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FORM 10-Q

PIPER JAFFRAY COMPANIES - PJC

Filed: May 07, 2010 (period: March 31, 2010)

Quarterly report which provides a continuing view of a company's financial position

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 March 31, 2010

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 800 **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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer: ☑ Accelerated filer: ☐ Non-accelerated filer: ☐ (Do not check if a smaller reporting company) Smaller reporting company: ☐

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

As of May 3, 2010, the registrant had 20,758,423 shares of Common Stock outstanding.

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Piper Jaffray Companies

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Piper Jaffray Companies
Consolidated Statements of Financial Condition

(Amounts in thousands, except share data)	**March 31, 2010** (Unaudited)	December 31, 2009
Assets		
Cash and cash equivalents	**$ 40,483**	$ 43,942
Cash and cash equivalents segregated for regulatory purposes	**8,006**	9,006
Receivables:		
Customers	**48,713**	71,859
Brokers, dealers and clearing organizations	**185,838**	244,051
Deposits with clearing organizations	**26,439**	18,010
Securities purchased under agreements to resell	**366,284**	149,682
Financial instruments and other inventory positions owned	**547,456**	662,618
Financial instruments and other inventory positions owned and pledged as collateral	**397,545**	137,371
Total financial instruments and other inventory positions owned	**945,001**	799,989
Fixed assets (net of accumulated depreciation and amortization of $61,266 and $59,563, respectively)	**16,022**	16,596
Goodwill	**317,034**	164,625
Intangible assets (net of accumulated amortization of $11,662 and $10,686, respectively)	**66,050**	12,067
Other receivables	**40,890**	33,868
Other assets	**126,112**	139,635
Total assets	**$ 2,186,872**	$ 1,703,330
Liabilities and Shareholders' Equity		
Short-term financing	**$ 93,520**	$ 90,079
Variable rate senior notes	**120,000**	120,000
Payables:		
Customers	**40,458**	48,179
Checks and drafts	**6,235**	8,622
Brokers, dealers and clearing organizations	**59,668**	71,818
Securities sold under agreements to repurchase	**451,585**	36,134
Financial instruments and other inventory positions sold, but not yet purchased	**493,395**	335,795
Accrued compensation	**36,090**	157,022
Other liabilities and accrued expenses	**47,498**	57,065
Total liabilities	**1,348,449**	924,714
Shareholders' equity:		
Common stock, $0.01 par value:		
Shares authorized: 100,000,000 at March 31, 2010 and December 31, 2009;		
Shares issued: 19,504,948 at March 31, 2010 and December 31, 2009;		
Shares outstanding: 16,046,337 at March 31, 2010 and 15,633,690 at December 31, 2009	**195**	195
Additional paid-in capital	**843,786**	803,553
Retained earnings	**155,703**	155,193
Less common stock held in treasury, at cost: 3,458,611 shares at March 31, 2010 and 3,871,258 shares at December 31, 2009	**(161,728)**	(181,443)
Other comprehensive income	**467**	1,118
Total shareholders' equity	**838,423**	778,616
Total liabilities and shareholders' equity	**$ 2,186,872**	$ 1,703,330

See Notes to Consolidated Financial Statements

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Piper Jaffray Companies
Consolidated Statements of Operations
(Unaudited)

(Amounts in thousands, except per share data)	Three Months Ended March 31, 2010	2009
Revenues:		
Investment banking	**$ 43,748**	$ 24,350
Institutional brokerage	**49,095**	55,027
Interest	**11,120**	7,288
Asset management	**9,154**	3,009
Other income/(loss)	**2,927**	(3,599)
Total revenues	**116,044**	86,075
Interest expense	**6,458**	2,193
Net revenues	**109,586**	83,882
Non-interest expenses:		
Compensation and benefits	**65,096**	50,324
Occupancy and equipment	**7,669**	6,518
Communications	**6,489**	6,099
Floor brokerage and clearance	**2,617**	2,882
Marketing and business development	**5,322**	4,445
Outside services	**8,004**	7,519
Other operating expenses	**5,234**	2,551
Total non-interest expenses	**100,431**	80,338
Income before income tax expense	**9,155**	3,544
Income tax expense	**8,645**	6,269
Net income/(loss)	**$ 510**	$ (2,725)
Net income applicable to common shareholders	**$ 409**	N/A
Earnings per basic common share		
Earnings/(loss) per basic common share	$ 0.03	$ (0.17)
Earnings per diluted common share		
Earnings/(loss) per diluted common share	$ 0.03	$ (0.17) (1)
Weighted average number of common shares outstanding		
Basic	15,837	15,868
Diluted	15,924	15,868 (1)

(1) In accordance with ASC 260, earnings per diluted common share is calculated using the basic weighted average number of common shares outstanding in periods a loss is incurred.

N/A - Not applicable as no allocation of income was made due to loss position.

See Notes to Consolidated Financial Statements

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Piper Jaffray Companies
Consolidated Statements of Cash Flows
(Unaudited)

(Dollars in thousands)	Three Months Ended March 31, 2010	2009
Operating Activities:		
Net income/(loss)	$ **510**	$ (2,725)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation and amortization of fixed assets	**1,847**	1,763
Deferred income taxes	**16,133**	13,762
Stock-based compensation	**27,187**	6,837
Amortization of intangible assets	**976**	614
Decrease/(increase) in operating assets:		
Cash and cash equivalents segregated for regulatory purposes	**1,000**	(7,001)
Receivables:		
Customers	**23,569**	(7,018)
Brokers, dealers and clearing organizations	**58,170**	61,225
Deposits with clearing organizations	**(8,429)**	(9,084)
Securities purchased under agreements to resell	**(216,602)**	15,211
Securitized municipal tender option bonds	**-**	45,740
Net financial instruments and other inventory positions owned	**12,519**	(81,423)
Other receivables	**1,733**	514
Other assets	**(2,417)**	34,062
Increase/(decrease) in operating liabilities:		
Payables:		
Customers	**(7,681)**	7,778
Checks and drafts	**(2,387)**	250
Brokers, dealers and clearing organizations	**(8,976)**	86,550
Securities sold under agreements to repurchase	**(200)**	(91)
Tender option bond trust certificates	**-**	(49,267)
Accrued compensation	**(111,806)**	(45,442)
Other liabilities and accrued expenses	**(12,407)**	(12,735)
Net cash provided by/(used in) operating activities	**(227,261)**	59,520
Investing Activities:		
Business acquisition, net of cash acquired	**(181,906)**	-
Purchases of fixed assets, net	**(952)**	(431)
Net cash used in investing activities	**(182,858)**	(431)
Financing Activities:		
Decrease in securities loaned	**(3,652)**	-
Increase/(decrease) in securities sold under agreements to repurchase	**415,651**	(102,756)
Increase in short-term financing	**3,441**	50,000
Repurchase of common stock	**(8,316)**	(4,074)
Reduced tax benefits from stock-based compensation	**-**	(2,941)
Proceeds from stock option transactions	**98**	-
Net cash provided by/(used in) financing activities	**407,222**	(59,771)
Currency adjustment:		
Effect of exchange rate changes on cash	**(562)**	(164)
Net decrease in cash and cash equivalents	**(3,459)**	(846)
Cash and cash equivalents at beginning of period	**43,942**	49,848
Cash and cash equivalents at end of period	$ **40,483**	$ 49,002
Supplemental disclosure of cash flow information -		
Cash paid/(received) during the period for:		
Interest	$ **6,089**	$ 1,962
Income taxes	$ **257**	$ (36,642)
Non-cash investing activities -		
Issuance of common stock for acquisition of Advisory Research Holdings, Inc.:		
893,105 shares for the three months ended March 31, 2010	$ **31,822**	$ -
Non-cash financing activities -		
Issuance of common stock for retirement plan obligations:		
81,696 shares and 134,700 shares for the three months ended March 31, 2010 and 2009, respectively	$ **3,634**	$ 3,756
Issuance of restricted common stock for annual equity award:		
699,673 shares and 585,198 shares for the three months ended March 31, 2010 and 2009, respectively	$ **31,121**	$ 16,331

See Notes to Consolidated Financial Statements

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Piper Jaffray Companies
Notes to Consolidated Financial Statements

Note 1 *Background*

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 investment banking services in Europe headquartered in London, England; Piper Jaffray Asia Holdings Limited, an entity providing investment banking services in China headquartered in Hong Kong; Fiduciary Asset Management, LLC ("FAMCO") and Advisory Research Holdings, Inc. ("ARI"), entities providing asset management services to separately managed accounts, closed end funds and partnerships; Piper Jaffray Financial Products Inc., Piper Jaffray Financial Products II Inc. and Piper Jaffray Financial Products III Inc., entities that facilitate derivative transactions; and other immaterial subsidiaries. Piper Jaffray Companies and its subsidiaries (collectively, the "Company") currently operate as one reporting segment providing investment banking services, institutional sales, trading and research services, and asset management services. Beginning in the second quarter of 2010, the Company will provide segment results for capital markets and asset management.

Basis of Presentation

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. All material intercompany balances have been eliminated. Certain financial information for prior periods has been reclassified to conform to the current period presentation.

The consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") with respect to Form 10-Q and reflect all adjustments that in the opinion of management are normal and recurring and that are necessary for a fair statement of the results for the interim periods presented. In accordance with these rules and regulations, certain disclosures that are normally included in annual financial statements have been omitted. The consolidated financial statements included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

The consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles. These principles require management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The nature of the Company's business is such that the results of any interim period may not be indicative of the results to be expected for a full year.

Note 2 *Summary of Significant Accounting Policies*

Refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2009, for a full description of the Company's significant accounting policies. Changes to the Company's significant accounting policies are described below.

Principles of Consolidation

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. All material intercompany balances have been eliminated. The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity ("VIE").

Voting interest entities are entities in which the total equity investment at risk is sufficient to enable each entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right or power to make decisions about or direct the entity's activities that most significantly impact the entity's economic performance. Voting interest entities, where we have a majority interest, are consolidated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 810, "Consolidations" ("ASC 810"). ASC 810 states that the usual condition for a controlling financial interest in an entity is ownership of a majority voting interest. Accordingly, the Company consolidates voting interest entities in which it has all, or a majority of, the voting interest.

As defined in ASC 810, VIEs are entities that lack one or more of the characteristics of a voting interest entity described above. With the exception of entities eligible for the deferral codified in FASB Accounting Standards Update ("ASU") No. 2010-10,

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"Consolidation: Amendments for Certain Investment Funds," ("ASU 2010-10") (generally asset managers and investment companies); ASC 810 states that a controlling financial interest in an entity is present when an enterprise has a variable interest, or combination of variable interests, that have both the power to direct the activities of the entity that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity or the rights to receive benefits from the entity that could potentially be significant to the entity. Accordingly, the Company consolidates VIEs in which the Company has a controlling financial interest.

Entities meeting the deferral provision defined by ASU 2010-10 are evaluated under the historical VIE guidance. Under the historical guidance, a controlling financial interest in an entity is present when an enterprise has a variable interest, or combination of variable interests, that will absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. Accordingly, the Company consolidates VIEs subject to the deferral provisions defined by ASU 2010-10 in which the Company is deemed to be the primary beneficiary.

When the Company does not have a controlling financial interest in an entity but exerts significant influence over the entity's operating and financial policies (generally defined as owning a voting or economic interest of between 20 percent to 50 percent), the Company accounts for its investment in accordance with the equity method of accounting prescribed by FASB Accounting Standards Codification Topic 323, "Investments – Equity Method and Joint Ventures" ("ASC 323"). If the Company does not have a controlling financial interest in, or exert significant influence over, an entity, the Company accounts for its investment at cost.

Note 3 *Recent Accounting Pronouncements*

Adoption of New Accounting Standards

Accounting for Transfers of Financial Assets

In June 2009, the FASB issued guidance amending the Accounting Standards Codification Topic 860, "Transfers and Servicing," ("ASC 860") designed to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. Additionally, the new guidance eliminates the qualifying special-purpose entity ("QSPE") concept. The updates were effective for the Company January 1, 2010. The recognition and measurement provisions were effective for prospective transfers with the exception of existing QSPEs which must be evaluated at the time of adoption. The disclosures required by ASC 860 are applied to both retrospective and prospective transfers. The adoption of ASC 860 did not have an impact on the Company's consolidated financial statements.

Consolidation of Variable Interest Entities

In June 2009, the FASB updated the accounting standards related to the consolidation of variable interest entities ("VIE"). The standard requires, among other things, a qualitative rather than quantitative analysis to determine the primary beneficiary ("PB") of the VIE, continuous assessments of whether the entity is the PB of the VIE, and enhanced disclosures about involvement with VIEs. This standard was effective for the Company January 1, 2010 and is applicable to all entities with which the enterprise has involvement, regardless of when that involvement arose. The adoption of the new standard did not have an impact on the Company's consolidated financial statements.

In February 2010, the FASB issued ASU 2010-10, which addresses the application of the amendments to VIE consolidation described above by reporting entities in the asset management industry by deferring the effective date of the standard's new recognition and measurement requirements for certain investment funds. However, the standard's new disclosure requirements will continue to apply to all entities. ASU 2010-10 was effective for the Company January 1, 2010. The adoption of this standard led to the deferral of the application of the updated consolidation guidance in ASC 810 to certain of the Company's investment funds within the scope of ASU 2010-10.

Fair Value Measurements

In January 2010, the FASB issued ASU No. 2010-06, "Improving Disclosures about Fair Value Measurements," ("ASU 2010-06") amending FASB Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820"). The amended guidance requires entities to disclose additional information regarding assets and liabilities that are transferred between

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levels of the fair value hierarchy and to disclose information in the Level III rollforward about purchases, sales, issuances and settlements on a gross basis. ASU 2010-06 also further clarifies existing guidance pertaining to the level of disaggregation at which fair value disclosures should be made and the requirements to disclose information about the valuation techniques and inputs used in estimating Level II and Level III fair value measurements. The guidance in ASU 2010-06 was effective for the Company January 1, 2010, except for the requirement to separately disclose purchases, sales, issuances, and settlements on a gross basis in the Level III rollforward, which becomes effective for fiscal years (and for interim periods within those fiscal years) beginning after December 15, 2010. While the adoption of ASU 2010-06 did not change accounting requirements, it did impact the Company's disclosures about fair value measurements.

Note 4 *Acquisition of Advisory Research Holdings, Inc.*

On March 1, 2010, the Company completed the purchase of all the issued and outstanding shares of common stock, junior subordinated debentures, senior subordinated notes and promissory notes of Advisory Research Holdings, Inc. ("ARI"), an asset management firm based in Chicago, Illinois. The acquisition expanded the Company's existing asset management business supporting the Company's strategy of diversifying its revenues. The purchase was completed pursuant to the securities purchase agreement dated December 20, 2009. The fair value as of the acquisition date was $211.9 million, consisting of $180.1 million in cash and 893,105 shares (881,846 of which vest ratably over four years) of the Company's common stock valued at $31.8 million. The fair value of the 881,846 shares of common stock with vesting restrictions was determined using the market price of the Company's common stock on the date of the acquisition discounted for the liquidity restrictions in accordance with the valuation principles of ASC 820. The remaining 11,259 shares have no vesting restrictions and the fair value was determined using the market price of the Company's common stock on the date of the acquisition. A portion of the purchase price payable in cash was funded by proceeds from the issuance of variable rate senior notes ("Notes") in the amount of $120 million pursuant to the note purchase agreement ("Note Purchase Agreement") dated December 31, 2009 with certain entities advised by Pacific Investment Management Company LLC ("PIMCO").

The acquisition was accounted for under the acquisition method of accounting in accordance with FASB ASC 805, "Business Combinations." Accordingly, goodwill was measured as the excess of the acquisition-date fair value of the consideration transferred over the amount of acquisition-date identifiable assets acquired net of assumed liabilities. The Company recorded $152.4 million of goodwill as an asset in the consolidated statement of financial condition, which is expected to be deductible for tax purposes. The final goodwill recorded on the Company's consolidated statement of financial condition may differ from that reflected herein as a result of measurement period adjustments. In management's opinion, the goodwill represents the reputation and expertise of ARI in the asset management business.

Identifiable intangible assets purchased by the Company consisted of customer relationships and the ARI trade name with acquisition-date fair values of $52.1 million and $2.9 million, respectively. Acquisition costs of $1.5 million were incurred in the fourth quarter of 2009 and $44,000 of acquisition costs were incurred in the three months ended March 31, 2010, and are included in outside services on the consolidated statement of operations.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the date of the acquisition:

(Dollars in thousands)	
Assets:	
Cash and cash equivalents	$ 2,008
Other receivables	8,861
Fixed assets	377
Goodwill	152,382
Intangible assets	54,959
Other assets	244
Total assets acquired	218,831
Liabilities:	
Accrued compensation	149
Other liabilities and accrued expenses	6,744
Total liabilities assumed	6,893
Net assets acquired	$ 211,938

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ARI's results of operations have been included in the Company's financial statements prospectively beginning on the date of acquisition. Since the date of acquisition, ARI had net revenues of $4.5 million and net income of $1.2 million. The following unaudited pro forma financial data assumes the acquisition had occurred at the beginning of each period presented. Pro forma results have been prepared by adjusting the Company's historical results to include ARI's results of operations adjusted for the following changes: depreciation and amortization expenses were adjusted as a result of acquisition-date fair value adjustments to fixed assets, intangible assets, deferred acquisition costs and lease obligations; interest expense was adjusted for revised debt structures; and the income tax effect of applying the Company's statutory tax rates to ARI's results. The unaudited pro forma information presented does not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable periods presented, nor does it indicate the results of operations in future periods.

	Three Months Ended March 31,	
(Dollars in thousands)	**2010**	2009
Net revenues	**$ 117,631**	$ 90,724
Net income/(loss)	**$ 2,257**	$ (2,135)

Note 5 *Financial Instruments and Other Inventory Positions Owned and Financial Instruments and Other Inventory Positions Sold, but Not Yet Purchased*

Financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased were as follows:

(Dollars in thousands)	**March 31, 2010**	December 31, 2009
Financial instruments and other inventory positions owned:		
Corporate securities:		
Equity securities	**$ 2,421**	$ 3,070
Convertible securities	**70,431**	75,295
Fixed income securities	**138,158**	112,825
Municipal securities:		
Taxable securities	**242,128**	151,144
Tax-exempt securities	**118,826**	147,809
Short-term securities	**76,029**	25,204
Asset-backed securities	**44,121**	70,425
U.S. government agency securities	**204,039**	125,576
U.S. government securities	**25,121**	70,111
Derivative contracts	**23,727**	18,530
	$ 945,001	$ 799,989
Financial instruments and other inventory positions sold, but not yet purchased:		
Corporate securities:		
Equity securities	**$ 40,140**	$ 26,474
Convertible securities	**3,737**	3,678
Fixed income securities	**112,479**	122,339
Asset-backed securities	**6,299**	8,937
U.S. government agency securities	**92,281**	67,001
U.S. government securities	**231,755**	102,911
Derivative contracts	**6,704**	4,455
	$ 493,395	$ 335,795

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At March 31, 2010, and December 31, 2009, financial instruments and other inventory positions owned in the amount of $397.5 million and $137.4 million, respectively, had been pledged as collateral for the Company's repurchase agreements, secured borrowings and securities loaned.

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 market value of its financial instruments and other inventory positions owned utilizing inventory positions sold, but not yet purchased, interest rate derivatives, futures and exchange-traded options.

Derivative Contract Financial Instruments

The Company uses interest rate swaps, interest rate locks, and forward contracts to facilitate customer transactions and as a means to manage risk in certain inventory positions. 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 risk of the initial client interest rate derivative contract. In certain limited instances, the Company has not entered into a hedging arrangement 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 to hedge interest rate and market value risks associated with its fixed income securities. The instruments use interest rates based upon either the Municipal Market Data ("MMD") index or the SIFMA index.

The following table presents the total absolute notional contract amount associated with the Company's outstanding derivative instruments:

(Dollars in thousands) **Derivative Instrument**	**Derivative Category**	**March 31, 2010**	December 31, 2009
Customer matched-book	Interest rate derivative contract	**$ 6,676,105**	$ 6,795,186
Trading securities	Interest rate derivative contract	**229,500**	234,500
		$ 6,905,605	$ 7,029,686

The Company's interest rate derivative contracts do not qualify for hedge accounting, therefore, unrealized gains and losses are recorded on the consolidated statements of operations. The following table presents the Company's unrealized gains/(losses) on derivative instruments:

(Dollars in thousands)		**Three Months Ended**	
Derivative Category	**Revenue Category**	**March 31, 2010**	March 31, 2009
Interest rate derivative contract	Institutional brokerage	**$ (1,041)**	$ 9,716

The gross fair market value of all derivative instruments and their location on the Company's consolidated statements of financial condition prior to counterparty netting are shown below by asset or liability position *(1)*:

(Dollars in thousands) **Derivative Category**	**Financial Condition Location**	**Asset Value at March 31, 2010**	**Financial Condition Location**	**Liability Value at March 31, 2010**
Interest rate derivative contract	Financial intruments and other inventory positions owned	$ 301,218	Financial intruments and other inventory positions sold, but not yet purchased	$ 267,161

(1) Amounts are disclosed at gross fair value in accordance with the requirement of FASB Accounting Standards Codification Topic 815, "Derivatives and Hedging," ("ASC 815").

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The Company's derivative contracts are recorded at fair value. These derivatives are valued using pricing models based on the net present value of estimated future cash flows. The valuation models inputs include contractual terms, market prices, yield curves, credit curves and measures of volatility. Derivatives are reported on a net basis by counterparty when 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.

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 its market and credit risk committee. The Company reflects counterparty credit risk in calculating derivative contract fair value. The majority of the Company's derivative contracts are substantially collateralized by its counterparties, which 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 March 31, 2010, the Company had $16.3 million of uncollateralized credit exposure with these counterparties (notional contract amount of $270.5 million), including $9.0 million of uncollateralized credit exposure with one counterparty.

Note 6 *Fair Value of Financial Instruments*

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 in the consolidated statements of operations.

The degree of judgment used in measuring the fair value of financial instruments generally correlates to the level of pricing observability. Pricing observability is impacted by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established and other characteristics specific to the instrument. Financial instruments with readily available active quoted prices for which fair value can be measured from actively quoted prices generally will have a higher degree of pricing observability and a lesser degree of judgment used in measuring fair value. Conversely, financial instruments rarely traded or not quoted will generally have less, or no, pricing observability and a higher degree of judgment used in measuring fair value.

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

Equity securities – Equity securities are valued based on quoted prices from the exchange for identical assets or liabilities as of the report date. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized as Level I.

Convertible securities – Convertible securities are valued based on observable trades, when available. Accordingly, these convertible securities are categorized as Level II. When observable price quotations are not available, fair value is determined based upon model-based valuation techniques with observable market inputs, such as specific company stock price and volatility and unobservable inputs such as credit default rates. These instruments are categorized as Level III.

Corporate fixed income securities – Fixed income securities include corporate bonds which are valued based on pricing services or broker quotes, when available. Accordingly, these corporate bonds are categorized as Level II. When observable price quotations are not available, fair value is determined based upon model-based valuation techniques with observable inputs such as specific security contractual terms and yield curves and unobservable inputs such as credit spreads. These instruments are categorized as Level III.

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.

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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.

Short-term municipal securities – Short-term municipal securities include auction rate securities, variable rate demand notes, and other short-term municipal securities. Auction rate securities were historically traded and valued as floating rate notes, priced at par due to the auction mechanism. Beginning in 2008, the auction rate securities market experienced dislocation due to uncertainties in the credit markets. During 2009, certain areas of the auction rate market began to function; however, lower credit issuers remain illiquid. Accordingly, auction rate securities with limited liquidity are valued based upon the Company's expectations of issuer refunding plans and using internal models with observable inputs such as specific security contractual terms and yield curves and unobservable inputs such as yield curves and liquidity discounts and are categorized as Level III. Variable rate demand notes and other short-term municipal securities are valued using recently executed observable trades or market price quotations and therefore categorized as Level II.

Asset-backed securities – Asset backed securities are valued using observable trades, when available. Certain asset-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 asset-backed securities are categorized as Level II. Other asset-backed securities, which are principally collateralized by aircraft and have experienced low volumes of executed transactions, result in less observable transaction data. These assets are valued using cash flow models that utilize unobservable inputs including airplane lease rates, aircraft valuation, trust costs, and other factors impacting security cash flows. The Company's aircraft asset-backed securities had a weighted average yield of 11.8% at March 31, 2010. The Company also has a minimal amount of asset-backed securities collateralized by residential mortgages. These are valued using cash flow models that utilize unobservable inputs including credit default rates ranging from 7-10%, prepayment rates ranging from 6-7% of CPR, severity ranging from 60-75% and valuation yields ranging from 6.6%-10.5%. These asset-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. Agency debt bonds are categorized as Level II. Mortgage bonds include mortgage pass-through securities and agency collateralized mortgage-obligations ("CMO"). Mortgage pass-through securities and CMO securities are valued using recently executed observable trades or other observable inputs, such as prepayment speeds and therefore, generally are categorized as Level II. Mortgage bonds are valued using observable market inputs, such as market yields ranging from 95–145 basis point spreads to treasury securities, or models based upon prepayment expectations ranging from 161-274 PSA prepayment levels, which are then 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 prices and therefore categorized as Level I.

Derivatives – Derivative contracts are financial instruments such as forwards, futures, swaps or option contracts that derive their value from underlying assets, reference rates, indices or a combination of these factors. A derivative contract generally represents future commitments to purchase or sell financial instruments at specified terms on a specified date or to exchange currency or interest payment streams based on the contract or notional amount. Derivative contracts exclude certain cash instruments, such as mortgage-backed securities, interest-only and principal-only obligations and indexed debt instruments that derive their values or contractually required cash flows from the price of some other security or index. The Company's derivatives are principally interest rate derivatives and valued using market standard pricing models based on the net present value of estimated future cash flows. The valuation models used require market observable inputs, including contractual terms, yield curves and measures of volatility. These measurements are classified as Level II within the fair value hierarchy and are used to value interest rate swaps, interest rate locks, and forward contracts. In addition, the Company has a limited number of interest rate derivatives valued using valuation models that utilize market observable inputs, including contractual terms, yield curves and measures of volatility and unobservable inputs including credit default rates. These instruments are classified as Level III within the fair value hierarchy.

Investments

The Company's investments valued at fair value include investments in public companies, warrants of public or private companies and investments in certain illiquid municipal bonds. Investments in public companies are valued based on quoted prices on active markets and reported in Level I. Company owned warrants, which have a cashless exercise option, are valued using the Black-Scholes option-pricing model and reported as Level III assets. Investments in certain illiquid municipal bonds that the Company is holding for investment are reported as Level III assets.

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The following table summarizes the valuation of our financial instruments by pricing observability levels defined in ASC 820 as of March 31, 2010:

(Dollars in thousands)	Level I	Level II	Level III	Counterparty Collateral Netting (1)	Total
Assets:					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 2,421	$ -	$ -	$ -	$ 2,421
Convertible securities	-	55,746	14,685	-	70,431
Fixed income securities	-	136,012	2,146	-	138,158
Municipal securities:					
Taxable securities	-	242,128	-	-	242,128
Tax-exempt securities	-	118,826	-	-	118,826
Short-term securities	-	58,205	17,824	-	76,029
Asset-backed securities	-	16,829	27,292	-	44,121
U.S. government agency securities	-	204,039	-	-	204,039
U.S. government securities	25,121	-	-	-	25,121
Derivative instruments	-	46,928	9,046	(32,247)	23,727
Total financial instruments and other inventory positions owned:	27,542	878,713	70,993	(32,247)	945,001
Cash equivalents	9,915	-	-	-	9,915
Investments	1,065	-	3,042	-	4,107
Total assets	$ 38,522	$878,713	$ 74,035	$ (32,247)	$959,023
Liabilities:					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 40,140	$ -	$ -	$ -	$ 40,140
Convertible securities	-	3,737	-	-	3,737
Fixed income securities	-	106,863	5,616	-	112,479
Asset-backed securities	-	1,920	4,379	-	6,299
U.S. government agency securities	-	92,281	-	-	92,281
U.S. government securities	231,755	-	-	-	231,755
Derivative instruments	-	21,917	-	(15,213)	6,704
Total financial instruments and other inventory positions sold, but not yet purchased:	271,895	226,718	9,995	(15,213)	493,395
Investments	-	-	19	-	19
Total liabilities	$271,895	$226,718	$ 10,014	$ (15,213)	$493,414

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

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The following table summarizes the valuation of our financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2009:

(Dollars in thousands)	Level I	Level II	Level III	Counterparty Collateral Netting (1)	Total
Assets:					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	$ 3,070	$ -	$ -	$ -	$ 3,070
Convertible securities	-	75,295	-	-	75,295
Fixed income securities	-	112,825	-	-	112,825
Municipal securities:					
Taxable securities	-	151,144	-	-	151,144
Tax-exempt securities	-	147,809	-	-	147,809
Short-term securities	-	7,379	17,825	-	25,204
Asset-backed securities	-	46,186	24,239	-	70,425
U.S. government agency securities	-	125,576	-	-	125,576
U.S. government securities	70,111	-	-	-	70,111
Derivative instruments	-	54,391	-	(35,861)	18,530
Total financial instruments and other inventory positions owned:	73,181	720,605	42,064	(35,861)	799,989
Cash equivalents	13,352	-	-	-	13,352
Investments	1,139	-	2,240	-	3,379
Total assets	$ 87,672	$ 720,605	$ 44,304	$ (35,861)	$ 816,720
Liabilities:					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	$ 26,474	$ -	$ -	$ -	$ 26,474
Convertible securities	-	3,678	-	-	3,678
Fixed income securities	-	114,568	7,771	-	122,339
Asset-backed securities	-	6,783	2,154	-	8,937
U.S. government agency securities	-	67,001	-	-	67,001
U.S. government securities	102,911	-	-	-	102,911
Derivative instruments	-	19,294	-	(14,839)	4,455
Total financial instruments and other inventory positions sold, but not yet purchased:	129,385	211,324	9,925	(14,839)	335,795
Investments	-	-	19	-	19
Total liabilities	$ 129,385	$ 211,324	$ 9,944	$ (14,839)	$ 335,814

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

The Company's Level III assets were $74.0 million and $44.3 million, or 7.7 percent and 5.4 percent of financial instruments measured at fair value at March 31, 2010, and December 31, 2009, respectively. Transfers between levels are recognized at the beginning of the reporting period. There were $21.4 million of transfers from Level II to Level III during the quarter ended March 31, 2010 related to convertible securities, asset backed securities and derivatives for which external prices and valuation inputs became unobservable. Transfers between Level I and Level II were not material for the three months ended March 31, 2010.

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The following tables summarize the changes in fair value associated with Level III financial instruments during the three months ended March 31, 2010 and 2009:

(Dollars in thousands)	**Balance at December 31, 2009**	Purchases/ (sales), net	Net transfers in/(out)	Realized gains/ (losses) (1)	Unrealized gains/ (losses) (1)	**Balance at March 31, 2010**
Assets:						
Financial instruments and other inventory positions owned:						
Corporate securities:						
Convertible securities	**$ -**	$ 7,590	$ 4,292	$ 1,836	$ 967	**$ 14,685**
Fixed income securities	**-**	1,937	-	211	(2)	**2,146**
Municipal securities:						
Short-term securities	**17,825**	-	-	-	(1)	**17,824**
Asset-backed securities	**24,239**	(7,924)	8,796	1,688	493	**27,292**
Derivative instruments	**-**	-	8,279	-	767	**9,046**
Total financial instruments and other inventory positions owned:	**42,064**	1,603	21,367	3,735	2,224	**70,993**
Investments	**2,240**	-	-	-	802	**3,042**
Total assets	**$ 44,304**	$ 1,603	$ 21,367	$ 3,735	$ 3,026	**$ 74,035**
Liabilities:						
Financial instruments and other inventory positions sold, but not yet purchased:						
Corporate securities:						
Fixed income securities	**$ 7,771**	$ (2,310)	$ -	$ 46	$ 109	**$ 5,616**
Asset-backed securities	**2,154**	1,586	507	18	114	**4,379**
Total financial instruments and other inventory positions sold, but not yet purchased:	**9,925**	(724)	507	64	223	**9,995**
Investments	**19**	-	-	-	-	**19**
Total liabilities	**$ 9,944**	$ (724)	$ 507	$ 64	$ 223	**$ 10,014**

(Dollars in thousands)	**Balance at December 31, 2008**	Purchases/ (sales), net	Net transfers in/(out)	Realized gains/ (losses) (1)	Unrealized gains/ (losses) (1)	**Balance at March 31, 2009**
Assets:						
Financial instruments and other inventory positions owned:						
Corporate securities:						
Convertible securities	**$ 3,671**	$ -	$ (3,671)	$ -	$ -	**$ -**
Fixed income securities	**2,138**	1,740	4,899	7	375	**9,159**
Municipal securities:						
Short-term securities	**17,750**	25	(100)	-	-	**17,675**
Asset-backed securities	**22,560**	(1,129)	(157)	234	(316)	**21,192**
U.S. government agency securities	**6**	(1)	(1)	-	-	**4**
Total financial instruments and other inventory positions owned:	**46,125**	635	970	241	59	**48,030**
Investments	**433**	-	-	-	(348)	**85**
Total assets	**$ 46,558**	$ 635	$ 970	$ 241	$ (289)	**$ 48,115**
Liabilities:						
Investments	**$ 366**	$ -	$ -	$ -	$ (347)	**$ 19**
Total liabilities	**$ 366**	$ -	$ -	$ -	$ (347)	**$ 19**

(1) Realized and unrealized gains/(losses) related to financial instruments are reported in institutional brokerage on the consolidated statements of operations. Realized and unrealized gains/(losses) related to investments are reported in other income/(loss) on the consolidated statements of operations.

Some of the Company's financial instruments are not measured at fair value on a recurring basis, but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include 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.

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Note 7 *Variable Interest Entities*

In the normal course of business, the Company periodically creates or transacts with entities that may be variable interest entities ("VIEs"). The Company has investments in and/or acts as the managing partner or member to approximately 38 partnerships and limited liability companies ("LLCs"). These entities were established for the purpose of investing in equity and debt securities of public and private investments and were initially financed through the capital commitments of the members. At March 31, 2010, the Company's aggregate net investment in these partnerships and LLCs totaled $13.7 million. The Company's remaining capital commitment to these partnerships and LLCs was $3.6 million at March 31, 2010.

Effective January 1, 2010, the Company adopted the guidance amending ASC 810. The Company evaluated 21 of its 38 partnerships and LLCs under the new VIE guidance and the remaining 17 partnerships and LLCs were evaluated under the historical VIE guidance as these entities met the deferral provisions defined by ASU 2010-10. The determination as to whether an entity is a VIE is based on the amount and nature of the members' equity investment in the entity. Under the new guidance, the Company also considers other characteristics such as the power through voting or similar rights to direct the activities of an entity that most significantly impact the entity's economic performance. Under the historical guidance, the Company considers characteristics such as the ability to influence the decision making about the entity's activities and how the entity is financed. The Company has identified 21 out of the Company's 38 partnerships and LLC entities described above as VIEs. These VIEs had net assets approximating $991.0 million at March 31, 2010. The Company's exposure to loss from these entities is $5.6 million, which is the value of its capital contributions recorded in other assets on the consolidated statement of financial condition at March 31, 2010. The Company had no liabilities related to these entities at March 31, 2010.

The Company is required to consolidate all VIEs for which it is considered to be the primary beneficiary. Under the new guidance, 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. Under the historical guidance, the determination as to whether the Company is considered to be the primary beneficiary is based on whether the Company will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. It was determined the Company is not the primary beneficiary of these 21 VIEs.

The Company has not provided financial or other support to their VIEs that it was not previously contractually required to provide as of March 31, 2010.

Note 8 *Receivables from and Payables to Brokers, Dealers and Clearing Organizations*

Amounts receivable from brokers, dealers and clearing organizations at March 31, 2010 and December 31, 2009 included:

(Dollars in thousands)	**March 31, 2010**	December 31, 2009
Receivable arising from unsettled securities transactions, net	**$ 21,763**	$ 35,324
Deposits paid for securities borrowed	**138,503**	166,399
Receivable from clearing organizations	**12,557**	21,388
Securities failed to deliver	**6,448**	13,102
Other	**6,567**	7,838
	$ 185,838	$ 244,051

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Amounts payable to brokers, dealers and clearing organizations at March 31, 2010 and December 31, 2009 included:

(Dollars in thousands)	**March 31, 2010**	December 31, 2009
Deposits received for securities loaned	**$ 22,336**	$ 25,988
Payable to clearing organizations	**28,445**	11,975
Securities failed to receive	**217**	22,118
Other	**8,670**	11,737
	$ 59,668	$ 71,818

Deposits paid for securities borrowed and deposits received for securities loaned 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 9 *Other Assets*

Other assets include investments in public companies valued at fair value, investments in private companies and bridge-loans valued at cost, investments in private equity partnerships that are valued using the equity method of accounting, net deferred tax assets, income tax receivables and prepaid expenses.

Other assets at March 31, 2010 and December 31, 2009 included:

(Dollars in thousands)	**March 31, 2010**	December 31, 2009
Investments at fair value	**$ 4,107**	$ 3,379
Investments at cost	**29,233**	33,687
Investments valued using equity method	**15,178**	14,825
Net deferred income tax assets	**63,925**	80,058
Income tax receivables	**5,680**	453
Prepaid expenses	**6,637**	5,840
Other	**1,352**	1,393
Total other assets	**$ 126,112**	$ 139,635

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Note 10 *Goodwill and Intangible Assets*

The following table presents the changes in the carrying value of goodwill and intangible assets for the three months ended March 31, 2010:

(Dollars in thousands)	
Goodwill	
Balance at December 31, 2009	**$ 164,625**
Goodwill recorded in purchase of ARI	152,382
FAMCO earn-out payment	27
Balance at March 31, 2010	**$ 317,034**

(Dollars in thousands)	
Intangible assets	
Balance at December 31, 2009	**$ 12,067**
Intangible assets acquired in purchase of ARI	54,959
Amortization of intangible assets	(976)
Balance at March 31, 2010	**$ 66,050**

The addition of goodwill and intangible assets during the three months ended March 31, 2010, primarily related to the acquisition of ARI, as discussed in Note 4. Management identified $55.0 million of intangible assets, consisting primarily of the customer relationships ($52.1 million), which will be amortized over a weighted average life of 9 years, and the ARI trade name ($2.9 million), which has an indefinite life and will not be amortized.

The following table summarizes the aggregate future amortization of the Company's intangible assets:

(Dollars in thousands) **Years Ended December 31,**	**Amortization**
Remainder of 2010	$ 6,737
2011	8,571
2012	8,038
2013	7,768
2014	7,432
Thereafter	24,645
Total	$ 63,191

Note 11 *Short-Term Financing*

The following is a summary of short-term financing and the weighted average interest rates on borrowings as of March 31, 2010 and December 31, 2009:

	Outstanding Balance		**Weighted Average Interest Rate**	
(Dollars in thousands)	**March 31, 2010**	December 31, 2009	**March 31, 2010**	December 31, 2009
Bank lines (secured)	**$ 54,000**	$ 68,000	**1.61%**	1.35%
Commercial paper (secured)	**39,520**	22,079	**1.24%**	1.25%
Total short-term financing	**$ 93,520**	$ 90,079		

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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 March 31, 2010, consisted of a $250 million committed revolving credit facility with U.S. Bank, N.A. Advances under this facility are secured by certain marketable securities. The unpaid principal amount of all advances under this facility will be due on September 30, 2010. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis.

The Company's uncommitted secured lines at March 31, 2010, totaled $275 million with three 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. In addition, the Company has established arrangements to obtain financing by another broker dealer at the end of each business day related specifically to its convertible inventory.

In 2009, the Company initiated a secured commercial paper program to provide another funding source for its securities inventory. The senior secured commercial paper notes ("Series A CP Notes") are secured by the Company's securities inventory with maturities on the Series A CP Notes ranging from twenty-seven days to two hundred seventy days from the date of issuance. The Series A CP Notes are interest-bearing or sold at a discount to par with an interest rate based on the London Interbank Offered Rate ("LIBOR") plus an applicable margin.

As part of these short-term financing arrangements, the Company is subject to various financial and operational covenants. At March 31, 2010, the Company was in compliance with all covenants related to its financing facilities.

Note 12 *Variable Rate Senior Notes*

On December 31, 2009, the Company issued unsecured variable rate senior notes ("Notes") in the amount of $120 million. The initial holders of the Notes are certain entities advised by PIMCO. Interest is based on an annual rate equal to LIBOR plus 4.10%, adjustable and payable quarterly. The weighted average interest rate for the three months ended March 31, 2010, was 4.39%. The proceeds from the Notes were used to fund a portion of the ARI acquisition discussed further in Note 4 to our consolidated financial statements. The unpaid principal amount of the Notes will be due on December 31, 2010.

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 activities 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. 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.

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 are difficult to determine and of necessity subject to future revision. Subject to the foregoing, management of the Company believes, based on its current knowledge, after consultation with outside legal counsel and taking into account its established reserves, that pending legal actions, investigations regulatory and proceedings will be resolved with no material adverse effect on the consolidated financial condition 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 in that period could be materially adversely affected.

Note 14 *Restructuring*

On August 11, 2006, the Company completed the sale of its Private Client Services ("PCS") branch network and certain related assets to UBS Financial Services, Inc., a subsidiary of UBS AG ("UBS"), thereby exiting the PCS business. In connection with the sale of the Company's PCS branch network, the Company initiated a plan to significantly restructure the Company's support infrastructure. All restructuring costs related to the sale of the PCS branch network were included within discontinued operations. In 2008, the

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Company implemented certain expense reduction measures as a means to better align its cost infrastructure with its revenues. The following table presents a summary of activity with respect to the restructuring-related liabilities included in other liabilities and accrued expenses on the consolidated statements of financial condition:

(Dollars in thousands)	Other Restructuring	PCS Restructuring
Balance at December 31, 2009	**$ 1,892**	**$ 7,565**
Provision charged to continuing operations	173	-
Cash outlays	(637)	(624)
Non-cash write-downs	(33)	-
Balance at March 31, 2010	**$ 1,395**	**$ 6,941**

Note 15 *Shareholders' Equity*

Share Repurchase Program

In the second quarter of 2008, the Company's board of directors authorized the repurchase of up to $100 million in common shares through June 30, 2010. During the three months ended March 31, 2010, the Company did not repurchase any shares of the Company's common stock under this authorization. The Company has $61.1 million remaining under this authorization.

Issuance of Shares

During the three months ended March 31, 2010, the Company issued 881,846 restricted shares and 11,259 unrestricted shares in conjunction with the acquisition of ARI as described in Note 4. The restricted shares issued in conjunction with the acquisition of ARI vest ratably over four years in equal installments beginning on March 1, 2011, and ending on March 1, 2014. These restricted shares provide for continued vesting after termination, so long as the employee does not violate certain non-solicitation restrictions.

During the three months ended March 31, 2010, the Company issued 81,696 common shares out of treasury stock in fulfillment of $3.6 million in obligations under the Piper Jaffray Companies Retirement Plan and issued 319,692 common shares out of treasury stock as a result of vesting and exercise transactions under the Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan.

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Note 16 *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/(loss) applicable to common shareholders by the weighted average number of common shares outstanding for the period. Net income/(loss) applicable to common shareholders represents net income/(loss) reduced by the allocation of earnings to participating securities. All of the Company's outstanding restricted shares are deemed to be participating securities because they are eligible to share in the profits (e.g. receive dividends) of the Company. Losses are not allocated to participating securities. Diluted earnings per common share is calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive stock options. The computation of earnings per share is as follows:

	Three Months Ended March 31,			
	2010		2009	
(Amounts in thousands, except per share data)				
Net income/(loss)	**$ 510**		$ (2,725)	
Earnings allocated to participating securities	**(101)**		-	
Net income/(loss) applicable to common shareholders (2)	**$ 409**		$ (2,725)	
Shares for basic and diluted calculations:				
Average shares used in basic computation	**15,837**		15,868	
Stock options	**87**		2	
Restricted stock	**-**	(3)	2,428	
Average shares used in diluted computation	**15,924**		18,298	(1)
Earnings per share:				
Basic	**$ 0.03**		$ (0.17)	
Diluted	**$ 0.03**		$ (0.17)	

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

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

(3) *Participating securities were included in the calculation of diluted EPS using the two-class method, as this computation was more dilutive than the calculation using the treasury-stock method.*

The anti-dilutive effects from stock options were immaterial for the periods ended March 31, 2010 and 2009.

Note 17 *Employee Benefit Plans*

Certain employees participated in the Piper Jaffray Companies Non-Qualified Retirement Plan ("the Non-Qualified Plan"), an unfunded, non-qualified cash balance pension plan. The Company froze the plan effective January 1, 2004, thereby eliminating future benefits related to pay increases and excluding new participants from the plan. Effective December 31, 2009, the Company resolved to terminate the Non-Qualified Plan through lump sum cash distributions to all participants. These lump-sum cash payments, totaling $10.4 million, were based on the December 31, 2009 actuarial valuation of the Non-Qualified Plan and were distributed on March 15, 2010. The Company recognized settlement expense of $0.2 million in compensation and benefits expense on the consolidated statement of operations related to the settlement of all Non-Qualified Plan liabilities.

Note 18 *Stock-Based Compensation*

The Company accounts for equity awards in accordance with FASB Accounting Standards Codification Topic 718, "Compensation — Stock Compensation," ("ASC 718"), which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statements of operations at grant date fair value over the service period of the award, net of estimated forfeitures.

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The Company's primary stock-based compensation plan, Piper Jaffray Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan, (the "Incentive Plan"), permits the grant of equity awards, including restricted stock and non-qualified stock options, to the Company's employees and directors for up to 7.0 million shares of common stock. The Company periodically grants shares of restricted stock to employees and grants shares of Piper Jaffray Companies common stock to its non-employee directors. The Company also previously granted options to purchase Piper Jaffray Companies common stock to employees and non-employee directors. 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 awards granted to employees under the Incentive Plan have the following vesting periods: approximately 79 percent of the awards have three-year cliff vesting periods, approximately 11 percent of the awards vest ratably from 2011 through 2013 on the annual grant date anniversary, and approximately 10 percent of the awards cliff vest upon meeting a specific performance-based metric prior to May 2013. The director awards are fully vested upon grant. The plan provides for accelerated vesting of option and restricted stock awards if there is a change in control of the Company (as defined in the plan), in the event of a participant's death, and at the discretion of the compensation committee of the Company's board of directors.

Employee and director stock 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. The maximum term of the stock options granted to employees and directors is ten years. The Company has not granted stock options since 2008.

Restricted stock grants are valued at the market price of the Company's common stock on the date of grant. Restricted stock grants are amortized over the service period. The majority of the Company's restricted stock grants provide for continued vesting after termination, so long as the employee does not violate certain post-termination restrictions. These post-termination restrictions do not meet the criteria for an in-substance service condition as defined by ASC 718. Accordingly, such restricted stock grants are expensed in the period in which those awards are deemed to be earned, which is generally the calendar year preceding the February grant date each year.

Performance-based restricted stock awards granted in 2008 and 2009 were valued at the market price of the Company's common stock on the date of grant. The restricted shares are amortized on a straight-line basis over the period the Company expects the performance target to be met. The performance condition must be met for the awards to vest and total compensation cost will be recognized only if the performance condition is satisfied. The probability that the performance condition will be achieved and that the awards will vest is reevaluated each reporting period with changes in actual or estimated outcomes accounted for using a cumulative effect adjustment.

In 2010, the Company established the 2010 Employment Inducement Award Plan (the "Inducement Plan") to provide the Company a competitive advantage in attracting personnel. In conjunction with the acquisition of ARI, the Company granted $7.0 million (158,801 shares) in restricted shares to ARI employees. These shares vest ratably over five years in equal installments beginning on March 1, 2011, and ending on March 1, 2015. The Company will record compensation expense for this $7.0 million restricted stock grant on a pro rata basis over the five year vesting period. Unvested shares granted under the Inducement Plan are cancelled upon the termination of employment by the award recipient.

The Company recorded compensation expense of $8.6 million and $6.4 million for the three months ended March 31, 2010 and 2009, respectively, related to employee restricted stock. The tax benefit related to the total compensation cost for stock-based compensation arrangements totaled $3.4 million and $2.5 million for the three months ended March 31, 2010 and 2009, respectively.

In accordance with ASC 718, if any equity award 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 other income. The Company recorded $1.6 million and $0.3 million of forfeitures through other income for the three months ended March 31, 2010 and 2009, respectively.

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The following table summarizes the changes in the Company's non-vested restricted stock for the three months ended March 31, 2010:

	Non-Vested Restricted Stock	Weighted Average Grant Date Fair Value
December 31, 2009	**3,512,749**	**$ 40.46**
Granted	899,451	44.41
Vested	(503,477)	70.13
Canceled	(52,091)	34.98
March 31, 2010	**3,856,632**	**$ 37.59**

As of March 31, 2010, there was $34.0 million of total unrecognized compensation cost related to restricted stock expected to be recognized over a weighted average period of 2.93 years.

The following table summarizes the changes in the Company's outstanding stock options for the three months ended March 31, 2010:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
December 31, 2009	**538,804**	**$ 44.50**	**5.7**	**$ 4,237,480**
Granted	-	-		
Exercised	(2,456)	40.06		
Canceled	(15,105)	42.14		
March 31, 2010	**521,243**	**$ 44.60**	**5.6**	**$ 420,077**
Options exercisable at March 31, 2010	**404,579**	**$ 45.62**	**5.0**	**$ 420,077**

As of March 31, 2010, there was no unrecognized compensation cost related to stock options expected to be recognized over future years.

Cash received from option exercises for the three months ended March 31, 2010 was $0.1 million. There were no options exercised for the three months ended March 31, 2009. The tax benefit realized for the tax deduction from option exercises was immaterial for the three months ended March 31, 2010.

Note 19 *Geographic Areas*

The following table presents net revenues and long-lived assets by geographic region:

(Dollars in thousands)	**Three Months Ended March 31, 2010**	Three Months Ended March 31, 2009
Net revenues:		
United States	**$ 95,016**	$ 80,673
Europe	**7,495**	2,349
Asia	**7,075**	860
Consolidated	**$ 109,586**	$ 83,882

(Dollars in thousands)	**March 31, 2010**	December 31, 2009
Long-lived assets:		
United States	**$ 454,657**	$ 260,439
Europe	**804**	965
Asia	**11,895**	11,943
Consolidated	**$ 467,356**	$ 273,347

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Note 20 *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 self regulatory organizations ("SROs") and securities exchanges. The Financial Industry Regulatory Authority ("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, approval and other provisions of the SEC and FINRA rules. In addition, Piper Jaffray is subject to certain approval requirements related to withdrawals of excess net capital.

At March 31, 2010, net capital calculated under the SEC rule was $273.4 million, and exceeded the minimum net capital required under the SEC rule by $272.4 million.

Piper Jaffray Ltd., which is a registered United Kingdom broker dealer, is subject to the capital requirements of the U.K. Financial Services Authority ("FSA"). As of March 31, 2010, Piper Jaffray Ltd. was in compliance with the capital requirements of the FSA.

Piper Jaffray Asia Holdings Limited operates three entities licensed by the Hong Kong Securities and Futures Commission, which are subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rules promulgated under the Securities and Futures Ordinance. As of March 31, 2010, Piper Jaffray Asia regulated entities were in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Ordinance.

Note 21 *Income Taxes*

The Company's effective income tax rate for the three months ended March 31, 2010 was 94.4%, compared to 176.9% for the three months ended March 31, 2009. The provision for income taxes for the three months ended March 31, 2010 was unusually high due to a $5.2 million write-off of a deferred tax asset resulting from a restricted stock grant that vested at a share price lower than the grant date share price. This item unfavorably impacted the Company's earnings for the three months ended March 31, 2010 by approximately $0.26 per share. The provision for income taxes for the three months ended March 31, 2009 was high compared to pre-tax income because the Company did not record a tax benefit related to its U.K. subsidiary net operating loss carryforward deductions and incurred approximately $3 million of one-time tax expense items.

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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, 2009 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, 2009, as updated in our subsequent reports filed with the SEC. 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.

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, Europe and Asia. We generate revenues primarily through the receipt of advisory and financing fees earned on investment banking activities, commissions and sales credits earned on equity and fixed income institutional sales and trading activities, net interest earned on securities inventories, profits and losses from trading activities related to these securities inventories and asset management fees.

Our business is a human capital business. Accordingly, compensation and benefits comprise the largest component of our expenses, and our performance is dependent upon our ability to attract, develop and retain highly skilled employees who are motivated and committed to providing the highest quality of service and guidance to our clients.

As part of our growth strategy, we expanded our asset management business through the acquisition of Advisory Research Holdings, Inc. ("ARI"), a Chicago-based asset management firm with approximately $5.9 billion in assets under management. The transaction closed on March 1, 2010. For more information on our acquisition of ARI, see Note 4 of the accompanying unaudited consolidated financial statements included in this report.

Results for the three months ended March 31, 2010

For the three months ended March 31, 2010, we recorded net income of $0.5 million, or $0.03 per diluted common share, compared with a net loss of $2.7 million, or $0.17 per diluted common share for the corresponding period in the prior year. Results for the three months ended March 31, 2010, included tax expense of $5.2 million (or $0.26 per diluted share) attributable to a write-off of a deferred tax asset resulting from a restricted stock grant that vested at a share price lower than the grant date share price. For the three months ended March 31, 2010, non-compensation expenses were $35.3 million, an increase of $5.3 million compared to the first quarter of 2009, mainly attributable to increased business activity, higher litigation-related expenses, and $0.6 million of incremental expenses related to ARI (of which $0.4 million was intangible amortization). Net revenues for the three months ended March 31, 2010 were $109.6 million, up 30.6 percent from $83.9 million reported in the year-ago period driven by higher equity financing revenues.

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 and mostly unpredictable. 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 volatility of the equity and fixed income markets, changes in interest rates (especially rapid and extreme changes), the level and shape of various yield curves, the volume and value of trading in securities, and the demand for asset management services as reflected by the amount of assets under management.

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Factors that differentiate our capital markets business within the financial services industry also may affect our financial results. For example, our business focuses on a middle-market clientele in specific industry sectors. If the business environment for our focus sectors is impacted disproportionately as compared to the economy as a whole, or does not recover on pace with other sectors of the economy, our business and results of operations will be negatively impacted. In addition, our business could be affected differently than 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.

As a participant in the financial services industry, we are subject to complex and extensive regulation of our business. In light of recent conditions in the global financial markets and the global economy, legislators and regulators have increased their focus on the regulation of the financial services industry with a view to potential changes, including fundamental changes to the manner in which the industry is regulated and/or increased regulation in a number of areas. Changes in the regulatory environment in which we operate could have an adverse effect on our business.

Outlook for the remainder of 2010

Global equity financing conditions were relatively weak in the first quarter of 2010 as declines in the equity markets in the U.S., Europe and Asia early in the quarter negatively impacted capital raising for growth companies. Equity financing conditions strengthened near the end of the first quarter, and we expect to see increasing levels of equity financing activity during 2010. Also, we expect to see improving trends in middle market advisory activity during 2010, which should result in improved performance in this business. Our public finance business recorded strong performance in 2009 as we were able to penetrate new client relationships, expand into new geographies and increase market share. Performance in our public finance business during the first quarter of 2010 was more muted than a near record fourth quarter 2009 performance; however, we believe full-year 2010 public finance performance will be strong. We expect to significantly advance our asset management strategy with the acquisition of ARI, which closed on March 1, 2010. The acquisition of ARI will add scale to our asset management business and provide a platform to support future organic growth. There can be no assurance regarding our outlook for the remainder of 2010, however.

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Results of Operations

Financial Summary

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

	For the Three Months Ended March 31,			As a Percentage of Net Revenues For the Three Months Ended March 31,	
(Dollars in thousands)	**2010**	2009	2010 v2009	**2010**	2009
Revenues:					
Investment banking	**$ 43,748**	$ 24,350	79.7 %	**39.9** %	29.0 %
Institutional brokerage	**49,095**	55,027	(10.8)	**44.8**	65.6
Interest	**11,120**	7,288	52.6	**10.1**	8.7
Asset management	**9,154**	3,009	204.2	**8.4**	3.6
Other income/(loss)	**2,927**	(3,599)	N/M	**2.7**	(4.3)
Total revenues	**116,044**	86,075	34.8	**105.9**	102.6
Interest expense	**6,458**	2,193	194.5	**5.9**	2.6
Net revenues	**109,586**	83,882	30.6	**100.0**	100.0
Non-interest expenses:					
Compensation and benefits	**65,096**	50,324	29.4	**59.4**	60.0
Occupancy and equipment	**7,669**	6,518	17.7	**7.0**	7.8
Communications	**6,489**	6,099	6.4	**5.9**	7.3
Floor brokerage and clearance	**2,617**	2,882	(9.2)	**2.4**	3.4
Marketing and business development	**5,322**	4,445	19.7	**4.9**	5.3
Outside services	**8,004**	7,519	6.5	**7.3**	9.0
Other operating expenses	**5,234**	2,551	105.2	**4.7**	3.0
Total non-interest expenses	**100,431**	80,338	25.0	**91.6**	95.8
Income before income tax expense	**9,155**	3,544	158.3	**8.4**	4.2
Income tax expense	**8,645**	6,269	37.9 %	**7.9**	7.4
Net income/(loss)	**$ 510**	$ (2,725)	N/M	**0.5** %	(3.2) %

N/M - Not Meaningful

For the three months ended March 31, 2010, we recorded net income of $0.5 million. Net revenues for the three months ended March 31, 2010 were $109.6 million, a 30.6 percent increase from the year-ago period. For the three months ended March 31, 2010, investment banking revenues increased 79.7 percent to $43.7 million, compared with revenues of $24.4 million in the prior-year period. The increase in investment banking revenues was attributable to higher equity and public finance activity as well as increased advisory services revenues as compared to our extremely weak performance for these areas in the comparable period of 2009. In the first quarter of 2010, institutional brokerage revenues decreased 10.8 percent to $49.1 million, compared with $55.0 million in the corresponding period in the prior year, due to lower U.S. equity and convertible revenues. In the first quarter of 2010, net interest income decreased to $4.7 million, compared with $5.1 million in the first quarter of 2009. The decrease was primarily the result of interest expense on the $120 million of variable rate senior notes issued December 31, 2009, to finance a portion of the ARI acquisition. For the three months ended March 31, 2010, asset management fees were $9.2 million, compared with $3.0 million in the

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prior-year period. The increased revenues were primarily driven by the results for ARI, which we acquired on March 1, 2010. In the first quarter of 2010, other income increased to $2.9 million, compared with a loss of $3.6 million in the prior-year period, primarily due to gains recorded on our firm investments and income associated with the forfeitures of stock-based compensation. Non-interest expenses increased to $100.4 million for the three months ended March 31, 2010, from $80.3 million in the corresponding period in the prior year, primarily as a result of increased compensation and benefits expense.

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 and other employee 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, have a greater impact on our cash position and liquidity, than is reflected in our statements of operations.

For the three months ended March 31, 2010, compensation and benefits expenses increased 29.4 percent to $65.1 million from $50.3 million in the corresponding period in 2009. This increase was due to higher variable compensation costs resulting from higher net revenues and profitability. Compensation and benefits expenses as a percentage of net revenues were 59.4 percent for the first quarter of 2010, compared with 60.0 percent for the first quarter of 2009.

Occupancy and Equipment — In the first quarter of 2010, occupancy and equipment expenses were $7.7 million, compared with $6.5 million for the corresponding period in 2009. The increase was attributable to a one-time reduction in expense in the first quarter of 2009. We anticipate increased occupancy costs beginning in the second quarter of 2010 as we begin transitioning to new space in New York City and Hong Kong.

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 March 31, 2010, communications expenses were $6.5 million, compared with $6.1 million for the prior-year period.

Floor Brokerage and Clearance — For the three months ended March 31, 2010, floor brokerage and clearance expenses declined $0.3 million to $2.6 million, compared with $2.9 million for the three months ended March 31, 2009, due to reduced trading volumes.

Marketing and Business Development — In the first quarter of 2010, marketing and business development expenses increased 19.7 percent to $5.3 million, compared with $4.4 million in the first quarter of 2009. This increase was driven by higher travel costs associated with increased investment banking activities.

Outside Services — Outside services expenses include securities processing expenses, outsourced technology functions, outside legal fees and other professional fees. Outside services expenses increased to $8.0 million in the first quarter of 2010, compared with $7.5 million for the prior-year period, due primarily to increased consulting costs.

Other Operating Expenses — Other operating expenses include insurance costs, amortization of intangible assets, 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. In the first quarter of 2010, other operating expenses increased to $5.2 million, compared with $2.6 million in the first quarter of 2009. This increase was primarily due to increased litigation-related expenses and intangible amortization expense related to ARI.

Income Taxes — For the three months ended March 31, 2010, our provision for income taxes was $8.6 million, compared with $6.3 million in the prior-year period. Income tax expense recorded in the first quarter of 2010 was high compared to pre-tax income because of a $5.2 million write-off of a deferred tax asset resulting from a restricted stock grant that vested at a share price lower than the grant date share price. For more information on the write-off of this deferred tax asset, see “Income Taxes” within our Critical Accounting Policies. The $6.3 million of income tax expense recorded in the first quarter of 2009 was high compared to pre-tax income because we did not record a tax benefit related to certain foreign subsidiary net operating loss carryforward deductions, and approximately $3 million of one-time items that increased tax expense.

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Net Revenues from Continuing Operations (Detail)

	For the Three Months Ended March 31,		
(Dollars in thousands)	**2010**	2009	2010 v2009
Net revenues:			
Investment banking			
Financing			
Equities	**$ 16,988**	$ 4,063	318.1 %
Debt	**15,181**	12,388	22.5
Advisory services	**11,975**	8,815	35.8
Total investment banking	**44,144**	25,266	74.7
Institutional sales and trading			
Equities	**26,927**	30,662	(12.2)
Fixed income	**27,376**	27,805	(1.5)
Total institutional sales and trading	**54,303**	58,467	(7.1)
Asset management	**9,154**	3,009	204.2
Other income/(loss)	**1,985**	(2,860)	N/M
Total net revenues	**$ 109,586**	$ 83,882	30.6 %

N/M - Not meaningful

Investment banking revenues comprise all the revenues generated through financing and advisory services activities including derivative activities that relate to debt financing. To assess the profitability of investment banking, we aggregate investment banking fees with the net interest income or expense associated with these activities.

Investment banking revenues increased 74.7 percent to $44.1 million for the first three months of 2010, compared with $25.3 million for the corresponding period in 2009. For the three months ended March 31, 2010, equity financing revenues increased to $17.0 million, compared with $4.1 million in the prior year period due to increased activity. Equity capital markets activity was depressed in the first quarter of 2009 due to severely negative market conditions. Although the first quarter of 2010 was an improvement from 2009, the global equity markets declined early in the quarter, which negatively impacted capital raising for growth companies. In the first quarter of 2010, we completed 18 equity financings, raising $3.6 billion in capital, compared with 4 equity financings in the first quarter of 2009, raising $0.8 billion in capital. Debt financing revenues in the first quarter of 2010 increased 22.5 percent to $15.2 million due to higher public finance revenues, which was attributable to an increase in both the number of transactions completed and average revenue per transaction. During the first quarter of 2010, we completed 113 public finance issues with a total par value of $1.7 billion, compared with 96 public finance issues with a total par value of $1.9 billion during the prior year period. For the three months ended March 31, 2010, advisory services revenues increased 35.8 percent to $12.0 million due to increased activity. We completed 12 transactions with an aggregate enterprise value of $1.7 billion during the first quarter of 2010, compared with 6 transactions with an aggregate enterprise value of $0.7 billion in the first quarter of 2009.

Institutional brokerage revenues comprise all the revenues generated through trading activities, which consist primarily of facilitating customer trades. 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 March 31, 2010, institutional brokerage revenues declined 7.1 percent to $54.3 million, compared with $58.5 million in the prior-year period, primarily driven by decreased equity institutional brokerage revenues. Equity institutional brokerage revenues decreased 12.2 percent to $26.9 million in the first quarter of 2010, compared with $30.7 million in the prior-year period. Revenues associated with the U.S. equities and convertibles business declined due to lower volumes. Fixed income institutional brokerage revenues were $27.4 million in the first quarter of 2010, compared with $27.8 million in prior-year period. This

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decline was attributable to lower revenues from secondary municipal and investment grade corporate securities offset in part by stronger revenues from municipal strategic trading.

For the three months ended March 31, 2010, asset management fees increased to $9.2 million compared with $3.0 million in the prior-year period, primarily due to the results of ARI, which we acquired on March 1, 2010.

Other income/loss includes gains and losses from our investments in private equity and venture capital funds, other firm investments, and income associated with the forfeiture of stock-based compensation. In the first quarter of 2010, other income totaled $2.0 million, compared with a loss of $2.9 million in the prior-year period. In the first quarter of 2010, we recorded income associated with unrealized gains on firm investments and income from the forfeiture of stock-based compensation. In the first quarter of 2009, we recorded a loss associated with a decline in the value of our firm investments.

Recent Accounting Pronouncements

Recent accounting pronouncements are set forth in Note 3 to our unaudited consolidated financial statements, and are incorporated herein by reference.

Critical Accounting Policies

Our accounting and reporting policies comply with generally accepted accounting principles ("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.

For a full description of our significant accounting policies, see Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K for the year-ended December 31, 2009. We believe that of our significant accounting policies, the following are our critical accounting policies.

Valuation of Financial Instruments

Financial instruments and other inventory positions owned, financial instruments and other inventory positions sold, but not yet purchased and certain firm investments on our consolidated statements of financial condition consist of financial instruments recorded at fair value. 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 current transaction between willing parties, other than in a forced or liquidation sale. When available, we use observable market prices, observable market parameters, or broker or dealer prices (bid and ask prices) to derive the fair value of the instrument. In the case of financial instruments transacted on recognized exchanges, the observable market prices represent quotations for completed transactions from the exchange on which the financial instrument is principally traded. Bid prices represent the highest price a buyer is willing to pay for a financial instrument at a particular time. Ask prices represent the lowest price a seller is willing to accept for a financial instrument at a particular time.

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

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

Derivatives are valued using market standard pricing models based on the net present value of estimated future cash flows. Management deemed the net present value of estimated future cash flows model to be the best estimate of fair value as most of our derivative products are interest rate products. The valuation models used require inputs including contractual terms, market prices, yield curves, credit curves and measures of volatility. The valuation models are monitored over the life of the derivative product. If there are any changes in the underlying inputs, the model is updated for those new inputs.

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements and Disclosures," establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to inputs with little or no pricing observability (Level III measurements). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Instruments that trade infrequently and therefore have little or no price transparency are classified within Level III based on the results of our price verification process. The Company's Level III assets were $74.0 million and $44.3 million as of March 31, 2010 and December 31, 2009, respectively, and represented approximately 7.7 percent and 5.4 percent of financial instruments measured at fair value. At March 31, 2010, this balance primarily consisted of asset-backed securities, principally collateralized by aircraft and residential mortgages, that have experienced low volumes of executed transactions, such that unobservable inputs had to be utilized for the fair value measurements and auction-rate securities related to lower credit issuers for which the market has remained illiquid. Asset-backed securities collateralized with airplane leases are valued using cash flow models that utilize unobservable inputs including airplane lease rates, trust costs, aircraft valuation and other factors impacting security cash flows. Asset-backed securities collateralized with residential mortgages are valued using cash flow models that utilize unobservable inputs that include credit default rates, prepayment rates and severity rates. Auction-rate securities are valued based upon our expectations of issuer refunding plans and using internal models. We could experience reductions in the value of these inventory positions, which would have a negative impact on our business and results of operations.

During the quarter-ended March 31, 2010, we recorded net purchases of $1.6 million of Level III assets, primarily consisting of $7.6 million of net purchases of convertible securities and $1.9 million net purchases of corporate bonds offset with $7.9 million in net sales of asset-backed securities. We had net transfers of $21.4 million of assets from Level II to Level III during the first quarter of 2010. Transfers of assets from Level II to Level III were primarily related to convertible securities, asset-backed securities and derivatives as external prices became unobservable. During the first quarter of 2010, net gains (realized and unrealized) on Level III assets of $6.7 million were attributed to increased fair values of certain asset-backed securities, certain convertible securities and certain principal investments as well as gains on the sale of certain convertible securities and certain asset-backed securities.

During the quarter-ended March 31, 2010, we recorded net sales of $0.7 million of Level III liabilities related to fixed income and asset-backed securities made to facilitate customer activity. We had $0.5 million of liabilities transfer from Level II to Level III, related to asset-backed securities. Our valuation adjustments (realized and unrealized) increased Level III liabilities by $0.3 million.

Financial instruments carried at contract amounts have short-term maturities (one year or less), are repriced frequently or bear market interest rates and, accordingly, the carrying amount of those contracts approximate fair value. Financial instruments carried at contract amounts on our consolidated statements of financial condition include receivables from and payables to brokers, dealers and clearing organizations, securities purchased under agreements to resell, securities sold under agreements to repurchase, receivables from and payables to customers and short-term financing.

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Goodwill and Intangible Assets

We record all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangible assets, at fair value. Determining the fair value of assets and liabilities acquired requires certain management estimates. At March 31, 2010, we had goodwill of $317.0 million. Of this goodwill balance, $152.4 million was recorded in 2010 as a result of the acquisition of Advisory Research Holdings, Inc. and $105.5 million is a result of the 1998 acquisition by U.S. Bancorp of our predecessor, Piper Jaffray Companies Inc., and its subsidiaries.

Under FASB Accounting Standards Codification Topic 350, "Intangibles – Goodwill and Other," we are required to perform impairment tests of our goodwill and indefinite-lived intangible assets annually and on an interim basis when certain events or circumstances exist that could indicate possible impairment. We have elected to test for goodwill impairment in the fourth quarter of each calendar year. The goodwill impairment test is a two-step process, which requires management to make judgments in determining what assumptions to use in the calculation. The first step of the process consists of estimating the fair value of our two principal reporting units (capital markets and asset management) based on the following factors: our market capitalization, a discounted cash flow model using revenue and profit forecasts, public market comparables and multiples of recent mergers and acquisitions of similar businesses. Valuation multiples may be based on revenues, price-to-earnings and tangible capital ratios of comparable public companies and business segments. These multiples may be adjusted to consider competitive differences including size, operating leverage and other factors. The estimated fair values of our reporting units are compared with their carrying values, which includes the allocated goodwill. If the estimated fair values are less than the carrying values, a second step is performed to compute the amount of the impairment by determining an "implied fair value" of goodwill. The determination of a reporting unit's "implied fair value" of goodwill requires us to allocate the estimated fair value of the reporting unit to the assets and liabilities of the reporting unit. Any unallocated fair value represents the "implied fair value" of goodwill, which is compared to its corresponding carrying value.

As noted above, the initial recognition of goodwill and other intangible assets and the subsequent impairment analysis requires management to make subjective judgments concerning estimates of how the acquired assets or businesses will perform in the future using valuation methods including discounted cash flow analysis. Our estimated cash flows typically extend for five years and, by their nature, are difficult to determine over an extended time period. Events and factors that may significantly affect the estimates include, among others, competitive forces and changes in revenue growth trends, cost structures, technology, discount rates and market conditions. To assess the reasonableness of cash flow estimates and validate assumptions used in our estimates, we review historical performance of the underlying assets or similar assets. In assessing the fair value of our reporting units, the volatile nature of the securities markets and our industry requires us to consider the business and market cycle and assess the stage of the cycle in estimating the timing and extent of future cash flows.

We completed our annual goodwill impairment testing as of November 30, 2009, and no impairment was identified. In addition, we tested the definite-lived intangible assets acquired as part of the FAMCO acquisition and concluded there was no impairment.

Stock-Based Compensation

As part of our compensation to employees and directors, we use stock-based compensation, consisting of restricted stock and stock options. The Company accounts for equity awards in accordance with FASB Accounting Standards Codification Topic 718, "Compensation – Stock Compensation," ("ASC 718"), which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the statements of operations at grant date fair value over the service period of the award, net of estimated forfeitures.

Compensation paid to employees in the form of restricted stock or stock options is generally accrued or amortized on a straight-line basis over the required service period of the award and is included in our results of operations as compensation expense. The majority of these awards have a three-year cliff vesting schedule. The majority of our restricted stock and option grants provide for continued vesting after termination, so long as the employee does not violate certain post-termination restrictions as set forth in the award agreements or any agreements entered into upon termination. These post-termination restrictions do not meet the criteria for an in-substance service condition as defined by ASC 718. Accordingly, such restricted stock and option grants are expensed in the period in which those awards are deemed to be earned, which is generally the calendar year preceding our annual February equity grant. If any of these awards are cancelled, the lower of the fair value at grant date or the fair value at the date of cancellation is recorded within other income in the consolidated statements of operations.

Performance-based restricted stock awards granted are amortized on a straight-line basis over the period we expect the performance target to be met. The performance condition must be met for the awards to vest and total compensation cost will be recognized only if the performance condition is satisfied. The probability that the performance conditions will be achieved and that the awards will vest

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is reevaluated each reporting period with changes in actual or estimated compensation expense accounted for using a cumulative effect adjustment.

Stock-based compensation granted to our non-employee directors is in the form of unrestricted common shares of Piper Jaffray Companies stock. Stock-based compensation paid to directors is immediately expensed and is included in our results of operations as outside services expense as of the date of grant.

We granted stock options in fiscal years 2004 through 2008. In determining the estimated fair value of stock options, we used the Black-Scholes option-pricing model. This model requires management to exercise judgment with respect to certain assumptions, including the expected dividend yield, the expected volatility, and the expected life of the options.

Contingencies

We are involved in various pending and potential legal proceedings related to our business, including litigation, arbitration and regulatory proceedings. Some of these matters involve claims for substantial amounts, including claims for punitive and other special damages. We have, after consultation with outside legal counsel and consideration of facts currently known by management, recorded estimated losses in accordance with FASB Accounting Standards Codification Topic 450, “Contingencies,” to the extent that claims are probable of loss and the amount of the loss can be reasonably estimated. The determination of these reserve amounts requires significant judgment on the part of management. In making these determinations, we consider many factors, including, but not limited to, the loss and damages sought by the plaintiff or claimant, the basis and validity of the claim, the likelihood of a successful defense against the claim, and the potential for, and magnitude of, damages or settlements from such pending and potential litigation and arbitration proceedings, and fines and penalties or orders from regulatory agencies.

Given the uncertainties regarding timing, size, volume and outcome of pending and potential legal proceedings and other factors, the amounts of reserves are difficult to determine and of necessity subject to future revision. Subject to the foregoing, we believe, based on our current knowledge, after appropriate consultation with outside legal counsel and after taking into account our established reserves, that pending litigation, arbitration and regulatory proceedings will be resolved with no material adverse effect on our financial condition. 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 in that period could be materially adversely affected.

Income Taxes

We file a consolidated U.S. federal income tax return, which includes all of our qualifying subsidiaries. We also are subject to income tax in various states and municipalities and those foreign jurisdictions in which we operate. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income taxes are provided for temporary differences in reporting certain items, principally, amortization of share-based compensation. The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. We believe that our future taxable profits will be sufficient to recognize our U.S. deferred tax assets. If however, our projections of future taxable profits do not materialize, we may conclude that a valuation allowance is needed. We have recorded a deferred tax asset valuation allowance of $4.7 million related to foreign subsidiary net operating loss carry forwards.

We record deferred tax benefits for future tax deductions expected upon the vesting of share-based compensation. If deductions reported on our tax return for share-based compensation (i.e., the value of the share-based compensation at the time of vesting) exceed the cumulative cost of those instruments recognized for financial reporting (i.e., the grant date fair value of the compensation computed in accordance with ASC 718), we record the excess tax benefit as additional paid-in capital. Conversely, if deductions reported on our tax return for share-based compensation are less than the cumulative cost of those instruments recognized for financial reporting, we offset the deficiency first to any previously recognized excess tax benefits recorded as additional paid-in capital and any remaining deficiency is recorded as income tax expense. As of March 31, 2010, we do not have any available excess tax benefits within additional paid-in capital. Approximately 500,000 shares of restricted stock vested in the first quarter of 2010 at values less than the grant date fair value resulting in $5.2 million of income tax expense in the first quarter of 2010.

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We establish reserves for uncertain income tax positions in accordance with FASB Accounting Standards Codification Topic 740, "Income Taxes" when, it is not more likely than not that a certain position or component of a position will be ultimately upheld by the relevant taxing authorities. Significant judgment is required in evaluating uncertain tax positions. Our tax provision and related accruals include the impact of estimates for uncertain tax positions and changes to the reserves that are considered appropriate. To the extent the probable tax outcome of these matters changes, such change in estimate will impact the income tax provision in the period of change.

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, including our cash and net capital positions, and we have implemented 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 customers and brokers and dealers usually settle within a few days. As part of our liquidity strategy, we emphasize diversification of funding sources to the extent possible and maximize our lower-cost financing alternatives. Our assets are financed by our cash flows from operations, equity capital, and other short-term funding arrangements. The fluctuations in cash flows from financing activities are directly related to daily operating activities from our various businesses.

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 when paid.

We currently do not pay cash dividends on our common stock and do not plan to in the foreseeable future.

On April 16, 2008, we announced that our board of directors had authorized the repurchase of up to $100 million in shares of our common stock, which expires on June 30, 2010. In the first quarter of 2010, we did not repurchase any shares of our common stock under this authorization. Based upon prior repurchases, $61.1 million of this authorization remains as of March 31, 2010.

We currently do not have a credit rating, which may adversely affect our liquidity and increase our borrowing costs by limiting access to sources of liquidity that require a credit rating as a condition to providing funds.

Funding Sources

Short-term financing

Short-term financing is obtained primarily through the use of repurchase agreements, securities lending arrangements, commercial paper issuance and bank lines of credit and is typically collateralized by the firm's securities inventory. In addition, we have established arrangements to obtain financing by another broker dealer at the end of each business day related specifically to our convertible inventory. Short-term financing is generally obtained at rates based upon the federal funds rate and/or the London Interbank Offer Rate. We have available both committed and uncommitted short-term financing with a diverse group of banks.

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 $275 million with three 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 a $100 million uncommitted unsecured facility with one of these banks. These uncommitted lines are discretionary and are not a commitment by the bank to provide an advance under the line. These lines are subject to approval by the respective bank each time an advance is requested and advances may be denied. We manage our relationships with the banks that provide these uncommitted

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facilities in order to have appropriate levels of funding for our business. At March 31, 2010, we had $54 million outstanding against these lines of credit.

Committed Lines - Our committed line is a $250 million revolving secured credit facility. 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 our U.S. broker dealer subsidiary to maintain a minimum net capital of $150 million, and the unpaid principal amount of all advances under the facility will be due on September 30, 2010. At March 31, 2010, we had no advances against our committed line of credit.

Commercial Paper Program - In 2009, we initiated a secured commercial paper program to fund a portion of our securities inventories. The maximum amount that may be issued under the program is $300 million, of which $39.5 million is outstanding at March 31, 2010. The commercial paper notes are secured by our securities inventory with maturities on the commercial paper ranging from 27 days to 270 days from date of issuance.

Average net repurchase agreements (excluding repurchase agreements used to facilitate economic hedges) of $92 million and $33 million and short-term bank loans of $74 million and $14 million in the first quarter of 2010 and 2009, respectively, were primarily used to finance inventory as well as customer and trade-related receivables. We also used an average of $28 million in securities lending arrangements and an average of $31 million in commercial paper in the first quarter of 2010 to finance inventory and receivables. Growth in our securities inventories is generally financed through a combination of these various short-term financing arrangements.

Variable rate senior notes

On December 31, 2009, we issued variable rate senior notes (“Notes”) in the amount of $120 million. The initial holders of the Notes are certain entities advised by Pacific Investment Management Company LLC (“PIMCO”). The proceeds from the Notes were used to fund a portion of the ARI acquisition, discussed above under “Executive Overview.” The unpaid principal amount of the Notes will be due on December 31, 2010.

Contractual Obligations

Our contractual obligations have not materially changed from those reported in our Annual Report to Shareholders on Form 10-K for the year ended December 31, 2009.

Capital Requirements

As a registered broker dealer and member firm of FINRA, 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 notification and other provisions of the uniform net capital rule and the net capital rule of FINRA. We expect that these provisions will not impact our ability to meet current and future obligations. We also are subject to certain notification requirements related to withdrawals of excess net capital from our broker dealer subsidiary. At March 31, 2010, our net capital under the SEC’s Uniform Net Capital Rule was $273.4 million, and exceeded the minimum net capital required under the SEC rule by $272.4 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 revenue producing activities.

Piper Jaffray Ltd., our broker dealer subsidiary registered in the United Kingdom, is subject to the capital requirements of the U.K. Financial Services Authority. Each of our Piper Jaffray Asia entities licensed by the Hong Kong Securities and Futures Commission is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance.

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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 our off-balance-sheet arrangements at March 31, 2010 and December 31, 2009:

Expiration Per Period at March 31, 2010						Total Contractual Amount	
(Dollars in thousands)	2011	2012	2013-2014	2015-2016	Later	**March 31, 2010**	December 31, 2009
Customer matched-book derivative contracts *(1)(2)*	$ -	$ -	$ 155,090	$ 150,463	$6,370,552	**$ 6,676,105**	$ 6,795,186
Trading securities derivative contracts *(2)*	-	-	-	12,500	217,000	**229,500**	234,500
Loan commitments	-	-	-	-	-	**5,000**	5,000
Private equity and other principal investments	-	-	-	-	-	**3,588**	3,652

(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 two major financial institutions, which are mitigated by collateral deposits. In addition, we have a limited number of counterparties (contractual amount of $270.5 million at March 31, 2010) 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 us to the credit risk of these counterparties. At March 31, 2010, we had $16.3 million of credit exposure with these counterparties, including $9.0 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 March 31, 2010 and December 31, 2009, the net fair value of these derivative contracts approximated $17.0 million and $14.1 million, respectively.*

Derivatives

Derivatives' notional contract amounts are not reflected as assets or liabilities on our consolidated statements of financial condition. Rather, the market value, or 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. Derivatives are presented on a net basis by counterparty when a legal right of offset exists and on a net basis by cross product when applicable provisions are stated in a master netting agreement.

We enter into derivative contracts in a principal capacity as a dealer to satisfy the financial needs of clients. We also use derivative products to hedge the interest rate and market value risks associated with our security positions. 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. For a complete discussion of our activities related to derivative products, see Note 5, "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.

Loan Commitments

We may commit to short-term bridge-loan financing for our clients or make commitments to underwrite corporate debt. We had $5.0 million in loan commitments outstanding at March 31, 2010.

Private Equity and Other Principal Investments

We have committed capital to certain non-consolidated private-equity funds. These commitments have no specified call dates. We had $3.6 million of fund commitments outstanding at March 31, 2010.

Special Purpose Entities

As of March 31, 2010, we have investments in various entities, typically partnerships or limited liability companies, established for the purpose of investing in equity and debt securities of public and private investments. We commit capital or act as the managing partner or member of these entities. Some of these entities are deemed to be VIEs. For a complete discussion of our activities related to these types of entities, see Note 7, "Variable Interest Entities," to our unaudited consolidated financial statements.

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Other Off-Balance Sheet Exposure

Our other types of off-balance-sheet arrangements include contractual commitments. For a discussion of our activities related to these off-balance sheet arrangements, see Note 17, “Contingencies and Commitments,” to our consolidated financial statements included in our Annual Report to Shareholders on Form 10-K for the year ended December 31, 2009.

Enterprise Risk Management

Risk is an inherent part of our business. In the course of conducting business operations, we are exposed to a variety of risks. Market risk, liquidity risk, credit risk, operational risk, legal, regulatory and compliance risk, and reputational risk are the principal risks we face in operating our business. We seek to identify, assess and monitor each risk in accordance with defined policies and procedures. The extent to which we properly identify and effectively manage each of these risks is critical to our financial condition and profitability.

With respect to market risk and credit risk, our risk management process is focused on daily communication among traders, trading department management and senior management concerning our inventory positions 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 goals 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 mark-to-market pricing.

In addition to supporting daily risk management processes on the trading desks, our risk management functions support our market and credit risk committee. This committee oversees risk management practices, including defining acceptable risk tolerances and approving risk management policies.

Market Risk

Market risk represents the risk of 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 proprietary 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 shape of the yield curve, changes in credit spreads, and the rate of prepayments. Interest rate risk is managed through the use of appropriate hedging in U.S. government securities, agency securities, mortgage-backed securities, corporate debt securities, interest rate swaps, options, futures and forward contracts. We utilize interest rate swap contracts to hedge a portion of our fixed income inventory and to hedge rate lock agreements and forward bond purchase agreements we may enter into with our public finance customers. Additionally, we historically used interest rate swap agreements to hedge residual cash flows from our tender option bond program. 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. These interest rate swap contracts are recorded at fair value with the changes in fair value recognized in earnings.

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. and European markets on both listed and over-the-counter equity markets. 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 with those limits.

Currency Risk — Currency risk arises from the possibility that fluctuations in foreign exchange rates will impact the value of financial instruments. A 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 to the stockholders’ equity section of our consolidated statements of financial condition.

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Value-at-Risk

Value-at-Risk ("VaR") is the potential loss in value of our trading positions 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, exchange traded options, and all associated economic hedges. These positions encompass both customer-related activities and proprietary investments. We use a VaR model because it 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 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 add 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.

The following table quantifies the model-based VaR simulated for each component of market risk for the periods presented 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 1 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)	**March 31, 2010**	December 31, 2009
Interest Rate Risk	**$ 2,233**	$ 1,147
Equity Price Risk	**98**	68
Diversification Effect (1)	**(161)**	(74)
Total Value-at-Risk	**$ 2,170**	$ 1,141

(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 value-at-risk calculated for each component of market risk during the three months ended March 31, 2010 and the year ended December 31, 2009, respectively.

For the Three Months Ended March 31, 2010

(Dollars in thousands)	High	Low	Average
Interest Rate Risk	$ 4,359	$ 1,689	$ 2,407
Equity Price Risk	530	36	170
Diversification Effect (1)			(276)
Total Value-at-Risk	$ 4,227	$ 1,591	$ 2,301

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For the Year Ended December 31, 2009

(Dollars in thousands)	High	Low	Average
Interest Rate Risk	$ 2,947	$ 531	$ 1,397
Equity Price Risk	951	21	221
Diversification Effect (1)			(252)
Total Value-at-Risk	$ 2,937	$ 513	$ 1,366

(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 incurred on a single day did not exceed our one-day VaR on any occasions during the first quarter of 2010.

The aggregate VaR as of March 31, 2010 was higher compared to levels reported as of December 31, 2009. This is due mainly to overall higher balances in our inventories.

In addition to VaR, we also employ additional measures to monitor and manage market risk exposure, including the following: 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.

Liquidity Risk

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 onto a security for substantially longer than we had planned. Our inventory positions subject us to potential financial losses from the reduction in value of illiquid positions.

We are also exposed to liquidity risk in our day-to-day funding activities. We have a relatively low leverage ratio of 2.61 as of March 31, 2010. We calculate our leverage ratio by dividing total assets by total shareholders' equity. Our U.S. broker dealer had net capital of $273.4 million as of March 31, 2010. We manage liquidity risk by diversifying our funding sources across products and among individual counterparties within those products. For example, our treasury department actively manages the use of repurchase agreements, securities lending arrangements, commercial paper issuance and secured and unsecured bank borrowings each day depending on pricing, availability of funding, available collateral and lending parameters from any one of these sources. We also added a committed bank line to our funding sources during 2008 to further manage liquidity risk, which we renewed in September 2009.

In addition to managing our capital and funding, the treasury department oversees the management of net interest income risk and the overall use of our capital, funding, and balance sheet.

We currently act as the remarketing agent for approximately $6.4 billion of variable rate demand notes, all of which have a financial institution providing a liquidity guarantee. As remarketing agent for our clients' variable rate demand notes, we are the first source of liquidity for sellers of these instruments. At certain times, demand from buyers of variable rate demand notes is less than the supply generated by sellers of these instruments. In times of supply and demand imbalance, we may (but are not obligated to) facilitate liquidity by purchasing variable rate demand notes from sellers for our own account. Our liquidity risk related to variable rate demand notes is ultimately mitigated by our ability to tender these securities back to the financial institution providing the liquidity guarantee.

Credit Risk

Credit risk in our business arises from potential non-performance by counterparties, customers, borrowers or issuers of securities we hold in our trading inventory. The global credit crisis also has created increased credit risk, particularly counterparty risk, as the interconnectedness of the financial markets has caused market participants to be impacted by systemic pressure, or contagion, that results from the failure or expected failure of large market participants.

We have concentrated counterparty credit exposure with six non-publicly rated entities totaling $16.3 million at March 31, 2010. This counterparty credit exposure is part of our derivative program, consisting primarily of interest rate swaps. One derivative counterparty represents 55.6 percent, or $9.0 million, of this exposure. Credit exposure associated with our derivative counterparties is driven by

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uncollateralized market movements in the fair value of the interest rate swap contracts and is monitored regularly by our market and credit risk committee.

We are exposed to credit 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. 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. and Hong Kong is monitored daily. Our risk management functions have created credit risk policies establishing appropriate credit limits and collateralization thresholds for our customers utilizing margin lending.

Credit exposure associated with our investments in private company debt instruments are monitored regularly by our market and credit risk committee. These investments are recorded in other assets at amortized cost on the consolidated statement of financial condition. At March 31, 2010, we had three debt investments totaling $13.9 million and one committed, but unfunded loan commitment totaling $5.0 million.

Our risk management functions review 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. Counterparty levels are established relative to the level of counterparty ratings and potential levels of activity.

We are subject to credit concentration risk if we hold large individual securities positions, execute large transactions with individual counterparties or groups of related counterparties, extend large loans to individual borrowers or make substantial underwriting commitments. Concentration risk can occur by industry, geographic area or type of client. Potential credit concentration risk is carefully monitored and is managed through the use of policies and limits.

We also are exposed to the risk of loss related to changes in the credit spreads of debt instruments. Credit spread risk arises from potential changes in an issuer's credit rating or the market's perception of the issuer's credit worthiness.

Operational Risk

Operational risk refers to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. We rely on the ability of our employees, our internal systems and processes and systems at computer centers operated by third parties to process a large number of transactions. In the event of a breakdown or improper operation of our systems or processes or improper action by our employees or third-party vendors, we could suffer financial loss, regulatory sanctions and damage to our reputation. We 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 operations policies and procedures are being followed and that our various businesses are operating within established corporate policies and limits.

Legal, Regulatory and Compliance Risk

Legal, regulatory and compliance risk includes the risk of non-compliance with applicable legal and regulatory requirements and the risk that a counterparty's performance obligations will be unenforceable. 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, including, but not limited to, those related to regulatory net capital requirements, sales and trading practices, use and safekeeping of customer funds and securities, credit extension, money-laundering, privacy and recordkeeping.

We have established internal policies relating to ethics and business conduct, and compliance with applicable legal and regulatory requirements, as well as training and other procedures designed to ensure that these policies are followed.

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Reputation and Other Risk

We recognize that maintaining our reputation among clients, investors, regulators and the general public is critical. Maintaining our reputation depends on a large number of factors, including the conduct of our business activities and the types of clients and counterparties with whom we conduct business. We seek to maintain our reputation by conducting our business activities in accordance with high ethical standards and performing appropriate reviews of clients and counterparties.

Effects of Inflation

Because our assets are generally liquid 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 other 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 "Enterprise Risk Management" in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this 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 Exchange Act 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 fist quarter of our fiscal year ending December 31, 2010, 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 following supplements and amends our discussion set forth under Item 3 "Legal Proceedings" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Municipal Derivatives Investigations and Litigation

Defendants filed a motion to dismiss *In re Municipal Derivatives Antitrust Litigation,* which the Court denied on March 25, 2010. Also, several California municipalities have brought separate class action complaints in California, which have since been transferred to the Southern District of New York and consolidated for pretrial purposes. In addition, approximately eleven California municipalities have filed individual lawsuits and not as a part of class actions. These individual California lawsuits have also been transferred to the Southern District of New York and consolidated for pretrial purposes. All three sets of complaints assert similar claims under federal (and for the California plaintiffs, state) antitrust claims. The Court has denied defendants' motion to dismiss the California complaints for the great majority of the named defendants, including Piper Jaffray.

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, 2009 filed with the SEC, 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.

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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 March 31, 2010.

In addition, a third-party trustee makes open-market purchases of our common stock from time to time pursuant to the Piper Jaffray Companies Retirement Plan, under which participating employees may allocate assets to a company stock fund.

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 that May Yet Be Purchased Under the Plans or Programs (1)
Month #1 (January 1, 2010 to January 31, 2010)	0	$ -	0	$61 million
Month #2 (February 1, 2010 to February 28, 2010)	186,952 (2)	$ 44.48	0	$61 million
Month #3 (March 1, 2010 to March 31, 2010)	0	$ -	0	$61 million
Total	186,952	$ -	0	$61 million

(1) On April 16, 2008, we announced that our board of directors had authorized the repurchase of up to $100 million of common stock through June 30, 2010.

(2) Consists of shares of common stock withheld from recipients of restricted stock to pay taxes upon the vesting of the restricted stock.

ITEM 6. ***EXHIBITS.***

Exhibit Number	Description	Method of Filing
10.1	Letter Agreement between Piper Jaffray Companies and Brien M. O'Brien	Filed herewith
10.2	Restricted Stock Agreement with Brien O'Brien	Filed herewith
10.3	First Amendment to Sublease Agreement, by and among U.S. Bancorp and Piper Jaffray & Co. dated March 26, 2010	Filed herewith
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.	Filed herewith
32.1	Certifications furnished pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on May 7, 2010.

PIPER JAFFRAY COMPANIES

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

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

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Exhibit 10.1

March 1, 2010

Piper Jaffray Companies
800 Nicollet Mall, Suite 800
Minneapolis, MN 55402

Re: Benefits

Dear Mr. O'Brien:

This letter agreement (this "**Agreement**") is made as of March 1, 2010, by and between Piper Jaffray Companies ("**Piper**") and Brien M. O'Brien ("**O'Brien**"), in connection with the transactions contemplated by that certain Securities Purchase Agreement, dated as of December 20, 2009, by and among Piper, Piper Jaffray Newco, Inc., Advisory Research Holdings, Inc., a Delaware corporation (the "**Company**"), O'Brien, TA Associates, Inc. and the other parties signatory thereto (the "**Purchase Agreement**"). Capitalized terms used herein but not otherwise defined shall have the meanings given to them in the Purchase Agreement.

This Agreement sets forth certain employee benefits that Piper agrees to provide, or to cause its subsidiaries to provide, to O'Brien after the Closing Date.

1. **Fringe Benefits**. Consistent with past Company practice, Piper agrees to provide, or to cause its subsidiaries to provide, to O'Brien during the period beginning on the Closing Date and ending on the first anniversary of the Closing Date (a) parking expense reimbursement, (b) automobile lease payment reimbursement, (c) reimbursement of insurance premiums for the two insurance policies in O'Brien's name (policy #______ and policy #______) and (d) reimbursement of club membership dues for three club memberships. The amount of any expenses eligible for reimbursement in any calendar year shall not affect the amount of the expenses eligible for reimbursement in any other calendar year. The reimbursements called for under this subsection shall be made in accordance with the usual reimbursement policies of Piper, but in no event later than the last day of the calendar year following the calendar year in which the expense was incurred.

2. **Retiree Medical Coverage**. In the event of O'Brien's termination of employment prior to becoming eligible for benefits under Piper's retiree medical plan (currently age 55), Piper agrees to provide, or cause its subsidiaries to provide, continued health insurance (medical, dental, vision and prescription drug coverage) to O'Brien on the same terms and conditions (level of benefits, premium cost, etc.) as provided to active employees of Piper and its subsidiaries until such time as O'Brien becomes eligible to participate in Piper's retiree medical plan, and at which point O'Brien shall be eligible to participate in Piper's retiree medical plan in accordance with its then terms and conditions. If and to the extent necessary to comply with federal income tax law, O'Brien may be required to recognize imputed income with respect to the value of any such continued health insurance coverage.

3. **Past Service Credit**. Piper agrees to provide, or cause its subsidiaries to provide, O'Brien with credit for years of service at Piper, the Company and Marquette Capital for

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purposes of determining eligibility for retiree medical benefits under paragraph 2 and for purposes of determining all other compensation and employee benefits to which O'Brien is or becomes entitled.

4. **Authority**. Piper represents to O'Brien that Piper has full authority to enter into this Agreement and that this Agreement shall be binding and enforceable against Piper. O'Brien represents to Piper that O'Brien has full authority to enter into this Agreement and that this Agreement shall be binding and enforceable against O'Brien.

5. **At-Will Employment**. O'Brien's employment with Piper is not for any fixed term or duration. Piper may terminate O'Brien's employment with Piper at any time and for any reason, with or without cause. O'Brien may terminate O'Brien's employment with Piper for any reason at any time. Nothing in this Agreement is intended to alter this at-will employment relationship, and such at-will employment relationship may not be modified except by an express written agreement signed by an officer of Piper and O'Brien.

6. **Required Disclosures**. O'Brien expressly acknowledges and agrees that this Agreement will be disclosed as an exhibit to Piper's Form 10-K.

7. **Miscellaneous**. This Agreement (a) shall be construed in accordance with the internal laws (but not the laws of conflicts) of the State of Delaware, (b) may be executed in multiple counterparts (including by facsimile or pdf or other electronic transmission), each of which shall be considered an original and all of which taken together shall constitute one and the same original Agreement, (c) may not be assigned by any party hereto except with the prior written consent of the other parties hereto, (d) is for the benefit only of the parties hereto and may not be enforced by any other person or entity, and (e) may be amended only by a written instrument executed by the parties hereto. No waiver of any rights under this Agreement shall be effective against any party to this Agreement unless set forth in a written instrument executed by such party. The parties agree that this Agreement was drafted by the parties hereto and the result of negotiation between sophisticated parties (each having received separate legal advice) and no rule of construction shall be applied against any party.

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Sincerely,

PIPER JAFFRAY COMPANIES

By: /s/ Andrew S. Duff
Name: Andrew S. Duff
Its: Chairman and Chief Executive Officer

Accepted and Agreed:

/s/ Brien M. O'Brien
Brien M. O'Brien

Signature Page to Letter Agreement

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Exhibit 10.2

PIPER JAFFRAY COMPANIES

RESTRICTED STOCK AGREEMENT

Name of Recipient: Brien O'Brien	
Total No. of Shares Covered: 361,633	Date of Issuance: March 1, 2010
Vesting Schedule pursuant to Section 2:	
Vesting Dates	No. of Shares Which Become Vested as of Such Date
Date of Issuance	11,259
1 year after date of issuance	87,594
2 years after date of issuance	87,594
3 years after date of issuance	87,593
4 years after date of issuance	87,593

This is a Restricted Stock Agreement ("Agreement") between Piper Jaffray Companies, a Delaware corporation (the "Company"), and the above-named recipient (the "Recipient").

Recitals

WHEREAS, a Securities Purchase Agreement, dated as of December 20, 2009 (the "Purchase Agreement"), was entered into by the Company, Piper Jaffray Newco Inc., a Delaware corporation, Advisory Research Holdings, Inc., a Delaware corporation ("ARI"), each of the persons listed on Schedule I attached thereto (including the Recipient), and Brien M. O'Brien, a natural person, and TA Associates, Inc., a Delaware corporation, in their joint capacity as the representatives of the Sellers thereunder;

WHEREAS, pursuant to the Purchase Agreement, the Company is obligated to issue restricted stock to the Recipient as partial consideration for the Recipient's ownership in ARI;

WHEREAS, a portion of the shares being issued in connection with this Agreement are being deposited in escrow under the Indemnification Escrow Agreement, dated as of March 1, 2010, with Wells Fargo Bank, National Association as Escrow Agent (the "Escrow Agreement").

NOW, THEREFORE, the Company hereby issues restricted stock to the Recipient under the following terms.

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Terms and Conditions

1. Grant of Restricted Stock.

(a) Subject to the terms and conditions of this Agreement, the Company hereby issues to the Recipient the number of Shares specified at the beginning of this Agreement. All such Shares are subject to certain restrictions provided for in this Agreement and are referred to collectively as the "Restricted Shares" and each as a "Restricted Share."

(b) The Restricted Shares will be evidenced by a book entry made in the records of the Company's transfer agent in the name of the Recipient (except in the case of Restricted Shares which are being deposited in escrow under the Escrow Agreement). All restrictions provided for in this Agreement will apply to each Restricted Share and to any other securities distributed with respect to that Restricted Share. The Restricted Shares may not (until such Restricted Shares have vested in the Recipient in accordance with all terms and conditions of this Agreement) be assigned or transferred other than by will or the laws of descent and distribution or pursuant to the Escrow Agreement, and shall not be subject to pledge, hypothecation, execution, attachment or similar process. Each Restricted Share will remain restricted and subject to cancellation unless and until that Restricted Share has vested in the Recipient in accordance with all of the terms and conditions of this Agreement. Each book entry or stock certificate evidencing any Restricted Share shall contain the notations or legends and stock transfer instructions or limitations which are referred to in Section 8(a) hereof. With respect to any certificate evidencing Restricted Shares, the Company may, in its reasonable discretion, retain custody of any such certificate throughout the period during which any restrictions are in effect and require, as a condition to issuing any such certificate, that the Recipient tender to the Company a stock power duly executed in blank relating to such custody; provided that, promptly following the lapse of all restrictions with respect to all or a portion of the Restricted Shares, the Company shall cause an appropriate book entry to be made in the records of the Company's transfer agent, or deliver to the Recipient a certificate, for those shares as to which the restrictions have lapsed without any of the legends referred to in Section 8(a) hereof (except any legends required by applicable state and federal corporate and securities laws); provided further that, the Escrow Agent shall retain custody of any Restricted Shares deposited in escrow pursuant to the Escrow Agreement until such Restricted Shares are released from escrow pursuant to the Escrow Agreement.

2. Vesting.

(a) Except as otherwise provided herein, the Restricted Shares will vest in the numbers and on the dates specified in the Vesting Schedule at the beginning of this Agreement. Notwithstanding the foregoing, all of the Restricted Shares shall vest upon the occurrence of a Change in Control. For purposes of this Agreement, a "Change in Control" shall mean the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3

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

(ii) A change in the composition of the Board of Directors of the Company (the "Board") such that the individuals who, as of the date hereof, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this Section 2(a), that any individual who becomes a member of the Board subsequent to the date hereof, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided, further, that any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

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

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corporation entitled to vote generally in the election of directors except to the extent that such ownership existed prior to the Corporate Transaction, and (3) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

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

(b) Except as otherwise provided herein, if and when the Recipient's employment with the Company or an Affiliate is terminated by the Company for any reason other than Cause (as defined below) or by the Recipient for any reason other than as specified in Section 2(d), then the unvested Restricted Shares will, subject to Section 2(e), continue to vest in the numbers and on the dates specified in the Vesting Schedule at the beginning of this Agreement.

(c) If the Recipient's employment by the Company or an Affiliate is terminated by the Company for Cause (as defined in Section 4 below), then any unvested Restricted Shares shall immediately cease vesting as of the termination date and be cancelled in accordance with Section 4 of this Agreement.

(d) If the Recipient's employment by the Company or an Affiliate terminates because of the Recipient's death or long-term disability (as defined in the Company's long-term disability plan, a "Disability"), then the unvested Restricted Shares will immediately vest in full.

(e) If the Recipient engages in Restricted Activities (as defined below) at any time during the Restricted Period (as defined in Section 5 of this Agreement), then those Restricted Shares which are unvested at the time the Recipient begins to engage in the Restricted Activities shall immediately cease vesting and be cancelled in accordance with Section 4 of this Agreement. "Restricted Activities" consist of each of the following:

(i) the Recipient uses to the detriment of the Company, discloses or misappropriates any Company-Related Information (as defined below), unless the Company or an Affiliate consents otherwise in writing. "Company-Related Information" means any confidential or secret knowledge or information of the Company or an Affiliate that the Recipient has acquired or becomes acquainted with during the Recipient's employment with the Company or an Affiliate, including, without limitation, any confidential customer list, confidential business information, confidential materials relating to the practices or procedures of the Company or an Affiliate, or any other proprietary information of the Company or an Affiliate; provided, however that Company-Related Information shall not include any knowledge or information that is now published or which subsequently becomes generally publicly known, other than as a direct or indirect result of the Recipient's disclosure in contradiction of this Section 2(e) (i);

(ii) the Recipient directly or indirectly, on behalf of the Recipient or any other person, solicits, induces or encourages any person then employed by the Company

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or an Affiliate to terminate or otherwise modify their employment relationship with the Company; or

(iii) the Recipient directly or indirectly, on behalf of the Recipient or any other person, solicits or otherwise seeks to divert any customer, client or account of the Company or any Affiliate away from engaging in business with the Company or any Affiliate.

(f) Nothing in this Agreement shall prevent the Recipient from (i) owning less than 1% of the publicly traded equity securities of an enterprise engaged in the Asset Management business, (ii) engaging in the management of the Recipient's own investments or the investments of his spouse, brothers, sisters, parents, nieces, nephews, or his descendants or any funds held in trust for the benefit of the Recipient or such aforesaid mentioned persons, (iii) engaging in non-compensatory activities for the benefit of religious, charitable or other non-profit institutions (including participating in the management of investments held by such institutions); provided that during the time Recipient is employed by the Company or its Affiliates, such activities shall not impair the Recipient's ability to devote his full working time, attention, skill and energies to the performance of the Recipient's duties and responsibilities to the Company and its Affiliates or (iv) providing investment management services to a single institution, its related family group and related trusts set forth on Schedule 2(f) hereto with respect to the investments of such institution, its related family group and related trusts.

(g) Notwithstanding any other provisions of this Agreement to the contrary, the Board may, in its sole discretion, declare at any time that the Restricted Shares, or any portion thereof, shall vest immediately or, to the extent they otherwise would be forfeited pursuant to the terms of this Agreement, shall vest in the numbers and on the dates specified in the Vesting Schedule at the beginning of this Agreement, or in such other numbers and on such other dates as are determined by the Board to be in the best interests of the Company as determined by the Board in its sole discretion.

3. Effect of Vesting.

Upon the vesting of any Restricted Shares, such vested Restricted Shares will no longer be subject to cancellation as provided in Section 2 or 4 of this Agreement.

4. Cancellation of Unvested Restricted Shares.

(a) Any Restricted Shares that have not previously vested shall cease to vest and shall be cancelled immediately if:

(i) the Recipient attempts to pledge, encumber, assign, transfer or otherwise dispose of any of the Restricted Shares (except as permitted by Section 1(b) of this Agreement) or the Restricted Shares become subject to attachment or any similar involuntary transfer or seizure in violation of this Agreement;

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(ii) the Recipient engages in Restricted Activities (as described by Section 2(e) of this Agreement) during the Restricted Period (as defined in Section 5 of this Agreement); or

(iii) the Recipient's employment by the Company or an Affiliate is terminated by the Company for Cause.

(b) Upon the cancellation of any unvested Restricted Shares pursuant to this Section 4, the Recipient shall thereafter have no right, title or interest whatever in such unvested Restricted Shares, and, if the Company does not have custody of any and all certificates representing Restricted Shares so cancelled, the Recipient shall immediately return to the Company any and all certificates representing Restricted Shares so cancelled. Additionally, the Recipient will deliver to the Company a stock power duly executed in blank relating to any and all certificates representing such cancelled Restricted Shares or, if such stock power has previously been tendered to the Company, the Company will be authorized to deem such previously tendered stock power delivered, and the Company will be authorized to cancel any and all certificates representing Restricted Shares so cancelled and to cause a book entry to be made in the records of the Company's transfer agent in the name of the Recipient evidencing any Restricted Shares that vested prior to cancellation of unvested Restricted Shares under this Section 4. If the Restricted Shares are evidenced by a book entry made in the records of the Company's transfer agent, then the Company will be authorized to cause such book entry to be adjusted to reflect the number of Restricted Shares so cancelled.

(c) "Cause" hereunder means:

(i) Recipient's conviction of any misdemeanor involving deceit, dishonesty or fraud or any felony, or guilty or *nolo contendere* plea with respect thereto, that in the Company's reasonable determination affects Recipient's fitness to perform his or her duties with the Company;

(ii) any intentional and/or willful act of fraud or dishonesty by Recipient related to or connected with Recipient's employment by the Company or otherwise reasonably likely to cause material harm to the Company or its reputation;

(iii) an intentional act or omission by Recipient that constitutes (A) a violation of any law, rule or regulation that is material to the Company or (B) a material violation of any material Company policy relating to deceit, dishonesty, fraud, or securities-trading activities;

(iv) Recipient's engagement in conduct that subjects the Recipient to statutory disqualification pursuant to Section 15(b) of the Exchange Act and the regulations promulgated thereunder.

(d) Nothing in this Agreement shall prevent the Recipient from challenging the Company's determination that Cause exists.

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5. Covenant Regarding Restricted Activities.

The Recipient hereby covenants not to engage in any Restricted Activities (a) during the period that he or she is employed by the Company or any Affiliate, and (b) during the 18 month period following the date that Recipient's employment with the Company or an Affiliate is terminated (the "Restricted Period"). The Recipient acknowledges and agrees that the breach of this covenant would cause irreparable damage to the Company and that the Company will not have an adequate remedy at law. Therefore, the obligations of the Recipient under this Section 5 shall be enforceable by a decree of specific performance issued by any court of competent jurisdiction, and appropriate injunctive relief may be applied for and granted in connection therewith without proof of actual damages. Such remedies shall, however, be cumulative and not exclusive and shall be in addition to any other remedies which the Company may have under this Agreement or otherwise.

6. Stockholder Rights.

As of the date of issuance specified at the beginning of this Agreement, the Recipient shall have all of the rights of a stockholder of the Company with respect to the Restricted Shares, except as otherwise specifically provided in this Agreement.

7. Tax Matters.

(a) The parties hereto agree that (i) the Recipient will file a Code Section 83(b) election with respect to the Restricted Shares issued to the Recipient, (ii) for purposes of Code Section 83, the fair market value of the Restricted Shares shall (pursuant to Rev. Rul. 2007-49, 2007-31 I.R.B. 237) equal the amount considered paid for such Restricted Shares and (iii) the fair market value of the Restricted Shares shall be equal to the value of such Restricted Shares as reflected on the Section 338 Forms.

(b) The Company acknowledges that no federal, state or other taxes shall be withheld upon the issuance of the Restricted Shares.

(c) The Recipient acknowledges that the Company has directed the Recipient to seek independent advice regarding the applicable provisions of the Code (including their impact on the desirability of making an election under Code Section 83(b)), the income tax laws of any municipality, state or foreign country in which the Recipient may reside, and the tax consequences of the Recipient's death.

8. Restrictive Legends and Stop-Transfer Orders.

(a) Legends. The book entry or certificate representing the unvested Restricted Shares shall contain a notation or bear the following legend (as well as any notations or legends required by applicable state and federal corporate and securities laws) noting the existence of the restrictions and the Company's rights to reacquire the Restricted Shares set forth in this Agreement:

"THE SHARES REPRESENTED BY THIS [BOOK ENTRY]

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[CERTIFICATE] MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY."

In addition, the book entry or certificate representing any shares issued pursuant to this Agreement that are deposited in escrow pursuant to the Escrow Agreement shall contain a notation or bear the following legend:

"THE SHARES REPRESENTED BY THIS [BOOK ENTRY] [CERTIFICATE] ARE SUBJECT TO THE TERMS OF AN ESCROW AGREEMENT BETWEEN THE COMPANY, THE STOCKHOLDER, AND CERTAIN OTHER PARTIES THERETO, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY."

(b) Stop-Transfer Notices. The Recipient agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions with respect to unvested Restricted Shares to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(c) Refusal to Transfer. The Company shall not be required (i) to transfer on its books any Restricted Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (ii) to treat as owner of the Restricted Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom the Restricted Shares shall have been so transferred.

(d) Removal of Legends and Termination of Stop Transfer Notices. The Company shall remove, or cause to be removed, all restrictive legends and terminate, or cause to be terminated, all stop-transfer notices referred to in this Section 8 (except any notations or legends required by applicable state and federal corporate and securities laws) promptly following the vesting of Restricted Shares (and, for any such shares deposited in escrow pursuant to the Escrow Agreement, the release of such shares to the Recipient pursuant to the terms of the Escrow agreement). In the event that less than all of the Restricted Shares represented by a book entry or certificate vest on a particular date, the Company shall cause a separate book entry to be created or a separate certificate to be issued representing the Restricted Shares which have vested, and such book entry or certificate shall not be subject to such restrictive legends or stop transfer notices.

9. [Intentionally omitted.]

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10. No Promise of Continued Employment.

This Agreement shall not give the Recipient a right to continued employment with the Company or any Affiliate, and the Company or Affiliate employing the Recipient may terminate his or her employment at will, and otherwise deal with the Recipient without regard to this Agreement.

11. Binding Effect.

This Agreement shall be binding in all respects on the heirs, administrators, representatives, executors and successors of the Recipient, and on the Company and its successors and assigns.

12. Agreement to Arbitrate.

The Company and the Recipient each agrees (i) that any dispute, claim or controversy arising out of or relating directly or indirectly to the construction, performance or breach of this Agreement (including, without limitation, the grant, issuance or cancellation of Restricted Shares) shall be settled by arbitration, pursuant to the procedures set forth in the then in effect Commercial Arbitration Rules (or any successor thereto), as applicable, of the American Arbitration Association (the "AAA Rules"), shall be the sole and exclusive method for resolving any claim or dispute ("Claim") arising out of or relating to the rights and obligations of the parties under this Agreement; (ii) one arbitrator shall be appointed pursuant to the AAA Rules to conduct any such arbitration, (iii) all meetings of the parties and all hearings with respect to any such arbitration shall take place in Chicago, Illinois, (iv) each party to the arbitration shall bear its own costs and expenses (including, without limitation, all attorneys' fees and expenses, except to the extent otherwise required by applicable law), (v) all costs and expenses of the arbitration proceeding (such as filing fees, the arbitrator's fees, hearing expenses, etc.) shall be borne equally by the parties hereto; (vi) the parties shall have the right to submit, and the arbitrator shall consider, expert and/or other evidence as to the valuation of any Shares which are related to the Claim in question; and (vii) the judgment, award or other determination of any arbitration under the AAA Rules shall be final, conclusive and binding on all of the parties hereto. Accordingly, the Company and the Recipient each waive their right (if any) to a trial before a court judge and/or jury to resolve any such disputes. Nothing in this Section 12 shall prohibit any party hereto from instituting litigation to enforce any final judgment, award or determination of the arbitration. The parties agree that the judgment, award or other determination of any arbitration under the AAA Rules shall be final, conclusive and binding on all of the parties hereto. Each party hereto hereby irrevocably submits to the non-exclusive jurisdiction of the United States District Court of the Northern District of Illinois or any state court sitting in Cook County, Illinois (the "Jurisdictions"). Each party hereto irrevocably consents to service of process by registered mail or personal service and waives any objection on the grounds of personal jurisdiction, venue or inconvenience of the forum with respect to the Jurisdictions. Each party hereto further agrees that each other party hereto may initiate litigation in any court of competent jurisdiction to execute any judicial judgment enforcing or not enforcing any award, judgment or determination of the arbitration.

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13. Choice of Law.

Subject to Section 12, this Agreement is entered into under and the relationship between the parties shall be governed by the laws of the State of Delaware and shall be construed and interpreted thereunder, without giving effect to choice-of-law principles.

14. Termination; Modification.

In the event that any one or more of the Restricted Activities described in Section 2(e) 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 as set forth herein and yet be valid and enforceable under the applicable law as it shall then exist.

15. Entire Agreement.

This Agreement, the Purchase Agreement and the Escrow Agreement set forth the entire agreement and understanding of the parties hereto with respect to the issuance and sale of the Restricted Shares and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance and sale of the Restricted Shares.

16. Amendment and Waiver.

Except as otherwise provided herein, this Agreement may be amended, waived, modified, or canceled only by a written instrument executed by the parties or, in the case of a waiver, by the party waiving compliance.

[Signature page follows]

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IN WITNESS WHEREOF, the Recipient and the Company have executed this Agreement as of the date of issuance specified at the beginning of this Agreement.

BRIEN O'BRIEN

/s/ Brien O' Brien

PIPER JAFFRAY COMPANIES

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

Signature Page to Restricted Stock Agreement

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Exhibit 10.3

FIRST AMENDMENT TO SUBLEASE

THIS FIRST AMENDMENT TO SUBLEASE is made and entered into as of this 26th day of March, 2010, by and between U.S. BANCORP, a Delaware corporation ("Landlord"), and PIPER JAFFRAY & CO., a Delaware corporation formerly known as U.S. Bancorp Piper Jaffray Inc. ("Tenant").

RECITALS

A. Landlord, as sublandlord, and Tenant, as subtenant, are parties to that certain Sublease Agreement dated September 18, 2003 (the "Sublease"), relating to certain subleased premises situated in the building commonly known as U.S. Bancorp Center in the City of Minneapolis, Hennepin County, Minnesota.

B. The Prime Lease (as defined in the Sublease) provides certain space reduction options in favor of Landlord, as the tenant thereunder. Pursuant to Section 3.4 of the Sublease, Landlord and Tenant allocated between Landlord and Tenant the space eligible for reduction pursuant to such space reduction options.

C. Tenant has notified Landlord that Tenant desires to exercise reduction rights for space in excess of that so allocated to Tenant pursuant to Section 3.4 of the Sublease. Landlord has agreed to allow Tenant to exercise reduction rights for such excess space upon and subject to the terms and conditions of this Amendment.

D. Landlord and Tenant now desire to amend the Sublease in connection therewith as set forth below.

Accordingly, Landlord and Tenant hereby agree as follows:

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1. Defined Terms. Defined terms used in this Amendment which are not defined herein shall have the meanings respectively given them in the Sublease.

2. Reduction of Subleased Premises. Effective as of the Reduction Date (defined below), Tenant shall surrender to Landlord approximately 79,822 square feet of Rentable Area, consisting of all of the Rentable Area on Floor 7 of the Building (consisting of approximately 40,041 square feet of Rentable Area) and all of the Rentable Area on Floor 13 of the Building (consisting of approximately 39,781 square feet of Rentable Area) (collectively, the "Reduction Space"). Tenant shall surrender the Reduction Space to Landlord on or before the Reduction Date in the condition required pursuant to Section 3.4 of the Sublease. As used in this Lease, the "Reduction Date" shall mean the date that the Reduction Space is no included as a part of the Prime Lease Premises as a result of the Landlord's exercise of the applicable Reduction Option pursuant to Section 10 of the Prime Lease. Within ten (10) after receipt of the payment described in Paragraph 4 below, Landlord shall effectively exercise the applicable Reduction Option with respect to the Reduction Space so as to cause the same to be no longer included as a part of the Prime Lease Premises (or the Subleased Premises) as of the earliest date permitted therefor under the Prime Lease (i.e., June 1, 2011). Prior to the Reduction Date, Tenant shall pay directly to Prime Landlord any amounts payable pursuant to Section 10.4 of the Prime Lease with respect to the Reduction Space.

3. Subleased Premises. From and after the Reduction Date, (a) the Subleased Premises shall exclude the Reduction Space, and (b) Exhibit B to the Sublease shall be deleted and replaced with First Amended Exhibit B attached hereto. Landlord and Tenant acknowledge and agree that, subject to the further terms and conditions of the Sublease, as of the Reduction Date (a) the Subleased Premises shall consist of approximately 239,762 square feet of Rentable

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Area located on the 6th Floor and Floors 8 through 12 of the Building as depicted on First Amended Exhibit B attached hereto, and (b) Subtenant's Proportionate Share shall be thirty-seven and 9/10 percent (37.9%).

4. Additional Consideration. Within ten (10) days after the mutual execution and delivery of this Amendment, Tenant shall pay to Landlord the amount of Three Hundred Thirty-Five Thousand Nine Hundred Fifty-Nine and 56/100 Dollars ($335,959.56) as additional consideration for the reduction of the area of the Subleased Premises provided in the Amendment.

5. Waiver of Additional Rights. Except as otherwise provided in this Amendment, Landlord and Tenant hereby waive any and all further rights and obligations under Section 3.4 of the Sublease. Further, Landlord and Tenant agree that Sections 3.1, 3.2, 3.3, 3.5, 3.6 and 3.7 of the Sublease are of no further force or effect. Without limiting the generality of the foregoing provisions of this Paragraph 5, Tenant acknowledges and agrees that it has no further right to reduce or expand the area of the Subleased Premises pursuant to Section 3 of the Sublease.

6. Microwave Dishes, Satellite Dishes and Antennas. Section 19 of the Sublease is hereby amended by providing that for the remainder of the Sublease Term Tenant's allocation of rooftop space available to Landlord pursuant to Article 39 of the Prime Lease shall be the rooftop space utilized by Tenant as of the date of this Amendment.

7. Parking. The first sentence of Section 27 of the Sublease is hereby amended to provide that from and after the Reduction Date, Tenant shall be allocated one hundred eighteen (118) parking spaces in the Parking Garage provided under Article 11 of the Prime Lease. Landlord and Tenant acknowledge and agree that, as of the Reduction Date, the number of

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Allocated Spaces allocated to Tenant pursuant to Section 27 of the Sublease shall be one hundred eighteen (118).

8. Application of Sublease Terms. Except to the extent inconsistent with this Amendment and except to the extent that the specific terms of this Amendment specifically address a topic, the terms and conditions of the Sublease shall apply to the Sublease and the Subleased Premises as amended by this Amendment. This Amendment shall be binding upon and inure to the benefit of Landlord, Tenant and their respective successors and assigns.

9. Reaffirmation of Sublease. Except as specifically amended herein, the terms and conditions of the Sublease remain unchanged and in full force and effect.

[remainder of page intentionally left blank]

Landlord and Tenant have executed this Amendment as of the day and year first above written.

U.S. BANCORP

By: /s/ David K. Wright
Its: Vice President

By: /s/Jeffrey W. Shea
Its: Vice President
(LANDLORD)

PIPER JAFFRAY & CO.

By: /s/ Dean Nelson
Its: Managing Director
(TENANT)

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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: May 7, 2010

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

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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: May 7, 2010

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

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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: May 7, 2010

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

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

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