life of the transaction.

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In the normal course of business, the Company obtains securities purchased under agreements to resell, securities borrowed and margin agreements on terms that permit it to repledge or resell the securities to others, typically pursuant to repurchase agreements. The Company obtained securities with a fair value of approximately $191.9 million and $192.2 million at June 30, 2017 and December 31, 2016, respectively, of which $171.7 million and $185.2 million, respectively, had been pledged or otherwise transferred to satisfy its commitments under financial instruments and other inventory positions sold, but not yet purchased.

The following is a summary of the Company's securities sold under agreements to repurchase ("Repurchase Liabilities"), the fair market value of collateral pledged and the interest rate charged by the Company's counterparty, which is based on LIBOR plus an applicable margin, as of June 30, 2017:

(Dollars in thousands)	Repurchase Liabilities	Fair Market Value	Interest Rate
On demand maturities:			
U.S. government securities	$ 10,795	$ 10,510	0.60%

Reverse repurchase agreements, repurchase agreements and securities borrowed and loaned are reported on a net basis by counterparty when a legal right of offset exists. There were no gross amounts offset on the consolidated statements of financial condition for reverse repurchase agreements, securities borrowed or repurchase agreements at June 30, 2017, as a legal right of offset did not exist.

The following table provides information about the offsetting of these instruments and related collateral amounts at December 31, 2016:

(Dollars in thousands) **Description**	Gross Recognized Assets	Gross Amount Offset on the Consolidated Statements of Financial Condition	Net Amounts Presented on the Consolidated Statements of Financial Condition	Gross Amounts Not Offset on the Consolidated Statements of Financial Condition: Financial Instruments	Gross Amounts Not Offset on the Consolidated Statements of Financial Condition: Collateral Received (1)	Net Amount
Reverse repurchase agreements	$ 161,574	$ (1,877)	$ 159,697	$ —	$ (159,697)	$ —
Securities borrowed (3)	27,573	—	27,573	—	(27,573)	—

(Dollars in thousands) **Description**	Gross Recognized Liabilities	Gross Amount Offset on the Consolidated Statements of Financial Condition	Net Amount Presented on the Consolidated Statements of Financial Condition	Gross Amount Not Offset on the Consolidated Statements of Financial Condition: Financial Instruments	Gross Amount Not Offset on the Consolidated Statements of Financial Condition: Collateral Pledged (2)	Net Amount
Repurchase agreements	$ 16,923	$ (1,877)	$ 15,046	$ —	$ (15,046)	$ —

(1) Includes securities received by the Company from the counterparty. These securities are not included on the consolidated statements of financial condition unless there is an event of default.

(2) Includes the fair value of securities pledged by the Company to the counterparty. These securities are included on the consolidated statements of financial condition unless the Company defaults.

(3) Deposits paid for securities borrowed are included in receivables from brokers, dealers and clearing organizations on the consolidated statements of financial condition. See Note 7 for additional information on receivables from brokers, dealers and clearing organizations.

The Company had no outstanding securities lending arrangements as of June 30, 2017 or December 31, 2016. See Note 4 for information related to the Company's offsetting of derivative contracts.

Note 9 *Investments*

The Company’s investments include investments in private companies and partnerships, registered mutual funds, warrants of public and private companies and private company debt.

(Dollars in thousands)	June 30, 2017	December 31, 2016
Investments at fair value	**$ 151,346**	$ 156,102
Investments at cost	**2,819**	2,755
Investments accounted for under the equity method	**9,996**	9,200
Total investments	**164,161**	168,057
Less investments attributable to noncontrolling interests (1)	**(41,247)**	(45,123)
	$ 122,914	$ 122,934

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

At June 30, 2017, investments carried on a cost basis had an estimated fair market value of $4.4 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 10 *Other Assets*

(Dollars in thousands)	June 30, 2017	December 31, 2016
Net deferred income tax assets	**$ 89,532**	$ 97,833
Income tax receivables	**10,453**	—
Fee receivables	**21,423**	22,840
Accrued interest receivables	**8,187**	9,259
Forgivable loans, net	**8,926**	9,307
Prepaid expenses	**6,327**	6,363
Secured loan receivables	**2,975**	6,236
Other	**13,268**	13,124
Total other assets	**$ 161,091**	$ 164,962

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Note 11 *Short-Term Financing*

	Outstanding Balance		Weighted Average Interest Rate	
(Dollars in thousands)	**June 30, 2017**	**December 31, 2016**	**June 30, 2017**	**December 31, 2016**
Commercial paper (secured)	**$ 112,386**	$ 147,021	**2.65%**	2.12%
Prime broker arrangements	**114,037**	271,811	**1.96%**	1.49%
Bank lines (secured)	**104,000**	—	**2.06%**	N/A
Total short-term financing	**$ 330,423**	$ 418,832		

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 issued under three separate programs, CP Series A, CP Series II A and CP Series III A, and are secured by different inventory classes. As of June 30, 2017, the weighted average maturity of CP Series A, CP Series II A and CP Series III A was 25 days, 16 days and 21 days, respectively. 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 III A includes a covenant that requires the Company's U.S. broker dealer subsidiary to maintain excess net capital of $120 million.

The Company has established arrangements to obtain financing with prime brokers related to its municipal bond fund and convertible securities. Financing under these arrangements is primarily secured by municipal securities, and collateral limitations could reduce the amount of funding available under the arrangements. Prime broker financing activities are recorded net of receivables from trading activity. The funding is at the discretion of the prime brokers subject to a notice period.

The Company has committed short-term bank line financing available on a secured basis and uncommitted short-term bank line financing available on both a secured and unsecured basis. The Company uses these credit facilities in the ordinary course of business to fund a portion of its daily operations and the amount borrowed under these credit facilities varies daily based on the Company's funding needs.

The Company's committed short-term bank line financing at June 30, 2017 consisted of a one-year $200 million committed revolving credit facility with U.S. Bank, N.A., which was renewed in December 2016. 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 minimum net capital of $120 million, and the unpaid principal amount of all advances under this facility will be due on December 16, 2017. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis. At June 30, 2017, the Company had $104.0 million in advances against this line of credit.

The Company's uncommitted secured lines at June 30, 2017 totaled $185 million with two banks and are dependent on having appropriate collateral, as determined by the bank agreement, to secure an advance under the line. The availability of the Company's uncommitted lines are subject to approval by the individual banks each time an advance is requested and may be denied. At June 30, 2017, the Company had no advances against these lines of credit.

Note 12 *Senior Notes*

The Company has entered into variable and fixed rate senior notes with certain entities advised by Pacific Investment Management Company ("PIMCO"). The following table presents the outstanding balance by note class:

	Outstanding Balance	
(Dollars in thousands)	**June 30, 2017**	**December 31, 2016**
Class A Notes	**$ —**	$ 50,000
Class C Notes	**125,000**	125,000
Total senior notes	**$ 125,000**	$ 175,000

On October 8, 2015, the Company entered into a second amended and restated note purchase agreement ("Second Amended and Restated Note Purchase Agreement") under which the Company issued $125 million of fixed rate Class C Notes. The Class C Notes bear interest at an annual fixed rate of 5.06 percent, are payable semi-annually and mature on October 9, 2018. The unpaid principal amount is due in full on the maturity date and may not be prepaid by the Company. The variable rate Class A Notes were repaid by the Company upon maturity on May 31, 2017.

The Second Amended and Restated Note Purchase Agreement includes customary events of default and covenants that, among other things, require the Company to maintain a minimum consolidated tangible net worth and 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 June 30, 2017, the Company was in compliance with all covenants.

The senior notes are recorded at amortized cost. As of June 30, 2017, the fair value of the fixed rate Class C Notes was approximately $125.9 million.

Note 13 *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 June 30, 2017 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.

Note 14 *Restructuring*

The Company incurred the following pre-tax restructuring charges within the Capital Markets segment primarily in conjunction with the Simmons acquisition discussed in Note 3.

(Dollars in thousands)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Severance, benefits and outplacement costs	$ 1,207	$ 6,608
Vacated redundant leased office space	1,320	1,320
Contract termination costs	422	1,026
Total pre-tax restructuring charges	$ 2,949	$ 8,954

Note 15 *Shareholders' Equity*

Share Repurchases

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. During the six months ended June 30, 2017, the Company repurchased 27,530 shares at an average price of $72.63 per share for an aggregate purchase price of $2.0 million related to this authorization. During the six months ended June 30, 2016, the Company repurchased 1,351,015 shares at an average price of $38.76 per share for an aggregate purchase price of $52.4 million related to this authorization. The Company has $69.8 million remaining under this authorization.

The Company also purchases shares of common stock from restricted stock award recipients upon the award vesting as recipients sell shares to meet their employment tax obligations. The Company purchased 293,357 shares and 233,431 shares, or $21.6 million and $9.8 million of the Company's common stock for this purpose during the six months ended June 30, 2017 and 2016, 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 16. During the six months ended June 30, 2017 and 2016, the Company issued 800,044 shares and 674,981 shares, respectively, related to these obligations.

Dividends

Beginning in 2017, the Company initiated the payment of a quarterly cash dividend to holders of its common stock. 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.

On July 27, 2017, the board of directors declared a cash dividend of $0.3125 per share to be paid on September 15, 2017, to shareholders of record as of the close of business on August 28, 2017. During the six months ended June 30, 2017, the Company declared and paid dividends of $0.625 per share, totaling $9.5 million.

Noncontrolling Interests

The consolidated financial statements include the accounts of Piper Jaffray 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 Jaffray Companies. Noncontrolling interests include the minority equity holders' proportionate share of the equity in a merchant banking fund of $37.1 million and a senior living fund aggregating $8.1 million as of June 30, 2017. As of December 31, 2016, noncontrolling interests included the minority equity holders' proportionate share of the equity in a merchant banking fund of $35.0 million, a municipal bond fund with employee investors of $9.2 million and a senior living fund aggregating $12.8 million.

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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 six months ended June 30, 2017 and 2016, respectively.

The following table presents the changes in shareholders' equity for the six months ended June 30, 2017:

(Amounts in thousands, except share amounts)	**Common Shares Outstanding**	**Common Shareholders' Equity**	**Noncontrolling Interests**	**Total Shareholders' Equity**
Balance at December 31, 2016	**12,391,970**	**$ 759,250**	**$ 57,016**	**$ 816,266**
Net income	—	33,848	4,317	38,165
Dividends	—	(9,483)	—	(9,483)
Amortization/issuance of restricted stock (1)	—	26,725	—	26,725
Issuance of treasury shares for options exercised	26,149	1,703	—	1,703
Issuance of treasury shares for restricted stock vestings	773,895	—	—	—
Repurchase of common stock through share repurchase program	(27,530)	(1,999)	—	(1,999)
Repurchase of common stock for employee tax withholding	(293,357)	(21,598)	—	(21,598)
Shares reserved/issued for director compensation	2,124	134	—	134
Other comprehensive income	—	995	—	995
Fund capital distributions, net	—	—	(16,169)	(16,169)
Balance at June 30, 2017	**12,873,251**	**$ 789,575**	**$ 45,164**	**$ 834,739**

(1) Includes amortization of restricted stock as part of deal consideration for the acquisition of Simmons. See Note 3 for further discussion.

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Note 16 *Compensation Plans*

Stock-Based Compensation Plans

The Company maintains two stock-based compensation plans, the Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan") and the 2016 Employment Inducement Award Plan (the "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 June 30, 2017:

Incentive Plan	
Restricted Stock	
Annual grants	920,517
Sign-on grants	273,727
	1,194,244
Inducement Plan	
Restricted Stock	260,231
Total restricted stock related to compensation	1,454,475
Simmons Deal Consideration (1)	837,225
Total restricted stock outstanding	2,291,700
Incentive Plan	
Restricted Stock Units	
Leadership grants	295,151

(1) The Company issued restricted stock with service conditions as part of deal consideration for the acquisition of Simmons. See Note 3 for further discussion.

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 (0.9 million shares remained available for future issuance under the Incentive Plan as of June 30, 2017). 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 2016 for its February 2017 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 one 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").

2017 Leadership Grant

Restricted stock units granted in 2017 will vest and convert to shares of common stock at the end of the performance period only if the Company satisfies predetermined performance and/or market conditions over the 36-month performance period from January 1, 2017 through December 31, 2019. Under the terms of the award, 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 the performance period. The maximum payout leverage under this grant 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 agreement. 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 share units upon termination of employment with a corresponding reversal of compensation expense. As of June 30, 2017, the Company has determined that the performance condition is probable of achieving 50 percent of the grant award.

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 award 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 share units upon termination of employment with a corresponding reversal of compensation expense. For this portion of the award, 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
2017	1.62%	35.9%

Because the market condition portion of the award vesting depends 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 assumption was determined using historical volatility, as correlation coefficients can only be developed through historical volatility. The risk-free interest rate was determined based on the three-year U.S. Treasury bond yield.

Leadership Grants Prior to 2017

Restricted stock units granted prior to 2017 contain market condition criteria and will vest and convert to shares of common stock at the end of each 36-month performance period only if the Company's stock performance satisfies predetermined market conditions over the performance period. Under the terms of the grants, the number of units that will vest and convert to shares will be based on the Company's stock performance achieving specified targets during each performance period. Compensation expense is recognized over each 36-month performance period.

Up to 50 percent of these awards can be earned based on the Company's total shareholder return relative to members of a predetermined peer group and up to 50 percent of the awards can be earned based on the Company's total shareholder return. The fair value of the awards 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
2016	0.98%	34.9%
2015	0.90%	29.8%
2014	0.82%	41.3%

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.

Stock Options

The Company previously granted options to purchase Piper Jaffray Companies common stock to employees and non-employee directors in fiscal years 2004 through 2008. Employee and director options were expensed by the Company on a straight-line basis over the required service period, based on the estimated fair value of the award on the date of grant using a Black-Scholes option-pricing model. As described above pertaining to the Company's Annual Grants of restricted shares, stock options granted to employees were expensed in the calendar year preceding the annual February grant date. For example, the Company recognized compensation expense during fiscal 2007 for its February 2008 option grant. The maximum term of the stock options granted to employees and directors was ten years. The Company has not granted stock options since 2008, and all awards have been exercised or expired as of March 31, 2017.

Inducement Plan

The Company established the Inducement Plan in conjunction with the acquisition of Simmons. The Company granted $11.6 million (286,776 shares) in restricted stock under the Inducement Plan on May 15, 2016. These shares cliff vest in three years. Inducement Plan awards are amortized as compensation expense on a straight-line basis over the vesting period. Employees forfeit unvested Inducement Plan shares upon termination of employment and a reversal of compensation expense is recorded.

Stock-Based Compensation Activity

The Company recorded compensation expense of $12.1 million and $13.7 million for the three months ended June 30, 2017 and 2016, respectively, and $12.3 million and $24.1 million for the six months ended June 30, 2017 and 2016, respectively, related to employee restricted stock and restricted stock unit awards. Forfeitures were $0.6 million and $0.2 million for the three months ended June 30, 2017 and 2016, respectively, and $2.3 million and $0.2 million, for the six months ended June 30, 2017 and 2016, respectively. The tax benefit related to stock-based compensation totaled $5.5 million and $2.7 million for the three months ended June 30, 2017 and 2016, respectively, and $11.6 million and $6.7 million for the six months ended June 30, 2017 and 2016, respectively.

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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	233,280	78.68
Vested	(650,499)	45.30
Canceled	(165,198)	41.96
June 30, 2017	**2,291,700**	**$ 46.20**

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	—	—
June 30, 2017	**295,151**	**$ 28.55**

As of June 30, 2017, there was $34.3 million of total unrecognized compensation cost related to restricted stock and restricted stock units expected to be recognized over a weighted average period of 1.8 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		
June 30, 2017	**—**	**$ —**	**0.0**	**$ —**

As of June 30, 2017, there was no unrecognized compensation cost related to stock options expected to be recognized over future years. The intrinsic value of options exercised was $0.3 million and the resulting tax benefit realized was $0.1 million for the six months ended June 30, 2017. The intrinsic value of options exercised and the resulting tax benefit realized were immaterial for the six months ended June 30, 2016.

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Deferred Compensation Plans

The Company maintains various deferred compensation arrangements for employees.

The nonqualified deferred compensation plan is an unfunded plan which allows certain highly compensated employees, at their election, to defer a percentage of their base salary, commissions and/or cash bonuses. The deferrals vest immediately and are non-forfeitable. 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 $29.1 million and $24.4 million as of June 30, 2017 and December 31, 2016, respectively, and are included in investments on the consolidated statements of financial condition. The compensation deferred by the employees is expensed in the period earned. The deferred compensation liability was $29.2 million and $24.5 million as of June 30, 2017 and December 31, 2016, 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.

The Piper Jaffray Companies Mutual Fund Restricted Share Investment Plan is a fully funded deferred compensation plan which allows eligible employees to elect to receive a portion of the incentive compensation they would otherwise receive in the form of restricted stock, instead 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 aforementioned vesting restrictions) and as such are not included on the consolidated statements of financial condition.

The Company has also granted MFRS Awards to new employees as a recruiting tool. Employees must fulfill service requirements in exchange for rights to the awards. Compensation expense from these awards are amortized on a straight-line basis over the requisite service period of two to five years.

Note 17 *Earnings Per Share*

The Company calculates earnings per share using the two-class method. Basic earnings per common share is computed by dividing net income applicable to Piper Jaffray Companies' common shareholders by the weighted average number of common shares outstanding for the period. Net income applicable to Piper Jaffray Companies' common shareholders represents net income applicable to Piper Jaffray Companies reduced by the allocation of earnings to participating securities. Losses are not allocated to participating securities. 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 restricted stock units 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 and restricted stock units.

The computation of earnings per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except per share data)	**2017**	**2016**	**2017**	**2016**
Net income applicable to Piper Jaffray Companies	**$ 13,573**	$ 1,938	**$ 33,848**	$ 4,375
Earnings allocated to participating securities (1)	**(2,051)**	(361)	**(5,436)**	(690)
Net income applicable to Piper Jaffray Companies' common shareholders (2)	**$ 11,522**	$ 1,577	**$ 28,412**	$ 3,685
Shares for basic and diluted calculations:				
Average shares used in basic computation	**12,826**	12,927	**12,711**	13,043
Stock options	**—**	15	**—**	13
Restricted stock units	**111**	—	**219**	—
Average shares used in diluted computation	**12,937**	12,942	**12,930**	13,056
Earnings per common share:				
Basic	**$ 0.89**	$ 0.12	**$ 2.24**	$ 0.28
Diluted	**$ 0.89**	$ 0.12	**$ 2.21**	$ 0.28

(1) *Represents the allocation of earnings to participating securities. Losses are not allocated to participating securities. Participating securities include all of the Company's unvested restricted shares. The weighted average participating shares outstanding were 2,296,080 and 2,951,985 for the three months ended June 30, 2017 and 2016, respectively, and 2,462,486 and 2,445,372 for the six months ended June 30, 2017 and 2016, respectively.*

(2) *Net income applicable to Piper Jaffray 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 and restricted stock units to dilutive shares outstanding, which alters the ratio used to allocate earnings to Piper Jaffray Companies' common shareholders and participating securities for purposes of calculating diluted and basic EPS.*

The anti-dilutive effects from stock options and restricted stock units were immaterial for the six months ended June 30, 2017 and 2016, respectively.

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Note 18 *Segment Reporting*

Basis for Presentation

The Company structures its segments primarily based upon the nature of the financial products and services provided to customers and the Company's management organization. The Company evaluates performance and allocates resources based on segment pre-tax operating income or loss and segment pre-tax operating margin. Revenues and expenses directly associated with each respective segment are included in determining their operating results. Other revenues and expenses that are not directly attributable to a particular segment are allocated based upon the Company's allocation methodologies, including each segment's respective net revenues, use of shared resources, headcount or other relevant measures. Segment assets are based on those directly associated with each segment, and include an allocation of certain assets based on the most relevant measures applicable, including headcount and other factors. The substantial majority of the Company's net revenues and long-lived assets are located in the U.S.

Reportable segment financial results are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	2017	2016	2017	2016
Capital Markets				
Investment banking				
Financing				
Equities	**$ 24,730**	$ 16,786	**$ 48,112**	$ 23,352
Debt	**21,971**	33,325	**38,379**	49,297
Advisory services	**92,507**	48,112	**185,389**	129,741
Total investment banking	**139,208**	98,223	**271,880**	202,390
Institutional sales and trading				
Equities	**20,569**	22,612	**40,675**	42,281
Fixed income	**19,221**	28,952	**42,461**	46,006
Total institutional sales and trading	**39,790**	51,564	**83,136**	88,287
Management and performance fees	**1,497**	1,794	**3,494**	2,759
Investment income	**5,307**	7,451	**15,815**	9,537
Long-term financing expenses	**(2,029)**	(2,293)	**(4,267)**	(4,585)
Net revenues	**183,773**	156,739	**370,058**	298,388
Operating expenses (1)	**164,233**	152,028	**328,293**	290,883
Segment pre-tax operating income	**$ 19,540**	$ 4,711	**$ 41,765**	$ 7,505
Segment pre-tax operating margin	**10.6%**	3.0%	**11.3%**	2.5%

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(Dollars in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Asset Management				
Management and performance fees				
Management fees	**$ 13,689**	$ 12,801	**$ 27,699**	$ 25,684
Performance fees	**—**	—	**—**	—
Total management and performance fees	**13,689**	12,801	**27,699**	25,684
Investment income/(loss)	**283**	943	**517**	(33)
Net revenues	**13,972**	13,744	**28,216**	25,651
Operating expenses (1)	**13,645**	11,946	**27,305**	23,205
Segment pre-tax operating income	**$ 327**	$ 1,798	**$ 911**	$ 2,446
Segment pre-tax operating margin	**2.3%**	13.1%	**3.2%**	9.5%
Total				
Net revenues	**$ 197,745**	$ 170,483	**$ 398,274**	$ 324,039
Operating expenses (1)	**177,878**	163,974	**355,598**	314,088
Pre-tax operating income	**$ 19,867**	$ 6,509	**$ 42,676**	$ 9,951
Pre-tax operating margin	**10.0%**	3.8%	**10.7%**	3.1%

(1) Operating expenses include intangible asset amortization expense as set forth in the table below:

(Dollars in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Capital Markets	**$ 2,545**	$ 2,707	**$ 5,089**	$ 4,616
Asset Management	**1,277**	1,387	**2,555**	2,774
Total intangible asset amortization expense	**$ 3,822**	$ 4,094	**$ 7,644**	$ 7,390

Reportable segment assets are as follows:

(Dollars in thousands)	June 30, 2017	December 31, 2016
Capital Markets	**$ 1,750,374**	$ 1,934,528
Asset Management	**180,959**	190,975
Total assets	**$ 1,931,333**	$ 2,125,503

Piper Jaffray Companies

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Note 19 *Net Capital Requirements and Other Regulatory Matters*

Piper Jaffray 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 Jaffray's primary SRO. Piper Jaffray is subject to the uniform net capital rule of the SEC and the net capital rule of FINRA. Piper Jaffray has elected to use the alternative method permitted by the SEC rule, which requires that it maintain minimum net capital of the greater of $1.0 million or 2 percent of aggregate debit balances arising from customer transactions, as such term is defined in the SEC rule. Under its rules, FINRA may prohibit a member firm from expanding its business or paying dividends if resulting net capital would be less than 5 percent of aggregate debit balances. Advances to affiliates, repayment of subordinated debt, dividend payments and other equity withdrawals by Piper Jaffray are subject to certain notification and other provisions of SEC and FINRA rules.

At June 30, 2017, net capital calculated under the SEC rule was $215.1 million, and exceeded the minimum net capital required under the SEC rule by $214.1 million.

The Company's committed short-term credit facility and its senior notes include covenants requiring Piper Jaffray to maintain minimum net capital of $120 million. CP Notes issued under CP Series III A include a covenant that requires Piper Jaffray to maintain excess net capital of $120 million.

Piper Jaffray 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 June 30, 2017, Piper Jaffray Ltd. was in compliance with the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority.

Piper Jaffray 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 June 30, 2017, Piper Jaffray Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

Note 20 *Income Taxes*

The Company recorded income tax expense of $4.9 million for the three months ended June 30, 2017. Income tax expense was reduced by a tax benefit of $1.8 million related to stock-based compensation awards vesting at values greater than the grant price. See Note 2 regarding the tax impact from the adoption of ASU 2016-09.

The Company had income tax expense of $2.0 million for the three months ended June 30, 2016, resulting in an effective tax rate, excluding noncontrolling interests, of 50.7 percent. The effective tax rate was unusually high because the Company recorded a 100 percent valuation allowance against tax benefits generated from net operating losses within Piper Jaffray Ltd.

The Company's effective tax rate, excluding noncontrolling interests, for the six months ended June 30, 2017 was 11.8 percent, compared to 34.0 percent for the six months ended June 30, 2016. The effective tax rate was lower for the six months ended June 30, 2017 due to a tax benefit of $8.7 million related to stock-based compensation awards vesting at values greater than the grant price.

ITEM 2. ***MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.***

The following information should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes and exhibits included elsewhere in this report. Certain statements in this report may be considered forward-looking. 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 condition 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 our Annual Report on Form 10-K for the year ended December 31, 2016 and in our subsequent reports filed with the 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 "External Factors Impacting Our Business" as well as the factors identified under "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016, as updated in our subsequent reports filed with the SEC and under "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. These reports are available at our Web site at www.piperjaffray.com and at the SEC 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.

Explanation of Non-GAAP Financial Measures

We have included financial measures that are not prepared in accordance with U.S. generally accepted accounting principles ("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 and (4) restructuring and acquisition integration costs. These adjustments affect the following financial measures: net revenues, compensation expenses, non-compensation expenses, net income applicable to Piper Jaffray Companies, earnings per diluted common share, return on average common shareholders' equity, segment net revenues, segment operating expenses, segment pre-tax operating income and segment pre-tax operating margin. 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

Our business principally consists of providing investment banking, institutional brokerage, asset management and related financial services to corporations, private equity groups, public entities, non-profit entities and institutional investors in the United States and Europe. We operate through two reportable business segments: Capital Markets and Asset Management. Refer to our Annual Report on Form 10-K for the year ended December 31, 2016 for a full description of our business, including our strategic growth initiatives.

With respect to our Asset Management segment, an extended cycle of investors favoring passive investment vehicles over active management, along with certain products having investment performance below their benchmarks, have combined to reduce assets under management ("AUM") and revenues in our value equity products. We have added new investment strategies in an effort to increase AUM and revenues to this business, however, the costs associated with hiring new investment teams combined with AUM outflows from existing equity strategies, and the resultant reduction in revenue, has lowered our profitability for this business. Further decline in the profitability of our Asset Management segment may result in an impairment of our Asset Management goodwill. For more information on our goodwill impairment testing in this area, please refer to our "Critical Accounting Policies" section.

Financial Highlights

	Three Months Ended			Six Months Ended		
(Amounts in thousands, except per share data)	**June 30, 2017**	**June 30, 2016**	**Percent Inc/(Dec)**	**June 30, 2017**	**June 30, 2016**	**Percent Inc/(Dec)**
U.S. GAAP						
Net revenues	**$197,745**	$170,483	16.0%	**$ 398,274**	$ 324,039	22.9%
Compensation and benefits expenses	**134,314**	117,148	14.7	**268,692**	221,584	21.3
Non-compensation expenses	**43,564**	46,826	(7.0)	**86,906**	92,504	(6.1)
Net income applicable to Piper Jaffray Companies	**13,573**	1,938	600.4	**33,848**	4,375	673.7
Earnings per diluted common share	**$ 0.89**	$ 0.12	641.7	**$ 2.21**	$ 0.28	689.3
Non-GAAP[1]						
Adjusted net revenues	**$195,778**	$167,188	17.1%	**$ 392,410**	$ 319,395	22.9%
Adjusted compensation and benefits expenses	**126,223**	107,086	17.9	**252,700**	208,216	21.4
Adjusted non-compensation expenses	**38,992**	38,579	1.1	**77,458**	73,588	5.3
Adjusted net income applicable to Piper Jaffray Companies	**21,274**	13,938	52.6	**48,755**	24,547	98.6
Adjusted earnings per diluted common share	**$ 1.40**	$ 0.88	59.1	**$ 3.18**	$ 1.58	101.3

For the three months ended June 30, 2017

- Net revenues increased 16.0 percent from the year-ago period as significantly higher advisory services revenues, as well as increased equity financing revenues, were partially offset by lower debt financing and institutional brokerage revenues.
- Compensation and benefits expenses increased 14.7 percent compared with the prior-year period due to increased revenues.
- Non-compensation expenses were down 7.0 percent compared to the year-ago period. In the second quarter of 2016, non-compensation expenses included $3.4 million of restructuring and integration costs primarily related to the acquisition of Simmons & Company International ("Simmons"), which we acquired on February 26, 2016.
- Our second quarter 2017 results include a $1.8 million tax benefit related to restricted stock vesting at values greater than the grant price. The tax benefit increased earnings per diluted common share by $0.12 in the second quarter of 2017.

For the six months ended June 30, 2017

- Net revenues increased 22.9 percent from the year-ago period. Higher advisory services and equity financing revenues, as well as higher investment income, were partially offset by lower debt financing and institutional brokerage revenues.
- Compensation and benefits expenses increased 21.3 percent compared with the prior-year period due to increased revenues, as well as higher acquisition-related compensation costs.
- Non-compensation expenses were down 6.1 percent compared to the year-ago period. In the first half of 2016, non-compensation expenses included $10.2 million of restructuring and integration costs primarily related to the acquisition of Simmons. Incremental back office conversion costs, as well as higher outside services expenses, partially offset the lower restructuring costs in the current period.
- For the six months ended June 30, 2017, we recorded a tax benefit of $8.7 million related to restricted stock vesting at values greater than the grant price. The tax benefit increased earnings per diluted common share by $0.57 in the first half of 2017.
- For the twelve months ended June 30, 2017, our rolling twelve month return on average common shareholders' equity was 1.0 percent, compared with 2.8 percent for the rolling twelve months ended June 30, 2016. On an adjusted basis, we generated a rolling twelve month return on average common shareholders' equity of 12.4 percent(2) for the twelve months ended June 30, 2017, compared with 6.7 percent(2) for the rolling twelve months ended June 30, 2016.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Amounts in thousands, except per share data)	**2017**	**2016**	**2017**	**2016**
Net revenues:				
Net revenues – U.S. GAAP basis	**$ 197,745**	$ 170,483	**$ 398,274**	$ 324,039
Adjustments:				
Revenue related to noncontrolling interests	**(1,967)**	(3,295)	**(5,864)**	(4,644)
Adjusted net revenues	**$ 195,778**	$ 167,188	**$ 392,410**	$ 319,395
Compensation and benefits:				
Compensation and benefits – U.S. GAAP basis	**$ 134,314**	$ 117,148	**$ 268,692**	$ 221,584
Adjustments:				
Compensation from acquisition-related agreements	**(8,091)**	(10,062)	**(15,992)**	(13,368)
Adjusted compensation and benefits	**$ 126,223**	$ 107,086	**$ 252,700**	$ 208,216
Non-compensation expenses:				
Non-compensation expenses – U.S. GAAP basis	**$ 43,564**	$ 46,826	**$ 86,906**	$ 92,504
Adjustments:				
Non-compensation expenses related to noncontrolling interests	**(579)**	(720)	**(1,547)**	(1,320)
Restructuring and integration costs	**—**	(3,433)	**—**	(10,206)
Amortization of intangible assets related to acquisitions	**(3,822)**	(4,094)	**(7,644)**	(7,390)
Non-compensation expenses from acquisition-related agreements	**(171)**	—	**(257)**	—
Adjusted non-compensation expenses	**$ 38,992**	$ 38,579	**$ 77,458**	$ 73,588
Net income applicable to Piper Jaffray Companies:				
Net income applicable to Piper Jaffray Companies – U.S. GAAP basis	**$ 13,573**	$ 1,938	**$ 33,848**	$ 4,375
Adjustments:				
Compensation from acquisition-related agreements	**5,248**	6,623	**10,054**	8,643
Restructuring and integration costs	**—**	2,876	**—**	7,014
Amortization of intangible assets related to acquisitions	**2,348**	2,501	**4,695**	4,515
Non-compensation expenses from acquisition-related agreements	**105**	—	**158**	—
Adjusted net income applicable to Piper Jaffray Companies	**$ 21,274**	$ 13,938	**$ 48,755**	$ 24,547
Earnings per diluted common share:				
Earnings per diluted common share – U.S. GAAP basis	**$ 0.89**	$ 0.12	**$ 2.21**	$ 0.28
Adjustments:				
Compensation from acquisition-related agreements	**0.34**	0.42	**0.65**	0.56
Restructuring and integration costs	**—**	0.18	**—**	0.45
Amortization of intangible assets related to acquisitions	**0.15**	0.16	**0.30**	0.29
Non-compensation expenses from acquisition-related agreements	**0.01**	—	**0.01**	—
Adjusted earnings per diluted common share	**$ 1.40**	$ 0.88	**$ 3.18**	$ 1.58

(2) Adjusted return on average common shareholders' equity, a non-GAAP financial measure, is computed by dividing adjusted net income applicable to Piper Jaffray 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).

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 equity and debt financings and merger and acquisition transactions, 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, overall equity valuations, and the demand for active asset management services.

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 the remainder of 2017

We would expect the U.S. economy to continue to grow at a slow and steady pace through the second half of 2017. Administrative and legislative policies, including increased fiscal spending, deregulation and tax reform, may provide catalysts to accelerate economic growth. However, uncertainty over the details of these policies, their timing, the probability of implementation and their transition, as well as political or economic instability internationally, may inject periods of heightened volatility into the U.S. equity and debt markets. The U.S. Federal Reserve increased short-term interest rates two times in the first half of 2017 on the expectation of stronger economic growth. We anticipate that the U.S. Federal Reserve will attempt to pursue a gradual and steady path to rate normalization, absent significant shifts in tax and monetary policy. Exogenous conditions, however, may trigger episodes of volatility with respect to interest rates. A rising or volatile interest rate environment could manifest itself in changes to the yield curve or relative spreads which may have a mixed impact on certain of our businesses.

We expect conditions in the equity markets to remain conducive to our equity capital raising and advisory activities for the remainder of 2017. While lower volatility benefits our capital raising business, it has the inverse effect on our equity sales and trading business. If we experience sustained bouts of higher volatility or a material market correction, however, our equity brokerage business may benefit while our equity capital raising and advisory businesses may suffer. We believe our advisory services business will continue to perform well in the second half of 2017 on the strength of our market position, recent investments, readily available capital and a combination of high CEO and small business confidence levels. 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.

While higher interest rates across the yield curve would be favorable to our fixed income institutional brokerage business, the move to higher rates could adversely impact our public finance business in the short-term as the level of refunding activity eases while greater economic growth has not yet spurred a ramp in new money issuance volumes. We believe that the level of municipal debt underwriting activity will decline in 2017 after record market issuance volumes in 2016. Our geographic range, product capabilities, and industry expertise should serve to mitigate over time the impact of less favorable market conditions on the performance of our public finance business.

As economic growth continues, we would expect rising market valuations, which have a positive impact on our asset management business. However, this impact may be eroded by the shift to passive investment strategies as extremely low volatility in a market with slow but steady growth favors lower-cost passive investment vehicles. We would expect that active asset managers, ourselves included, will remain under pressure to create alpha for their clients and to maintain or grow AUM.

Results of Operations

Financial Summary for the three months ended June 30, 2017 and June 30, 2016

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.

(Dollars in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	2017 v2016	As a Percentage of Net Revenues for the Three Months Ended June 30, 2017	As a Percentage of Net Revenues for the Three Months Ended June 30, 2016
Revenues:					
Investment banking	**$ 138,528**	$ 97,414	42.2%	**70.1%**	57.1%
Institutional brokerage	**37,074**	48,185	(23.1)	**18.7**	28.3
Asset management	**15,186**	14,595	4.0	**7.7**	8.6
Interest	**7,766**	7,922	(2.0)	**3.9**	4.6
Investment income	**5,453**	8,276	(34.1)	**2.8**	4.9
Total revenues	**204,007**	176,392	15.7	**103.2**	103.5
Interest expense	**6,262**	5,909	6.0	**3.2**	3.5
Net revenues	**197,745**	170,483	16.0	**100.0**	100.0
Non-interest expenses:					
Compensation and benefits	**134,314**	117,148	14.7	**67.9**	68.7
Outside services	**9,789**	10,184	(3.9)	**5.0**	6.0
Occupancy and equipment	**8,257**	8,850	(6.7)	**4.2**	5.2
Communications	**7,273**	7,294	(0.3)	**3.7**	4.3
Marketing and business development	**8,282**	9,171	(9.7)	**4.2**	5.4
Trade execution and clearance	**1,928**	1,916	0.6	**1.0**	1.1
Restructuring and integration costs	**—**	3,433	N/M	**—**	2.0
Intangible asset amortization expense	**3,822**	4,094	(6.6)	**1.9**	2.4
Back office conversion costs	**868**	—	N/M	**0.4**	—
Other operating expenses	**3,345**	1,884	77.5	**1.7**	1.1
Total non-interest expenses	**177,878**	163,974	8.5	**90.0**	96.2
Income before income tax expense	**19,867**	6,509	205.2	**10.0**	3.8
Income tax expense	**4,906**	1,996	145.8	**2.5**	1.2
Net income	**14,961**	4,513	231.5	**7.6**	2.6
Net income applicable to noncontrolling interests	**1,388**	2,575	(46.1)	**0.7**	1.5
Net income applicable to Piper Jaffray Companies	**$ 13,573**	$ 1,938	600.4%	**6.9%**	1.1%

N/M – Not meaningful

For the three months ended June 30, 2017, we recorded net income applicable to Piper Jaffray Companies of $13.6 million. Net revenues for the three months ended June 30, 2017 were $197.7 million, a 16.0 percent increase compared to $170.5 million in the year-ago period. In the second quarter of 2017, investment banking revenues were $138.5 million, up 42.2 percent compared with $97.4 million in the prior-year period, as higher advisory services and equity financing revenues were partially offset by lower debt financing revenues. For the three months ended June 30, 2017, institutional brokerage revenues decreased 23.1 percent to $37.1 million, compared with $48.2 million in the second quarter of 2016, driven by lower fixed income institutional brokerage revenues. In the second quarter of 2017, asset management fees of $15.2 million were up 4.0 percent compared with $14.6 million in the second quarter of 2016 due to higher management fees from our master limited partnership ("MLP") product offerings. For the three months ended June 30, 2017, net interest income was $1.5 million, down from $2.0 million in the prior-year period. In the second quarter of 2017, investment income was $5.5 million, compared with $8.3 million in the prior-year period. In the second quarter of 2016, we recorded higher gains on our firm investments. Non-interest expenses were $177.9 million for the three months ended June 30, 2017, up 8.5 percent compared to $164.0 million in the prior-year period, due primarily to increased compensation expenses driven by higher revenues. This increase was partially offset by lower restructuring costs. In the second quarter of 2016, we recorded $3.4 million of restructuring and integration costs primarily related to the acquisition of Simmons.

Consolidated Non-Interest Expenses

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 with service conditions as a component of our acquisition deal consideration, which is amortized to compensation expense over the service period.

For the three months ended June 30, 2017, compensation and benefits expenses increased to $134.3 million, compared with $117.1 million in the corresponding period of 2016, due to higher revenues. Compensation and benefits expenses as a percentage of net revenues was 67.9 percent in the second quarter of 2017, compared with 68.7 percent in the second quarter of 2016.

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 decreased 3.9 percent to $9.8 million in the second quarter of 2017, compared with $10.2 million in the corresponding period of 2016. Excluding the portion of expenses from non-controlled equity interests in our consolidated alternative asset management funds, outside services expenses were flat.

Occupancy and Equipment – For the three months ended June 30, 2017, occupancy and equipment expenses decreased 6.7 percent to $8.3 million, compared with $8.9 million for the three months ended June 30, 2016.

Communications – Communication expenses include costs for telecommunication and data communication, primarily consisting of expenses for obtaining third party market data information. For the three months ended June 30, 2017, communication expenses were flat at $7.3 million, compared with the three months ended June 30, 2016.

Marketing and Business Development – Marketing and business development expenses include travel and entertainment costs, advertising and third party marketing fees. For the three months ended June 30, 2017, marketing and business development expenses decreased 9.7 percent to $8.3 million, compared with $9.2 million in the corresponding period of 2016. The decrease was driven by lower travel expenses.

Trade Execution and Clearance – For the three months ended June 30, 2017, trade execution and clearance expenses were $1.9 million, flat compared with the corresponding period of 2016.

Restructuring and Integration Costs – In the second quarter of 2016, we recorded restructuring and integration costs of $3.4 million primarily related to the acquisition of Simmons. The expenses consisted of $1.3 million for vacated redundant leased office space, $1.2 million of severance, benefits and outplacement costs, $0.5 million of transaction costs, and $0.4 million of contract termination costs.

Intangible Asset Amortization Expense – Intangible asset amortization expense includes the amortization of definite-lived intangible assets consisting of customer relationships and the Simmons trade name. For the three months ended June 30, 2017, intangible asset amortization expense was $3.8 million, compared with $4.1 million in the corresponding period of 2016.

Back Office Conversion Costs – In the third quarter of 2017, we will be migrating to a fully disclosed clearing model and no longer be self clearing. Back office conversion costs include costs incurred to transition to a fully disclosed clearing model, such as contract termination fees, vendor migration fees, other professional fees, and severance benefits for impacted personnel. For the three months ended June 30, 2017, we incurred back office conversion costs of $0.9 million. We expect to incur costs of approximately $3.0 million between 2016 and 2017, of which $1.4 million was incurred in 2016 and the first quarter of 2017. We anticipate a meaningful reduction in our trade clearing expenses by moving to a fully disclosed model.

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 $3.3 million in the second quarter of 2017, compared with $1.9 million in the second quarter of 2016. The increase was primarily due to higher expense related to our charitable giving program driven by our increased profitability, as well as increased insurance costs. Additionally, in the second quarter of 2016 we recorded foreign currency gains from our foreign cash accounts versus losses in the second quarter of 2017.

Income Taxes – For the three months ended June 30, 2017, income tax expense was $4.9 million, equating to an effective tax rate, excluding noncontrolling interests, of 26.5 percent. In the second quarter of 2017, we recorded a $1.8 million tax benefit related to stock-based compensation awards vesting at values greater than the grant price. As discussed in Note 2, "Accounting Policies and Pronouncements" in the notes to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q, effective as of January 1, 2017, new accounting guidance requires us to recognize the income tax effects of stock-based compensation awards in the income statement when the awards vest, rather than as additional paid-in capital. The amount recognized in the income statement in future periods may vary depending upon, among other things, the number of restricted shares vesting and their change in value since the grant date. We would expect that the impact of this guidance will be more meaningful in the first half of each year as the majority of our restricted stock vestings related to our employees' incentive compensation occurs in February. For the three months ended June 30, 2016, our provision for income taxes was $2.0 million equating to an effective tax rate, excluding noncontrolling interests, of 50.7 percent. In the second quarter of 2016, we recorded a 100.0 percent valuation allowance against tax benefits generated from net operating losses within Piper Jaffray Ltd.

Segment Performance

We measure financial performance by business segment. Our two reportable segments are Capital Markets and Asset Management. We determined these segments based upon the nature of the financial products and services provided to customers and our management organization. Segment pre-tax operating income and segment pre-tax operating margin are used to evaluate and measure segment performance by our chief operating decision maker in deciding how to allocate resources and in assessing performance in relation to our competitors. Revenues and expenses directly associated with each respective segment are included in determining segment operating results. Revenues and expenses that are not directly attributable to a particular segment are allocated based upon our allocation methodologies, generally based on each segment’s respective net revenues, use of shared resources, headcount or other relevant measures.

Throughout this section, we have presented segment results on both a U.S. GAAP and non-GAAP basis. Management believes that presenting adjusted segment pre-tax operating income and adjusted segment pre-tax operating margin in conjunction with the 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 segment results should be considered in addition to, not as a substitute for, the segment results prepared in accordance with U.S. GAAP.

Adjusted segment pre-tax operating income and adjusted segment 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) restructuring and acquisition integration costs. For U.S. GAAP purposes, these items are included in each of their respective line items on the consolidated statements of operations.

Capital Markets

The following table sets forth the Capital Markets adjusted segment 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:

	Three Months Ended June 30,							
	2017				2016			
		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								
Financing								
Equities	$ 24,730	$ —	$ —	$ 24,730	$ 16,786	$ —	$ —	$ 16,786
Debt	21,971	—	—	21,971	33,325	—	—	33,325
Advisory services	92,507	—	—	92,507	48,112	—	—	48,112
Total investment banking	139,208	—	—	139,208	98,223	—	—	98,223
Institutional sales and trading								
Equities	20,569	—	—	20,569	22,612	—	—	22,612
Fixed income	19,221	—	—	19,221	28,212	740	—	28,952
Total institutional sales and trading	39,790	—	—	39,790	50,824	740	—	51,564
Management and performance fees	1,497	—	—	1,497	1,794	—	—	1,794
Investment income	3,340	1,967	—	5,307	4,896	2,555	—	7,451
Long-term financing expenses	(2,029)	—	—	(2,029)	(2,293)	—	—	(2,293)
Net revenues	181,806	1,967	—	183,773	153,444	3,295	—	156,739
Operating expenses	152,847	579	10,807	164,233	135,106	720	16,202	152,028
Segment pre-tax operating income	$ 28,959	$ 1,388	$ (10,807)	$ 19,540	$ 18,338	$ 2,575	$ (16,202)	$ 4,711
Segment pre-tax operating margin	15.9%			10.6%	12.0%			3.0%

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

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

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

	Three Months Ended June 30,	
(Dollars in thousands)	*2017*	*2016*
Compensation from acquisition-related agreements	*$ 8,091*	*$ 10,062*
Restructuring and integration costs	*—*	*3,433*
Amortization of intangible assets related to acquisitions	*2,545*	*2,707*
Non-compensation expenses from acquisition-related agreements	*171*	*—*
	$ 10,807	*$ 16,202*

Capital Markets net revenues on a U.S. GAAP basis were $183.8 million for the three months ended June 30, 2017, compared with $156.7 million in the prior-year period. For the three months ended June 30, 2017, adjusted net revenues were $181.8 million, compared with $153.4 million in the second quarter of 2016. The variance explanations for net revenues and adjusted net revenues are consistent on both a U.S. GAAP and non-GAAP basis.

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

In the second quarter of 2017, investment banking revenues increased 41.7 percent to $139.2 million, compared with $98.2 million in the corresponding period of the prior year. For the three months ended June 30, 2017, advisory services revenues were $92.5 million, up 92.3 percent compared to $48.1 million in the second quarter of 2016. Our results reflect a strong relative performance and broad-based contributions across our advisory business. The investments we have made across industry groups have produced strong results. We completed 46 transactions with an aggregate enterprise value of $8.1 billion in the second quarter of 2017, compared with 22 transactions with an aggregate enterprise value of $2.4 billion in the second quarter of 2016. For the three months ended June 30, 2017, equity financing revenues were $24.7 million, up 47.3 percent compared with $16.8 million in the prior-year period. Market conditions were constructive for equity capital raising activity during the quarter. The revenue synergies that have materialized as a result of our expansion into the energy sector contributed to our performance in the current quarter. During the second quarter of 2017, we completed 17 equity financings, raising $3.9 billion for our clients, compared with 16 equity financings, raising $3.5 billion for our clients in the comparable year-ago period. Debt financing revenues for the three months ended June 30, 2017 were $22.0 million, down 34.1 percent compared with $33.3 million in a strong year-ago period. In the second quarter of 2016, we experienced robust refunding activity in response to low interest rate levels. During the second quarter of 2017, we completed 140 negotiated municipal issues with a total par value of $3.5 billion, compared with 192 negotiated municipal issues with a total par value of $5.0 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, mortgage-backed securities and U.S. government agency securities. 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 and the timing of transactions based on market opportunities.

For the three months ended June 30, 2017, institutional brokerage revenues were $39.8 million, a decrease of 22.8 percent compared with $51.6 million in the prior-year period, due to lower equity and fixed income institutional brokerage revenues. Equity institutional brokerage revenues were $20.6 million in the second quarter of 2017, down 9.0 percent compared with $22.6 million in the corresponding period of 2016. Low volatility resulted in lower trading volumes in the second quarter of 2017. For the three months ended June 30, 2017, fixed income institutional brokerage revenues were $19.2 million, down 33.6 percent compared with $29.0 million in the prior-year period. Our fixed income business confronted challenging market conditions during the quarter, characterized by low volatility, a flattening yield curve and low interest rate levels on an absolute basis. These conditions resulted in light levels of customer flow activity and limited trading opportunities, which reduced our revenues.

Management and performance fees include the fees generated from our merchant banking, energy and senior living funds with outside investors. For the three months ended June 30, 2017, management and performance fees were $1.5 million, compared with $1.8 million in the prior-year period.

Investment income includes realized and unrealized gains and losses on investments, including amounts attributable to noncontrolling interests, in our merchant banking fund, energy and senior living funds, and other firm investments. For the three months ended June 30, 2017, investment income was $5.3 million, compared to $7.5 million in the corresponding period of 2016. In the second quarter of 2016, we recorded higher gains on our firm investments. Excluding the impact of noncontrolling interests, adjusted investment income was $3.3 million for the three months ended June 30, 2017.

Long-term financing expenses primarily represent interest paid on our senior notes. For the three months ended June 30, 2017, long-term financing expenses decreased to $2.0 million, from $2.3 million in the prior-year period. We repaid the $50 million of Class A senior notes upon maturity on May 31, 2017.

Capital Markets segment pre-tax operating margin for the three months ended June 30, 2017 was 10.6 percent, compared with 3.0 percent for the corresponding period of 2016. Pre-tax operating margin was higher in the second quarter of 2017 compared to the prior-year period due primarily to a lower non-compensation ratio driven by an increase in revenues and lower levels of restructuring costs. In the year-ago period, we recorded $3.4 million of restructuring and integration costs primarily related to the acquisition of Simmons. Adjusted segment pre-tax operating margin for the three months ended June 30, 2017 was 15.9 percent, compared with 12.0 percent for the corresponding period of 2016. Adjusted pre-tax operating margin was higher compared to the second quarter of 2016 primarily due to operating leverage as a result of higher revenues. Adjusted net revenues increased 18.5 percent and adjusted operating expenses increased 13.1 percent compared to the second quarter of 2016, reflecting operating leverage in the business and expense discipline.

Asset Management

The following table sets forth the Asset Management segment 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:

	Three Months Ended June 30,							
	2017				2016			
		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
Management fees								
Equity	$ 6,521	$ —	$ —	$ 6,521	$ 6,588	$ —	$ —	$ 6,588
MLP	7,168	—	—	7,168	6,213	—	—	6,213
Total management fees	13,689	—	—	13,689	12,801	—	—	12,801
Performance fees								
Equity	—	—	—	—	—	—	—	—
MLP	—	—	—	—	—	—	—	—
Total performance fees	—	—	—	—	—	—	—	—
Total management and performance fees	13,689	—	—	13,689	12,801	—	—	12,801
Investment income	283	—	—	283	943	—	—	943
Total net revenues	13,972	—	—	13,972	13,744	—	—	13,744
Operating expenses	12,368	—	1,277	13,645	10,559	—	1,387	11,946
Segment pre-tax operating income	$ 1,604	$ —	$ (1,277)	$ 327	$ 3,185	$ —	$ (1,387)	$ 1,798
Segment pre-tax operating margin	11.5%			2.3%	23.2%			13.1%
Adjusted segment pre-tax operating margin excluding investment income (2)	9.7%				17.5%			

(1) Other Adjustments – Consists of amortization of acquisition-related intangible assets of $1.3 million and $1.4 million for the three months ended June 30, 2017 and 2016, respectively.

(2) Management believes that presenting adjusted segment pre-tax operating margin excluding investment income, a non-GAAP measure, provides the most meaningful basis for comparison of Asset Management operating results across periods.

Management and performance fee revenues comprise the revenues generated from management and investment advisory services performed for separately managed accounts, registered funds and partnerships. Client asset inflows and outflows and investment performance have a direct effect on management and performance fee revenues. Management fees are generally based on the level of AUM measured monthly or quarterly, and an increase or reduction in AUM, due to market price fluctuations or net client asset flows, will result in a corresponding increase or decrease in management fees. Fees vary with the type of assets managed and the vehicle in which they are managed. Performance fees are earned when the investment return on AUM exceeds certain benchmark targets or other performance targets over a specified measurement period. The level of performance fees earned can vary significantly from period to period and these fees may not necessarily be correlated to changes in total AUM. The majority of performance fees, if earned, are generally recorded in the fourth quarter of the applicable year or upon withdrawal of client assets. At June 30, 2017, approximately four percent of our AUM was eligible to earn performance fees.

For the three months ended June 30, 2017, management fees were $13.7 million, an increase of 6.9 percent, compared with $12.8 million in the prior-year period, due to higher management fees from our MLP product offerings. In the second quarter of 2017, management fees related to our equity strategies were $6.5 million, flat compared to the corresponding period of 2016 as higher average AUM was offset by a lower average effective revenue yield. The lower yield resulted from changes in our product mix. The average effective revenue yield (total annualized management fees as a percentage of our average month-end AUM) for our equity strategies was 62 basis points for the second quarter of 2017, compared with 69 basis points for the prior-year period. Management fees from our MLP strategies increased 15.4 percent in the second quarter of 2017 to $7.2 million, compared with $6.2 million in the second quarter of 2016, due primarily to higher average AUM.

Investment income includes gains and losses from our investments in registered funds and private funds or partnerships that we manage. For the three months ended June 30, 2017, investment income was $0.3 million compared with $0.9 million for the prior-year period.

Segment pre-tax operating margin for the three months ended June 30, 2017 was 2.3 percent, compared to 13.1 percent for the three months ended June 30, 2016. Excluding investment income on firm capital invested in our strategies, adjusted operating margin declined from 17.5 percent in the second quarter of 2016 to 9.7 percent in the second quarter of 2017. Pre-tax operating margin decreased compared to the second quarter of 2016 due to a higher compensation ratio. The hiring of new investment teams, which increased compensation expenses, combined with AUM outflows from existing equity strategies and the resultant reduction in revenues, has lowered our pre-tax operating margin.

The following table summarizes the changes in our AUM for the periods presented:

(Dollars in millions)	**Three Months Ended June 30, 2017**	**Three Months Ended June 30, 2016**	**Twelve Months Ended June 30, 2017**
Equity			
Beginning of period	**$ 4,081**	**$ 3,983**	**$ 3,681**
Net inflows/(outflows)	173	(375)	(25)
Net market appreciation	22	73	620
End of period	**$ 4,276**	**$ 3,681**	**$ 4,276**
MLP			
Beginning of period	**$ 4,681**	**$ 3,522**	**$ 4,410**
Net inflows/(outflows)	(9)	66	(245)
Net market appreciation/(depreciation)	(368)	822	139
End of period	**$ 4,304**	**$ 4,410**	**$ 4,304**
Total			
Beginning of period	**$ 8,762**	**$ 7,505**	**$ 8,091**
Net inflows/(outflows)	164	(309)	(270)
Net market appreciation/(depreciation)	(346)	895	759
End of period	**$ 8,580**	**$ 8,091**	**$ 8,580**

Total AUM was $8.6 billion at June 30, 2017. Equity AUM increased to $4.3 billion at June 30, 2017 due to net client inflows of $0.2 billion during the quarter. This amount reflects inflows resulting from our strategy to diversify our product platform which was partially offset by outflows in our other equity product offerings, particularly our domestic and international equity strategies. MLP AUM decreased to $4.3 billion at June 30, 2017 as we experienced net market depreciation of $0.4 billion during the quarter.

We have taken steps to restructure our business around more scalable and potentially higher margin products. We intend to exit our Japan value products and related international strategies which will reduce our AUM by approximately $1.0 billion in the third quarter of 2017. This reduction will be partially offset by client inflows into our new global dividend strategy during the quarter. This product, which we added in the first quarter of 2017, is part of our strategy to remix our product offerings. In the near term, the impact of our remix strategy will not offset the deleterious effect of persistent outflows from our domestic value products, historically one of our most profitable products.

Financial Summary for the six months ended June 30, 2017 and June 30, 2016

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.

	Six Months Ended June 30,			As a Percentage of Net Revenues for the Six Months Ended June 30,	
(Dollars in thousands)	**2017**	**2016**	**2017 v2016**	**2017**	**2016**
Revenues:					
Investment banking	**$ 270,778**	$ 201,352	34.5%	**68.0%**	62.1%
Institutional brokerage	**76,210**	80,234	(5.0)	**19.1**	24.8
Asset management	**31,193**	28,443	9.7	**7.8**	8.8
Interest	**15,485**	16,751	(7.6)	**3.9**	5.2
Investment income	**15,828**	9,213	71.8	**4.0**	2.8
Total revenues	**409,494**	335,993	21.9	**102.8**	103.7
Interest expense	**11,220**	11,954	(6.1)	**2.8**	3.7
Net revenues	**398,274**	324,039	22.9	**100.0**	100.0
Non-interest expenses:					
Compensation and benefits	**268,692**	221,584	21.3	**67.5**	68.4
Outside services	**20,117**	18,635	8.0	**5.1**	5.8
Occupancy and equipment	**16,719**	16,568	0.9	**4.2**	5.1
Communications	**14,889**	14,624	1.8	**3.7**	4.5
Marketing and business development	**15,829**	16,175	(2.1)	**4.0**	5.0
Trade execution and clearance	**3,739**	3,678	1.7	**0.9**	1.1
Restructuring and integration costs	**—**	10,206	N/M	**—**	3.1
Intangible asset amortization expense	**7,644**	7,390	3.4	**1.9**	2.3
Back office conversion costs	**1,734**	—	N/M	**0.4**	—
Other operating expenses	**6,235**	5,228	19.3	**1.6**	1.6
Total non-interest expenses	**355,598**	314,088	13.2	**89.3**	96.9
Income before income tax expense	**42,676**	9,951	328.9	**10.7**	3.1
Income tax expense	**4,511**	2,252	100.3	**1.1**	0.7
Net income	**38,165**	7,699	395.7	**9.6**	2.4
Net income applicable to noncontrolling interests	**4,317**	3,324	29.9	**1.1**	1.0
Net income applicable to Piper Jaffray Companies	**$ 33,848**	$ 4,375	673.7%	**8.5%**	1.4%

N/M – Not meaningful

Except as discussed below, the description of non-interest expense and net revenues as well as the underlying reasons for variances to prior year are substantially the same as the comparative quarterly discussion.

For the six months ended June 30, 2017, we recorded net income applicable to Piper Jaffray Companies of $33.8 million. Net revenues for the six months ended June 30, 2017 were $398.3 million, compared to $324.0 million in the year-ago period. In the first half of 2017, investment banking revenues were $270.8 million, up 34.5 percent compared with $201.4 million in the prior-year period as higher advisory services and equity financing revenues were partially offset by lower debt financing revenues. For the six months ended June 30, 2017, institutional brokerage revenues decreased 5.0 percent to $76.2 million, compared with $80.2 million in the first half of 2016, due to lower fixed income and equity institutional brokerage revenues. In the first half of 2017, asset management fees increased 9.7 percent to $31.2 million, compared with $28.4 million in the first half of 2016, due primarily to higher management fees from our MLP product offerings which were partially offset by lower management fees from our value equity product offerings. In the first six months of 2017, net interest income decreased to $4.3 million, compared with $4.8 million in the prior-year period. For the six months ended June 30, 2017, investment income was $15.8 million, compared with $9.2 million in the prior-year period, due to higher gains on our investment and the noncontrolling interests in the merchant banking fund that we manage. Non-interest expenses were $355.6 million for the six months ended June 30, 2017, compared with $314.1 million in the year-ago period. The increase was primarily due to higher compensation expense driven by increased revenues, as well as incremental costs related to our back office conversion. These increases were partially offset by lower restructuring costs.

Consolidated Non-Interest Expenses

Outside Services – For the six months ended June 30, 2017, outside services expenses increased 8.0 percent to $20.1 million, compared with $18.6 million in the corresponding period in 2016. Excluding the portion of expenses from non-controlled equity interests in our consolidated alternative asset management funds, outside service expenses increased 6.5 percent due to higher professional fees.

Occupancy and Equipment – For the six months ended June 30, 2017, occupancy and equipment expenses were essentially flat at $16.7 million, compared with the corresponding period in 2016.

Intangible Asset Amortization Expense – For the six months ended June 30, 2017, intangible asset amortization expense was $7.6 million, compared with $7.4 million in the corresponding period of 2016.

Income Taxes – For the six months ended June 30, 2017, our provision for income taxes was $4.5 million equating to an effective tax rate, excluding noncontrolling interests, of 11.8 percent, compared with $2.3 million in the prior-year period equating to an effective tax rate, excluding noncontrolling interests, of 34.0 percent. In the first half of 2017, we recorded a $8.7 million tax benefit related to stock-based compensation awards vesting at values greater than the grant price.

Segment Performance

Capital Markets

The following table sets forth the Capital Markets adjusted segment 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:

	Six Months Ended June 30,							
	2017				2016			
		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								
Financing								
Equities	$ 48,112	$ —	$ —	$ 48,112	$ 23,352	$ —	$ —	$ 23,352
Debt	38,379	—	—	38,379	49,297	—	—	49,297
Advisory services	185,389	—	—	185,389	129,741	—	—	129,741
Total investment banking	271,880	—	—	271,880	202,390	—	—	202,390
Institutional sales and trading								
Equities	40,675	—	—	40,675	42,281	—	—	42,281
Fixed income	42,461	—	—	42,461	45,266	740	—	46,006
Total institutional sales and trading	83,136	—	—	83,136	87,547	740	—	88,287
Management and performance fees	3,494	—	—	3,494	2,759	—	—	2,759
Investment income	9,951	5,864	—	15,815	5,633	3,904	—	9,537
Long-term financing expenses	(4,267)	—	—	(4,267)	(4,585)	—	—	(4,585)
Net revenues	364,194	5,864	—	370,058	293,744	4,644	—	298,388
Operating expenses	305,408	1,547	21,338	328,293	261,382	1,320	28,181	290,883
Segment pre-tax operating income	$ 58,786	$ 4,317	$ (21,338)	$ 41,765	$ 32,362	$ 3,324	$ (28,181)	$ 7,505
Segment pre-tax operating margin	16.1%			11.3%	11.0%			2.5%

(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 segment pre-tax operating income and adjusted segment pre-tax operating margin:*

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

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

	Six Months Ended June 30,	
(Dollars in thousands)	*2017*	*2016*
Compensation from acquisition-related agreements	*$ 15,992*	*$ 13,368*
Restructuring and integration costs	*—*	*10,197*
Amortization of intangible assets related to acquisitions	*5,089*	*4,616*
Non-compensation expenses from acquisition-related agreements	*257*	*—*
	$ 21,338	*$ 28,181*

Capital Markets net revenues on a U.S. GAAP basis were $370.1 million for the six months ended June 30, 2017, compared with $298.4 million in the prior-year period. In the first half of 2017, Capital Markets adjusted net revenues were $364.2 million, compared with $293.7 million in the first half of 2016. The variance explanations for net revenues and adjusted net revenues are consistent on both a U.S. GAAP and non-GAAP basis.

In the first half of 2017, investment banking revenues increased to $271.9 million, compared with $202.4 million in the corresponding period of the prior year. For the six months ended June 30, 2017, advisory services revenues increased 42.9 percent to $185.4 million, compared with $129.7 million in the first half of 2016, due to more completed transactions as market conditions were conducive for advisory activities in the first half of 2017. We completed 75 transactions with an aggregate enterprise value of $16.5 billion in the first half of 2017, compared with 58 transactions with an aggregate enterprise value of $8.3 billion in the first half of 2016. For the six months ended June 30, 2017, equity financing revenues were $48.1 million, up 106.0 percent compared with $23.4 million in the prior-year period, due to a rebound in capital raising in the first half of 2017 compared to tepid conditions in the first half of 2016. On a year-to-date basis, the overall fee pool in our markets was up approximately 115 percent compared to the corresponding period of the prior year. During the first half of 2017, we completed 44 equity financings, raising $10.1 billion for our clients, compared with 23 equity financings, raising $4.8 billion for our clients in the year-ago period. Debt financing revenues for the six months ended June 30, 2017 were $38.4 million, down 22.1 percent compared with $49.3 million in the year-ago period, due to lower public finance revenues as we experienced robust refinancing activity during the second quarter of 2016. During the first half of 2017, we completed 269 negotiated municipal issues with a total par value of $6.9 billion, compared with 321 negotiated municipal issues with a total par value of $7.8 billion during the prior-year period.

For the six months ended June 30, 2017, institutional brokerage revenues decreased 5.8 percent to $83.1 million, compared with $88.3 million in the prior-year period, due to lower equity and fixed income institutional brokerage revenues. Equity institutional brokerage revenues decreased 3.8 percent to $40.7 million in the first half of 2017, compared with $42.3 million in the corresponding period of 2016, due to lower client trading volumes. Incremental revenues from our expansion into the energy sector in the first quarter of 2016 partially offset the impact of lower trading volumes driven by lower volatility. For the six months ended June 30, 2017, fixed income institutional brokerage revenues were $42.5 million, down 7.7 percent compared with $46.0 million in the prior-year period, due to fewer opportunities for trading gains.

For the six months ended June 30, 2017, management and performance fees were $3.5 million, up compared with $2.8 million in the prior-year period, due primarily to higher performance fees from our merchant banking fund.

For the six months ended June 30, 2017, investment income was $15.8 million, compared to $9.5 million in the corresponding period of 2016. In the first half of 2017, we recored higher gains in our merchant banking fund. Excluding the impact of noncontrolling interests, adjusted investment income was $10.0 million for the six months ended June 30, 2017.

For the six months ended June 30, 2017, long-term financing expenses decreased to $4.3 million, compared with $4.6 million in the prior-year period. We repaid the $50 million of Class A senior notes upon maturity on May 31, 2017.

Capital Markets segment pre-tax operating margin for the six months ended June 30, 2017 was 11.3 percent, compared with 2.5 percent for the corresponding period of 2016. The increased pre-tax operating margin was primarily due to a lower non-compensation ratio driven by an increase in revenues and lower levels of restructuring costs. In the year-ago period, we recorded $10.2 million of restructuring and integration costs primarily related to the acquisition of Simmons. Adjusted segment pre-tax operating margin for the six months ended June 30, 2017 was 16.1 percent, compared with 11.0 percent for the corresponding period of 2016, primarily due to operating leverage as a result of higher revenues.

Asset Management

The following table sets forth the Asset Management segment 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:

	Six Months Ended June 30,							
	2017				2016			
		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
Management fees								
Equity	$ 13,182	$ —	$ —	$ 13,182	$ 14,301	$ —	$ —	$ 14,301
MLP	14,517	—	—	14,517	11,383	—	—	11,383
Total management fees	27,699	—	—	27,699	25,684	—	—	25,684
Performance fees								
Equity	—	—	—	—	—	—	—	—
MLP	—	—	—	—	—	—	—	—
Total performance fees	—	—	—	—	—	—	—	—
Total management and performance fees	27,699	—	—	27,699	25,684	—	—	25,684
Investment income/(loss)	517	—	—	517	(33)	—	—	(33)
Total net revenues	28,216	—	—	28,216	25,651	—	—	25,651
Operating expenses	24,750	—	2,555	27,305	20,422	—	2,783	23,205
Segment pre-tax operating income	$ 3,466	$ —	$ (2,555)	$ 911	$ 5,229	$ —	$ (2,783)	$ 2,446
Segment pre-tax operating margin	12.3%			3.2%	20.4%			9.5%
Adjusted segment pre-tax operating margin excluding investment income/(loss) (2)	10.6%				20.5%			

(1) Other Adjustments – Primarily consists of amortization of acquisition-related intangible assets of $2.6 million and $2.8 million for the six months ended June 30, 2017 and 2016, respectively.

(2) Management believes that presenting adjusted segment pre-tax operating margin excluding investment income/(loss), a non-GAAP measure, provides the most meaningful basis for comparison of Asset Management operating results across periods.

For the six months ended June 30, 2017, management fees were $27.7 million, an increase of 7.8 percent, compared with $25.7 million in the prior-year period as higher management fees from our MLP product offerings were partially offset by lower management fees from our equity product offerings. In the first half of 2017, management fees related to our equity strategies were $13.2 million, down 7.8 percent compared to $14.3 million in the corresponding period of 2016, due to a lower average effective revenue yield. The average effective revenue yield for our equity strategies was 64 basis points for the six months ended June 30, 2017, down from 72 basis points for the six months ended June 30, 2016. Management fees from our MLP strategies increased 27.5 percent in the first half of 2017 to $14.5 million, compared with $11.4 million in the first half of 2016, due to higher average AUM.

Segment pre-tax operating margin for the six months ended June 30, 2017 was 3.2 percent, compared to 9.5 percent for the six months ended June 30, 2016. Excluding investment income/(loss) on firm capital invested in our strategies, adjusted operating margin declined from 20.5 percent in the first half of 2016 to 10.6 percent in the first half of 2017, due primarily to a higher compensation ratio.

The following table summarizes the changes in our AUM for the periods presented:

(Dollars in millions)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Twelve Months Ended June 30, 2017
Equity			
Beginning of period	**$ 4,115**	**$ 4,954**	**$ 3,681**
Net inflows/(outflows)	30	(1,276)	(25)
Net market appreciation	131	3	620
End of period	**$ 4,276**	**$ 3,681**	**$ 4,276**
MLP			
Beginning of period	**$ 4,616**	**$ 3,924**	**$ 4,410**
Net outflows	(30)	(71)	(245)
Net market appreciation/(depreciation)	(282)	557	139
End of period	**$ 4,304**	**$ 4,410**	**$ 4,304**
Total			
Beginning of period	**$ 8,731**	**$ 8,878**	**$ 8,091**
Net outflows	—	(1,347)	(270)
Net market appreciation/(depreciation)	(151)	560	759
End of period	**$ 8,580**	**$ 8,091**	**$ 8,580**

Recent Accounting Pronouncements

Recent accounting pronouncements are set forth in Note 2 to our unaudited consolidated financial statements, and are incorporated herein by reference.

Critical Accounting Policies

Our accounting and reporting policies comply with GAAP and conform to practices within the securities industry. The preparation of financial statements in compliance with 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 GAAP.

We believe that of our significant accounting policies, the following are our critical accounting policies:

- Valuation of Financial Instruments
- Goodwill and Intangible Assets
- Compensation Plans
- Income Taxes

See the "Critical Accounting Policies" section and Note 2, "Summary of Significant Accounting Policies" to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 for further information. See also Note 2, "Accounting Policies and Pronouncements" in the notes to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q for changes to our significant accounting policies, as well as the impact from the adoption of new accounting standards.

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.

At June 30, 2017, $114.4 million of our goodwill balance related to our Asset Management segment. Our Asset Management segment has experienced a decline in profitability as revenues have decreased in product offerings with higher margins, which has not been fully offset with earnings from new product offerings. For the six months ended June 30, 2017, management and performance fees have increased 7.8 percent compared to the prior-year period, however, profitability has declined 62.8 percent over the same time period. Future changes in the assumptions underlying projected cash flows from the reporting unit or its EBITDA multiple, such as those resulting from market conditions or other factors, could result in an impairment of goodwill related to our Asset Management segment.

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.

Beginning in 2017, we initiated the payment of a quarterly cash dividend to holders of our common stock. Our board of directors determines the declaration and payment of dividends on a quarterly basis, and is free to change our dividend policy at any time.

Our board of directors declared the following dividends:

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

Effective August 14, 2015, our board of directors authorized the repurchase of up to $150.0 million in common shares through September 30, 2017. During the six months ended June 30, 2017, we repurchased 27,530 shares of our common stock at an average price of $72.63 per share for an aggregate purchase price of $2.0 million related to this authorization. We have $69.8 million remaining under this authorization.

We also purchase shares of common stock from restricted stock award recipients upon the award vesting as recipients sell shares to meet their employment tax obligations. During the first half of 2017, we purchased 293,357 shares or $21.6 million of our common stock for this purpose.

Leverage

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

(Dollars in thousands)	**June 30, 2017**	December 31, 2016
Total assets	**$ 1,931,333**	$ 2,125,503
Deduct: Goodwill and intangible assets	**(225,808)**	(233,452)
Deduct: Assets from noncontrolling interests	**(48,226)**	(109,179)
Adjusted assets	**$ 1,657,299**	$ 1,782,872
Total shareholders' equity	**$ 834,739**	$ 816,266
Deduct: Goodwill and intangible assets	**(225,808)**	(233,452)
Deduct: Noncontrolling interests	**(45,164)**	(57,016)
Tangible common shareholders' equity	**$ 563,767**	$ 525,798
Leverage ratio (1)	**2.3**	2.6
Adjusted leverage ratio (2)	**2.9**	3.4

(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 which 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 Jaffray 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. Our adjusted leverage ratio decreased from December 31, 2016 primarily as a result of lower inventory balances.

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.

In the third quarter of 2017, we will be migrating to a fully disclosed clearing model and will no longer be self clearing. The conversion will provide us with a new funding source through our clearing firm and, as a result, change our mix of current funding sources.

Short-term financing

Our day-to-day funding and liquidity is obtained primarily through the use of commercial paper issuance, repurchase agreements, prime broker agreements, and bank lines 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 the London Interbank Offer Rate.

Commercial Paper Program – Our U.S. broker dealer subsidiary, Piper Jaffray & Co., issues secured commercial paper to fund a portion of its securities inventory. This commercial paper is issued under three separate programs, CP Series A, CP Series II A and CP Series III 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 III A includes a covenant that requires Piper Jaffray & Co. to maintain excess net capital of $120 million. The following table provides information about our commercial paper programs at June 30, 2017:

(Dollars in millions)	CP Series A	CP Series II A	CP Series III A
Maximum amount that may be issued	$ 300.0	$ 150.0	$ 125.0
Amount outstanding	30.0	20.0	62.4
Weighted average maturity, in days	25	16	21
Weighted average maturity at issuance, in days	28	28	32

Prime Broker Arrangements – We have established an arrangement to obtain overnight financing by a single prime broker related to certain strategic trading activities in municipal securities. Additionally, we have established a second overnight financing arrangement with another broker dealer related to our convertible securities inventories. Financing under these arrangements is secured primarily by securities, and collateral limitations could reduce the amount of funding available under these arrangements. Our prime broker financing activities are recorded net of receivables from trading activity. The funding is at the discretion of the prime brokers and could be denied subject to a notice period. At June 30, 2017, we had $114.0 million of financing outstanding under these prime broker arrangements.

Committed Lines – We elected to decrease our committed line from $250 million to a one-year $200 million revolving secured credit facility in 2016 based on our liquidity needs and the expected back office conversion which will provide us with an additional funding source. We use this credit facility in the ordinary course of business to fund a portion of our daily operations, and the amount borrowed under the facility varies daily based on our funding needs. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires Piper Jaffray & Co. to maintain minimum net capital of $120 million, and the unpaid principal amount of all advances under the facility will be due on December 16, 2017. This credit facility has been in place since 2008 and we renewed the facility for another one-year term in the fourth quarter of 2016. At June 30, 2017, we had $104.0 million in advances against this line of credit.

Uncommitted Lines – We use uncommitted lines in the ordinary course of business to fund a portion of our daily operations, and the amount borrowed under our uncommitted lines varies daily based on our funding needs. Our uncommitted secured lines total $185 million with two banks and are dependent on having appropriate collateral, as determined by the bank agreement, to secure an advance under the line. Collateral limitations could reduce the amount of funding available under these secured lines. We also have an uncommitted unsecured facility with one of these banks. All of these uncommitted lines are discretionary and are not a commitment by the bank to provide an advance under the line. More specifically, these lines are subject to approval by the respective bank each time an advance is requested and advances may be denied, which may be particularly true during times of market stress or market perceptions of our exposures. We manage our relationships with the banks that provide these uncommitted facilities in order to have appropriate levels of funding for our business. At June 30, 2017, we had no advances against these lines of credit.

The following tables present the average balances outstanding for our various short-term funding sources by quarter for 2017 and 2016, respectively.

	Average Balance for the Three Months Ended	
(Dollars in millions)	**June 30, 2017**	**Mar. 31, 2017**
Funding source:		
Commercial paper	**$ 117.1**	$ 137.7
Prime broker arrangements	**103.7**	127.2
Short-term bank loans	**67.1**	2.5
Total	**$ 287.9**	$ 267.4

	Average Balance for the Three Months Ended			
(Dollars in millions)	**Dec. 31, 2016**	**Sept. 30, 2016**	**Jun 30, 2016**	**Mar. 31, 2016**
Funding source:				
Repurchase agreements	$ 3.5	$ 14.8	$ 28.9	$ 30.5
Commercial paper	165.8	235.8	279.7	279.2
Prime broker arrangements	225.6	200.6	169.2	159.0
Short-term bank loans	5.3	—	6.4	0.8
Total	$ 400.2	$ 451.2	$ 484.2	$ 469.5

The average funding in the second quarter of 2017 increased to $287.9 million, compared with $267.4 million during the first quarter of 2017, due to an increase in average inventory balances and the payoff of our Class A senior notes. Average funding decreased compared to the corresponding period of 2016 as we have used excess cash to reduce funding. Also, a reduction in strategic trading activities in municipal securities decreased financing through prime broker arrangements.

The following table presents the maximum daily funding amount by quarter for 2017 and 2016, respectively.

(Dollars in millions)	**2017**	**2016**
First Quarter	$ 543.4	$ 576.4
Second Quarter	$ 538.3	$ 669.7
Third Quarter		$ 525.6
Fourth Quarter		$ 445.9

Senior Notes

We have entered into variable and fixed rate senior notes with certain entities advised by Pacific Investment Management Company ("PIMCO"). The following table presents the outstanding balance by note class:

	Outstanding Balance	
(Dollars in thousands)	**June 30, 2017**	**December 31, 2016**
Class A Notes	**$ —**	$ 50,000
Class C Notes	**125,000**	125,000
Total senior notes	**$ 125,000**	$ 175,000

On October 8, 2015, we entered into a second amended and restated note purchase agreement ("Second Amended and Restated Note Purchase Agreement") under which we issued $125 million of fixed rate Class C Notes. The Class C Notes bear interest at an annual fixed rate of 5.06 percent, are payable semi-annually and mature on October 9, 2018. The unpaid principal amount is due in full on the maturity date and may not be prepaid. The $50 million of variable rate Class A Notes issued in 2014 were repaid in full on the May 31, 2017 maturity date.

The Second Amended and Restated Note Purchase Agreement includes customary events of default and covenants that, among other things, require us to maintain a minimum consolidated tangible net worth and minimum regulatory net capital, limit our leverage ratio and require maintenance of a minimum ratio of operating cash flow to fixed charges. At June 30, 2017, we were in compliance with all covenants.

Contractual Obligations

Our contractual obligations have not materially changed from those reported in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2016, except for our purchase commitments. On June 30, 2017, we entered into a new agreement to move to a fully disclosed clearing model for all of our currently self clearing operations.

(Dollars in millions)	**Remainder of 2017**	**2018 - 2019**	**2020 - 2021**	**2022 and thereafter**	**Total**
Purchase commitments	$ 15.2	$ 17.1	$ 6.7	$ 18.7	$ 57.7

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 the Financial Industry Regulatory Authority, Inc. ("FINRA"), Piper Jaffray & Co., our U.S. broker dealer subsidiary, 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 the greater of $1.0 million or 2 percent of aggregate debit balances arising from customer transactions, as this is defined in the rule. FINRA may prohibit a member firm from expanding its business or paying dividends if resulting net capital would be less than 5 percent of aggregate debit balances. 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 June 30, 2017, our net capital under the SEC’s uniform net capital rule was $215.1 million, and exceeded the minimum net capital required under the SEC rule by $214.1 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 and our senior notes with PIMCO include covenants requiring Piper Jaffray & Co. to maintain minimum net capital of $120 million. CP Notes issued under CP Series III A include a covenant that requires Piper Jaffray & Co. to maintain excess net capital of $120 million.

At June 30, 2017, Piper Jaffray Ltd., our broker dealer subsidiary registered in the United Kingdom, 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 Jaffray 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 June 30, 2017, Piper Jaffray Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Trade Commission.

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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)	**2017**	**2018**	**2019**	**2020 - 2021**	**2022 - 2023**	**Later**	**June 30, 2017**	**December 31, 2016**
Customer matched-book derivative contracts (1) (2)	$ 22,100	$ —	$ 32,850	$ 42,560	$ 163,040	$ 2,964,105	**$ 3,224,655**	$ 3,330,207
Trading securities derivative contracts (2)	277,600	20,500	—	—	—	29,750	**327,850**	423,550
Credit default swap index contracts (2)	—	—	—	—	110,000	—	**110,000**	7,470
Investment commitments (3)	—	—	—	—	—	—	**21,385**	22,776

(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 $182.1 million at June 30, 2017) 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 June 30, 2017, we had $20.1 million of credit exposure with these counterparties, including $15.5 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 June 30, 2017 and December 31, 2016, the net fair value of these derivative contracts approximated $18.8 million and $24.0 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 complete discussion of our activities related to derivative products, see Note 4, "Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased," in the notes to our unaudited consolidated financial statements.

Investment Commitments

We have investments, including those made as part of our merchant banking activities, in various limited partnerships that provide financing or make investments in private equity companies. We commit capital and/or act as the managing partner of these entities.

We have committed capital to certain entities and these commitments generally have no specified call dates. We had $21.4 million of commitments outstanding at June 30, 2017, of which $11.6 million relate to an affiliated merchant banking fund and $3.8 million relate to an affiliated fund, which provides financing for senior living facilities.

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 risk, operational risk, 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, Chief Financial Officer and Senior Vice President of Finance 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 financial risk committees manage our market, liquidity and credit risks, and oversee risk management practices related to these risks, including defining acceptable risk tolerances and approving risk management policies. Membership is comprised of senior leadership, including but not limited to, our Chief Executive Officer, Chief Financial Officer, Senior Vice President of Finance, General Counsel, Treasurer, Head of Market and Credit Risk, Head of Public Finance, Head of Fixed Income Services and Firm Investments and Trading, and Head of Equities. 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 4 of our accompanying unaudited 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 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)	**June 30, 2017**	December 31, 2016
Interest Rate Risk	**$ 790**	$ 696
Equity Price Risk	**49**	41
Diversification Effect (1)	**(42)**	(26)
Total Value-at-Risk	**$ 797**	$ 711

(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.

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 six months ended June 30, 2017 and the year ended December 31, 2016, respectively.

(Dollars in thousands)	**High**	**Low**	**Average**
For the Six Months Ended June 30, 2017			
Interest Rate Risk	$ 1,235	$ 480	$ 799
Equity Price Risk	178	32	96
Diversification Effect (1)			(70)
Total Value-at-Risk	$ 1,244	$ 506	$ 825

(Dollars in thousands)	**High**	**Low**	**Average**
For the Year Ended December 31, 2016			
Interest Rate Risk	$ 990	$ 251	$ 533
Equity Price Risk	412	6	150
Diversification Effect (1)			(72)
Total Value-at-Risk	$ 1,049	$ 362	$ 611

(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 benefit would not be meaningful.

Trading losses exceeded our one-day VaR on one occasion during the first half of 2017.

The aggregate VaR as of June 30, 2017 was higher than the reported VaR on December 31, 2016. The increase in VaR was due to increased average inventory levels in asset classes that are accretive to VaR in the second quarter of 2017 compared to the end of 2016.

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" in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this Quarterly Report on Form 10-Q 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 activites. 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 and clearing organizations. 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 and conducting business through clearing organizations, which guarantee performance. Our risk management functions also evaluate the potential risk associated with institutional counterparties with whom we hold repurchase and resale agreement facilities, stock borrow or loan facilities, 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 $20.1 million at June 30, 2017. 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 represents 77.2 percent, or $15.5 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 any of the exchanges, clearing houses, 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, and other events that could have an information security impact. The occurrence of one or more of these events 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.

In the third quarter of 2017, we will be migrating to a fully disclosed clearing model for all of our currently self clearing operations. The migration process introduces unique risks that could cause disruptions in our business or create other unexpected capital charges or losses. We have preventative measures in place, including a project governance committee comprised of members of senior management, as well as senior management at our third party partner. In order to mitigate and control operational risk inherent in the migration, we have developed procedures specific to the project implementation process, including parallel system operations, mock conversion testing, and ongoing monitoring and reporting to members of the project governance committee. We also have the ability to obtain additional methods of financing from existing creditors in the event unknown capital charges arise.

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, use and safekeeping of customer funds and securities, 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 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.*

The information under the caption "Risk Management" in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 4. *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 second quarter of our fiscal year ending December 31, 2017, 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.

PART II. OTHER INFORMATION

ITEM 1. *LEGAL PROCEEDINGS.*

The discussion of our business and operations should be read together with the legal proceedings contained in Part I, Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

ITEM 1A. *RISK FACTORS.*

The discussion of our business and operations should be read together with the risk factors contained in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as updated in our subsequent reports on Form 10-Q filed with the SEC. These risk factors describe various risks and uncertainties to which we are or may become subject. These risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flows, strategies or prospects in a material and adverse manner. The following information updates the risk factor of the same heading from our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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 goodwill impairment indicators are present. Impairment charges resulting from this valuation analysis could materially adversely affect our results of operations. In 2016, we recorded an $82.9 million non-cash impairment charge to reduce the carrying value of the goodwill associated with our Asset Management segment following significant net client outflows of AUM in 2016, primarily from our value equity strategies, due to investment performance below benchmarks and an extended cycle of investors favoring passive investment vehicles over active management. In 2017, our Asset Management segment has experienced a further decline in profitability as revenues have decreased in product offerings with higher margins, which has not been fully offset with earnings from new product offerings. Future changes in the assumptions we had made underlying projected cash flows from our Asset Management segment or its EBITDA multiple, such as those resulting from market conditions or other factors, could result in a further impairment of goodwill related to our Asset Management segment.

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, such as those experienced in 2008, 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 EBITDA) and changes in market outlook, among other factors. These valuation techniques require significant management estimation and judgment.

ITEM 2. *UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.*

The table below sets forth the information with respect to purchases made by or on behalf of Piper Jaffray Companies or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the quarter ended June 30, 2017.

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 (April 1, 2017 to April 30, 2017)	345	$ 53.87	—	$ 70 million
Month #2 (May 1, 2017 to May 31, 2017)	62,746	$ 60.24	—	$ 70 million
Month #3 (June 1, 2017 to June 30, 2017)	169	$ 60.20	—	$ 70 million
Total	63,260	$ 60.20	—	$ 70 million

(1) *Effective August 14, 2015, our board of directors authorized the repurchase of up to $150.0 million of common stock through September 30, 2017.*

ITEM 6. *EXHIBITS.*

Exhibit Number	Description	Method of Filing
10.1	Separation Agreement and General Release, dated August 1, 2017, between Piper Jaffray & Co. and Jeff Klinefelter.	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman and Chief Executive Officer.	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.	Filed herewith
32.1	Section 1350 Certifications.	Filed herewith
101	Interactive data files pursuant to Rule 405 Registration S-T: (i) the Consolidated Statements of Financial Condition as of June 30, 2017 and December 31, 2016, (ii) the Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016, (iii) the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016, (iv) the Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 and (v) the notes to the Consolidated Financial Statements.	Filed herewith

SIGNATURES

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 August 4, 2017.

PIPER JAFFRAY COMPANIES

By	/s/ Andrew S. Duff
Its	Chairman and Chief Executive Officer
By	/s/ Debbra L. Schoneman
Its	Chief Financial Officer

Exhibit Index

Exhibit Number	Description	Method of Filing
10.1	Separation Agreement and General Release, dated August 1, 2017, between Piper Jaffray & Co. and Jeff Klinefelter.	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman and Chief Executive Officer.	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.	Filed herewith
32.1	Section 1350 Certifications.	Filed herewith
101	Interactive data files pursuant to Rule 405 Registration S-T: (i) the Consolidated Statements of Financial Condition as of June 30, 2017 and December 31, 2016, (ii) the Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016, (iii) the Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016, (iv) the Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016 and (v) the notes to the Consolidated Financial Statements.	Filed herewith

SEPARATION AGREEMENT AND GENERAL RELEASE

This Separation Agreement and General Release (“Agreement”) is between Jeff Klinefelter (“you”) and Piper Jaffray & Co. (“Piper Jaffray”). The following facts are important to the creation of this Agreement:

A. You are an employee of Piper Jaffray.

B. You are separating from your employment with Piper Jaffray. As a result, your employment with Piper Jaffray or any of its affiliates is being terminated effective August 1, 2017 with your last day worked being June 12, 2017.

C. You agree to provide Piper Jaffray with a release of any and all claims you may have against Piper Jaffray and its parent company, Piper Jaffray Companies, and affiliates, and Piper Jaffray agrees to provide you with consideration in return for your release and other commitments in this Agreement.

You and Piper Jaffray agree as follows:

1. Your employment with Piper Jaffray or its affiliates are being terminated effective August 1, 2017, with your last day worked being June 12, 2017.

2. You agree not to do or say anything at any time to disparage the character, integrity or business of Piper Jaffray or its affiliates, or any of their respective officers, directors or employees including, but not limited to, officers, directors and employees of Piper Jaffray; provided, however, that nothing in this Agreement shall prohibit you from engaging in any Protected Activity. For purposes of this Agreement, Protected Activity means (a) filing a charge or complaint, or (b) reporting possible violations of state or federal law to any governmental agency or entity or any self-regulatory organization, including but not limited to the Securities and Exchange Commission, the Department of Justice, FINRA, or any other federal or state agency or Inspector General. Protected Activity does not include the disclosure of any information you came to learn during the course of your employment that is protected from disclosure by any applicable privilege, including but not limited to the attorney-client privilege, attorney work product doctrine, the bank examiner’s privilege, and/or privileges applicable to information covered by the Bank Secrecy Act (31 U.S.C. §§ 5311-5330), including information that would reveal the existence or contemplated filing of a suspicious activity report. You understand that you are not required to obtain prior authorization from Piper Jaffray or to inform Piper Jaffray prior to engaging in any Protected Activity. Piper Jaffray will likewise reasonably endeavor to prevent any officers, directors or employees of Piper Jaffray from disparaging your character or integrity. Nothing in this paragraph prohibits you or Piper Jaffray from providing any truthful information or testimony provided during the course of legal proceedings, or in response to a court order, subpoena or inquiry by a government agency.

3. You agree that you will return all property of Piper Jaffray or its affiliates to Piper Jaffray prior to the termination of your employment. This includes, without limitation, proprietary and confidential information which you learned in the course of your employment with Piper Jaffray (which, in turn, includes all non-public information that might be of use to competitors or harmful to Piper Jaffray or its clients, if disclosed), including information that you may have retained in personal items (e.g. electronic devices or home computers). In addition, you acknowledge and agree that, except for Protected Activity, your obligation to preserve and not disclose confidential information continues even after your employment ends. Except for Protected Activity, you agree to maintain the confidentiality of all proprietary and confidential information with which you became acquainted through your employment at Piper Jaffray.

4. Transition Period

Between June 12, 2017 and August 1, 2017 ("transition period"), you continued to be a registered employee of Piper Jaffray & Co. and remained subject to firm wise Compliance and employee conduct policies, as such, your business and personal disclosure activities continued to be subject to Piper Jaffray's compliance and supervisory requirements, specifically including requirements to obtain Firm approval for outside business activities, board affiliations, private securities transactions, and political contributions, and complete all required regulatory education requirements.

5. Release

You, on behalf of yourself, your spouse, successors, heirs, and assigns, hereby forever relieves, releases, and discharges Piper Jaffray, any affiliates of Piper Jaffray, as well as their past, present and future officers, directors, administrators, shareholders, employees, agents, successors, subsidiaries, parents, assigns, representatives, and all other affiliated or related corporations, all benefit plans sponsored by Piper Jaffray, and entities, and each of their respective present and former agents, employees, or representatives, insurers, partners, associates, successors, and assigns, in any and all capacities (including but not limited to the fiduciary, representative or individual capacity of any released person or entity), and any entity owned by or affiliated with any of the above, from any and all claims, debts, liabilities, demands, obligations, liens, promises, acts, agreements, costs and expenses (including but not limited to attorneys' fees), damages, actions, and causes of action, of whatever kind or nature, including but not limited to any statutory, civil, administrative, or common law claims, whether known or unknown, suspected or unsuspected, fixed or contingent, apparent or concealed, arising out of any act or omission occurring before your execution of this Agreement, including but not limited to:

a. Any claims based on, arising out of, or related to your employment with, or the ending of your employment with, Piper Jaffray;

b. Any claims based on, arising out of, or related to the forfeiture of any restricted stock shares previously granted to you;

c. Any claims arising from rights under federal, state, and/or local laws relating to the regulation of federal or state tax payments or accounting;

d. Federal, state or local laws that prohibit harassment or discrimination on the basis of race, national origin, religion, sex, gender, age, marital status, bankruptcy status, disability, perceived disability, ancestry, sexual orientation, family and medical leave, or any other form of harassment or discrimination or related cause of action;

e. Federal, state or local laws that prohibit retaliation;

f. Statutory claims of any kind, including but not limited to, any alleged violation of Title VII of the Civil Rights Act of 1964, The Civil Rights Act of 1991, Sections 1981 through 1988 of Title 42 of the United States Code, as amended; The Employee Retirement Income Security Act of 1971, as amended, The Americans with Disability Act of 1990, as amended, the Workers Adjustment and Retraining Notification Act, as amended; the Occupational Safety and Health Act, as amended, the Sarbanes-Oxley Act of 2002, the Older Workers Benefit Protection Act; the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq.; the the Minnesota Human Rights Act; Minn. Stat. § 181.81; the Minneapolis Code of Ordinances; or any other federal, state or local statute, ordinance or law, statute, ordinance, or other regulation;

g. Common law claims of any kind, including but not limited to claims alleging contract, tort, and property rights, breach of contract, breach of implied-in-fact contract, breach of the implied covenant of good faith and fair dealing, tortious interference with contract or current or prospective economic advantage, fraud, deceit, invasion of privacy, unfair competition, misrepresentation, defamation, wrongful termination, tortious infliction of emotional distress (whether intentional or negligent), breach of fiduciary duty, violation of public policy, or any other common law claim of any kind whatsoever;

h. Any claims for severance pay, sick leave, family leave, liability pay, vacation, life insurance, health insurance, continuation of health benefits, disability or medical insurance, or your 401(k) rights or any other fringe benefit or compensation, including but not limited to stock options, and any claims based on, Piper Jaffray arising out of, or related to employment agreement and any amendment thereto;

i. Any claim for damages or declaratory or injunctive relief of any kind.

6. <u>Consideration</u>

a. <u>Lump Sum Payment.</u> Piper Jaffray issued payment to you in the gross amount of $250,000, on or about the first regular payday that falls after Piper Jaffray's receipt of your signed Agreement and the revocation period in Paragraph 16 has expired.

b. <u>Payroll continuation.</u> Although your last day in the office was June 12, 2017, you remained on Piper Jaffray's payroll until August 1, 2017. In addition, in consideration of your early transition on August 1, 2017, Piper Jaffray will issue you a payment in the amount of $70,833, which represents payment for your base salary and the employer-paid portion of your benefits for the period from August 2, 2017 through October 1, 2017.

c. Career Transition Services. Piper Jaffray & Co. has made available to you career transition services through Lee Hecht Harrison (800‑845‑5855) at a level corresponding to your position.

d. Attorneys Fees. Piper Jaffray & Co. paid for 4 hours of your attorney's fees at a rate of $375.00 per hour in connection with his/her review of this Agreement for a total of $1,500 net.

e. COBRA. Piper Jaffray & Co. paid you $3,127.56 to cover the cost of your COBRA (of $1,563.78 per month for family coverage) for the months of November and December. Piper Jaffray & Co. will pay you $3,127.56 to cover the cost of your COBRA for the months of September and October.

f. Equity Awards. The restricted stock and mutual fund restricted stock award(s) identified below will continue to vest on their normal schedule so long as: (1) you sign a "Post-Termination Agreement" (attached as Exhibit 1) and for the duration of the vesting period you abide by the provisions therein including, but not limited to, refraining from becoming a director, officer, employee, partner, consultant, or independent contractor of a "*Talent Competitor*" as that term is more narrowly defined to be limited to the following firms: Cowen Inc., Evercore ISI, Friedman Billings Ramsey Group, Inc., Greenhill & Co., Houlihan Lokey, JMP Securities, Lazard, Moelis & Company, Oppenheimer, Stifel, Robert W. Baird & Co., William Blair & Co., or any successor entity of the foregoing if such successor entity is determined to be a peer for compensation purposes by the Compensation Committee of the Piper Jaffray Companies Board of Directors; (2) you sign and have not revoked this Agreement pursuant to paragraph 15, and (3) you have complied with the terms of this Agreement.

PJC EQUITY

Award Date	2018 Vesting	Shares to Vest on Vesting Date	2019 Vesting	Shares to Vest on Vesting Date	2020 Vesting	Shares to Vest on Vesting Date
02/17/2015	2/17/2018	3,950				
02/16/2016	2/16/2018	6,764	2/16/2019	6,765		
02/15/2017	2/16/2018	1,314	2/16/2019	1,314	2/16/2020	1,314

MFRS AWARDS

Grant Date	Vesting Date	ADVGX	ADVWX	INFIX
02/17/2015	2/17/2018	2,773.568	3,602.455	4,347.582
Grant Date	Vesting Date	VFINX	VEXAX	DODIX
02/15/2017	2/16/2018	247.179	280.727	2,364.566
02/15/2017	2/16/2019	247.179	280.727	2,364.566
02/15/2017	2/16/2020	247.179	280.727	2,364.566

You agree that all of the considerations set forth and outlined above, represents full and fair consideration for your release of claims in paragraph 5 and other commitments within this Agreement.

7. You understand that while you retain the right to file a charge of discrimination or pursue an administrative action through an agency such as the Equal Employment Opportunity Commission or any state counterpart, you are releasing any claims for money damages, by such administrative charge or otherwise, whether brought by you on your own behalf or by any other party (governmental or otherwise), unless this Agreement is found to be void.

8. You expressly and knowingly acknowledge that, after the execution of this Agreement, you may discover facts different from or in addition to those that you now know or believe to be true with respect to the claims released in this Agreement. Nonetheless, this Agreement shall be and remain in full force and effect in all respects, notwithstanding such different or additional facts and you intend to fully, finally, and forever settle and release those claims released in this Agreement. In furtherance of such intention, the release given in this Agreement shall be and remain in effect as a full and complete release of such claims, notwithstanding the discovery and existence of any additional or different claims or facts. Similarly, in entering into this Agreement, you assume the risk of misrepresentations, concealments, or mistakes, and if you should subsequently discover that any fact relied upon in entering into this Agreement was untrue, that any fact was concealed, or that your understanding of the facts or law was incorrect, you shall not be entitled to set aside this Agreement or the settlement reflected in this Agreement or be entitled to recover any damages on that account.

9. You represent that you have not revealed to anyone any trade secrets or confidential or proprietary information of Piper Jaffray, not otherwise available to the public, except in connection with Protected Activity. You further represent that you have returned any and all Piper Jaffray documents to Piper Jaffray.

10. Your release of all legal claims includes all claims related to your employment or employee benefits with Piper Jaffray or its affiliates, including your hiring, the terms and conditions of your employment and the termination of your employment. You agree that your separation of employment does not constitute a severance event and you are not entitled to any benefits under the Piper Jaffray Severance Pay Plan or under any severance agreement, plan or arrangement of Piper Jaffray or its affiliates.

11. Your release does not affect any rights you may have under any tax-qualified retirement plan in which you may have a vested, unpaid, accrued benefit.

12. You agree to keep the fact and terms of this Agreement strictly confidential, except that you may disclose them (a) in connection with Protected Activity or (b) to your present or future attorneys, accountants, tax advisors, financial advisors, and spouse, provided they agree to hold them strictly confidential.

13. You agree that if you violate any of your obligations under this Agreement, Piper Jaffray may recover any damages incurred by reason of your breach by refraining from paying the compensation described in Section 5 and/or by recovering any amount already paid to you. Piper Jaffray may also seek any other available remedies for any such violation by you.

14. You agree to cooperate with Piper Jaffray and any of its affiliates in any legal or regulatory matters (including regulatory inquiries that are not formal investigations) brought by counsel, administrators, predecessors, successors and shareholders before any court, arbitrator, mediator, regulator, government agency or self-regulatory organization. By agreeing to cooperate with Piper Jaffray and any of its affiliates in any such matters, you agree, among other things, to make yourself available at mutually agreeable dates and times, provide any documents within your possession or control, and provide testimony if you are called to provide it at a deposition, trial or arbitration. Piper Jaffray agrees to reimburse you for all reasonable out-of-pocket expenses that you may incur in providing the foregoing cooperation.

15. You understand that Piper Jaffray will be required to file a U-5 upon termination of your employment and that the form will disclose for reason of termination "Other: Mutual Agreement. The parties determined it was in their respective best interests for Jeff Klinefelter to transition out of the Company. (There is no sales or business practice violation).

16. You represent that you have: (a) received a copy of this Agreement for review and study and have had at least twenty-one (21) days to consider the Agreement before signing it; (b) you have fully read this Agreement; (c) you have been advised and encouraged to consult an attorney, and you had the opportunity to discuss this Agreement with an attorney; and (d) you understand and fully agrees to the Agreement's provisions. You represents and agrees that if you sign this Agreement before the expiration of the twenty-one (21) day period, it is because you have decided voluntarily that you do not need any additional time to decide whether to sign the Agreement.

17. You may revoke this Agreement up to 15 days after you sign it by either hand-delivering written notice to Piper Jaffray or by sending written notice postmarked within the 15-day period and addressed as follows:

Christine Esckilsen
Piper Jaffray & Co.

Chief Human Capital Officer and Assistant General Counsel
800 Nicollet Mall, J09S02
Minneapolis, MN 55402

18. You may not, without Piper Jaffray's prior written consent, assign to anyone any of your rights or obligations under this Agreement.

19. This Agreement does not mean and may not be interpreted to mean that Piper Jaffray or any of its affiliates acted wrongfully toward you or anyone else.

20. This Agreement, together with the Post-Termination Agreement set forth in Exhibit 1 and the Restricted Stock and MFRS Agreements you have executed (and for which the Talent Competitor language is now governed by the Post-Termination Agreement), contain the entire agreement between you and Piper Jaffray, and supersedes all prior or contemporaneous agreements and understandings, oral or written, between you and Piper Jaffray as of the date of this Agreement.

21. If a court decides that any part of this Agreement is invalid or cannot be enforced, such part will be deleted or, if possible, modified so that it is enforceable, and the other parts of this Agreement will remain in effect.

22. This Agreement will be governed by the laws of the State of Minnesota without regard for principles and conflicts of laws thereof.

YOU UNDERSTAND AND AGREE THAT THIS RELEASE IS A FULL, FINAL AND COMPLETE SETTLEMENT AND RELEASE OF ALL CLAIMS, EXCEPT AS SPECIFICALLY SET FORTH IN PARAGRAPH 2, AGAINST PIPER JAFFRAY AND ITS AFFILIATES. YOU ALSO UNDERSTAND THAT YOU ARE RELEASING POTENTIALLY UNKNOWN CLAIMS, AND THAT YOU HAVE LIMITED KNOWLEDGE WITH RESPECT TO SOME OF THE CLAIMS BEING RELEASED. YOU ACKNOWLEDGE THAT THERE IS A RISK THAT, AFTER SIGNING THIS AGREEMENT, YOU MAY LEARN INFORMATION THAT MIGHT HAVE AFFECTED YOUR DECISION TO ENTER INTO THIS AGREEMENT. YOU ASSUME THIS RISK AND ALL OTHER RISKS OF ENTERING INTO THIS AGREEMENT. YOU AGREE THAT THIS RELEASE IS VOLUNTARILY AND KNOWINGLY MADE.

8/1/2017	/s/ Jeff Klinefelter
Date	JEFF KLINEFELTER
	Piper Jaffray & Co.
8/1/2017	/s/ Christine Esckilsen
Date	By: CHRISTINE ESCKILSEN

EXHIBIT 1 TO SEPARATION AGREEMENT AND GENERAL RELEASE

PIPER JAFFRAY COMPANIES
POST-TERMINATION AGREEMENT

This Post-Termination Agreement (this "Agreement") is between Piper Jaffray Companies, a Delaware corporation (the "Company"), and Jeff Klinefelter (the "Grantee") and is effective as of August 1, 2017 (the "Termination Date").

In exchange for the consideration, promises and covenants below, the Company and the Grantee hereby agree as follows:

Agreements

1. Agreements of the Company. The Company agrees that, so long as the Grantee complies with the obligations set forth in Section 2 below, the following restricted stock awards (RSAs) Mutual Fund Restricted Shares (MFRS') and/or non-qualified stock options (NQSOs) shall continue to vest and be exercisable as follows:

PJC EQUITY

Award Date	2018 Vesting	Shares to Vest on Vesting Date	2019 Vesting	Shares to Vest on Vesting Date	2020 Vesting	Shares to Vest on Vesting Date
02/17/2015	2/17/2018	3,950				
02/16/2016	2/16/2018	6,764	2/16/2019	6,765		
02/15/2017	2/16/2018	1,314	2/16/2019	1,314	2/16/2020	1,314

MFRS AWARDS

Grant Date	Vesting Date	ADVGX	ADVWX	INFIX
02/17/2015	2/17/2018	2,773.568	3,602.455	4,347.582
Grant Date	Vesting Date	VFINX	VEXAX	DODIX
02/15/2017	2/16/2018	247.179	280.727	2,364.566
02/15/2017	2/16/2019	247.179	280.727	2,364.566
02/15/2017	2/16/2020	247.179	280.727	2,364.566

2. Agreements of the Grantee.

(a) Post Termination Restricted Activities. The Grantee agrees to refrain from engaging in the Post-Termination Restricted Activities identified on Exhibit A-1, attached hereto as follows:

(1) for grants awarded in 2010 or after, at any time during the period from the Termination Date through the shorter of (i) the remaining vesting period of the last to vest of the RSAs and/or NQSOs, or (ii) two years following the Termination Date; and

Each attached Exhibit A describes substantially the same Post-Termination Restricted Activities contained in the award agreement(s) covering the RSAs, MFRS'and/or NQSOs that are the subject of this Agreement, and is incorporated into and made a part of this Agreement, as if fully set forth herein.

(b) Grantee acknowledges and also agrees that:

(1) The Post-Termination Restricted Activities of this Agreement are fair and reasonable and protect legitimate business interests of the Company. Grantee is electing to enter into this Agreement freely and with knowledge of its contents and with the intent to be bound by the restrictions contained herein. By complying with the restrictions of this Agreement, Grantee will not be precluded from pursuing a profession, trade or business or otherwise earning a livelihood.

(2) Grantee is free to terminate this Agreement upon notice to the Company at any time and, thereafter, to engage in any of the Post-Termination Restricted Activities described in Section 2(a) above (to the extent not otherwise unlawful), but shall not be entitled to any additional vesting of shares under the RSAs, MFRS' and/or NQSOs that are the subject of this Agreement. Such vesting immediately and automatically shall cease as of the first date that the Grantee engages or attempts to engage in any of the Post-Termination Restricted Activities, and the Grantee promptly shall provide truthful notice to the Company of such date by use of the Notice attached hereto as Exhibit B.

(3) Grantee shall truthfully complete and submit to the Company, beginning on December 15, 2017, and every December 15 thereafter ("Notice Date") through the termination of this Agreement, the Notice attached hereto as Exhibit C unless the Grantee has, or should have, given to the Company the Notice attached hereto as Exhibit B. Failure of the Company to have received from the Grantee a Notice in the form attached hereto as Exhibit C within fifteen (15) days after any Notice Date shall entitle the Company to treat this Agreement as having been terminated by the Grantee.

(4) When vesting of shares ceases under any of the NQSOs that are the subject of this Agreement, the Grantee shall have ninety (90) days thereafter to exercise all vested shares under that NQSO, after which time the vested portion of the NQSO shall terminate and cease to be exercisable.

3. Agreements of the Company and Grantee.

(a) Notices. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing. Such notice shall be deemed given upon personal delivery to the appropriate address or, if sent by certified or registered mail, seven (7) calendar days after the date of mailing.

(1)To the Company:	(2)To the Grantee:
Piper Jaffray Companies	
Attention: Compensation	
U.S. Bancorp Center	Jeff Klinefelter
800 Nicollet Mall, Ste. 800	______________________
Mail Stop J09SHR	______________________
Minneapolis, MN 55402	USA

(b) Modification; Termination. In the event that any one or more of the Post-Termination Restrictions of Section 2(a) above shall for any reason 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 hereto 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, then this Agreement shall terminate in its entirety, and at the time of such termination, vesting of the RSAs, MFRS' and/or NQSOs that are the subject of this Agreement shall cease immediately and automatically.

(c) Amendment and Waiver. Except as provided in the plan pursuant to which the RSAs, MFRS' and/or NQSOs were granted (the "Plan"), 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.

(d) Agreement to Arbitrate. The Company and the Grantee 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 shall be settled by arbitration 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 Grantee each waive their right (if any) to a trial before a court judge and/or jury to resolve any such disputes.

(e) Miscellaneous. This Agreement is entered into under the laws of the State of Delaware, the state in which the Company is incorporated, and shall be construed and interpreted thereunder (without regard to its conflict-of-law principles). This Agreement, the award agreement (s) granting the RSAs and/or NQSOs to the Grantee, and the Plan set forth the entire agreement and understanding of the parties hereto with respect to the post-termination treatment of the RSAs, MFRS' and/or NQSOs covered by this Agreement. This Agreement shall be binding in all respects on the heirs, representatives, successors and assigns of the Grantee.

IN WITNESS WHEREOF, the Grantee and the Company have executed this Agreement effective as of the Termination Date specified at the beginning of this Agreement.

GRANTEE

/s/ Jeff Klinefelter

PIPER JAFFRAY COMPANIES

/s/ Andrew Duff

By Andrew S. Duff
Its Chairman & CEO

POST-TERMINATION RESTRICTED ACTIVITIES (Awards 2010 and after)

1. Non-Disclosure & Non-Use of Company-Confidential Information: Grantee shall not use, disclose or misappropriate any Company-Confidential Information (as defined below) unless the Company or an Affiliate consents otherwise in writing. "Company-Confidential Information" means any confidential, secret or proprietary knowledge or information of the Company or an Affiliate that the Grantee has acquired or become acquainted with during the Grantee's employment with the Company or an Affiliate, including, without limitation, any confidential customer, client or account lists or contacts or confidential business plans or information; provided, however, that Company-Confidential Information shall not include any knowledge or information that is now publicly available or which subsequently becomes generally publicly known in the form in which it was obtained from the Company or an Affiliate, other than as a direct or indirect result of the Grantee's disclosure in violation of this paragraph.

2. Non-Solicitation of Employees: Grantee shall not, directly or indirectly, on behalf of the Grantee or any other person (including but not limited to any Talent Competitor (as defined below)), solicit, induce or encourage any person then employed by the Company or an Affiliate to terminate or otherwise modify their employment relationship with the Company or such Affiliate. A "Talent Competitor" means: Cowen Inc., Evercore ISI, Friedman Billings Ramsey Group, Inc., Greenhill & Co., Houlihan Lokey, JMP Securities, Lazard, Moelis & Company, Oppenheimer, and Stifel), Robert W. Baird & Co., and William Blair & Co., or any successor entity of the foregoing if such successor entity is determined to be a peer for compensation purposes by the Compensation Committee of the Piper Jaffray Companies Board of Directors.

3. Non-Solicitation of Customers: Grantee shall not, directly or indirectly, on behalf of the Grantee or any other person (including but not limited to any Talent Competitor), solicit or otherwise seek to divert any customer, client or account of the Company or any Affiliate with which the Grantee had substantive interaction prior to the Grantee's termination of employment, away from engaging in business with the Company or any Affiliate.

4. No Services to or Ownership of Talent Competitors: Grantee shall not, without the prior written consent of the Company or an Affiliate, directly or indirectly (i) 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 (ii) have or acquire any material ownership or similar financial interest in any such Talent Competitor.

NOTICE OF ELECTION TO TERMINATE
POST-TERMINATION AGREEMENT

Pursuant to the Post-Termination Agreement ("Agreement") existing between me and Piper Jaffray Companies, a Delaware corporation (the "Company"), by my signature below I hereby give notice to the Company that I am electing to engage in one or more of the Post-Termination Restricted Activities described in Section 2(a) of the Agreement, as of ____________________.

I understand that, as a result of my election to engage in one or more of the Post-Termination Restricted Activities described in Section 2(a) of the Agreement:

(a) On and after the date set forth above, I am not entitled to any additional vesting of shares under my restricted stock awards and/or my stock options granted to me by the Company prior to my Termination Date (as defined in the Agreement) and that are the subject of the Agreement.

(b) I have through 90 calendar days after the date set forth above during which I may exercise shares that vested prior to such date under my stock option grant(s).

I declare, under penalty of perjury under all applicable laws, that I have not engaged in any of the Post-Termination Restricted Activities during the period beginning with my Termination Date and until the date set forth above.

Date:____________________

____
Signature

____
Printed name

ANNUAL NOTICE OF COMPLIANCE WITH POST-TERMINATION AGREEMENT

Pursuant to the Post-Termination Agreement (“Agreement”) existing between me and Piper Jaffray Companies, a Delaware corporation (the “Company”), by my signature below I declare under penalty of perjury under all applicable laws, that I have not engaged in any of the Post-Termination Restricted Activities at any time during the period ending December 15, ______________:

Date:____________________

____
Signature

____
Printed name

Exhibit 31.1

CERTIFICATIONS

I, Andrew S. Duff, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Piper Jaffray 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: August 4, 2017

/s/ Andrew S. Duff
Andrew S. Duff
Chairman and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Debbra L. Schoneman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Piper Jaffray 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: August 4, 2017

/s/ Debbra L. Schoneman
Debbra L. Schoneman
Chief Financial Officer

Exhibit 32.1

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 Jaffray Companies.

Dated: August 4, 2017

/s/ Andrew S. Duff

Andrew S. Duff
Chairman and Chief Executive Officer

/s/ Debbra L. Schoneman

Debbra L. Schoneman
Chief Financial Officer