PIPER JAFFRAY COMPANIES
Form DEF 14A
April 06, 2018

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

Piper Jaffray Companies

(Name of Registrant as Specified In Its Charter)

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2018 Proxy Statement

Piper Jaffray Companies

REALIZE THE POWER OF PARTNERSHIP®

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April 6, 2018

Fellow Shareholders:

You are cordially invited to join us for our 2018 annual meeting of shareholders, which will be held on Thursday, May 17, 2018, at 2:00 p.m., Central Time, in the Huber Room on the 12th floor of our Minneapolis headquarters in the U.S. Bancorp Center, 800 Nicollet Mall, Minneapolis, Minnesota. The Notice of Annual Meeting of Shareholders and the proxy statement that follow describe the business to be conducted at the meeting.

As we look forward to our 2018 annual meeting of shareholders, it is worth reflecting on the year just completed. In 2017, we produced record adjusted net revenues for the fourth consecutive year while taking significant steps in executing on our long-term strategy of growing our capital-light, variable cost businesses. The contributions from our advisory services and public finance businesses in 2017 contributed to our record adjusted operating results for the year, and indicates the progress we have made in becoming the leading investment bank serving middle-market clients.

As a reflection of our progress, and as a way to return capital to you our shareholders our Board of Directors initiated a quarterly and special annual dividend in 2017. It is our intention to return between 30 and 50% of our non-GAAP net income to our shareholders each year through the combination of these dividends. We believe that our continuing execution on our long-term growth plan will help ensure that our shareholders reap the benefits of our strategy and investments in the years to come.

We are furnishing our proxy materials to you over the Internet, which will reduce our costs and the environmental impact of our annual meeting. Accordingly, we mailed a Notice of Internet Availability of Proxy Materials to you, which contains instructions on how to access our proxy statement and annual report and vote online. The Notice of Internet Availability also contains instructions on how to request a printed set of proxy materials.

Whether or not you plan to attend the meeting, your vote is important and we encourage you to vote your shares promptly. You may vote your shares using a toll-free telephone number or the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding the three methods of voting are contained on the Notice of Internet Availability and the proxy card.

We look forward to seeing you at the annual meeting.

Sincerely,

Chad R. Abraham
Chief Executive Officer

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Notice of Annual Meeting of Shareholders

May 17, 2018, at 2:00 p.m., Central time
The Huber Room in our Minneapolis Headquarters
12th Floor, U.S. Bancorp Center
800 Nicollet Mall, Minneapolis, Minnesota

To the Shareholders of Piper Jaffray Companies:

The 2018 annual meeting of shareholders of Piper Jaffray Companies will be held at our corporate headquarters in Minneapolis, Minnesota on Thursday, May 17, 2018 at 2:00 p.m., Central time, for the following purposes:

1. The election of nine directors, each for a one-year term.
2. Ratification of the selection of Ernst & Young LLP as the independent auditor of Piper Jaffray Companies for the fiscal year ending December 31, 2018.
3. An advisory (non-binding) vote to approve the compensation of the officers disclosed in the attached proxy statement, or say-on-pay vote.
4. Any other business that may properly be considered at the meeting or any adjournment or postponement of the meeting.

In order to vote on the matters brought before the meeting, you may submit your proxy vote by telephone or Internet, as described in the Notice of Internet Availability of Proxy Materials and the following proxy statement, by no later than 11:59 p.m. Eastern Daylight Time on Wednesday, May 16, 2018 for any shares you hold directly, and by no later than 11:59 p.m. Eastern Daylight Time on Monday, May 14, 2018 for any shares you hold in a retirement plan. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. The envelope is addressed to our vote tabulator, Broadridge Financial Solutions, Inc., and no postage is required if mailed in the United States. Holders of record of the Company's common stock at the close of business on March 21, 2018 are entitled to notice of, and to vote at, the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be held on May 17, 2018

Our proxy statement and 2017 annual report are available at
www.piperjaffray.com/proxymaterials.

By Order of the Board of Directors

John W. Geelan
Secretary

April 6, 2018

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PROXY STATEMENT
2018 ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 17, 2018

INTRODUCTION

The Board of Directors of Piper Jaffray Companies is soliciting proxies for use at the annual meeting of shareholders to be held on May 17, 2018, and at any adjournment or postponement of the meeting. Notice of Internet Availability of Proxy Materials, which contains instructions on how to access this proxy statement and our annual report online, is first being mailed to shareholders on or about April 6, 2018.

EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting of Shareholders

Date and Time:	Thursday, May 17, 2018, at 2:00 p.m., Central time
Place:	The Huber Room in our Minneapolis Headquarters 12th Floor, U.S. Bancorp Center 800 Nicollet Mall Minneapolis, Minnesota 55402
Record Date:	March 21, 2018

Executive Summary

Voting Matters

The Board of Directors recommends you vote FOR each Director Nominee listed in Proposal 1, and FOR Proposal 2 and Proposal 3:

Proposal		Page Reference
1.	**Election of Directors** The Board of Directors believes the nine nominees as a group have the experience and skills that are necessary to effectively oversee our company.	5
2.	**Ratification of Selection of Independent Auditor** The Audit Committee of our Board of Directors has selected Ernst & Young LLP to serve as our independent auditor for the year ending December 31, 2018.	74
3.	**Advisory (Non-Binding) Vote on Executive Compensation** The Board of Directors is asking shareholders to provide advisory approval of the compensation of the officers disclosed in this proxy statement, or a say-on-pay vote.	75

2017 Performance Highlights

In 2017, we achieved strong operating results, with record adjusted net revenues, adjusted net income, adjusted earnings per share, and adjusted return on equity (referred to in this proxy statement as adjusted "ROE")*. Our 2017 performance highlights include:

*
Adjusted net revenues, adjusted net income, adjusted earnings per share, and adjusted ROE (which are used throughout this proxy statement) are non-GAAP financial measures and are further defined and reconciled to the most directly comparable GAAP financial measure in the Appendix to this proxy statement.

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Executive Summary

Board Nominees

The Board of Directors has nominated nine directors for election at the 2018 annual meeting: our CEO, and eight other currently serving directors. Seven of these nine directors are independent under New York Stock Exchange Rules. Our Board of Directors has determined that our CEO, Mr. Abraham, and our Chairman, Mr. Duff, who retired as our CEO on December 31, 2017, are not independent. Michael E. Frazier, who currently serves as a director, will not be standing for re-election at the 2018 annual meeting. The following table provides summary information on each director nominee. For more detail, please see pages 5 through 10 of this proxy statement.

Chad R. Abraham	**Andrew S. Duff**	**William R. Fitzgerald**	**B. Kristine Johnson**	**Addison L. Piper**
CEO of Piper Jaffray Companies	Chairman and former CEO of Piper Jaffray Companies	Chairman and CEO of Ascent Capital Group	President of Affinity Capital Management	Former Chairman and CEO of Piper Jaffray Companies

Sherry M. Smith	**Philip E. Soran**	**Scott C. Taylor**	**Michele Volpi**
Former Executive VP and CFO of SUPERVALU	Former President, CEO and Director of Compellent Technologies	Executive VP and General Counsel of Symantec	CEO of Praesidiad
	Chair Nominating and Governance;Lead Director	*Chair Audit**	*Chair Compensation*

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* Immediately following the 2018 annual meeting, Ms. Smith will become chair of the Audit Committee.

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Executive Summary

2017 Compensation Highlights

We achieved strong operating results in 2017, including record adjusted net revenues, adjusted net income, adjusted earnings per share, and adjusted ROE. Our named executive officers' *total* incentives for 2017 increased approximately 8% from 2016, reflecting our strong performance.

Importantly, the Compensation Committee implemented significant structural changes to our executive compensation program for 2017, which resulted in an *increase* in the portion of total incentives that were delivered in long-term performance share unit ("PSU") awards, and a *decrease* in annual incentive compensation. Our named executive officers' annual incentives for 2017 performance decreased approximately 10% from 2016, and they received approximately 25% of their total incentive compensation in the form of PSU awards. These PSU awards were granted in February 2018 and will vest only if certain long-term adjusted ROE and relative TSR levels are met over the three-year performance period covered by such awards. The Compensation Committee made these changes in response to shareholder feedback that we received during our annual shareholder engagement process in 2016, and it believes that the changes further bolster our pay-for-performance philosophy by tying a significantly greater portion of total incentives to our long-term performance.

PROPOSAL ONE ELECTION OF DIRECTORS

2018 Nominees for Director

Upon the recommendation of the Nominating and Governance Committee, the Board of Directors (the "Board") has nominated nine current members of the Board for election at the 2018 annual meeting. These individuals are Chad R. Abraham, Andrew S. Duff, William R. Fitzgerald, B. Kristine Johnson, Addison L. Piper, Sherry M. Smith, Philip E. Soran, Scott C. Taylor and Michele Volpi. Michael E. Frazier, who currently serves on our Board, will not be standing for re-election at the 2018 annual meeting of shareholders, and, as a result, the size of our Board will be decreased from ten to nine directors. Each of the nominees has agreed to serve as a director if elected. Under our majority voting standard and director resignation policy, each nominee will be elected by a majority of the votes cast with respect to that director's election. Any nominee failing to receive a majority will tender his or her resignation to the Board, which shall decide whether to accept or reject the resignation. For more information on our majority voting standard and director resignation policy, please see the section titled "Board of Directors and Corporate Governance Majority Voting Standard and Director Resignation Policy" below. Proxies may not be voted for more than nine directors. If, for any reason, any nominee becomes unable to serve before the annual meeting occurs, the persons named as proxies may vote your shares for a substitute nominee selected by our Board.

The Board of Directors recommends a vote FOR the election of the nine director nominees. Proxies will be voted FOR the election of the nine nominees unless otherwise specified.

The biographies of each of the nominees below includes information regarding the person's service as a director, work experience, and the experiences, qualifications, attributes or skills that caused the Nominating and Governance Committee and our Board to determine that the person should serve as a director. Each nominee brings unique capabilities to the Board. The Board believes the nominees as a group have the experience and skills in areas such as senior level management, corporate governance, leadership development, investment banking, capital markets, asset management, finance and risk management that are necessary to effectively oversee our company. In addition, the Board believes that each of our directors possesses high standards of ethics, integrity and professionalism, sound judgment, community leadership and a commitment to representing the long-term interests of our shareholders.

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Proposal One: Election of Directors

Principal Occupation: Mr. Abraham has been our CEO since January 1, 2018. Prior to being appointed CEO, Mr. Abraham previously served as our Global Co-Head of Investment Banking and Capital Markets since 2010. He was a managing director and head of our technology investment banking group from 1999 to 2005, and head of capital markets from 2005 to 2010. Mr. Abraham began his career at Piper Jaffray Companies in 1991 as an investment banking analyst.

Qualifications: Mr. Abraham has more than 20 years of experience in the investment banking and capital markets industry with Piper Jaffray, including as our Global Co-Head of Investment Banking and Capital Markets from 2010 to 2017. The Board believes he has the knowledge of our company and its business necessary to help formulate and execute our business plans and growth strategies.

Chad R. Abraham
Age 49
Director since 2018

Principal Occupation: Mr. Duff became our chairman and chief executive officer following completion of our spin-off from U.S. Bancorp on December 31, 2003. He retired as our CEO on December 31, 2017, and was elected by the Board in December 2017 to continue as Board chairman following his retirement.

Qualifications: Mr. Duff has more than 30 years of experience in the capital markets industry with Piper Jaffray, including his 14-year service as our CEO, and was our chairman and chief executive officer since our spin-off from U.S. Bancorp in 2003. The Board believes he has the knowledge of our company and its business necessary to help inform the Board's strategic plans and provide valuable advice and insight to both the Board and company management.

Other Previous Directorships Held within the Last 5 Years:

Arctic Cat Inc. (2015 - 2017)

Andrew S. Duff
Age 60
Director since 2003

Proposal One: Election of Directors

Principal Occupation: Mr. Fitzgerald has been the chairman and chief executive officer of Ascent Capital Group, Inc. since August 2000. Ascent Capital Group (formerly known as Ascent Media Group) is a publicly traded holding company whose current business operations are conducted through its wholly owned subsidiary, Monitronics, Inc., which offers business and home security alarm monitoring services. In addition, Mr. Fitzgerald previously served as senior vice president of Liberty Media Corporation from July 2000 to December 2012. Mr. Fitzgerald served as executive vice president and chief operating officer for AT&T Broadband (formerly known as Tele-Communications, Inc.) from 1998 to 2000, and as executive vice president, corporate development of TCI Communications, Inc., a wholly-owned subsidiary of Tele-Communications, from 1996 to 1998. Mr. Fitzgerald was previously an investment banking partner with Daniels and Associates (now RBC Capital Markets), and he began his career as a commercial banker at The First National Bank of Chicago.

Qualifications: Mr. Fitzgerald brings to our Board significant management experience from his more than 30 years in the media and telecommunications industries, including his current role as chairman and chief executive officer of Ascent Capital Group. In addition, Mr. Fitzgerald's experience as a partner at a middle-market investment bank and public company director provides valuable experience to our management and to the Board.

William R. Fitzgerald
Age 60
Director since 2014

Piper Jaffray
Board Committees:

Compensation

Governance

Other Current Directorships:

Ascent Capital Group, Inc.

Other Previous Directorships Held within the Last 5 Years:

TripAdvisor, Inc. (2011 - 2013)

Principal Occupation: Ms. Johnson has been president of Affinity Capital Management, a Minneapolis-based venture capital firm that invests primarily in seed and early-stage healthcare companies in the United States, since 2000. Prior to joining Affinity Capital Management, Ms. Johnson spent 17 years at Medtronic, Inc., a leading medical device manufacturer. While at Medtronic, Ms. Johnson served as vice president and general manager of its tachyarrhythmia management business from 1990 to 1995, president of its tachyarrhythmia management business from 1995 to 1996, senior vice president and president of its vascular business from 1996 to 1997, and senior vice president and chief administrative officer from 1997 to 1999.

Qualifications: Ms. Johnson has extensive experience in both the health care industry and the venture capital business, with the health care industry being one of the primary areas of focus of our investment banking business. Her deep ties to the health care and venture capital industries, as well as the significant experience she has from other public company boards, provide the Board with valuable insights and knowledge, both from a client and public company perspective.

Other Current Directorships:

AtriCure, Inc.

Other Previous Directorships Held within the Last 5 Years:

The Spectranetics Corporation (2012 - 2017)

B. Kristine Johnson
Age 66
Director since 2003

Piper Jaffray
Board Committees:

Governance

Principal Occupation: Mr. Piper worked for Piper Jaffray from 1969 through 2006, serving as chief executive officer from 1983 to 2000 and as chairman from 1988 to 2003. He also served as vice chairman of Piper Jaffray Companies following the completion of our spin-off from U.S. Bancorp, and retired from that role effective at the end of 2006. From 1998 through August 2006, Mr. Piper had responsibility for our venture and private capital fund activities. During his earlier career with Piper Jaffray, he served as assistant equity syndicate manager, director of securities trading, and director of sales and marketing.

Qualifications: Mr. Piper has been a part of our company since 1969, serving in many roles, including chief executive officer. His experience with the company provides deep institutional knowledge as well as a comprehensive understanding of the financial services industry.

Addison L. Piper
Age 71
Director since 2003

Principal Occupation: Ms. Smith served as executive vice president and chief financial officer of SUPERVALU, INC., a grocery wholesaler and retailer, from 2010 to 2013. Prior to that, she held the role of senior vice president of finance from 2005 to 2010, and senior vice president of finance and treasurer from 2002 to 2005.

Qualifications: As a result of her roles at SUPERVALU and the public company boards that she has served on, Ms. Smith has extensive public company financial, accounting, and risk management experience, which provides valuable insight for a director of a publicly traded securities firm such as our company.

Other Current Directorships:

Sherry M. Smith **Age 56** **Director since 2016**	Deere & Company
Piper Jaffray **Board Committees:**	Tuesday Morning Corporation
Audit	Realogy Holdings Corp.

Compensation

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Proposal One: Election of Directors

Principal Occupation: Mr. Soran served as president, chief executive officer and a director of Compellent Technologies, Inc., a Minnesota-based publicly traded company which he co-founded in March 2002, until its acquisition by Dell Inc. in February 2011. Following the acquisition, he served as the president of Dell Compellent from February 2011 to March 2012. From July 1995 to August 2001, Mr. Soran served as president, chief executive officer and a member of the board of directors of Xiotech, which Mr. Soran co-founded in July 1995. Xiotech was acquired by Seagate in January 2000.

Qualifications: Mr. Soran's experience founding and building technology companies provides strategic guidance to the Board and management, and his experience in the technology industry is valuable to the company as it is a focus area for our investment banking business. He also has extensive management experience as a chief executive officer of a publicly traded company of a similar size to our company. Mr. Soran's perspective as a board member of another publicly traded company also provides valuable insight to the Board.

Lead Director: Mr. Soran currently serves as the lead director of our Board.

Philip E. Soran
Age 61
Director since 2013

Other Current Directorships:

Piper Jaffray
Board Committees:

SPS Commerce, Inc.

Other Previous Directorships Held within the Last 5 Years:

Audit

Hutchinson Technology Incorporated (2011 - 2016)

Governance (Chair)

Principal Occupation: Mr. Taylor serves as Executive Vice President, General Counsel, and Secretary for Symantec Corp., a NASDAQ-listed computer security software provider, a position he has held since August 2008. Mr. Taylor's prior experience includes positions as chief administrative officer, senior vice president and general counsel of Phoenix Technologies Ltd. Prior to that, he was vice president and general counsel of Narus, Inc. Mr. Taylor began his legal career as a corporate attorney at Pillsbury Madison and Sutro LLP (now Pillsbury Winthrop Shaw Pittman LLP).

Qualifications: Mr. Taylor brings to the Board significant public company legal and governance expertise developed through his experience as general counsel of two publicly traded companies. In addition, his significant executive experience at leading technology companies provides Mr. Taylor with strong knowledge of the technology industry, which is an area of focus for our investment banking business.

Other Previous Directorships Held within the Last 5 Years:

Scott C. Taylor

Age 53 **Director since 2014**	VirnetX Holding Corporation (2008 - 2014)

Piper Jaffray
Board Committees:

Audit (Chair)

Compensation

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Proposal One: Election of Directors

Principal Occupation: Mr. Volpi has served as the chief executive officer of Praesidiad (formerly Betafence Corporate Services), a global provider of physical security solutions located in Belgium, since November 2011. Prior to joining Praesidiad, Mr. Volpi served as president, chief executive officer, and director of H.B. Fuller Company from December 2006 to November 2010. H.B. Fuller is a publicly traded company that manufactures and markets adhesives and specialty chemical products worldwide.

Qualifications: Mr. Volpi has significant management experience, including from his current position as chief executive officer of Praesidiad and his previous role as president, chief executive officer, and director of H.B. Fuller Company. Mr. Volpi's extensive management experience, including his experience as a chief executive officer of a publicly traded company, provides valuable perspective, insight, and strategic guidance to our management and to the Board.

Michele Volpi
Age 54
Director since 2010

Piper Jaffray
Board Committees:

Compensation (Chair)

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INFORMATION REGARDING THE BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board conducts its business through meetings of the members of the Board and the following standing committees: Audit, Compensation, and Nominating and Governance. Each of the standing committees has adopted and operates under a written charter, and, annually in November, each committee reviews its charter, performs a self-evaluation and establishes a plan for committee activity for the upcoming year. The committee charters are all available on the Investor Relations page of our website at *www.piperjaffray.com*, under the heading "Corporate Governance," together with our Corporate Governance Principles, Director Independence Standards, Director Nominee Selection Policy, Procedures for Contacting the Board of Directors, Codes of Ethics and Business Conduct, and Complaint Procedures Regarding Accounting and Auditing Matters.

Codes of Ethics and Business Conduct

We have adopted a Code of Ethics and Business Conduct applicable to our employees, including our executive officers, and a separate Code of Ethics and Business Conduct applicable to our directors. Directors who also serve as officers of Piper Jaffray must comply with both codes. Both codes are available on the Investor Relations page of our website at *www.piperjaffray.com*, under the heading "Corporate Governance." We will post on our website at *www.piperjaffray.com* any amendment to, or waiver from, a provision of either of our Codes of Ethics and Business Conduct within four business days following the date of such amendment or waiver.

Director Independence

Under applicable rules of the New York Stock Exchange, a majority of the members of our Board must be independent, and no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with Piper Jaffray. To assist the Board with these determinations, the Board has adopted Director Independence Standards, which are available on the Investor Relations page of our website at *www.piperjaffray.com,* under the heading "Corporate Governance."

The Board has affirmatively determined, in accordance with our Director Independence Standards, that other than Mr. Duff, none of our non-employee directors has a material relationship with Piper Jaffray and that each of them is independent. When determining the independence of our independent directors, the Board considered the following types of transactions or arrangements: (i) with respect to Ms. Johnson, the Board considered an immaterial commercial relationship involving Piper Jaffray and her primary business affiliation; (ii) with respect to Messrs. Piper and Soran and Ms. Smith, the Board considered an immaterial relationship arising solely because an immediate family member is an employee of another company that provides services to the company; (iii) with respect to Messrs. Piper and Taylor and Mses. Johnson and Smith, the Board considered immaterial relationships between Piper Jaffray and charitable foundations or other non-profit organizations with which each of those directors is associated; and (iv) with respect to Ms. Johnson and Mr. Soran, the Board considered their respective investments in one of our investment funds on substantially the same terms as similarly situated investors. All of these relationships are deemed to be immaterial under our Director Independence Standards.

Mr. Abraham cannot be considered an independent director under New York Stock Exchange corporate governance rules because he is employed as our chief executive officer. Mr. Duff cannot be considered an independent director under those same rules because he served as our CEO until his retirement on December 31, 2017.

Board Leadership Structure and Lead Director

From our spin-off from U.S. Bancorp in 2003 until his retirement on December 31, 2017, Mr. Duff served in the combined roles of chairman and CEO. At the time of Mr. Duff's retirement as our CEO, the Board elected to have Mr. Duff continue to serve as the chairman of the Board. The Board believes that by continuing as Chairman, Mr. Duff, having served as chairman and CEO of the Company since we became a public company, will be able to provide valuable advice and strategic direction to both Mr. Abraham and the Board in light of Mr. Abraham's appointment as CEO. Since 2006, the Board has appointed a lead director of the Board. In February 2018, consistent with its practice of periodically rotating leadership positions, the Board approved the transition of the lead director role from Ms. Johnson to Mr. Soran. The lead director has the following duties and responsibilities, as described in our Corporate Governance Principles:

- presides at all meetings of the Board at which the chairman is not present, including executive sessions of the independent directors, and coordinates the agenda for and moderates these executive sessions;
- serves formally as a liaison between the chief executive officer and the independent directors;
- monitors Board meeting schedules and agendas to ensure that appropriate matters are covered and that there is sufficient time for discussion of all agenda items;
- monitors information sent to the Board and advises the chairman as to the quality, quantity and timeliness of the flow of information;
- has authority to call meetings of the independent directors; and
- if requested by major shareholders, makes himself available for consultation and direct communication.

The Board has no policy with respect to the separation of the offices of chairman and chief executive officer, and the Board believes the determination of whether to combine the roles of chairman and chief executive officer is a part of the succession planning process, which the Board oversees. Currently, the Board believes that Mr. Duff's continued service as chairman is in the best interests of shareholders and the company given Mr. Duff's perspective and experience and his ability to provide strategic advice and support in light of Mr. Abraham's appointment as CEO. We believe the oversight provided by the Board's independent directors, the work of the Board's committees described below, and the coordination between Mr. Abraham, Mr. Duff, and the independent directors conducted by the lead director, Mr. Soran, help provide effective oversight of our company's strategic plans and operations.

Majority Voting Standard and Director Resignation Policy

Our amended and restated bylaws (the "bylaws") provide for a majority voting standard in uncontested director elections. Each nominee in an uncontested election will be elected by the vote of a majority of the votes cast with respect to that director's election. For these purposes, a majority of votes cast means that the number of votes cast "for" a director's election exceeds the number of votes cast "against" that director's election. "Abstentions" and "broker non-votes" will not be counted as votes cast either "for" or "against" a director's election. Contested director elections will continue to be decided by a plurality vote. Our bylaws require any director nominee failing to receive a majority of the votes cast in an uncontested director election promptly tender his or her resignation to the Board. Within 90 days of certification of the election results, the Nominating and Governance Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action should be taken, and the Board will publicly disclose its decision regarding the tendered resignation and the rationale behind the decision. The director who tenders his or her resignation will not participate in the recommendation of the Nominating and Governance Committee or the decision of the Board with respect to his or her resignation. For additional information regarding the majority voting standard, see Article II, Section 2.3 of our bylaws.

Board Involvement in Risk Oversight

The company's management is responsible for defining the various risks facing the company, formulating risk management policies and procedures, and managing the company's risk exposures on a day-to-day basis. The Board's responsibility is to monitor the company's risk management processes by informing itself concerning the company's material risks and evaluating whether management has reasonable controls in place to address the material risks. The Board is not responsible for defining or managing the company's various risks. The Board has allocated responsibility for oversight of specific risks between itself and its committees as provided below. Management regularly reports to each committee and the Board concerning the specific risks it oversees. The Board believes this division of responsibilities provides an effective and efficient approach for addressing risk management.

Board of Directors The entire Board is responsible for oversight of our major risk exposures related to our leadership and corporate strategy.

Audit Committee The Audit Committee is responsible for oversight of our risk assessment and risk management framework, and in that role oversees management's processes for identifying and evaluating our major risks, and the policies, procedures, and practices employed by management to govern the risk assessment and risk management framework. The Audit Committee is also responsible for oversight of the major risk exposures in the areas of market risk, credit risk, liquidity risk, legal and regulatory risk, operational risk (including cybersecurity), human capital risk relating to misconduct and fraud, and legal and compliance matters.

Compensation Committee The Compensation Committee is responsible for oversight of our major risk exposures relating to compensation, organizational structure, succession, and culture and ethics.

Nominating and Governance Committee The Nominating and Governance Committee is responsible for overseeing the Board's committee structures and functions as they relate to risk oversight.

Meetings of the Non-Employee and Outside Directors

At both the Board and committee levels, our non-employee directors meet regularly in executive sessions in which Mr. Abraham and other members of management do not participate. Our independent directors meet regularly in executive session without Messrs. Abraham, Duff, and Frazier, the only non-independent directors under New York Stock Exchange rules. Mr. Soran, our lead director, serves as the presiding director at executive sessions of the Board, and the chairperson of each committee serves as the presiding director at executive sessions of that committee.

Committees of the Board

We have three standing committees of the Board: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The table below shows the current membership of these committees:

Immediately following the 2018 annual meeting of shareholders, Ms. Smith will become chair of the Audit Committee. Messrs. Abraham, Duff, and Piper do not currently serve on any of the committees of the Board.

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Audit Committee

The Audit Committee's purpose is to oversee the integrity of our financial statements, the independent auditor's qualifications and independence, the performance of our internal audit function and independent auditor, and compliance with legal and regulatory requirements.

The Audit Committee has sole authority to retain and terminate the independent auditor and is directly responsible for the compensation and oversight of the work of the independent auditor. In connection with the Audit Committee's determination of whether to retain the independent auditor or engage another firm as our independent auditor, the Audit Committee annually reviews the independent auditor's performance and independence, taking into consideration the following:

- the quality of the Audit Committee's ongoing discussions with the independent auditor;
- management's perceptions of the independent auditor's expertise and past performance;
- the appropriateness of fees charged; and
- the independent auditor's independence qualification, including the independent auditor's provision of any permissible non-audit services and the related fees received for such services, as further described below in the section titled "Audit Committee Report and Payment of Fees to our Independent Auditor Auditor Fees".

In addition, as discussed above, the Audit Committee is responsible for oversight of our risk assessment and management framework, and in that role oversees management's processes for identifying and evaluating our major risks, and the policies, procedures, and practices employed by management to govern the risk assessment and risk management framework. The Audit Committee is also responsible for oversight of the major risk exposures in the areas of market risk, credit risk, liquidity risk, legal and regulatory risk, operational risk (including cybersecurity), human capital risks related to misconduct and fraud, and legal and compliance matters.

The Audit Committee also meets with management and the independent auditor to review and discuss the annual audited and quarterly unaudited financial statements, reviews the integrity of our accounting and financial reporting processes and audits of our financial statements, and prepares the Audit Committee Report included in the proxy statement.

The responsibilities of the Audit Committee are more fully described in the Committee's charter. The Audit Committee met eleven times during 2017. The Board has determined that all members of the Audit Committee are independent (as that term is defined in the applicable New York Stock Exchange rules and in regulations of the Securities and Exchange Commission), that all members are financially literate and have the accounting or related financial expertise required by the New York Stock Exchange rules, and that each of Ms. Smith and Mr. Taylor qualify as an "audit committee financial expert" as defined by regulations of the Securities and Exchange Commission.

Compensation Committee

The Compensation Committee discharges the Board's responsibilities relating to compensation of the executive officers and ensures that our compensation and employee benefit programs are aligned with our compensation and benefits philosophy. These responsibilities also include reviewing and discussing with management whether the company's compensation arrangements are consistent with effective controls and sound risk management, and overseeing our major risk exposures relating to compensation, organizational structure, and succession. The Committee has full discretion to determine the amount of compensation to be paid to the executive officers. The Committee also has sole authority to evaluate the chief executive officer's performance and determine the compensation of the chief executive officer based on this evaluation. The Committee is responsible for recommending stock ownership guidelines for the executive officers and directors, for recommending the compensation and benefits to be provided to our non-employee directors, for reviewing and approving the establishment of broad-based incentive compensation, equity-based, retirement or other material employee benefit plans, and for discharging any duties under the terms of these plans.

The Committee has delegated authority to our chief executive officer under our Amended and Restated 2003 Annual and Long-Term Incentive Plan (the "Incentive Plan") to allocate awards to employees (other than our executive officers) in connection with our annual restricted stock grants made in the first quarter of each year (as part of the payment of incentive compensation for the preceding year). Under this delegated authority, the Committee approves the aggregate amount of equity to be awarded to all employees other than executive officers, and the chief executive officer approves the award recipients and specific amount of equity to be granted to each recipient. All other terms of the awards are determined by the Committee. The Committee also has delegated authority to the chief executive officer to grant restricted stock awards to employees other than executive officers in connection with recruiting and retention. This delegation permits the chief executive officer to determine the recipient of the award as well the amount of the award, subject to an annual share limitation set by the Committee each year. All awards granted pursuant to this delegated authority must be made in accordance with our equity grant timing policy described below in "Compensation Discussion and Analysis Compensation Policies Equity Grant Timing Policy." All other terms of the awards are determined by the Committee.

The work of the Committee is supported by our human capital department, primarily through our chief human capital officer, our finance department, primarily through our chief financial officer, and by our legal department, primarily through our general counsel and assistant general counsel, who prepare and present information and recommendations for review and consideration by the Committee. These personnel work closely with the Committee chair and, as appropriate, our chief executive officer. For more information, refer to the section below titled "Compensation Discussion and Analysis How Compensation Decisions are Made Involvement of Executive Officers."

The Compensation Committee has sole authority to engage, retain, and terminate independent compensation consultants, and has retained FW Cook to provide strategic planning, market context, and general advice to the Committee with respect to executive compensation, as described below under "Compensation Discussion and Analysis How Compensation Decisions are Made Compensation Consultant."

The Compensation Committee reviews and discusses with management the disclosures regarding executive compensation to be included in our annual proxy statement, and recommends to the Board inclusion of the Compensation Discussion and Analysis in our annual proxy statement. The responsibilities of the Compensation Committee are more fully described in the Committee's charter. For more information regarding the Committee's process in setting compensation, please see "Compensation Discussion and Analysis How Compensation Decisions are Made" below. The Compensation Committee met nine times during 2017. The Board has determined that all members of the Compensation Committee are independent (as that term is defined in applicable New York Stock Exchange rules).

Nominating and Governance Committee

The Nominating and Governance Committee identifies and recommends individuals qualified to become members of the Board and recommends to the Board sound corporate governance principles and practices for Piper Jaffray. In particular, the Committee assesses the independence of our Board members, identifies and evaluates candidates for nomination as directors, responds to director nominations submitted by shareholders, recommends the slate of director nominees for election at the annual meeting of shareholders and candidates to fill vacancies between annual meetings, recommends qualified members of the Board for membership on committees, oversees the director orientation and continuing education programs, reviews the Board's committee structure, reviews and assesses the adequacy of our Corporate Governance Principles, and oversees the annual evaluation process for the chief executive officer, the Board, and Board committees. With respect to risk oversight, the Nominating and Governance Committee is responsible for overseeing the Board's committee structures and functions as they relate to risk oversight. The Nominating and Governance Committee also oversees administration of our related person transaction policy and reviews the transactions submitted to it pursuant to such policy. The responsibilities of the Nominating and Governance Committee are more fully described in the Committee's charter. The Nominating and Governance Committee met seven times during 2017. The Board has determined that all members of the Nominating and Governance Committee are independent (as that term is defined in applicable New York Stock Exchange rules).

Annual Board Evaluation Process

The Nominating and Governance Committee oversees the Board's annual evaluation process. In connection with this process, every year our Nominating and Governance Committee Chair interviews each director and members of management concerning the effectiveness of the Board and its committees, including in the areas of strategic prioritization, risk oversight, director engagement, and management accountability. Our Nominating and Governance Committee Chair then reviews and discusses information from these interviews with the Board and its committees. Each of our committee chairs includes any feedback received concerning the committee in its annual self-evaluation, which is discussed by each committee at its final meeting of the year. The results of each committee's self-evaluation are reported to the full Board at its final meeting of the year.

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Meeting Attendance

Our Corporate Governance Principles provide that our directors are expected to attend meetings of the Board and of the committees on which they serve, as well as our annual meeting of shareholders. Our Board held eight meetings during 2017. Each of our current directors attended at least 75% of the meetings of the Board and the committees on which he or she served during 2017, with the directors collectively attending 99% of the aggregate number of the meetings held by the Board and the committees on which they served during the year. All of our directors who were serving at the time of our 2017 annual meeting of shareholders attended such meeting.

Procedures for Contacting the Board of Directors

The Board has established a process for shareholders and other interested parties to send written communications to the Board or to individual directors. Such communications should be sent by U.S. mail to the attention of the Office of the Secretary, Piper Jaffray Companies, 800 Nicollet Mall, Suite 1000, Mail Stop J12NSH, Minneapolis, Minnesota 55402. Communications regarding accounting and auditing matters will be handled in accordance with our Complaint Procedures Regarding Accounting and Auditing Matters. Other communications will be collected by the secretary of the company and delivered, in the form received, to the lead director or, if so addressed, to a specified director.

Procedures for Selecting and Nominating Director Candidates

The Nominating and Governance Committee will consider director candidates recommended by shareholders and has adopted a policy that contemplates shareholders recommending and nominating director candidates. A shareholder who wishes to recommend a director candidate for nomination by the Board at the annual meeting of shareholders or for vacancies on the Board that arise between shareholder meetings must timely provide the Nominating and Governance Committee with sufficient written documentation to permit a determination by the Board whether such candidate meets the required and desired director selection criteria set forth in our bylaws, our Corporate Governance Principles and our Director Nominee Selection Policy described below. Such documentation and the name of the director candidate must be sent by U.S. mail to the Chairperson, Nominating and Governance Committee, c/o the Office of the Secretary, Piper Jaffray Companies, 800 Nicollet Mall, Suite 1000, Mail Stop J12NSH, Minneapolis, Minnesota 55402.

Alternatively, shareholders may directly nominate a person for election to our Board by complying with the procedures set forth in Article II, Section 2.4 of our bylaws, and with the rules and regulations of the Securities and Exchange Commission. Under our bylaws, only persons nominated in accordance with the procedures set forth in the bylaws will be eligible to serve as directors. In order to nominate a candidate for service as a director, you must be a shareholder at the time you give the Board notice of your nomination, and you must be entitled to vote for the election of directors at the meeting at which your nominee will be considered. In accordance with our bylaws, director nominations generally must be made pursuant to notice delivered to, or mailed and received at, our principal executive offices at the address above, not later than the 90th day, nor earlier than the 120th day, prior to the first anniversary of the prior year's annual meeting of shareholders. Your notice must set forth all information relating to the nominee that is required to be disclosed in solicitations of proxies for the election of directors in an

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election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including the nominee's written consent to being named in the proxy statement as a nominee and to serving as a director if elected).

As required by our Corporate Governance Principles and our Director Nominee Selection Policy, when evaluating the appropriate characteristics of candidates for service as a director, the Nominating and Governance Committee takes into account many factors. At a minimum, director candidates must demonstrate high standards of ethics, integrity and professionalism, independence, sound judgment, community leadership and meaningful experience in business, law or finance or other appropriate endeavor. Candidates also must be committed to representing the long-term interests of our shareholders. In addition to these minimum qualifications, the Committee considers other factors it deems appropriate based on the current needs and desires of the Board, including specific business and financial expertise, experience as a director of a public company, and diversity. The Board considers a number of factors in its evaluation of diversity, including geography, age, gender, and ethnicity. Based on these factors and the qualifications and background of each director, the Board believes that its current composition is diverse. As indicated above, diversity is one factor in the total mix of information the Board considers when evaluating director candidates. The Committee will reassess the qualifications of a director, including the director's attendance, involvement at Board and committee meetings and contribution to Board diversity, prior to recommending a director for reelection.

Compensation Program for Non-Employee Directors

During 2017, non-employee directors participated in our non-employee director compensation program. Our non-employee director compensation program provides for the annual payments described in the table below.

	Annual Compensation for Non-Employee Directors for 2017
Board Service	
	$60,000 cash retainer
	$70,000 grant of shares of our common stock
Service on a Committee	
	Audit $10,000 cash retainer
	Compensation $5,000 cash retainer
	Governance $5,000 cash retainer
Service as a Committee Chair	
	Audit $25,000 cash retainer

	Compensation	$15,000 cash retainer
	Governance	$15,000 cash retainer
Additional Retainers		
	Lead Director	$20,000 cash retainer
	Non-Executive Chairman	$50,000 cash retainer, and $50,000 grant of shares of our common stock (Begun in 2018)
Observer Fees		
	$1,000 cash per committee meeting attended on which director does not serve	

A director that receives fees for service as a chairperson of a committee does not receive fees for membership on that committee. Non-employee directors who join our Board after the first month of a calendar year are paid a pro rata annual retainer based on the period they serve as a director during the year. The non-employee director compensation program also provides that a non-employee director will

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receive a one-time $60,000 grant of shares of our common stock on the date of the director's initial election or appointment to the Board. The annual grant of $70,000 of shares of our common stock is made on the day of our annual meeting to all directors whose service continues after that date. All equity awards granted to our non-employee directors are granted under the Incentive Plan.

In 2017, all of our non-employee directors participated in the non-employee director compensation program. Since Mr. Duff was CEO during 2017, he did not participate in the non-employee director compensation program; however, Mr. Duff will participate in the program in 2018, and will receive an additional retainer of $100,000 for his service as Chairman, $50,000 of which will be paid in cash and $50,000 of which will be granted in shares of our common stock immediately following our 2018 annual meeting. In addition, the annual grant of shares of our common stock made to all non-employee directors immediately following the 2018 annual meeting has been increased from $70,000 to $80,000.

Mr. Frazier began participating in our non-employee director compensation program on March 1, 2017, when his consulting agreement with Piper Jaffray & Co. terminated. His 2017 compensation reflects the pro-rated amounts that he received during the year under the non-employee director compensation program.

Our non-employee directors may participate in the Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors, which was designed to facilitate increased equity ownership in the company. The plan permits our non-employee directors to defer all or a portion of the cash payable to them and shares of common stock granted to them for service as a director of Piper Jaffray for any calendar year. All cash amounts and share grants deferred by a participating director are credited to a recordkeeping account and deemed invested in phantom shares of our common stock as of the date the deferred fees otherwise would have been paid or the shares otherwise would have been issued to the director. Any dividends that we pay on our common stock are also credited as additional phantom shares to the directors' recordkeeping accounts based on the closing price of shares of our common stock on the New York Stock Exchange on the date the dividend is paid. No shares of common stock are reserved, repurchased or issued until the director's service ceases. Following the last day of the year in which the director's service ceases, the director will receive a share of our common stock for each phantom share in their recordkeeping account.

Non-employee directors may participate in our charitable gift matching program, pursuant to which we will match a director's gifts to eligible organizations dollar for dollar from a minimum of $25 up to an aggregate maximum of $1,500 per year. Employees or consultants of Piper Jaffray who also serve as directors receive compensation for their service as employees or consultants, but they do not receive any additional compensation for their service as directors.

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Non-Employee Director Compensation for 2017

The following table contains compensation information for our non-employee directors for the year ended December 31, 2017.

	Fees Earned or Paid in Cash				
Director	**Annual Retainer ($)**	**Additional Retainer and Meeting Fees ($)**	**Stock Awards(1)(2) ($)**	**All Other Compensation(3) ($)**	**Total ($)**
William R. Fitzgerald	60,016(4)	11,874(4)	70,001(4)	1,500	143,391
B. Kristine Johnson	60,000	31,055	70,001	1,500	162,556
Addison L. Piper	60,000	17,000	70,001	1,500	148,501
Michael E. Frazier	50,301(5)		70,001		120,302
Sherry M. Smith	60,000	18,205	70,001	1,500	149,706
Philip E. Soran	60,000	18,945	70,001	1,500	150,446
Scott C. Taylor	60,019(6)	30,289(6)	70,001	1,500	161,809
Michele Volpi	60,000	15,000	70,001		145,001

(1) Represents the aggregate grant date fair value calculated in accordance with FASB ASC Topic 718.

(2) Our non-employee directors hold no outstanding stock option awards.

(3) Consists of charitable matching contributions made by Piper Jaffray in the amount of $1,500.

(4) These amounts were deferred pursuant to the Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors.

(5) Reflects a pro rata portion of the annual cash retainer paid to Mr. Frazier for his Board service beginning March 1, 2017, following the termination of his consulting agreement with Piper Jaffray & Co.

(6) Mr. Taylor elected to defer fifty percent of his annual and committee retainers pursuant to the Piper Jaffray Companies Deferred Compensation Plan for Non-Employee Directors.

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Compensation Discussion and Analysis

Our 2017 results reflect continued strong performance against our long-term strategy that includes a focus on shifting our business mix to our higher margin businesses of advisory services (i.e., mergers and acquisitions) and public finance, and executing on opportunistic strategic acquisitions and organic investments.

In 2017, we achieved adjusted net revenues* of $869.6 million, which was a record for our company for the fourth consecutive year. Our record adjusted net revenues were driven by strong results in our advisory services and public finance businesses, which we have targeted for growth over the past few years through selective hiring, internal development, and strategic acquisitions. The strength of these businesses contributed to our profitability during 2017 with adjusted earnings per share* of $7.12, a 52% increase from 2016, and an adjusted ROE* of 14.2%, both of which were the highest in our company's history.

As a reflection of the level and stability of our earnings, as another way to return capital, our Board initiated a new annual and quarterly dividend policy in 2017, which is intended to return between 30% and 50% of our adjusted net income to our shareholders. In 2017, shareholders received total dividends of $2.87 per share, including quarterly dividends of $0.3125 per share and a special annual dividend of $1.62 per share paid in March 2018.

Our adjusted results* exclude a $114.4 million non-cash goodwill impairment charge that we took during the year in our Asset Management segment, a $54.2 million non-cash tax charge for the remeasurement of our deferred tax asset as a result of changes to the U.S. federal tax code through the enactment of the Tax Cuts and Jobs Act of 2017 ("Tax Reform Act"), as well as other acquisition-related compensation expenses.

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* Adjusted net revenues, adjusted net income, adjusted earnings per diluted common share, and adjusted return on average common shareholders' equity (which are used throughout this proxy statement) are non-GAAP financial measures and are further defined and reconciled to the most directly comparable GAAP financial measure in the Appendix to this proxy statement.

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Highlights of 2017 Financial Performance

The following were the key aspects of our 2017 financial performance considered by our Compensation Committee when determining executive officer compensation for 2017:

Adjusted Net Revenues ($M)

Adjusted Earnings Per Share

Adjusted ROE

Total Shareholder Returns (TSR) (as of 12/31/2017)

We generated record adjusted net revenues of $869.6 million, which represents approximately 68% growth since 2013. This revenue growth has primarily occurred in our higher margin businesses of advisory services and public finance. These businesses comprised approximately 62% of our adjusted net revenues in 2017.

We achieved record adjusted net income of $108.9 million, adjusted earnings per share of $7.12, and adjusted ROE of 14.2%, demonstrating the operating leverage in our business from both the higher absolute revenue level we produced and the shift in the mix of these revenues to our higher-margin businesses of advisory services and public finance.

Our advisory services and public finance businesses both had strong years and helped to offset challenging markets for our institutional brokerage and asset management businesses. Our advisory services business achieved a record $443.3 million in revenues in 2017 due to strong results from our healthcare, consumer, and energy franchises.

At the end of 2017, our three-, and five-year total shareholder returns ("TSR") were in the top quartile of the peer group that we use for compensation purposes. We believe that the strategy that we set in 2011, which has focused on operating discipline, investment in our higher margin businesses, and execution on opportunistic strategic acquisitions and investments, will continue to drive strong returns for our shareholders.

Named Executive Officers

Mr. Duff was our chief executive officer ("CEO") and Ms. Schoneman was our chief financial officer ("CFO") throughout 2017. Because they held these positions as of December 31, 2017, we have disclosed their compensation within this proxy statement. Mr. Duff retired as CEO on December 31, 2017. Our three most highly compensated executive officers for 2017 other than Mr. Duff and Ms. Schoneman were Chad R. Abraham and R. Scott LaRue, our global co-heads of investment banking and capital markets, and Frank E. Fairman, our head of public finance.

In addition, the compensation paid to our former President and Chief Operating Officer ("COO"), Stuart C. Harvey, Jr. is also disclosed in this proxy statement since he was one of our highest compensated executive officers during 2017. Mr. Harvey voluntarily decided to resign from his employment effective as of December 29, 2017. During 2017, as President and COO, Mr. Harvey had reporting responsibility for our business lines.

Mr. Duff retired as CEO on December 31, 2017, concluding a 37-year career with Piper Jaffray that included 17 years as CEO (14 of which followed our spin-off from U.S. Bank in 2003). His retirement was completed in accordance with a succession plan developed by our Board, and as part of that plan, Mr. Duff remains as Chairman of the Board.

Effective as of January 1, 2018, Mr. Abraham was appointed as our CEO and Ms. Schoneman was appointed as our President. Mr. Abraham and Ms. Schoneman currently share reporting responsibility for our business lines.

We refer to these individuals collectively throughout this Compensation Discussion and Analysis as the "named executive officers."

Executive Compensation Program

Based on feedback that we received from shareholders during our 2016 annual engagement process, our Compensation Committee approved significant changes to our executive compensation program that are described later in this proxy statement. All of these changes were implemented with respect to compensation for 2017 performance, which was paid in February 2018.

In 2017, our executive compensation program consisted primarily of three elements: base salary, annual incentive compensation (including cash and restricted compensation), and long-term incentive awards in the form of long-term performance share units ("PSUs").

Base Salary	**2017 base salaries were unchanged**. Salaries provide a market-competitive set amount of cash compensation for each executive that is not variable. Mr. Abraham received an increase in his 2018 base salary to $550,000 in connection with his appointment to CEO, which became effective as of January 1, 2018.
Annual Incentive Compensation	**Our annual incentive program directly aligns our executive officers' annual incentive pay with our pre-tax, pre-profit provision income, a measure of our profitability**. Increasing our profitability is a key objective for us as we seek to maximize long-term value for our shareholders. While our pre-tax, pre-profit provision income was up approximately 16% in 2017, the annual incentive compensation (including cash and restricted compensation) paid to our named executive officers was down approximately 10% from 2016. **This reduction reflects the significant increase in the portion of compensation that is now delivered in the form of PSUs.** Annual incentive compensation is paid in a mix of cash and restricted compensation.
Long-Term PSU Awards	**Our PSU awards are intended to directly align the interests of our named executive officers with those of our shareholders by directly tying the value of the award to certain long-term performance metrics**. The PSU award will be earned only if over the 36-month performance period we achieve a certain (1) adjusted ROE and (2) relative TSR compared to a broad index of financial services companies. The February 2017 PSU award included these performance metrics, but the amounts granted under the awards were consistent with our historical PSU program. Beginning with the February 2018 grant, the amount of PSUs awarded to each executive officer is based on the amount of annual incentive compensation paid to the executive officer. The total amount of PSUs granted to our named executive officers in February 2018 was increased approximately 173% from 2017, and made up approximately 25% of their total incentive compensation.

Changes Made to Executive Compensation Program

Our Compensation Committee (referred to as the "Committee" in this Compensation Discussion and Analysis) implemented significant changes to our executive compensation program in 2016. At the May 2017 annual meeting of shareholders, our say-on-pay proposal received the support of 95% of votes cast either in favor of, or against, the proposal. We believe that this result, combined with the feedback that we received from our 25 largest shareholders during our annual engagement process in 2017, reflects an affirmation of the significant changes that our Committee made.

We have included below a summary of the material changes that were made to our executive compensation program. This summary is included because the most significant changes were implemented with respect to incentive compensation for 2017 performance, which was paid to our executive officers in February 2018. Importantly, due to the timing of when equity awards, including PSU awards, are recognized in the Summary Compensation Table below, these changes will not be fully reflected in the figures disclosed in the Summary Compensation Table until the 2019 proxy statement.

The Committee's objective in implementing the changes described below was to respond to the feedback it received from shareholders and further strengthen our pay-for-performance philosophy by designing an executive compensation program that incentivizes strong financial performance, attracts and retains the most talented people who are committed to the long-term success of our company, and is supported by our shareholders. The Committee believes the changes it has made will achieve this objective.

Changes to Annual Incentive Program

Our annual incentive program has historically used a measure of pre-tax operating income as the performance goal in determining our executive officers' annual incentive compensation. Our annual incentive program's emphasis on profitability, which is a similar focus for our financial services industry peers, means that changes in annual incentives are directly related to changes in our profitability. This design incentivizes our executive officers to increase the profitability of their business lines and of the company overall, which the Committee believes will maximize long-term returns for our shareholders.

Of the annual incentives that are awarded to our executive officers for our profitability, a portion was paid in cash and a portion was paid in time-vested restricted compensation (restricted shares of PJC common stock or shares of investment funds) that vests ratably over three years. In addition to this annual incentive program, our Committee made an annual grant of long-term PSUs intended to reward long-term performance.

Shareholder feedback received:

During our 2016 engagement with shareholders, some shareholders expressed the view that the annual incentive program, which is based on profitability, outweighed our long-term PSU program. Their concern with the design of our program was that the proportionally greater amount that executive officers could receive through the annual incentive program versus the long-term PSU program might place too much emphasis on short-term profitability and not enough on long-term performance.

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Compensation Committee action:

The Committee determined to *decrease* the amount of compensation paid out in annual incentives in the form of time-vested restricted compensation (including restricted stock), and to *increase* the amount of the long-term PSU awards made to our executive officers. Although we view the time-vested restricted compensation to be performance *granted* because it is based on annual profitability, the Committee determined to increase the amount of compensation received in the form of long-term PSU awards that will vest *only if* certain (1) adjusted ROE and (2) relative TSR performance levels are achieved.

We previewed this change during our engagement meetings with shareholders in 2017, resulting in positive feedback from such shareholders on the shift in the compensation mix from time-vested restricted compensation to long-term PSUs.

The effect of this change is illustrated by the graphic below:

2016 Annual Incentive Program (paid in February 2017)

2017 Incentive Program (paid in February 2018)

Changes to Annual Cash Incentives

Under our executive compensation program, as our profitability increases, so too does our executive officers' annual incentive compensation, between 40 to 55% of which is paid in cash.

Shareholder feedback received:

During our 2016 engagement with shareholders, some shareholders expressed the view that the amount of cash that can be paid to executive officers should be capped.

Compensation Committee action:

The Committee capped the amount of annual cash incentives that can be paid to our CEO, CFO, and President at three times their base salaries. The Committee made this change after reviewing market-competitive practices within the financial services industry, and believes it appropriately caps the amount of annual incentives paid in cash to those executive officers most responsible for our company's overall financial performance.

Changes to Long-Term PSU Program

Since 2012, our PSU award program has evolved from its beginning as a means for providing additional long-term incentive compensation for delivering significant returns to shareholders, to become a central component of our executive compensation program and the pay-for-performance philosophy that drives the Committee's determinations of overall executive compensation. For all grants made prior to 2017, our PSU award included both (1) absolute TSR and (2) relative TSR performance metrics.

Shareholder feedback received:

During our 2016 engagement with shareholders, some shareholders expressed the view that the absolute TSR metric might not be as relevant to our long-term performance as an operating performance metric aligned with our strategic objectives.

Compensation Committee action:

The Committee eliminated the absolute TSR performance metric, and, beginning with the February 2017 grant, the PSU awards now vest based on the following metrics: (1) adjusted ROE, and (2) relative TSR. 50% of the PSU award is tied to each metric. The Committee added adjusted ROE to the award because increasing our profitability and making efficient use of capital are key priorities for our company, and management and the Board uses adjusted ROE to inform its strategic decision-making process. Relative TSR was selected because it shows the returns we are providing our shareholders in relation to a broad index of financial services companies. The vesting thresholds of the metrics (which are described later on in this proxy statement) are intended to be challenging, and to incentivize our executive officers to make strategic and business decisions that will increase our long-term adjusted ROE and provide superior returns to our shareholders.

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Our Compensation Practices Demonstrate Sound Governance

Our compensation practices demonstrate sound corporate governance. We continually review our executive compensation program to ensure it reflects good governance practices and the best interests of shareholders. Our executive compensation program currently includes:

	What we do:		What we do NOT do:
ü	Annual incentives **directly tied** to our pre-tax, pre-profit provision income, a measure of our profitability;	**X**	No stand-alone change-in-control agreements;
ü	Long-term PSU awards **directly tied** to (1) adjusted ROE, a key operating performance metric, and (2) returns generated for our shareholders as measured by relative TSR;	**X**	No employment agreements with our executives;
ü	**Stock ownership guidelines** for executive officers and directors, supplemented with an anti-hedging policy;	**X**	No repricing of underwater stock options;
ü	**"Double trigger" change-in-control** provision for all equity awards; and	**X**	No excessive perquisites; and
ü	**Clawback policy** to recover incentive compensation in certain circumstances.	**X**	No tax gross-ups, other than in the case of certain tax equalization or relocation expenses, consistent with firm-wide policies.