
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2020

Commission File No. 001-31720

PIPER SANDLER COMPANIES

(Exact Name of Registrant as specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

30-0168701

(IRS Employer Identification No.)

800 Nicollet Mall, Suite 900

Minneapolis , Minnesota

(Address of Principal Executive Offices)

55402

(Zip Code)

(612) 303-6000

(Registrant's Telephone Number, Including Area Code)

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

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

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the 17,366,955 shares of the Registrant's Common Stock, par value \$0.01 per share, held by non-affiliates based upon the last sale price, as reported on the New York Stock Exchange, of the Common Stock on June 30, 2020 was approximately \$1.0 billion.

As of February 19, 2021, the registrant had 18,262,868 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference information (to the extent specific sections are referred to herein) from the Registrant's Proxy Statement for its 2021 Annual Meeting of Shareholders to be held on May 21, 2021.

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PART I

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the year ended December 31, 2020 (this "Form 10-K") contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These forward-looking statements include, among other things, statements other than historical information or statements of current conditions and may relate to our future plans and objectives and results, and also may include our belief regarding the effect of various legal proceedings, as set forth under "Legal Proceedings" in Part I, Item 3 of this Form 10-K and in our subsequent reports filed with the Securities and Exchange Commission ("SEC"). Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including those factors discussed below under "Risk Factors" in Part I, Item 1A of this Form 10-K, as well as those factors discussed under "External Factors Impacting Our Business" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of this Form 10-K and in our subsequent reports filed with the SEC. 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.

ITEM 1. *BUSINESS.*

Overview

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

Our Business

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

- *Investment Banking* – For our corporate clients, we provide advisory services, which includes mergers and acquisitions; equity and debt private placements; and debt and restructuring advisory. We also help raise capital through equity and debt financings. We operate in the following focus sectors: healthcare; financial services; consumer; energy and renewables; diversified industrials and services; technology; and chemicals and materials, primarily focusing on middle-market clients. For our government and non-profit clients, we underwrite municipal issuances, provide municipal financial advisory and loan placement services, and offer various over-the-counter derivative products. Our public finance investment banking capabilities focus on state and local governments, cultural and social service non-profit entities, special districts, project financings, and the education, healthcare, hospitality, senior living and transportation sectors.
- *Equity and Fixed Income Institutional Brokerage* – We offer both equity and fixed income advisory and trade execution services for institutional investors and government and non-profit entities. Integral to our capital markets efforts, we have equity sales and trading relationships with institutional investors in North America and Europe that invest in our core sectors. Our research analysts provide investment ideas and support to our trading clients on approximately 900 companies. Fixed income services provides advice on balance sheet management, investment strategy and customized portfolio solutions. Our fixed income sales and trading professionals have expertise in municipal, corporate, mortgage, agency, treasury and structured product securities and cover a range of institutional investors. We principally engage in trading activities to facilitate customer needs.
- *Alternative Asset Management Funds* – We have created alternative asset management funds in merchant banking and energy in order to invest firm capital and to manage capital from outside investors.

Discontinued Operations

In the third quarter of 2019, we sold our traditional asset management subsidiary, Advisory Research, Inc. ("ARI"). ARI's results have been presented herein as discontinued operations for all prior periods presented. For further information on our discontinued operations, see Note 5 to our consolidated financial statements in Part II, Item 8 of this Form 10-K.

Financial Information about Geographic Areas

As of December 31, 2020, the substantial majority of our net revenues and long-lived assets were located in the U.S.

Competition

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

In addition, there is significant competition within the securities industry for obtaining and retaining the services of qualified employees. Our business is a human capital business, and attracting and retaining employees depends, among other things, on our company's culture, management, work environment, geographic locations and compensation.

Human Capital

Piper Sandler connects capital with opportunity to create value and build a better future, and our employees have been critical to achieving this mission throughout our 125-year operating history. We believe that great people working together as a team are our competitive advantage, and it is crucial that we continue to attract and retain talented employees. As part of these efforts, we strive to offer a competitive compensation and benefits program and training and development opportunities, foster a community where everyone feels included and empowered to do to their best work, and give employees the opportunity to give back to their communities.

As of December 31, 2020, we had 1,511 full-time employees, of which 1,451 were employed in the United States and 60 in the United Kingdom and Hong Kong. Approximately 1,130 of our employees were registered with the Financial Industry Regulatory Authority, Inc. ("FINRA") as of December 31, 2020. One key metric we use to benchmark our firm to industry peer companies is the number of investment banking managing directors. At December 31, 2020, we had 138 corporate investment banking managing directors.

Compensation and Benefits Program – Our compensation program is designed to attract, reward and retain employees who possess the skills necessary to support our business objectives and assist in the achievement of our strategic goals. We provide employees with competitive compensation packages that include base salary, annual incentive bonuses, length of service awards, and equity awards. For further information on the restricted shares we grant to employees as part of year-end compensation, see Note 20 to our consolidated financial statements in Part II, Item 8 of this Form 10-K. In addition to cash and equity compensation, we also offer benefits such as life and health (medical, dental and vision) insurance, paid time off, paid parental leave, health and wellness programs and a 401(k) plan. We believe our programs align both individual employees and long-term company performance with stockholder interests.

Training and Development – A core tenet of our talent system is to develop talent from within and to supplement with external candidates. We provide opportunities for employees to grow and build their careers through various training and development programs. We also have a talent and succession planning process, which is reviewed annually with our board of directors.

Diversity and Inclusion ("D&I") – At Piper Sandler, we believe that diverse teams with unique backgrounds, skills and experiences yield more innovative solutions. This is reflected in our commitment to attract, retain and develop a diverse and talented workforce in a high-quality, inclusive environment. We are focused on building an inclusive culture through a variety of initiatives supported by our D&I committee, including our hiring practices. Our employee networks also serve as a source of inclusion to support the acquisition of diverse talent both internally and externally. Each employee network is sponsored and supported by senior leaders across the firm.

Community Leadership – We are committed to contributing our talents and resources to serve the communities in which we live and work through the Piper Sandler Foundation, various charitable campaigns, employee programs and volunteerism. We believe that this commitment assists in our efforts to attract and retain employees.

Regulation

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

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

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

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

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

We maintain subsidiaries that are registered as investment advisors with the SEC and subject to regulation and oversight by the SEC. Piper Jaffray Investment Management LLC ("PJIM"), PSC Capital Partners LLC, Piper Sandler Advisors LLC, Piper Heartland Healthcare Capital LLC and Piper Sandler Finance Management LLC are asset management subsidiaries and registered investment advisors. As registered investment advisors, these entities are subject to requirements that relate to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between advisor and advisory clients, as well as general anti-fraud prohibitions. Piper Sandler & Co. is also a registered investment advisor and subject to these requirements. Parallel General Partners Limited is the general partner of several private equity limited partnerships; it and the limited partnerships are registered and regulated by the GFSC.

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

Information About our Executive Officers

Information regarding our executive officers and their ages as of February 19, 2021, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Chad R. Abraham	52	Chief Executive Officer
Debra L. Schoneman	52	President
Timothy L. Carter	53	Chief Financial Officer
James P. Baker	53	Global Co-Head of Investment Banking and Capital Markets
Jonathan J. Doyle	55	Vice Chairman and Head of Financial Services Group
John W. Geelan	45	General Counsel and Secretary
R. Scott LaRue	60	Global Co-Head of Investment Banking and Capital Markets

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

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

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

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

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

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

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

Additional Information

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

ITEM 1A. **RISK FACTORS.**

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

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

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

Strategic and Market Risk

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

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

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

- Following the outbreak of the COVID-19 pandemic in March 2020, nearly every sector of the global and U.S. economy was negatively impacted. The uncertainty surrounding the effects and course of the pandemic, and the measures enacted to mitigate its spread, including travel restrictions, quarantines, stay-at-home orders, and business shutdowns resulted in almost unprecedented short-term dislocations in, and a slowdown of, global and U.S. economic activity. Business uncertainty over the length and severity of the pandemic and the timing of the eventual economic recovery resulted in a severe decline in our advisory (i.e., mergers and acquisitions) revenue during the second and third quarters of 2020. This decline was largely off-set by improved performance by our capital markets, institutional brokerage, and public finance businesses, which benefitted from accommodative market conditions created by the efforts of the U.S. federal government to support the markets and economy. Although we currently believe that the U.S. economy will continue to recover from COVID-19 and its related impacts in 2021, we also believe that the economic recovery and growth will be dependent on the trajectory of vaccine distribution and administration. Widespread concern or doubts in the market about the pace or ability of normal economic activity to resume, or the efficacy or adequacy of the government measures enacted to support the U.S. and global economy, could further erode

the outlook for macroeconomic conditions and business confidence, and negatively impact our equities investment banking revenues. In addition, to the extent that the primary sectors that are covered by our equities investment banking business take longer to recover due to the erosion of economic conditions in those sectors, such as the energy or consumer sectors, our equities investment banking business could continue to be negatively impacted even after other sectors begin to experience a recovery.

- Our equities investment banking revenue from our advisory and equity capital markets businesses is directly related to macroeconomic conditions and corresponding financial market activity. When the outlook for macroeconomic conditions is uncertain or negative, financial market activity generally tends to decrease, which can reduce our equities investment banking revenues. As an example, a significant portion of our equities investment banking revenues in recent years has been derived from advisory engagements in our focus sectors, and activity in this area is highly correlated to the macroeconomic environment and market conditions. Reduced expectations of U.S. economic growth and recovery from the COVID-19 pandemic or a further decline in the global macroeconomic outlook could cause financial market activity to decrease and negatively affect our equities investment banking revenues. In addition, global macroeconomic conditions and U.S. financial markets remain vulnerable to the potential risks posed by exogenous shocks in addition to COVID-19, which could include, among other things, political or social unrest or financial uncertainty in the United States and the European Union, complications involving terrorism and armed conflicts around the world, or other challenges to global trade or travel. More generally, because our business is closely correlated to the macroeconomic outlook, a significant deterioration in that outlook or an exogenous shock would likely have an immediate and significant negative impact on our equities investment banking business and our overall results of operations, as we experienced with the outbreak of COVID-19 in 2020.
- U.S. equity markets experienced severe volatility during 2020, with historic declines caused by the outbreak of COVID-19, followed quickly by dramatic increases on the basis of the response by the U.S. federal government to support the markets and economy as well as increased understanding of the impact and scope of the pandemic. Our equities capital markets business was able to take full advantage of these accommodative market conditions in the second half of the year as our clients sought to access U.S. equity markets at favorable valuations, which contributed positively to our operating results for the year. However, if volatility in the U.S. equity markets were to return or increase in 2021, whether due to the concerns about the course of the COVID-19 pandemic, the outlook for the U.S. or global economic recovery, or public equity valuations, or due to some other exogenous shock, companies may find it more difficult to raise capital from public equity markets, which could have a negative impact on our equity capital markets business and our overall results of operations. In addition, in 2020, the healthcare sector was a significant contributor to our equity capital markets results, and any significant equity market volatility or moderation that specifically impacts that sector for any reason, including concerns over equity valuations or negative developments that result from legislative or regulatory actions taken by the new U.S. presidential administration, could have a negative impact on our results of operations.

It is difficult to predict the economic and market conditions for 2021, which are dependent upon the pace of global and U.S. economic recovery from COVID-19 and geopolitical events globally. Our smaller scale and the cyclical nature of the economy and the financial services industry leads to volatility in our financial results, including our operating margins, compensation ratios, business mix, and revenue and expense levels. Our financial performance may be limited by the fixed nature of certain expenses, the impact from unanticipated losses or expenses during the year, our business mix, and the inability to scale back costs in a timeframe to match decreases in revenue-related changes in market and economic conditions. As a result, our financial results may vary significantly from quarter to quarter and year to year.

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

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

- Our equities investment banking business focuses on specific sectors, including healthcare, financial services, energy and renewables, consumer, diversified industrials and services, technology, and chemicals and materials. Volatility, uncertainty, or slowdowns in any of these sectors may adversely affect our business, sometimes disproportionately, and may cause volatility in the net revenues we receive from our corporate advisory and capital markets activities. Both the healthcare and financial services sectors are significant contributors to our overall results, and negative developments in either of these sectors, including but not limited to negative developments that result from legislative or regulatory actions taken by the new U.S. presidential administration, would materially and disproportionately

impact our equities investment banking results, even if general economic conditions were strong. In addition, we may not participate, or may participate to a lesser degree than other firms, in sectors that experience significant activity, such as real estate, and our operating results may not correlate with the results of other firms that participate in these sectors.

- Our public finance investment banking business depends heavily upon conditions in the municipal market. It focuses on investment banking activity in sectors that include state and local government, education, senior living, healthcare, transportation, and hospitality sectors, with an emphasis on transactions with a par value of \$500 million or less. Concerns about U.S. economic growth or recovery from the COVID-19 pandemic could have a disproportionate impact on high-yield sectors, which could have a negative impact on our public finance business. Further, the enactment, or the threat of enactment, of any legislation that alters the financing alternatives available to local or state governments or tax-exempt organizations through the elimination or reduction of tax-exempt bonds could have a negative impact on our results of operations in these businesses.
- Our fixed income institutional business derives its revenue from sales and trading activity in the municipal and taxable markets and from hybrid preferreds and government agency products. Our operating results for our fixed income institutional business may not correlate with the results of other firms or the fixed income market generally because we do not participate in significant segments of the fixed income markets such as credit default swaps, corporate high-yield bonds, currencies or commodities.

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

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

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

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

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

We may grow in part through corporate development or similar activities that could include acquisitions, joint ventures and minority investment stakes, and entering into new lines of business. There are a number of risks associated with these activities. Costs or difficulties relating to a transaction, including integration of products, employees, technology systems, accounting systems and management controls, or entry into a new business line, may be difficult to predict accurately and be greater than expected causing our estimates to differ from actual results. Importantly, we may be unable to retain key personnel after a transaction, including personnel who are critical to the success of the ongoing business. We may incur unforeseen liabilities of

an acquired company or from entry into a new business line, that could impose significant and unanticipated legal costs on us. We will need to successfully manage these risks in order to fully realize the anticipated benefits of these transactions.

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

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

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

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

Our institutional brokerage business is subject to pricing pressures.

The ability to execute trades electronically and through alternative trading systems and competitive pressures on our clients have increased the pressure on trading commissions and spreads within the equities institutional brokerage business over the past few years. We expect to continue to experience pricing and other competitive pressures in our equities and fixed income institutional brokerage businesses in the future. In addition, we will need to continue to invest in these businesses in order to continue to meet our clients' needs and maintain sufficient scale.

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

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

Damage to our reputation could harm our business.

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

Human Capital Risk

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

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

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

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

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

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

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

We invest time and resources in carefully assessing opportunities for acquisitions, and we have made acquisitions in the past several years to broaden the scope and depth of our human capital in various businesses. Despite diligence and integration planning, acquisitions still present certain risks, including the difficulties in integrating and bringing together different work

cultures and employees, and retaining those employees for the period of time necessary to realize the anticipated benefits of the acquisition. Difficulties in integrating our acquisitions, including attracting and retaining talent to realize the expected benefits of these acquisitions, may adversely affect our financial condition and results of operations.

Liquidity and Credit Risk

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

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

Liquidity, or ready access to funds, is essential to our business. To fund our business, we rely on financing provided by Pershing LLC ("Pershing") under our fully disclosed clearing agreement, as well as bank financing, commercial paper, and other funding sources. The financing provided by Pershing is at Pershing's discretion (i.e., uncommitted) and could be denied without prior notice. To help mitigate this risk, during 2019, the Company issued \$175 million of unsecured fixed rate senior notes as financing for general corporate purposes, including to finance a portion of our acquisition of Sandler O'Neill & Partners, L.P. in early 2020. In January 2021, we increased the size of our unsecured revolving credit facility from \$50 million to \$65 million, and we intend to use the facility for working capital and general corporate purposes. Our broker dealer subsidiary also renewed a \$100 million committed credit facility in December 2020 for an additional twelve months.

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

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

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

Concentration of risk increases the potential for significant losses.

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

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

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

Particular activities or products within our business expose us to increased credit risk, including inventory positions, interest rate swap contracts with customer credit exposure, counterparty risk with one major financial institution related to customer interest rate swap contracts without customer credit exposure, investment banking and advisory fee receivables, liquidity providers on variable rate demand notes we remarket, and similar activities. With respect to interest rate swap contracts with customer credit exposure, we have retained the credit exposure with four non-publicly rated counterparties totaling \$24.0 million at December 31, 2020 as part of our matched-book interest rate swap program. In the event of a termination of the contract, the counterparty would owe us the applicable amount of the credit exposure. If our counterparty is unable to make its payment to us, we would still be obligated to pay our hedging counterparty, resulting in credit losses. Non-performance by our counterparties, clients and others, including with respect to our inventory positions and interest rate swap contracts with customer credit exposures, could result in losses, potentially material, and thus have a significant adverse effect on our business and results of operations.

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

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

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

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

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

risk of losses. Our joint venture entities that underwrite and syndicate client debt may hold a portion of such debt after syndication, and our invested capital is exposed to a risk of loss to the extent that the debt is ultimately not repaid.

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

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

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

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

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

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

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

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

Operational Risk

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

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

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

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

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

In 2020, nearly 90% of our workforce transitioned to a work-from-home environment in response to the COVID-19 pandemic, which entailed significant investments and potentially presented heightened cybersecurity, information security, and operational risks which we needed to manage. Although we successfully managed that transition, a similar disruption in the infrastructure that supports our business due to fire, natural disaster, health emergency (e.g., a disease pandemic), power or communication failure, act of terrorism or war may affect our ability to service and interact with our clients. If we are not able to implement contingency plans effectively, any such disruption could harm our results of operations.

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

Our clients routinely provide us with sensitive and confidential information. Secure processing, storage and transmission of confidential and other information in our internal and outsourced computer systems and networks is critically important to our business. We take protective measures and endeavor to modify them as circumstances warrant. However, our computer systems, software and networks, and those of our clients, vendors, service providers, counterparties and other third parties, may be vulnerable to unauthorized access, cyber attacks, security breaches, computer viruses or other malicious code, inadvertent, erroneous or intercepted transmission of information (including by e-mail), human error, and other events that could have an information security impact. We work with our employees, clients, vendors, service providers, counterparties and other third parties to develop and implement measures designed to protect against such an event, but we may not be able to fully protect against such an event, and do not have, and may be unable to put in place, secure capabilities with all of these third parties and we may not be able to ensure that these third parties have appropriate controls in place to protect the confidentiality of the information. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or

those of third parties, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to reputational harm as well as litigation, regulatory penalties, and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

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

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

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

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

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

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

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

We refine our risk management techniques, strategies and assessment methods on an ongoing basis. However, risk management techniques and strategies, both ours and those available to the market generally, may not be fully effective in identifying and mitigating our risk exposure in all economic market environments or against all types of risk. For example, we may fail to identify or anticipate particular risks that our systems are capable of identifying, or the systems that we use, and that are used within the industry generally, may not be capable of identifying certain risks, or every economic and financial outcome, or the specifics and timing of such outcomes. In addition, our risk management techniques and strategies seek to balance our ability to

profit from our market-making and investing positions with our exposure to potential losses. Some of our strategies for managing risk are based upon our use of observed historical market behavior. We apply statistical and other tools to these observations to quantify our risk exposure. Any failures in our risk management techniques and strategies to accurately quantify our risk exposure could limit our ability to manage risks. In addition, any risk management failures could cause our losses to be significantly greater than the historical measures indicate. Further, our quantified modeling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses.

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

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

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

We have documented and tested our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditors regarding our internal control over financial reporting. We are in compliance with Section 404 of the Sarbanes-Oxley Act as of December 31, 2020. However, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Failure to maintain an effective internal control environment could materially adversely affect our business.

Legal and Regulatory Risk

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

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

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

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

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

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

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

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

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

Proposed changes in laws or regulations relating to our business could decrease, perhaps significantly, the revenue that we receive from certain products or services that we provide, or otherwise have a material adverse effect on our results of operations. Both the healthcare and financial services sectors are significant contributors to our overall results, and negative developments in either of these sectors, including but not limited to negative developments that result from legislative or regulatory actions taken by the new U.S. presidential administration, could negatively affect our results of operations, even if general economic conditions were strong.

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

When we conduct business outside the United States, we are subject to risks, including, without limitation, the risk that we will be unable to provide effective operational support to these business activities, the risk of noncompliance with foreign laws and regulations, and the general economic and political conditions in countries where we conduct business, which may differ significantly from those in the United States. For example, the effect of Brexit is still developing and could require us to obtain additional regulatory licenses or impose new restrictions on our ability to conduct business in Europe.

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

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

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

Other Risks to Our Shareholders

The following are additional risk factors that we have identified that could pose a material risk to us or our shareholders.

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

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

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

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

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

Our amended and restated certificate of incorporation and amended and restated bylaws and Delaware law contain provisions that are intended to deter abusive takeover tactics by making them unacceptably expensive to the raider and to encourage prospective acquirors to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include limitations on our shareholders' ability to act by written consent and to call special meetings. Delaware law also imposes some restrictions on mergers and other business combinations between us and any holder of 15 percent or more of our outstanding

common stock. We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirors to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal, and are not intended to make our company immune from takeovers. However, these provisions apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of our company and our shareholders.

ITEM 1B. *UNRESOLVED STAFF COMMENTS.*

None.

ITEM 2. *PROPERTIES.*

As of February 19, 2021, we conducted our operations through 63 principal offices in 30 states, and the District of Columbia, and in London, Aberdeen and Hong Kong. All of our offices are leased. Our principal executive office is located at 800 Nicollet Mall, Suite 900, Minneapolis, Minnesota 55402 and, as of February 19, 2021, comprises approximately 124,000 square feet of space under a lease which expires November 30, 2025, with an early termination option effective January 31, 2023.

ITEM 3. *LEGAL PROCEEDINGS.*

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

Litigation-related expenses include amounts we reserve and/or pay out as legal and regulatory settlements, awards or judgments, and fines. Parties who initiate litigation and arbitration proceedings against us may seek substantial or indeterminate damages, and regulatory investigations can result in substantial fines being imposed on us. We reserve for contingencies related to legal proceedings at the time and to the extent we determine the amount to be probable and reasonably estimable. However, it is inherently difficult to predict accurately the timing and outcome of legal proceedings, including the amounts of any settlements, judgments or fines. We assess each proceeding based on its particular facts, our outside advisors' assessment and our past experience with similar matters, and expectations regarding the current legal and regulatory environment and other external developments that might affect the outcome of a particular proceeding or type of proceeding. Subject to the foregoing, we believe, based on our current knowledge, after appropriate consultation with outside legal counsel and taking into account our established reserves, that pending legal actions, investigations and regulatory proceedings, will be resolved with no material adverse effect on our consolidated financial condition, results of operations or cash flows. However, there can be no assurance that our assessments will reflect the ultimate outcome of pending proceedings, and the outcome of any particular matter may be material to our operating results for any particular period, depending, in part, on the operating results for that period and the amount of established reserves. Reasonably possible losses in excess of amounts accrued at December 31, 2020 are not material. We generally have denied, or believe that we have meritorious defenses and will deny, liability in all significant cases currently pending against us, and we intend to vigorously defend such actions.

ITEM 4. *MINE SAFETY DISCLOSURES.*

Not applicable.

PART II

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

Market Information

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

Shareholders

We had 10,167 shareholders of record and approximately 30,137 beneficial owners of our common stock as of February 19, 2021.

Dividend Policy

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

Our board of directors has declared a special cash dividend on our common stock of \$1.85 per share related to 2020 adjusted net income. This special dividend will be paid on March 12, 2021, to shareholders of record as of the close of business on March 3, 2021. Including this special cash dividend and the regular quarterly dividends totaling \$1.25 per share paid during 2020, we will have returned \$3.10 per share, or approximately 31 percent of our fiscal year 2020 adjusted net income to shareholders. In addition, our board of directors has declared a quarterly cash dividend on our common stock of \$0.40 per share to be paid on March 12, 2021, to shareholders of record as of the close of business on March 3, 2021.

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

Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of Piper Sandler Companies or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the quarter ended December 31, 2020.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares Yet to be Purchased Under the Plans or Programs (1)
Month #1 (October 1, 2020 to October 31, 2020)	—	\$ —	—	\$ 137
Month #2 (November 1, 2020 to November 30, 2020)	2,637	\$ 92.60	—	\$ 137
Month #3 (December 1, 2020 to December 31, 2020)	—	\$ —	—	\$ 137
Total	2,637	\$ 92.60	—	\$ 137

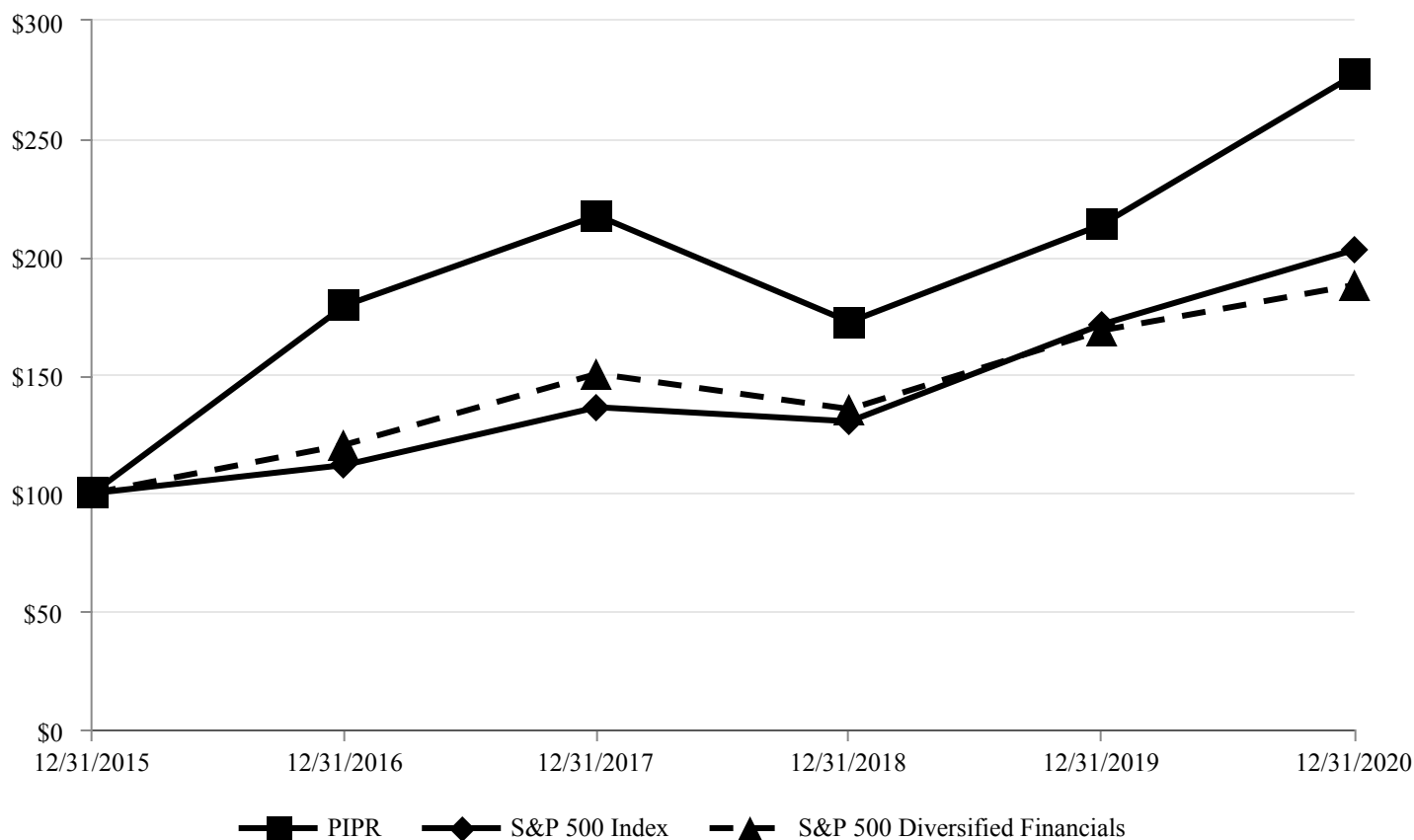
(1) Effective January 1, 2020, our board of directors authorized the repurchase of up to \$150.0 million of common stock through December 31, 2021.

Stock Performance Graph

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

The following graph compares the performance of an investment in our common stock from December 31, 2015 through December 31, 2020, with the S&P 500 Index and the S&P 500 Diversified Financials Index. The graph assumes \$100 was invested on December 31, 2015, in each of our common stock, the S&P 500 Index and the S&P 500 Diversified Financials Index and that all dividends were reinvested on the date of payment without payment of any commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

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



<u>Company/Index</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>	<u>12/31/2020</u>
Piper Sandler Companies	\$ 100	\$ 179.46	\$ 217.54	\$ 172.52	\$ 213.72	\$ 277.06
S&P 500 Index	100	111.96	136.40	130.42	171.49	203.04
S&P 500 Diversified Financials	100	120.55	150.56	135.62	168.94	188.14

ITEM 6. *SELECTED FINANCIAL DATA.*

None.

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

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

Item 7 in this Form 10-K discusses our 2020 and 2019 results and the year-over-year comparisons between 2020 and 2019. Discussion of our 2018 results and the year-over-year comparisons between 2019 and 2018 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 28, 2020.

Explanation of Non-GAAP Financial Measures

We have included financial measures that are not prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). These non-GAAP financial measures include adjustments to exclude (1) revenues and expenses related to noncontrolling interests, (2) interest expense on long-term financing from net revenues, (3) amortization of intangible assets related to acquisitions, (4) compensation and non-compensation expenses from acquisition-related agreements, (5) acquisition-related restructuring and integration costs and (6) discontinued operations. The adjusted weighted average diluted shares outstanding used in the calculation of non-GAAP earnings per diluted common share contains an adjustment to include the common shares for unvested restricted stock awards with service conditions granted pursuant to the acquisitions of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill") and The Valence Group ("Valence"). These adjustments affect the following financial measures: net revenues, compensation expenses, non-compensation expenses, income tax expense, net income applicable to Piper Sandler Companies, earnings per diluted common share, non-interest expenses, pre-tax income and pre-tax margin. Management believes that presenting these results and measures on an adjusted basis in conjunction with the corresponding U.S. GAAP measures provides the most meaningful basis for comparison of our operating results across periods and enhances the overall understanding of our current financial performance by excluding certain items that may not be indicative of our core operating results. The non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with U.S. GAAP.

Executive Overview

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

Investment banking services include financial advisory services, management of and participation in underwritings and municipal financing activities. Revenues are generated through the receipt of advisory and financing fees. Institutional sales, trading and research services focus on the trading of equity and fixed income products with institutions, government and non-profit entities. Revenues are generated through commissions and sales credits earned on equity and fixed income institutional sales activities, net interest revenues on trading securities held in inventory, profits and losses from trading these securities, and research checks as clients pay us for research services and corporate access offerings. Also, we have historically generated revenue through strategic trading activities, which focused on investments in municipal bonds; however, we ceased these activities in the first half of 2020. In order to invest firm capital and to manage capital from outside investors, we have created alternative asset management funds in merchant banking, which involve equity investments in late stage private companies, and in the energy sector, whose principal activity is to invest in oil and gas services companies headquartered in Europe. We receive management and performance fees for managing these funds, as well as investment gains and losses.

Discontinued Operations – Discontinued operations includes the operating results of ARI, our traditional asset management subsidiary which we sold in the third quarter of 2019. See Note 5 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K for further discussion of our discontinued operations.

Our Business Strategy – Our long-term strategic objectives are to drive revenue growth, build a stronger and more durable platform, continue to gain market share, and maximize shareholder value. In order to meet these objectives, we are focused on the following:

- Continuing to transform our business through strategic investments and selectively adding partners who share our client-centric culture and who can leverage our platform to better serve clients;
- Growing our investment banking platform through market share gains, accretive combinations, developing internal talent, and continued sector and geographic expansion. We also believe there is an opportunity to capitalize on the strength of our U.S. franchises by expanding in Europe;
- Leveraging the scale within the equity brokerage and fixed income services platforms, driven by our recently expanded client base and product offerings, to grow market share; and
- Prudently managing capital to maintain our balance sheet strength with ample liquidity and flexibility through all market conditions.

Strategic Activities – During 2019 and 2020, we took the following important steps in the execution of our business strategy.

- On December 31, 2020, we completed the acquisition of TRS Advisors LLC ("TRS"), an advisory firm offering restructuring and reorganization services to companies in public, private and governmental settings. The transaction expands the scale of our restructuring advisory business.
- On April 3, 2020, we completed the acquisition of Valence, an investment bank offering mergers and acquisitions advisory services to companies and financial sponsors with a focus on the chemicals, materials and related sectors. The transaction adds a new industry sector and expands our presence in Europe.
- On January 3, 2020, we completed the acquisition of Sandler O'Neill, a full-service investment banking firm and broker dealer focused on the financial services industry. The acquisition of Sandler O'Neill is accretive to our advisory services revenues, diversifies and enhances scale in corporate financings, adds a differentiated fixed income services business, and increases scale in our equity brokerage business.
- On August 2, 2019, we completed the acquisition of Weeden & Co. L.P. ("Weeden & Co."). Weeden & Co. is a broker dealer focused on providing institutional clients with global trading solutions, specializing in best execution through the use of high-touch, low-touch and program trading capabilities. The transaction added enhanced trade execution capabilities and scale to our equity brokerage business.

Financial Highlights

	Year Ended December 31,		
	2020	2019	2020 v2019
<i>(Amounts in thousands, except per share data)</i>			
U.S. GAAP			
Net revenues	\$ 1,238,213	\$ 834,566	48.4 %
Compensation and benefits	877,462	516,090	70.0
Non-compensation expenses	292,203	199,497	46.5
Income from continuing operations before income tax expense	68,548	118,979	(42.4)
Net income applicable to Piper Sandler Companies	40,504	111,711	(63.7)
Earnings per diluted common share	\$ 2.72	\$ 7.69	(64.6)
<i>Ratios and margin</i>			
Compensation ratio	70.9 %	61.8 %	
Non-compensation ratio	23.6 %	23.9 %	
Pre-tax margin	5.5 %	14.3 %	
Non-GAAP ⁽¹⁾			
Adjusted net revenues	\$ 1,234,960	\$ 825,645	49.6 %
Adjusted compensation and benefits	764,066	510,952	49.5
Adjusted non-compensation expenses	220,606	176,458	25.0
Adjusted operating income	250,288	138,235	81.1
Adjusted net income applicable to Piper Sandler Companies	177,555	106,197	67.2
Adjusted earnings per diluted common share	\$ 10.02	\$ 7.36	36.1
<i>Adjusted ratios and margin</i>			
Adjusted compensation ratio	61.9 %	61.9 %	
Adjusted non-compensation ratio	17.9 %	21.4 %	
Adjusted operating margin	20.3 %	16.7 %	

See the "Results of Operations" section for additional information.

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

(Amounts in thousands, except per share data)	Year Ended December 31,	
	2020	2019
Net revenues:		
Net revenues – U.S. GAAP basis	\$ 1,238,213	\$ 834,566
Adjustments:		
Revenue related to noncontrolling interests	(12,881)	(10,769)
Interest expense on long-term financing	9,628	1,848
Adjusted net revenues	<u>\$ 1,234,960</u>	<u>\$ 825,645</u>
Compensation and benefits:		
Compensation and benefits – U.S. GAAP basis	\$ 877,462	\$ 516,090
Adjustments:		
Compensation from acquisition-related agreements	(113,396)	(5,138)
Adjusted compensation and benefits	<u>\$ 764,066</u>	<u>\$ 510,952</u>
Non-compensation expenses:		
Non-compensation expenses – U.S. GAAP basis	\$ 292,203	\$ 199,497
Adjustments:		
Non-compensation expenses related to noncontrolling interests	(4,029)	(4,306)
Acquisition-related restructuring and integration costs	(10,755)	(14,321)
Amortization of intangible assets related to acquisitions	(44,728)	(4,298)
Non-compensation expenses from acquisition-related agreements	(12,085)	(114)
Adjusted non-compensation expenses	<u>\$ 220,606</u>	<u>\$ 176,458</u>
Income from continuing operations before income tax expense:		
Income from continuing operations before income tax expense – U.S. GAAP basis	\$ 68,548	\$ 118,979
Adjustments:		
Revenue related to noncontrolling interests	(12,881)	(10,769)
Interest expense on long-term financing	9,628	1,848
Non-compensation expenses related to noncontrolling interests	4,029	4,306
Compensation from acquisition-related agreements	113,396	5,138
Acquisition-related restructuring and integration costs	10,755	14,321
Amortization of intangible assets related to acquisitions	44,728	4,298
Non-compensation expenses from acquisition-related agreements	12,085	114
Adjusted operating income	<u>250,288</u>	<u>138,235</u>
Interest expense on long-term financing	(9,628)	(1,848)
Adjusted income before adjusted income tax expense	<u>\$ 240,660</u>	<u>\$ 136,387</u>
Net income applicable to Piper Sandler Companies:		
Net income applicable to Piper Sandler Companies – U.S. GAAP basis	\$ 40,504	\$ 111,711
Adjustment to exclude net income from discontinued operations	—	23,772
Net income from continuing operations	\$ 40,504	\$ 87,939
Adjustments:		
Compensation from acquisition-related agreements	85,940	4,124
Acquisition-related restructuring and integration costs	8,712	10,770
Amortization of intangible assets related to acquisitions	33,383	3,250
Non-compensation expenses from acquisition-related agreements	9,016	114
Adjusted net income applicable to Piper Sandler Companies	<u>\$ 177,555</u>	<u>\$ 106,197</u>

	<i>Year Ended December 31,</i>	
	<i>2020</i>	<i>2019</i>
<i>(Amounts in thousands, except per share data)</i>		
Earnings per diluted common share:		
<i>Earnings per diluted common share – U.S. GAAP basis</i>	\$ 2.72	\$ 7.69
<i>Adjustment to exclude net income from discontinued operations</i>	—	1.65
<i>Income from continuing operations</i>	\$ 2.72	\$ 6.05
<i>Adjustment for inclusion of unvested acquisition-related stock</i>	(1.89)	—
<i>Adjustment related to participating shares (1)</i>	—	0.04
	<u>\$ 0.83</u>	<u>\$ 6.09</u>
<i>Adjustments:</i>		
<i>Compensation from acquisition-related agreements</i>	5.76	0.29
<i>Acquisition-related restructuring and integration costs</i>	0.58	0.75
<i>Amortization of intangible assets related to acquisitions</i>	2.24	0.23
<i>Non-compensation expenses from acquisition-related agreements</i>	0.61	0.01
<i>Adjusted earnings per diluted common share</i>	<u>\$ 10.02</u>	<u>\$ 7.36</u>
Weighted average diluted common shares outstanding:		
<i>Weighted average diluted common shares outstanding – U.S. GAAP basis</i>	14,901	13,937
<i>Adjustment:</i>		
<i>Unvested acquisition-related restricted stock with service conditions</i>	2,814	—
<i>Adjusted weighted average diluted common shares outstanding</i>	<u>17,715</u>	<u>13,937</u>

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

Market Data

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

Year Ended	2020	2019	2018	2020 v2019	2019 v2018
S&P 500 (a)	3,756	3,231	2,507	16.2 %	28.9 %
Nasdaq (a)	12,888	8,973	6,635	43.6 %	35.2 %
Mergers and Acquisitions - Middle Market					
(number of transactions in U.S.) (b)	2,971	3,009	3,051	(1.3)%	(1.4)%
Public Equity Offerings					
(number of transactions in U.S.) (c)	1,285	887	979	44.9 %	(9.4)%
Initial Public Offerings					
(number of transactions in U.S.) (d)	436	206	226	111.7 %	(8.8)%
U.S. Equity Capital Markets Fee Pool - Sub-\$5 billion					
(dollars in millions) (e)	\$9,014	\$ 4,379	\$ 5,009	105.8 %	(12.6)%
Municipal Negotiated Issuances					
(number of transactions in U.S.) (f)	8,861	7,505	5,872	18.1 %	27.8 %
Municipal Negotiated Issuances					
(value of transactions in billions in U.S.) (f)	\$ 390	\$ 327	\$ 264	19.2 %	23.9 %
Average CBOE Volatility Index (VIX)	29	15	17	93.3 %	(11.8)%
NYSE Average Daily Number of Shares Traded					
(millions of shares)	2,402	1,690	1,708	42.1 %	(1.1)%
Nasdaq Average Daily Number of Shares Traded					
(millions of shares)	2,010	1,381	1,428	45.5 %	(3.3)%
10-Year Treasury Average Rate	0.81 %	2.14 %	2.91 %	(62.1)%	(26.5)%
3-Month Treasury Average Rate	0.25 %	2.11 %	1.97 %	(88.2)%	7.1 %
Average 10-Year Municipal-Treasury Ratio (g)	1.22	0.79	0.85	54.4 %	(7.1)%

(a) Data provided is at period end.

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

(c) Source: Dealogic and Piper Sandler Equity Capital Markets (IPOs, follow-on offerings and convertible offerings with reported deal value greater than \$10 million).

(d) Source: Dealogic and Piper Sandler Equity Capital Markets (offerings with reported deal value greater than \$10 million).

(e) Source: Dealogic and Piper Sandler Equity Capital Markets (IPOs, follow-on offerings and convertible offerings with deal values greater than \$10 million and PIPEs/RDs greater than \$5 million for sub-\$5 billion market cap issuers; SPAC IPO fees are represented as the standard two percent upfront fee unless noted differently on the IPO cover).

(f) Source: Refinitiv (sole/senior negotiated and private placement transactions).

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

External Factors Impacting Our Business

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

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

Outlook for 2021

On March 11, 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic. The COVID-19 pandemic has affected major economic and financial markets, and businesses and governments continue to face challenges associated with the economic conditions resulting from efforts to address it. Global macroeconomic conditions have been significantly impacted by the government-mandated closure of businesses and the subsequent reopening of the economy with new protocols for social interaction, supply chain and production disruptions, job losses, reduced consumer spending and sentiment, and a myriad of other factors.

The U.S. federal government passed legislation in the first and fourth quarters of 2020 attempting to mitigate some of the economic hardship caused by the COVID-19 pandemic, with the potential for additional legislation and stimulus measures in 2021. The U.S. Federal Reserve took extraordinary steps in 2020 to provide liquidity in the financial markets, including cutting the short-term benchmark interest rate to zero and launching a new round of quantitative easing. After historic volatility in the first quarter of 2020, equity markets rebounded and fixed income markets stabilized, aided by the record levels of federal monetary and fiscal support. In the third quarter of 2020, the U.S. Federal Reserve announced it would keep the benchmark interest rate at its current low level for an extended period of time, and maintained their quantitative easing measures.

After the unprecedented shock to the economy in 2020 from COVID-19, we expect the economy to improve in 2021, likely weighted towards the second half of the year. However, economic recovery and growth will be dependent on the trajectory of vaccine distribution and administration. The results of the recent U.S. elections will also influence future legislative actions and policies which, in part, may impact economic growth. Geopolitical and macroeconomic risks, such as uncertainties surrounding trade policy and other global economic conditions, remain in the background and will continue to have an ongoing impact to the U.S. and global economy.

Market conditions continued to be favorable for corporate capital raising in the fourth quarter of 2020 driven by strong investor demand and market valuations. We believe equity and debt capital raising activity will remain strong in 2021 albeit at reduced levels from 2020.

Advisory services revenues rebounded in the fourth quarter of 2020 from the trough we experienced during the third quarter of 2020. Advisory services activity is benefiting from increased CEO confidence and more clarity on a post-pandemic outlook. Market conditions remain conducive for activity in the middle market due to attractive valuations, low financing rates and an expectation of continued economic growth. Our pipeline is strong across our industry verticals.

In our equity brokerage business, revenues for 2020 reflected substantially increased levels of volatility and volumes. We believe our equity brokerage revenues will decline in 2021 as institutional trading volumes moderate from the elevated 2020 levels. We also expect the equity brokerage fee pool will be down in 2021.

The actions taken by the U.S. Federal Reserve to inject liquidity into the financial markets and to keep interest rates low allowed for stability in the fixed income markets after the first quarter of 2020. We anticipate less volatility in 2021 which will reduce volumes and commission spreads. We will continue to provide our clients with differentiated advice and analytics on repositioning balance sheets, maximizing yields and managing risk in the current market environment.

Our public finance underwriting business benefited from market stability, low yields, robust refinancing activity and strong investor demand in 2020. We believe that market issuance volumes in 2021 will moderate from the record levels in 2020, especially within the governmental space. Revenues from higher-yielding municipal offerings should increase as high yield investor demand has improved meaningfully. Issuer capital needs, interest rate yields, rate stability and client demand will continue to be the principal drivers of the level of municipal finance activity going forward.

Results of Operations

Financial Summary

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

(Amounts in thousands)	Year Ended December 31,					As a Percentage of Net Revenues for the Year Ended December 31,		
	2020	2019	2018	2020	2019	2020	2019	2018
				v2019	v2018			
Revenues:								
Investment banking	\$ 858,476	\$ 629,392	\$ 588,978	36.4 %	6.9 %	69.3 %	75.4 %	79.5 %
Institutional brokerage	357,753	167,891	124,738	113.1	34.6	28.9	20.1	16.8
Interest income	13,164	26,741	32,749	(50.8)	(18.3)	1.1	3.2	4.4
Investment income	23,265	22,275	11,039	4.4	101.8	1.9	2.7	1.5
Total revenues	<u>1,252,658</u>	<u>846,299</u>	<u>757,504</u>	<u>48.0</u>	<u>11.7</u>	<u>101.2</u>	<u>101.4</u>	<u>102.2</u>
Interest expense	14,445	11,733	16,551	23.1	(29.1)	1.2	1.4	2.2
Net revenues	<u>1,238,213</u>	<u>834,566</u>	<u>740,953</u>	<u>48.4</u>	<u>12.6</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Non-interest expenses:								
Compensation and benefits	877,462	516,090	488,487	70.0	5.7	70.9	61.8	65.9
Outside services	38,377	36,184	36,528	6.1	(0.9)	3.1	4.3	4.9
Occupancy and equipment	54,007	36,795	34,194	46.8	7.6	4.4	4.4	4.6
Communications	44,358	30,760	28,656	44.2	7.3	3.6	3.7	3.9
Marketing and business development	13,472	28,780	26,936	(53.2)	6.8	1.1	3.4	3.6
Deal-related expenses	38,072	25,823	25,120	47.4	2.8	3.1	3.1	3.4
Trade execution and clearance	18,934	10,186	8,014	85.9	27.1	1.5	1.2	1.1
Restructuring and integration costs	10,755	14,321	3,498	(24.9)	309.4	0.9	1.7	0.5
Intangible asset amortization	44,728	4,298	4,858	940.7	(11.5)	3.6	0.5	0.7
Other operating expenses	29,500	12,350	12,173	138.9	1.5	2.4	1.5	1.6
Total non-interest expenses	<u>1,169,665</u>	<u>715,587</u>	<u>668,464</u>	<u>63.5</u>	<u>7.0</u>	<u>94.5</u>	<u>85.7</u>	<u>90.2</u>
Income from continuing operations before income tax expense	68,548	118,979	72,489	(42.4)	64.1	5.5	14.3	9.8
Income tax expense	19,192	24,577	18,046	(21.9)	36.2	1.5	2.9	2.4
Income from continuing operations	49,356	94,402	54,443	(47.7)	73.4	4.0	11.3	7.3
Discontinued operations:								
Income from discontinued operations, net of tax	—	23,772	1,387	N/M	N/M	—	2.8	0.2
Net income	49,356	118,174	55,830	(58.2)	111.7	4.0	14.2	7.5
Net income/(loss) applicable to noncontrolling interests	8,852	6,463	(1,206)	37.0	N/M	0.7	0.8	(0.2)
Net income applicable to Piper Sandler Companies	\$ 40,504	\$ 111,711	\$ 57,036	(63.7)%	95.9 %	3.3 %	13.4 %	7.7 %

N/M — Not meaningful

For the year ended December 31, 2020, we recorded net income from continuing operations applicable to Piper Sandler Companies of \$40.5 million. Net revenues from continuing operations for the year ended December 31, 2020 increased 48.4 percent to \$1.24 billion, compared with \$834.6 million in the year-ago period, driven by record corporate financing revenues. Additionally, the acquisitions of Sandler O'Neill and Weeden & Co. have provided increased diversification and scale to our platform. In 2020, investment banking revenues increased 36.4 percent to \$858.5 million, compared with \$629.4 million in 2019, due to significantly higher corporate financing revenues, as well as increased municipal financing revenues. For the year ended December 31, 2020, institutional brokerage revenues were \$357.8 million, up 113.1 percent compared with \$167.9 million in 2019. The increase was due to the acquisitions of Weeden & Co. and Sandler O'Neill, as well as higher volatility in the financial markets, particularly in the first quarter of 2020, which drove higher trading volumes. In 2020, net interest expense was \$1.3 million, compared to net interest income of \$15.0 million in 2019. Net interest expense resulted from a decline in interest income on our long inventory positions combined with incremental interest expense on our long-term financing arrangements, which consist of our fixed rate senior notes issued on October 15, 2019, and the unsecured promissory notes we entered into on April 3, 2020 to fund a portion of the Valence purchase price. For the year ended December 31, 2020, investment income was \$23.3 million, compared with \$22.3 million in 2019. In 2020, we recorded lower gains on our investment and the noncontrolling interests in the merchant banking funds that we manage which were more than offset by higher gains on our other firm investments. Non-interest expenses from continuing operations were \$1.17 billion for the year ended December 31, 2020, up 63.5 percent compared with \$715.6 million in the prior year, primarily due to higher compensation and non-compensation expenses resulting from our recent acquisitions.

Consolidated Non-Interest Expenses from Continuing Operations

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

The following table summarizes our future acquisition-related compensation expense for restricted stock and restricted cash with service conditions, as well as amounts estimated to be paid under earnout arrangements:

(Amounts in thousands)

2021	\$ 93,707
2022	80,019
2023	29,997
2024	22,041
2025	5,295
Total	<u>\$ 231,059</u>

For the year ended December 31, 2020, compensation and benefits expenses increased 70.0 percent to \$877.5 million from \$516.1 million in 2019. The increase in compensation and benefits expenses was driven by increased revenues and incremental headcount from the acquisitions of Sandler O'Neill and Valence, along with higher acquisition-related compensation related to restricted consideration and retention awards associated with these acquisitions. We also recorded additional compensation expense for an earnout associated with the acquisition of Weeden & Co. related to our expectations of achieving a net revenue target, as our equity brokerage business is outperforming initial projections. Compensation and benefits expenses as a percentage of net revenues was 70.9 percent in 2020, compared with 61.8 percent in 2019. The compensation ratio was impacted by increased acquisition-related compensation related to our recent acquisitions.

Outside Services – Outside services expenses include securities processing expenses, outsourced technology functions, outside legal fees, fund expenses associated with our consolidated alternative asset management funds and other professional fees. Outside services expenses were \$38.4 million in 2020, up 6.1 percent compared with \$36.2 million in 2019. The increase was due to incremental expenses related to the acquisition of Sandler O'Neill.

Occupancy and Equipment – For the year ended December 31, 2020, occupancy and equipment expenses increased 46.8 percent to \$54.0 million, compared with \$36.8 million in 2019. The increase was primarily the result of incremental expenses related to our recent acquisitions.

Communications – Communication expenses include costs for telecommunication and data communication, primarily consisting of expenses for obtaining third party market data information. For the year ended December 31, 2020, communication expenses increased 44.2 percent to \$44.4 million, compared with \$30.8 million for the year ended December 31, 2019 due to higher market data services expenses resulting from incremental headcount related to our recent acquisitions.

Marketing and Business Development – Marketing and business development expenses include travel and entertainment costs, advertising and third party marketing fees. In 2020, marketing and business development expenses decreased 53.2 percent to \$13.5 million, compared with \$28.8 million for the year ended December 31, 2019. The decrease was driven by lower travel and entertainment costs related to the COVID-19 pandemic. We anticipate that travel will begin to resume in the second half of 2021, resulting in increased travel and entertainment costs compared to 2020.

Deal-Related Expenses – Deal-related expenses include costs we incurred over the course of a completed investment banking deal, which primarily consist of legal fees, offering expenses, and travel and entertainment costs. For the year ended December 31, 2020, deal-related expenses increased 47.4 percent to \$38.1 million, compared with \$25.8 million for the year ended December 31, 2019. The amount of deal-related expenses is principally dependent on the level of deal activity and may vary from period to period as the recognition of deal-related costs typically coincides with the closing of a transaction. We closed on a record number of equity financing transactions in 2020, which resulted in higher deal-related expenses.

Trade Execution and Clearance – For the year ended December 31, 2020, trade execution and clearance expenses were \$18.9 million, compared with \$10.2 million for the year ended December 31, 2019. The increase in trade execution and clearance expenses was reflective of higher trading volumes.

Restructuring and Integration Costs – For the year ended December 31, 2020, we incurred acquisition-related restructuring and integration costs of \$10.8 million. The expenses consisted of \$4.4 million of transaction costs related to our recent acquisitions, \$3.0 million of severance benefits, \$0.9 million of contract termination costs and \$2.5 million for vacated leased office space.

For the year ended December 31, 2019, we incurred acquisition-related restructuring and integration costs of \$14.3 million related to the acquisitions of Weeden & Co. and Sandler O'Neill. The expenses consisted of \$6.9 million of professional fees related to the transactions, \$2.9 million of severance benefits, \$2.8 million of contract termination costs and \$1.7 million for vacated leased office space.

Intangible Asset Amortization – Intangible asset amortization includes the amortization of definite-lived intangible assets consisting of customer relationships, internally developed software and the trade name that we acquired from Simmons & Company International ("Simmons"). For the year ended December 31, 2020, intangible asset amortization was \$44.7 million, compared with \$4.3 million in 2019. The increase was due to incremental intangible asset amortization expense related to identifiable intangible assets associated with the acquisitions of Sandler O'Neill and Valence and a full year of intangible asset amortization expense related to Weeden & Co. In 2021, we anticipate incurring additional intangible asset amortization expense related to the acquisition of TRS and a full year of intangible asset amortization expense related to the acquisition of Valence.

Other Operating Expenses – Other operating expenses include insurance costs, license and registration fees, expenses related to our charitable giving program and litigation-related expenses, which consist of the amounts we reserve and/or pay out related to legal and regulatory matters. Other operating expenses were \$29.5 million in 2020, compared with \$12.4 million in 2019. In the first quarter of 2020, we recorded a \$12.1 million fair value adjustment related to the earnout for former Weeden & Co. equity owners who did not transition to our platform. We recorded the full value of the projected earnout as the non-employee equity owners do not have service requirements. The increase was also due to higher expense related to our charitable giving program.

Income Taxes – For the year ended December 31, 2020, our provision for income taxes was \$19.2 million. Excluding the impact of noncontrolling interests, our effective tax rate was 32.1 percent, which was driven by the impact of non-deductible covered employee compensation expense, partially offset by \$2.4 million of income tax benefits related to the tax provisions in the Coronavirus Aid, Relief, and Economic Security Act.

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

Financial Performance from Continuing Operations

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

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

The adjusted financial results exclude (1) revenues and expenses related to noncontrolling interests, (2) interest expense on long-term financing from net revenues, (3) amortization of intangible assets related to acquisitions, (4) compensation and non-compensation expenses from acquisition-related agreements and (5) acquisition-related restructuring and integration costs. For U.S. GAAP purposes, these items are included in each of their respective line items on the consolidated statements of operations.

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

The adjusted, non-GAAP financial results also exclude amortization of intangible assets and compensation and non-compensation expenses from acquisition-related agreements. These amounts are excluded on a non-GAAP basis as they represent expenses specifically related to acquisitions that will eventually be fully amortized and therefore not part of our ongoing operations. The acquisition-related restructuring and integration costs excluded from the adjusted financial results represent charges that resulted from severance benefits, contract termination costs, vacating redundant leased office space and professional fees related to the respective transactions. These restructuring and integration costs are excluded from our non-GAAP financial measures as they relate to acquisitions and excluding these amounts provides a better understanding of our core non-compensation expenses. Interest expense on long-term financing is an adjustment from net revenues as these arrangements were used to fund the Sandler O'Neill and Valence acquisitions. Management believes that presenting adjusted financial results excluding the acquisition-related amounts provides clarity on the financial results generated by the core operating components of our business.

The following table sets forth the adjusted, non-GAAP financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP financial results for the periods presented:

	Year Ended December 31,							
	2020				2019			
	Total Adjusted	Adjustments (1)		U.S. GAAP	Total Adjusted	Adjustments (1)		U.S. GAAP
Noncontrolling Interests		Other Adjustments	Noncontrolling Interests			Other Adjustments		
<i>(Amounts in thousands)</i>								
Investment banking								
Advisory services	\$ 443,327	\$ —	\$ —	\$ 443,327	\$ 440,695	\$ —	\$ —	\$ 440,695
Corporate financing	295,333	—	—	295,333	105,256	—	—	105,256
Municipal financing	119,816	—	—	119,816	83,441	—	—	83,441
<i>Total investment banking</i>	858,476	—	—	858,476	629,392	—	—	629,392
Institutional brokerage:								
Equity brokerage	161,445	—	—	161,445	87,555	—	—	87,555
Fixed income services	196,308	—	—	196,308	80,336	—	—	80,336
<i>Total institutional brokerage</i>	357,753	—	—	357,753	167,891	—	—	167,891
<i>Interest income</i>	13,164	—	—	13,164	26,741	—	—	26,741
<i>Investment income</i>	10,384	12,881	—	23,265	11,506	10,769	—	22,275
Total revenues	1,239,777	12,881	—	1,252,658	835,530	10,769		846,299
<i>Interest expense</i>	4,817	—	9,628	14,445	9,885	—	1,848	11,733
Net revenues	1,234,960	12,881	(9,628)	1,238,213	825,645	10,769	(1,848)	834,566
Non-interest expenses	984,672	4,029	180,964	1,169,665	687,410	4,306	23,871	715,587
Pre-tax income	<u>\$ 250,288</u>	<u>\$ 8,852</u>	<u>\$ (190,592)</u>	<u>\$ 68,548</u>	<u>\$ 138,235</u>	<u>\$ 6,463</u>	<u>\$ (25,719)</u>	<u>\$ 118,979</u>
Pre-tax margin	20.3 %			5.5 %	16.7 %			14.3 %

(1) The following is a summary of the adjustments needed to reconcile our consolidated U.S. GAAP financial results to the adjusted, non-GAAP financial results:

Noncontrolling interests – The impacts of consolidating noncontrolling interests in our alternative asset management funds are not included in our adjusted financial results.

Other adjustments – The following items are not included in our adjusted financial results:

<i>(Amounts in thousands)</i>	Year Ended December 31,	
	2020	2019
<i>Interest expense on long-term financing</i>	\$ 9,628	\$ 1,848
<i>Compensation from acquisition-related agreements</i>	113,396	5,138
<i>Acquisition-related restructuring and integration costs</i>	10,755	14,321
<i>Amortization of intangible assets related to acquisitions</i>	44,728	4,298
<i>Non-compensation expenses from acquisition-related agreements</i>	12,085	114
	<u>180,964</u>	<u>23,871</u>
<i>Total other adjustments</i>	<u>\$ 190,592</u>	<u>\$ 25,719</u>

Net revenues on a U.S. GAAP basis increased 48.4 percent to \$1.24 billion for the year ended December 31, 2020, compared with \$834.6 million in the prior-year period. For the year ended December 31, 2020, adjusted net revenues were \$1.23 billion compared with \$825.6 million for the year ended December 31, 2019. The variance explanations for net revenues and adjusted net revenues are consistent on both a U.S. GAAP and non-GAAP basis unless stated otherwise.

Investment banking revenues comprise all of the revenues generated through advisory services activities, which includes mergers and acquisitions ("M&A"), equity and debt private placements, debt and restructuring advisory, and municipal financial advisory transactions. Collectively, equity and debt private placements and debt and restructuring advisory transactions are referred to as capital advisory transactions. Investment banking revenues also include equity and debt corporate financing activities and municipal financings.

In 2020, investment banking revenues were \$858.5 million, up 36.4 percent compared with \$629.4 million in the prior-year period. For the year ended December 31, 2020, advisory services revenues were \$443.3 million, compared with \$440.7 million in 2019. Incremental revenues from the addition of Sandler O'Neill to our platform offset the decline in revenues from a market-wide decrease as M&A activity slowed appreciably during the second and third quarters of 2020 as uncertainty around COVID-19 put many engagements on hold. We saw a rebound in activity in the fourth quarter of 2020 from the trough we experienced during the third quarter, due, in part, to increased CEO confidence and more clarity on a post-pandemic outlook. For the year ended December 31, 2020, corporate financing revenues were a record \$295.3 million, up significantly compared with \$105.3 million in the prior-year period, due to more completed and book run equity deals, and the addition of Sandler O'Neill to our platform, which book ran 37 debt offerings for financial services companies. Following a substantial halt to capital raising activity in March, market conditions became favorable for capital raising during the second quarter of 2020 driven by a sharp rebound in valuations for equities of certain industry groups combined with lower volatility and low new issue interest rates in debt markets, and these dynamics continued through the remainder of the year. Activity for us during the year was principally in the healthcare sector, and we completed 96 healthcare equity deals. Additionally, activity in the first quarter of 2019 was impacted by the U.S. federal government shut-down. Municipal financing revenues for the year ended December 31, 2020 were a record \$119.8 million, up 43.6 percent compared with \$83.4 million in the year-ago period. Despite a rapid decline in the level of activity in March due to significant volatility in the fixed income markets, low interest rates combined with strong investor demand drove record market issuance volumes in 2020. During 2020, the issuance activity was focused within the governmental space. The par amount of our negotiated municipal issuances increased approximately 55 percent in 2020 compared to an increase of approximately 19 percent for the industry.

The following table provides investment banking deal information:

<i>(Dollars in billions)</i>	Year Ended December 31,	
	2020	2019
<i>Advisory services</i>		
M&A transactions	158	140
Capital advisory transactions	114	38
<i>Corporate financings</i>		
Total equity transactions	137	74
Book run equity transactions	99	50
Total debt and preferred transactions	58	—
Book run debt and preferred transactions	37	—
<i>Municipal negotiated issues</i>		
Aggregate par value	\$ 19.1	\$ 12.3
Total issues	847	572

Institutional brokerage revenues comprise all of the revenues generated through trading activities, which consist of facilitating customer trades, executing competitive municipal underwritings and our strategic trading activities in municipal bonds. Our results may vary from quarter to quarter as a result of changes in trading margins, trading gains and losses, net interest spreads, trading volumes, the timing of payments for research services and the timing of transactions based on market opportunities.

For the year ended December 31, 2020, institutional brokerage revenues increased to \$357.8 million, compared with \$167.9 million in the prior-year period. Equity brokerage revenues were \$161.4 million in 2020, up 84.4 percent compared with \$87.6 million in 2019, reflecting the successful integration of our platform with Weeden & Co. This combination has expanded our client base, execution expertise and product capabilities, which we leveraged to find liquidity for our clients during the year. Additionally, market-wide volumes and volatility were higher compared to 2019. In the first quarter of 2020, increased volatility market-wide drove significantly higher volumes as investors repositioned in response to market uncertainty and fund outflows. Volumes were also elevated in the fourth quarter of 2020 as clients repositioned before and after the 2020 U.S. presidential election, and market indices traded higher driven by optimism on COVID-19 vaccine results and an economic recovery. For the year ended December 31, 2020, fixed income services revenues were \$196.3 million, up 144.4 percent compared with \$80.3 million in the prior-year period, due to the addition of Sandler O'Neill to our platform, strong client activity and solid execution in conducive markets. We continue to provide strategic advice on repositioning balance sheets, maximizing yields and managing risk in this low interest rate environment within a market with ample liquidity. Additionally, in the first quarter of 2020, the historically volatile quarter and higher volumes in municipals drove client activity as we provided liquidity to municipal bond funds which saw significant outflows by identifying buyers who took advantage of meaningfully higher yields. This strong client activity was partially offset by trading losses in municipal securities due to the sharp and sudden market dislocation.

Interest income represents amounts earned from holding long inventory positions. For the year ended December 31, 2020, interest income decreased 50.8 percent to \$13.2 million, compared with \$26.7 million in 2019, reflecting lower long inventory balances. We have focused on only carrying inventory where clients need liquidity within our areas of expertise.

Investment income includes realized and unrealized gains and losses on investments, including amounts attributable to noncontrolling interests, in our merchant banking and energy funds, as well as management and performance fees generated from those funds. For the year ended December 31, 2020, investment income was \$23.3 million, compared to \$22.3 million in 2019. In 2020, we recorded lower gains on our investment and the noncontrolling interests in the merchant banking funds that we manage. Lower equity valuations and an uncertain and challenging operating environment for some of our portfolio companies drove fair value adjustments in our merchant banking portfolio in the first half of 2020. These declines were more than offset by higher gains on our other firm investments. Excluding the impact of noncontrolling interests, adjusted investment income was \$10.4 million in 2020 and \$11.5 million in 2019.

Interest expense represents amounts associated with financing, economically hedging and holding short inventory positions, including interest paid on our long-term financing arrangements, as well as commitment fees on our line of credit and revolving credit facility. For the year ended December 31, 2020, interest expense increased to \$14.4 million, compared with \$11.7 million in the prior-year period. In 2020, we recorded incremental interest expense on our long-term financing arrangements, which consist of the \$175 million of fixed rate senior notes we issued on October 15, 2019, and \$20 million of unsecured promissory notes we entered into on April 3, 2020 to fund a portion of the Valence purchase price. The increase was partially offset by a decline in interest expense resulting from lower average short inventory balances. Excluding the impact of interest expense on long-term financing, adjusted interest expense was \$4.8 million and \$9.9 million for the years ended December 31, 2020 and 2019, respectively. The \$20 million of unsecured promissory notes were repaid in early 2021, which will decrease interest expense on long-term financing.

Pre-tax margin for 2020 was 5.5 percent, down compared with 14.3 percent for 2019 due to the increased compensation ratio resulting from higher acquisition-related compensation expense. Adjusted pre-tax margin increased to 20.3 percent in 2020, compared with 16.7 percent in 2019. Adjusted pre-tax margin increased driven by the increased scale of our platform, the successful integration of the Sandler O'Neill and Weeden & Co. acquisitions, and significantly lower marketing and business development expenses due to reduced travel and entertainment costs related to the COVID-19 pandemic.

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The following table sets forth the adjusted, non-GAAP financial results and adjustments necessary to reconcile to our consolidated U.S. GAAP financial results for the periods presented:

	Year Ended December 31,							
	2019				2018			
	Total Adjusted	Adjustments (1)		U.S. GAAP	Total Adjusted	Adjustments (1)		U.S. GAAP
Noncontrolling Interests		Other Adjustments	Noncontrolling Interests			Other Adjustments		
<i>(Amounts in thousands)</i>								
Investment banking								
Advisory services	\$ 440,695	\$ —	\$ —	\$ 440,695	\$ 394,133	\$ —	\$ —	\$ 394,133
Corporate financing	105,256	—	—	105,256	123,072	—	—	123,072
Municipal financing	83,441	—	—	83,441	71,773	—	—	71,773
<i>Total investment banking</i>	629,392	—	—	629,392	588,978	—	—	588,978
Institutional brokerage:								
Equity brokerage	87,555	—	—	87,555	77,110	—	—	77,110
Fixed income services	80,336	—	—	80,336	47,628	—	—	47,628
<i>Total institutional brokerage</i>	167,891	—	—	167,891	124,738	—	—	124,738
<i>Interest income</i>	26,741	—	—	26,741	32,749	—	—	32,749
<i>Investment income</i>	11,506	10,769	—	22,275	7,418	3,621	—	11,039
Total revenues	835,530	10,769	—	846,299	753,883	3,621	—	757,504
<i>Interest expense</i>	9,885	—	1,848	11,733	11,649	—	4,902	16,551
Net revenues	825,645	10,769	(1,848)	834,566	742,234	3,621	(4,902)	740,953
Non-interest expenses	687,410	4,306	23,871	715,587	628,850	4,827	34,787	668,464
Pre-tax income	<u>\$ 138,235</u>	<u>\$ 6,463</u>	<u>\$ (25,719)</u>	<u>\$ 118,979</u>	<u>\$ 113,384</u>	<u>\$ (1,206)</u>	<u>\$ (39,689)</u>	<u>\$ 72,489</u>
Pre-tax margin	16.7 %			14.3 %	15.3 %			9.8 %

(1) The following is a summary of the adjustments needed to reconcile our consolidated U.S. GAAP financial results to the adjusted, non-GAAP financial results:

Noncontrolling interests – The impacts of consolidating noncontrolling interests in our alternative asset management funds are not included in our adjusted financial results.

Other adjustments – The following items are not included in our adjusted financial results:

<i>(Amounts in thousands)</i>	Year Ended December 31,	
	2019	2018
<i>Interest expense on long-term financing</i>	\$ 1,848	\$ 4,902
<i>Compensation from acquisition-related agreements</i>	5,138	29,246
<i>Acquisition-related restructuring and integration costs</i>	14,321	—
<i>Amortization of intangible assets related to acquisitions</i>	4,298	4,858
<i>Non-compensation expenses from acquisition-related agreements</i>	114	683
	<u>23,871</u>	<u>34,787</u>
Total other adjustments	<u>\$ 25,719</u>	<u>\$ 39,689</u>

Discussion of the year-over-year comparisons between 2019 and 2018 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 28, 2020.

Discontinued Operations

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

The components of discontinued operations were as follows:

<i>(Amounts in thousands)</i>	Year Ended December 31,	
	2019	2018
Net revenues	\$ 26,546	\$ 43,489
Operating expenses	22,589	35,227
Intangible asset amortization and impairment (1)	5,465	5,602
Restructuring costs	10,268	272
Total non-interest expenses	38,322	41,101
Income/(loss) from discontinued operations before income tax expense/(benefit)	(11,776)	2,388
Income tax expense/(benefit)	(2,522)	1,001
Net income/(loss) from discontinued operations before gain on sales	(9,254)	1,387
Gain on sales, net of tax	33,026	—
Income from discontinued operations, net of tax	<u>\$ 23,772</u>	<u>\$ 1,387</u>

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

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

See Note 5 to our consolidated financial statements in Part II, Item 8 of this Form 10-K for further discussion of our discontinued operations.

Recent Accounting Pronouncements

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

Critical Accounting Policies

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

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

Valuation of Financial Instruments

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

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

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

Goodwill and Intangible Assets

We record all assets acquired and liabilities assumed in acquisitions, including goodwill and other intangible assets, at fair value. Determining the fair value of assets and liabilities acquired requires certain management estimates. At December 31, 2020, we had goodwill of \$227.5 million and intangible assets of \$149.9 million.

We are required to perform impairment tests of goodwill and indefinite-life intangible assets annually and on an interim basis when circumstances exist that could indicate possible impairment. We have elected to test goodwill for impairment in the fourth quarter of each calendar year. We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after making an assessment, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then further analysis is unnecessary. However, if we conclude otherwise, then we are required to perform a quantitative goodwill test, which requires management to make judgments in determining what assumptions to use in the calculation. The quantitative goodwill test compares the fair value of the reporting unit to its carrying value, including allocated goodwill. An impairment is recognized for the excess amount of a reporting unit's carrying value over its fair value. See Notes 2 and 12 to our consolidated financial statements for additional information on our impairment testing.

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

We elected to perform a qualitative assessment to test goodwill in our capital markets reporting unit for impairment. The following relevant events and circumstances were evaluated in concluding that it was not more likely than not that this goodwill was impaired: macroeconomic conditions, industry and market considerations and the overall financial performance of the capital markets reporting unit. Our annual goodwill impairment testing, performed as of October 31, 2020, resulted in no impairment.

We also evaluated our intangible assets (indefinite and definite-lived) and concluded there was no impairment in 2020.

Compensation Plans

Stock-Based Compensation Plans

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

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

Income Taxes

We file a consolidated U.S. federal income tax return, which includes all of our qualifying subsidiaries. We also are subject to income tax in various states and municipalities and those foreign jurisdictions in which we operate. Amounts provided for income taxes are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable. Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Deferred income taxes are provided for temporary differences in reporting certain items, principally restricted compensation (i.e., restricted stock, restricted stock units, restricted mutual fund shares, and deferred compensation). The realization of deferred tax assets is assessed and a valuation allowance is recognized to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. We believe that our future taxable profits will be sufficient to recognize our U.S. deferred tax assets. However, if our projections of future taxable profits do not materialize, we may conclude that a valuation allowance is necessary, which would impact our results of operations in that period. As of December 31, 2020, we have recorded a deferred tax asset valuation allowance of \$4.9 million related to net operating loss carryforwards in the U.K. for Piper Sandler Ltd.

We record deferred tax benefits for future tax deductions expected upon the vesting of stock-based compensation. We recognize the income tax effects of stock-based compensation awards in the income statement when the awards vest. If deductions reported on our tax return for stock-based compensation (i.e., the value of the stock-based compensation at the time of vesting) exceed the cumulative cost of those instruments recognized for financial reporting (i.e., the grant date fair value of the compensation computed in accordance with ASC 718), we record the excess tax benefit as income tax benefit. Conversely, if deductions reported on our tax return for stock-based compensation are less than the cumulative cost of those instruments recognized for financial reporting, the deficiency is recorded as income tax expense. For the year ended December 31, 2020, we recorded a \$0.3 million tax benefit from continuing operations for stock awards vesting during the period. In the first quarter of 2021, approximately 757,000 shares vested at share prices greater than the grant date fair values, resulting in \$1.7 million of excess tax benefits recorded as income tax benefit in the first quarter of 2021.

We establish reserves for uncertain income tax positions in accordance with FASB Accounting Standards Codification Topic 740, "Income Taxes," when it is not more likely than not that a certain position or component of a position will be ultimately upheld by the relevant taxing authorities. Significant judgment is required in evaluating uncertain tax positions. Our tax provision and related accruals include the impact of estimates for uncertain tax positions and changes to the reserves that are considered appropriate. To the extent the probable tax outcome of these matters changes, such change in estimate will impact the income tax provision in the period of change and, in turn, our results of operations. In the fourth quarter of 2019, we recorded a \$4.1 million liability for uncertain income tax positions related to our acquisition of Weeden & Co. In the third quarter of 2020, we recorded the reversal of \$3.2 million related to this liability. These amounts were recorded as measurement period adjustments in accordance with FASB Accounting Standards Codification Topic 805, "Business Combinations," and include a corresponding indemnification asset. We also paid a settlement of \$0.9 million, for which we were indemnified.

Liquidity, Funding and Capital Resources

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

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

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

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

Our capital and liquidity positions are strong, our leverage is low, and our risk posture remains conservative. We believe that our priorities for capital deployment remain aligned with our shareholders' interests.

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

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

Declaration Date	Dividend Per Share	Record Date	Payment Date
February 1, 2018 (1)	\$ 1.620	February 26, 2018	March 15, 2018
February 1, 2018	\$ 0.375	February 26, 2018	March 15, 2018
April 27, 2018	\$ 0.375	May 25, 2018	June 15, 2018
July 27, 2018	\$ 0.375	August 24, 2018	September 14, 2018
October 26, 2018	\$ 0.375	November 28, 2018	December 14, 2018
February 1, 2019 (1)	\$ 1.010	February 25, 2019	March 15, 2019
February 1, 2019	\$ 0.375	February 25, 2019	March 15, 2019
April 26, 2019	\$ 0.375	May 24, 2019	June 14, 2019
July 26, 2019	\$ 0.375	August 23, 2019	September 13, 2019
October 30, 2019	\$ 0.375	November 22, 2019	December 13, 2019
January 31, 2020 (1)	\$ 0.750	March 2, 2020	March 13, 2020
January 31, 2020	\$ 0.375	March 2, 2020	March 13, 2020
May 1, 2020	\$ 0.200	May 29, 2020	June 12, 2020
July 31, 2020	\$ 0.300	August 28, 2020	September 11, 2020
October 30, 2020	\$ 0.375	November 24, 2020	December 11, 2020
February 4, 2021 (1)	\$ 1.850	March 3, 2021	March 12, 2021
February 4, 2021	\$ 0.400	March 3, 2021	March 12, 2021

(1) Represents the annual special cash dividend based on our results from the previous fiscal year.

Our board of directors has declared a special cash dividend on our common stock of \$1.85 per share related to 2020 adjusted net income. This special dividend will be paid on March 12, 2021, to shareholders of record as of the close of business on March 3, 2021. Including this special cash dividend and the regular quarterly dividends totaling \$1.25 per share paid during 2020, we will have returned \$3.10 per share, or approximately 31 percent of our fiscal year 2020 adjusted net income to shareholders.

Effective January 1, 2020, our board of directors authorized the repurchase of up to \$150.0 million in common shares through December 31, 2021. In 2020, we repurchased 188,319 shares of our common stock at an average price of \$69.72 per share for an aggregate purchase price of \$13.1 million related to this authorization. At December 31, 2020, we had \$136.9 million remaining under this authorization.

We also purchase shares of common stock from restricted stock award recipients upon the award vesting or as recipients sell shares to meet their employment tax obligations. During 2020, we purchased 105,193 shares or \$8.8 million of our common stock for these purposes.

Cash Flows

Cash and cash equivalents at December 31, 2020 were \$507.9 million, an increase of \$257.9 million from December 31, 2019. Operating activities provided \$779.8 million of cash, driven by cash generated from earnings and a reduction in operating assets. The decrease in operating assets resulted from a \$203.8 million decline in net financial instruments and other inventory positions owned as we have focused on only carrying inventory where clients need liquidity within our areas of expertise, as well as a \$254.3 million decrease in receivables from brokers, dealers and clearing organizations. The increase in operating liabilities was primarily due to an increase in accrued compensation of \$132.8 million, the result of higher compensation costs in 2020 from increased revenues and incremental headcount from our recent acquisitions. In 2020, investing activities used \$435.0 million, of which \$417.4 million was used for the acquisitions of Sandler O'Neill, Valence and TRS. We also used \$17.6 million for the purchase of fixed assets. Cash of \$87.6 million was used in financing activities as we reduced amounts due under our short-term financing by \$50.0 million. We repaid the amount outstanding under our commercial paper program in full upon maturity in the fourth quarter of 2020. We also paid \$28.2 million in dividends and repurchased \$22.0 million of common stock during 2020.

Cash and cash equivalents at December 31, 2019 were \$250.0 million, an increase of \$199.7 million from December 31, 2018. Operating activities provided \$67.8 million of cash, primarily due to cash generated from earnings. Our net income of \$118.2 million in 2019 included a \$33.0 million non-cash gain on the sale of ARI. The increase in operating assets was driven by a \$46.2 million increase in our receivables from brokers, dealers and clearing organizations. The decrease in operating liabilities was due to a decrease in accrued compensation of \$29.3 million resulting from the payment of the Simmons performance award plan in the third quarter of 2019. In 2019, investing activities provided \$26.7 million, primarily due to proceeds from the sale of ARI. This increase was partially offset by the use of \$19.7 million for the acquisition of Weeden & Co. and \$6.5 million for the purchase of fixed assets. Cash of \$104.7 million was provided through financing activities as we issued \$175.0 million of fixed rate senior notes on October 15, 2019. The repurchase of \$50.6 million of common stock and dividend payments of \$35.6 million partially offset this increase.

Leverage

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

<i>(Dollars in thousands)</i>	December 31, 2020	December 31, 2019
Total assets	\$ 1,997,140	\$ 1,628,719
Deduct: Goodwill and intangible assets	(377,366)	(104,335)
Deduct: Right-of-use lease asset	(82,543)	(40,030)
Deduct: Assets from noncontrolling interests	(97,375)	(76,516)
Adjusted assets	<u>\$ 1,439,856</u>	<u>\$ 1,407,838</u>
Total shareholders' equity	\$ 926,082	\$ 806,528
Deduct: Goodwill and intangible assets	(377,366)	(104,335)
Deduct: Noncontrolling interests	(96,657)	(75,245)
Tangible common shareholders' equity	<u>\$ 452,059</u>	<u>\$ 626,948</u>
Leverage ratio (1)	2.2	2.0
Adjusted leverage ratio (2)	3.2	2.2

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

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

Adjusted assets and tangible common shareholders' equity are non-GAAP financial measures. Goodwill and intangible assets are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as we believe that goodwill and intangible assets do not constitute operating assets that can be deployed in a liquid manner. The right-of-use lease asset is also subtracted from total assets in determining adjusted assets as it is not an operating asset that can be deployed in a liquid manner. Amounts attributed to noncontrolling interests are subtracted from total assets and total shareholders' equity in determining adjusted assets and tangible common shareholders' equity, respectively, as they represent assets and equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Sandler Companies. We view the resulting measure of adjusted leverage, also a non-GAAP financial measure, as a more relevant measure of financial risk when comparing financial services companies. Our adjusted leverage ratio increased from December 31, 2019 primarily due to the goodwill and intangible assets related to our acquisitions of Sandler O'Neill, Valence and TRS.

Funding and Capital Resources

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

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

Pershing Clearing Arrangement – We have established an arrangement to obtain financing from Pershing related to the majority of our trading activities. Under our fully disclosed clearing agreement, the majority of our securities inventories and all of our customer activities are held by or cleared through Pershing. Financing under this arrangement is secured primarily by securities, and collateral limitations could reduce the amount of funding available under this arrangement. Our clearing arrangement activities are recorded net from trading activity and reported within receivables from or payables to brokers, dealers and clearing organizations. The funding is at the discretion of Pershing (i.e., uncommitted) and could be denied without a notice period. Our fully disclosed clearing agreement includes a covenant requiring Piper Sandler & Co., our U.S. broker dealer subsidiary, to maintain excess net capital of \$120 million. At December 31, 2020, we had \$0.1 million of financing outstanding under this arrangement.

Commercial Paper Program – Piper Sandler & Co. issues secured commercial paper to fund a portion of its securities inventory. This commercial paper is currently issued under the CP Series II A program, and is secured by different inventory classes, which is reflected in the interest rate paid. The program can issue commercial paper with maturities of 27 to 270 days and the maximum amount that may be issued is \$200 million. CP Series II A includes a covenant that requires Piper Sandler & Co. to maintain excess net capital of \$100 million. At December 31, 2020, the CP Series II A program had no outstanding balance. We retired the CP Series A program on January 2, 2020.

Prime Broker Arrangements – We have established an overnight financing arrangement with a broker dealer related to our convertible securities inventories. Financing under this arrangement is secured primarily by convertible securities and collateral limitations could reduce the amount of funding available. The funding is at the discretion of the prime broker and could be denied subject to a notice period. This arrangement is reported within receivables from or payables to brokers, dealers and clearing organizations, net of trading activity. At December 31, 2020, we had \$106.3 million of financing outstanding under this prime broker arrangement.

Committed Line – We elected to decrease our committed line from \$125 million to \$100 million in the fourth quarter of 2020. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires Piper Sandler & Co. to maintain a minimum regulatory net capital of \$120 million, and the unpaid principal amount of all advances under the facility will be due on December 10, 2021. This credit facility has been in place since 2008 and we renewed the facility for another one-year term in the fourth quarter of 2020. At December 31, 2020, we had no advances against this line of credit.

Revolving Credit Facility – Our parent company, Piper Sandler Companies, has an unsecured \$50 million revolving credit facility with U.S. Bank N.A. The credit agreement will terminate on December 20, 2022, unless otherwise terminated, and is subject to a one-year extension exercisable at our option. At December 31, 2020, there were no advances against this credit facility. In January 2021, we increased our revolving credit facility from \$50 million to \$65 million.

This credit facility includes customary events of default and covenants that, among other things, requires Piper Sandler & Co. to maintain a minimum regulatory net capital of \$120 million, limits our leverage ratio, requires maintenance of a minimum ratio of operating cash flow to fixed charges, and imposes certain limitations on our ability to make acquisitions and make payments on our capital stock. At December 31, 2020, we were in compliance with all covenants.

The following tables present the average balances outstanding for our various funding sources by quarter for 2020 and 2019:

<i>(Amounts in millions)</i>	Average Balance for the Three Months Ended			
	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020
Funding source:				
Pershing clearing arrangement	\$ 16.1	\$ 3.3	\$ 17.7	\$ 117.8
Commercial paper	11.4	50.0	50.0	50.0
Prime broker arrangement	97.5	90.2	81.9	72.3
Revolving credit facility	4.9	29.3	50.0	7.1
Total	<u>\$ 129.9</u>	<u>\$ 172.8</u>	<u>\$ 199.6</u>	<u>\$ 247.2</u>

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

The average funding in the fourth quarter of 2020 decreased to \$129.9 million, compared with \$172.8 million during the third quarter of 2020 and \$172.6 million during the fourth quarter of 2019. Cash from operations allowed us to reduce financing balances throughout 2020. We repaid the \$50 million outstanding under our CP Series II A program in full upon maturity in October 2020. Also, early in the fourth quarter of 2020, we repaid the \$25 million of advances against our revolving credit facility.

The following table presents the maximum daily funding amount by quarter for 2020 and 2019:

<i>(Amounts in millions)</i>	2020	2019
First quarter	\$ 642.1	\$ 362.7
Second quarter	\$ 378.3	\$ 427.1
Third quarter	\$ 401.7	\$ 416.0
Fourth quarter	\$ 482.3	\$ 330.7

Long-term Financing

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

The Note Purchase Agreement includes customary events of default and covenants that, among other things, requires Piper Sandler & Co. to maintain a minimum regulatory net capital, limits our leverage ratio and requires maintenance of a minimum ratio of operating cash flow to fixed charges. At December 31, 2020, we were in compliance with all covenants.

Valence Notes – On April 3, 2020, we entered into unsecured promissory notes as part of the acquisition of Valence totaling \$20 million (the "Valence Notes"). The Valence Notes bear interest at an annual fixed rate of 5.0 percent and mature on October 15, 2021. Interest is payable quarterly in arrears. The Valence Notes were repaid in early 2021.

Capital Requirements

As a registered broker dealer and member firm of FINRA, Piper Sandler & Co. is subject to the uniform net capital rule of the SEC and the net capital rule of FINRA. We have elected to use the alternative method permitted by the uniform net capital rule which requires that we maintain minimum net capital of \$1.0 million. Advances to affiliates, repayment of subordinated liabilities, dividend payments and other equity withdrawals are subject to certain approvals, notifications and other provisions of the uniform net capital rules. We expect that these provisions will not impact our ability to meet current and future obligations. At December 31, 2020, our net capital under the SEC's uniform net capital rule was \$212.9 million, and exceeded the minimum net capital required under the SEC rule by \$211.9 million.

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

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

At December 31, 2020, Piper Sandler Ltd., our broker dealer subsidiary registered in the U.K., was subject to, and was in compliance with, the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority pursuant to the Financial Services Act of 2012.

Piper Sandler Hong Kong Limited is licensed by the Hong Kong Securities and Futures Commission, which is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance. At December 31, 2020, Piper Sandler Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

Off-Balance Sheet Arrangements

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

	Expiration Per Period at December 31,						Total Contractual Amount	
	2021	2022	2023	2024 - 2025	2026 - 2027	Later	December 31, 2020	December 31, 2019
<i>(Amounts in thousands)</i>								
Customer matched-book derivative contracts (1) (2)	\$ 3,510	\$ 18,680	\$ 88,660	\$ 41,810	\$ 21,491	\$ 1,780,980	\$ 1,955,131	\$ 2,197,340
Trading securities derivative contracts (2)	46,000	—	—	—	—	9,375	55,375	110,875
Investment commitments (3)	—	—	—	—	—	—	66,043	70,953

- (1) Consists of interest rate swaps. We have minimal market risk related to these matched-book derivative contracts; however, we do have counterparty risk with one major financial institution, which is mitigated by collateral deposits. In addition, we have a limited number of counterparties (contractual amount of \$161.3 million at December 31, 2020) who are not required to post collateral. The uncollateralized amounts, representing the fair value of the derivative contracts, expose us to the credit risk of these counterparties. At December 31, 2020, we had \$24.0 million of credit exposure with these counterparties, including \$20.2 million of credit exposure with one counterparty.
- (2) We believe the fair value of these derivative contracts is a more relevant measure of the obligations because we believe the notional or contract amount overstates the expected payout. At December 31, 2020 and 2019, the net fair value of these derivative contracts approximated \$18.1 million and \$16.3 million, respectively.
- (3) The investment commitments have no specified call dates. The timing of capital calls is based on market conditions and investment opportunities.

Derivatives

Derivatives' notional or contract amounts are not reflected as assets or liabilities on our consolidated statements of financial condition. Rather, the fair value of the derivative transactions are reported on the consolidated statements of financial condition as assets or liabilities in financial instruments and other inventory positions owned and financial instruments and other inventory positions sold, but not yet purchased, as applicable. For a discussion of our activities related to derivative products, see Note 6 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

Investment Commitments

We have investments, including those made as part of our merchant banking activities, in various limited partnerships or limited liability companies that make direct or indirect equity or debt investments in companies. We commit capital and/or act as the managing partner of these entities. We have committed capital of \$66.0 million to certain entities and these commitments generally have no specified call dates. For additional information on our activities related to these types of entities, see Note 8 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K.

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

Central banks and regulators in a number of major jurisdictions (e.g., U.S., U.K., European Union, Switzerland and Japan) have convened working groups to find, and implement the transition to, suitable replacements for IBORs. The U.K. Financial Conduct Authority, which regulates LIBOR, has announced that it will not compel panel banks to contribute to LIBOR after 2021. A recent plan would extend the publication of certain USD LIBOR tenors until June 30, 2023, which would allow most legacy USD LIBOR contracts to mature before LIBOR experiences disruptions. We have a limited number of contractual agreements which use LIBOR. We do not expect the transition from LIBOR to a replacement rate to have a significant impact on our operations.

Risk Management

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

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

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

measurements. Additionally, our operational risk committees address and monitor risk related to information systems and security, legal, regulatory and compliance matters, and third parties such as vendors and service providers.

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

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

Strategic Risk

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

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

Market Risk

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

Our different types of market risk include:

Interest Rate Risk — Interest rate risk represents the potential volatility from changes in market interest rates. We are exposed to interest rate risk arising from changes in the level and volatility of interest rates, changes in the slope of the yield curve, changes in credit spreads, and the rate of prepayments on our interest-earning assets (e.g., inventories) and our funding sources (e.g., short-term financing) which finance these assets. Interest rate risk is managed by selling short U.S. government securities, agency securities, corporate debt securities and derivative contracts. See Note 6 to our consolidated financial statements included in Part II, Item 8 of this Form 10-K for additional information on our derivative contracts. Our interest rate hedging strategies may not work in all market environments and as a result may not be effective in mitigating interest rate risk. Also, we establish limits on our long fixed income securities inventory, monitor these limits on a daily basis and manage within those limits. Our limits include but are not limited to the following: position and concentration size, dollar duration (i.e., DV01), credit quality and aging.

We estimate that a parallel 50 basis point adverse change in the market would result in a decrease of approximately \$0.8 million in the carrying value of our fixed income securities inventory as of December 31, 2020, including the effect of the hedging transactions.

We also measure and monitor the aging and turnover of our long fixed income securities inventory. Turnover is evaluated based on a five-day average by category of security. The vast majority of our fixed income securities inventory generally turns over within three weeks.

In addition to the measures discussed above, we monitor and manage market risk exposure through evaluation of spread DV01 and the MMD basis risk for municipal securities to movements in U.S. treasury securities. All metrics are aggregated by asset concentration and are used for monitoring limits and exception approvals. In times of market volatility, we may also perform ad hoc stress tests and scenario analysis as market conditions dictate.

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

Foreign Exchange Risk — Foreign exchange risk represents the potential volatility to earnings or capital arising from movement in foreign exchange rates. A modest portion of our business is conducted in currencies other than the U.S. dollar, and changes in foreign exchange rates relative to the U.S. dollar can therefore affect the value of non-U.S. dollar net assets, revenues and expenses.

Liquidity Risk

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

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

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

Credit Risk

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

A key tenet of our risk management procedures related to credit risk is the daily monitoring of the credit quality of our long fixed income securities inventory. These rating trends and the credit quality mix are regularly reviewed with the executive financial risk committee. The following table summarizes the credit rating for our long corporate fixed income, municipal (taxable and tax-exempt), and U.S. government and agency securities as a percentage of the total of these asset classes:

<i>(Amounts in thousands)</i>	AAA	AA	A	BBB	BB	Not Rated
Corporate fixed income securities	— %	0.2 %	— %	0.1 %	0.6 %	— %
Municipal securities - taxable and tax-exempt	9.5 %	27.3 %	4.0 %	0.7 %	— %	— %
U.S. government and agency securities	— %	57.7 %	— %	— %	— %	— %
	<u>9.5 %</u>	<u>85.2 %</u>	<u>4.0 %</u>	<u>0.8 %</u>	<u>0.6 %</u>	<u>— %</u>

Convertible and preferred securities are excluded from the table above as they are typically unrated and the nature of the strategy is low risk.

Our different types of credit risk include:

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

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

Collections Risk — Collections risk arises from ineffective management and monitoring of collecting outstanding debts and obligations, including those related to our customer trading activities. 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. Our risk management functions have credit risk policies establishing appropriate credit limits and collateralization thresholds for customers and counterparties.

Concentration Risk — Concentration risk is the risk due to concentrated exposure to a particular product; individual issuer, borrower or counterparty; financial instrument; or geographic area. We are subject to concentration risk if we hold large individual securities positions, execute large transactions with individual counterparties or groups of related counterparties, or make substantial underwriting commitments. Potential concentration risk is monitored through review of counterparties and borrowers and is managed using policies and limits established by senior management.

We have concentrated counterparty credit exposure with four non-publicly rated entities totaling \$24.0 million at December 31, 2020. This counterparty credit exposure is part of our matched-book derivative program related to our public finance business, consisting primarily of interest rate swaps. One derivative counterparty represented 84.0 percent, or \$20.2 million, of this exposure. Credit exposure associated with our derivative counterparties is driven by uncollateralized market movements in the fair value of the interest rate swap contracts and is monitored regularly by our financial risk committee. We attempt to minimize the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties that are reviewed periodically by senior management.

Operational Risk

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

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

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

We operate under a fully disclosed clearing model for all of our clearing operations. In a fully disclosed clearing model, we act as an introducing broker for client transactions and rely on Pershing, our clearing broker dealer, to facilitate clearance and settlement of our clients' securities transactions. The clearing services provided by Pershing are critical to our business

operations, and similar to other services performed by third party vendors, any failure by Pershing with respect to the services we rely upon Pershing to provide could cause financial loss, significantly disrupt our business, damage our reputation, and adversely affect our ability to serve our clients and manage our exposure to risk.

Human Capital Risk

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

Legal and Regulatory Risk

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

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

Effects of Inflation

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

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013 framework). Based on its assessment and those criteria, management has concluded that we maintained effective internal control over financial reporting as of December 31, 2020.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of Piper Sandler Companies included in this Annual Report on Form 10-K, has issued an attestation report on internal control over financial reporting as of December 31, 2020. Their report, which expresses an unqualified opinion on the effectiveness of Piper Sandler Companies' internal control over financial reporting as of December 31, 2020, is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Piper Sandler Companies

Opinion on Internal Control Over Financial Reporting

We have audited Piper Sandler Companies' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of financial condition of the Company as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes, and our report dated February 25, 2021, expressed an unqualified opinion thereon.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

Minneapolis, Minnesota
February 25, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Piper Sandler Companies

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Piper Sandler Companies (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 25, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

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

Critical Audit Matters

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

Valuation of Investments at Fair Value

Description of the Matter At December 31, 2020, the fair value of the Company's investments categorized as Level III of the fair value hierarchy totaled \$153 million, primarily consisting of merchant banking investments in private companies ("merchant banking investments") that do not have readily determinable fair values. These investments are held in consolidated funds, which include \$96.7 million of noncontrolling interests attributable to unrelated third party ownership. As described in Notes 2 and 7 of the consolidated financial statements, management determines the fair values of merchant banking investments internally using the best information available. These investments are valued based on an assessment of each underlying security, considering cost, terms and liquidity of the investment, the financial condition and operating results of the issuer, rounds of financing, third party transactions and market-based information, including comparable company transactions, trading multiples (e.g., multiples of revenue and earnings before interest, taxes, depreciation and amortization ("EBITDA")) and changes in market outlook, among other factors.

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

How We Addressed the Matter in Our Audit

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

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

Valuation of Acquisition-Related Intangibles

Description of the Matter

As disclosed in Note 4 of the consolidated financial statements, the Company acquired SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (Sandler) in 2020. The transaction was accounted for as a business combination. Identifiable intangible assets acquired through this business combination consisted of customer relationships and the Sandler trade name with acquisition-date fair values of \$72.4 million and \$85.4 million, respectively. These intangible assets are measured at acquisition date using models with significant assumptions including financial projections, discount rates, and a royalty rate, among others, which form the basis of fair value. Certain of these assumptions are forward-looking and could be affected by future economic and market conditions.

Auditing the fair value of the Company's acquired identifiable intangible assets was complex, as the inputs and assumptions used by the Company are highly judgmental and could have a significant effect on the acquisition-date fair value measurements of such identifiable intangible assets.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the Company's acquisition process. This included controls over management's assessment of the valuation methodologies, the inputs and assumptions used in determining acquisition-date fair value measurements, and review and approval of final intangible asset valuation.

To test the valuation of the Company's acquired intangible assets, our procedures included, among others, involving internal valuation specialists to assist in our evaluation of the Company's valuation methodologies, testing the significant inputs and assumptions used by the Company in determining the acquisition-date fair values, and testing the mathematical accuracy of the Company's valuation calculations. For example, we performed sensitivity analyses for certain assumptions, compared significant assumptions to current industry, market, and economic trends, to assumptions used to value similar intangible assets of past acquisitions, and to other guidelines used by companies within the same industry. Also, to test projected financial information, we compared projections to historical results of Sandler and the Company and obtained support for individual contracts expected to generate revenue.

/s/ Ernst & Young LLP

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

Minneapolis, Minnesota
February 25, 2021

Piper Sandler Companies

Consolidated Statements of Financial Condition

<i>(Amounts in thousands, except share data)</i>	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 507,935	\$ 250,018
Receivables from brokers, dealers and clearing organizations	221,491	283,108
Financial instruments and other inventory positions owned	270,849	434,088
Financial instruments and other inventory positions owned and pledged as collateral	130,703	205,674
Total financial instruments and other inventory positions owned	401,552	639,762
Fixed assets (net of accumulated depreciation and amortization of \$74,883 and \$65,991, respectively)	43,812	29,850
Goodwill	227,508	87,649
Intangible assets (net of accumulated amortization of \$85,592 and \$40,864, respectively)	149,858	16,686
Investments	183,179	158,141
Net deferred income tax assets	104,219	68,035
Right-of-use lease asset	82,543	40,030
Other assets	75,043	55,440
Total assets	<u>\$ 1,997,140</u>	<u>\$ 1,628,719</u>
Liabilities and Shareholders' Equity		
Short-term financing	\$ —	\$ 49,978
Long-term financing	195,000	175,000
Payables to brokers, dealers and clearing organizations	18,591	7,514
Financial instruments and other inventory positions sold, but not yet purchased	151,030	185,425
Accrued compensation	522,412	300,527
Accrued lease liability	99,478	57,169
Other liabilities and accrued expenses	84,547	46,578
Total liabilities	1,071,058	822,191
Shareholders' equity:		
Common stock, \$0.01 par value:		
Shares authorized: 100,000,000 at December 31, 2020 and December 31, 2019;		
Shares issued: 19,533,547 at December 31, 2020 and 19,526,533 at December 31, 2019;		
Shares outstanding: 13,776,025 at December 31, 2020 and 13,717,315 at December 31, 2019		
	195	195
Additional paid-in capital	847,785	757,669
Retained earnings	271,001	258,669
Less common stock held in treasury, at cost: 5,757,522 shares at December 31, 2020 and 5,809,218 shares at December 31, 2019	(289,359)	(284,378)
Accumulated other comprehensive loss	(197)	(872)
Total common shareholders' equity	829,425	731,283
Noncontrolling interests	96,657	75,245
Total shareholders' equity	926,082	806,528
Total liabilities and shareholders' equity	<u>\$ 1,997,140</u>	<u>\$ 1,628,719</u>

See Notes to the Consolidated Financial Statements

Piper Sandler Companies
Consolidated Statements of Operations

	Year Ended December 31,		
	2020	2019	2018
<i>(Amounts in thousands, except per share data)</i>			
Revenues:			
Investment banking	\$ 858,476	\$ 629,392	\$ 588,978
Institutional brokerage	357,753	167,891	124,738
Interest income	13,164	26,741	32,749
Investment income	23,265	22,275	11,039
Total revenues	<u>1,252,658</u>	<u>846,299</u>	<u>757,504</u>
Interest expense	<u>14,445</u>	<u>11,733</u>	<u>16,551</u>
Net revenues	<u>1,238,213</u>	<u>834,566</u>	<u>740,953</u>
Non-interest expenses:			
Compensation and benefits	877,462	516,090	488,487
Outside services	38,377	36,184	36,528
Occupancy and equipment	54,007	36,795	34,194
Communications	44,358	30,760	28,656
Marketing and business development	13,472	28,780	26,936
Deal-related expenses	38,072	25,823	25,120
Trade execution and clearance	18,934	10,186	8,014
Restructuring and integration costs	10,755	14,321	3,498
Intangible asset amortization	44,728	4,298	4,858
Other operating expenses	<u>29,500</u>	<u>12,350</u>	<u>12,173</u>
Total non-interest expenses	<u>1,169,665</u>	<u>715,587</u>	<u>668,464</u>
Income from continuing operations before income tax expense	68,548	118,979	72,489
Income tax expense	<u>19,192</u>	<u>24,577</u>	<u>18,046</u>
Income from continuing operations	49,356	94,402	54,443
Discontinued operations:			
Income from discontinued operations, net of tax	<u>—</u>	<u>23,772</u>	<u>1,387</u>
Net income	49,356	118,174	55,830
Net income/(loss) applicable to noncontrolling interests	<u>8,852</u>	<u>6,463</u>	<u>(1,206)</u>
Net income applicable to Piper Sandler Companies	<u>\$ 40,504</u>	<u>\$ 111,711</u>	<u>\$ 57,036</u>
Net income applicable to Piper Sandler Companies' common shareholders	<u>\$ 40,504</u>	<u>\$ 107,200</u>	<u>\$ 49,993</u>

Continued on next page

Piper Sandler Companies
Consolidated Statements of Operations – Continued

	Year Ended December 31,		
	2020	2019	2018
<i>(Amounts in thousands, except per share data)</i>			
Amounts applicable to Piper Sandler Companies			
Net income from continuing operations	\$ 40,504	\$ 87,939	\$ 55,649
Net income from discontinued operations	—	23,772	1,387
Net income applicable to Piper Sandler Companies	\$ 40,504	\$ 111,711	\$ 57,036
Earnings per basic common share			
Income from continuing operations	\$ 2.94	\$ 6.21	\$ 3.68
Income from discontinued operations	—	1.69	0.09
Earnings per basic common share	\$ 2.94	\$ 7.90	\$ 3.78
Earnings per diluted common share			
Income from continuing operations	\$ 2.72	\$ 6.05	\$ 3.63
Income from discontinued operations	—	1.65	0.09
Earnings per diluted common share	\$ 2.72	\$ 7.69	\$ 3.72
Dividends declared per common share	\$ 2.00	\$ 2.51	\$ 3.12
Weighted average number of common shares outstanding			
Basic	13,781	13,555	13,234
Diluted	14,901	13,937	13,425

See Notes to the Consolidated Financial Statements

Piper Sandler Companies
Consolidated Statements of Comprehensive Income

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Net income	\$ 49,356	\$ 118,174	\$ 55,830
Other comprehensive income/(loss), net of tax:			
Foreign currency translation adjustment	675	526	(119)
Comprehensive income	50,031	118,700	55,711
Comprehensive income/(loss) applicable to noncontrolling interests	8,852	6,463	(1,206)
Comprehensive income applicable to Piper Sandler Companies	\$ 41,179	\$ 112,237	\$ 56,917

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Consolidated Statements of Changes in Shareholders' Equity

<i>(Amounts in thousands, except share amounts)</i>	Common	Common	Additional	Retained	Treasury	Accumulated	Total	Noncontrolling	Total
	Shares Outstanding	Stock	Paid-In Capital	Earnings	Stock	Other Comprehensive Loss	Common Shareholders' Equity	Interests	Shareholders' Equity
Balance at December 31, 2017	12,911,149	\$ 195	\$ 791,970	\$ 176,270	\$ (273,824)	\$ (1,279)	\$ 693,332	\$ 47,903	\$ 741,235
Net income/(loss)	—	—	—	57,036	—	—	57,036	(1,206)	55,830
Dividends	—	—	—	(47,157)	—	—	(47,157)	—	(47,157)
Amortization/issuance of restricted stock	—	—	48,448	—	—	—	48,448	—	48,448
Repurchase of common stock through share repurchase program	(681,233)	—	—	—	(47,142)	—	(47,142)	—	(47,142)
Issuance of treasury shares for restricted stock vestings	1,040,015	—	(44,459)	—	44,459	—	—	—	—
Repurchase of common stock from employees	(279,664)	—	—	—	(23,761)	—	(23,761)	—	(23,761)
Shares reserved/issued for director compensation	5,130	—	404	—	—	—	404	—	404
Other comprehensive loss	—	—	—	—	—	(119)	(119)	—	(119)
Cumulative effect upon adoption of new accounting standard, net of tax (1)	—	—	—	(3,597)	—	—	(3,597)	—	(3,597)
Fund capital contributions, net	—	—	—	—	—	—	—	6,275	6,275
Balance at December 31, 2018	12,995,397	\$ 195	\$ 796,363	\$ 182,552	\$ (300,268)	\$ (1,398)	\$ 677,444	\$ 52,972	\$ 730,416
Net income	—	—	—	111,711	—	—	111,711	6,463	118,174
Dividends	—	—	—	(35,594)	—	—	(35,594)	—	(35,594)
Amortization/issuance of restricted stock	—	—	27,137	—	—	—	27,137	—	27,137
Repurchase of common stock through share repurchase program	(501)	—	—	—	(32)	—	(32)	—	(32)
Issuance of treasury shares for restricted stock vestings	1,415,147	—	(66,474)	—	66,474	—	—	—	—
Repurchase of common stock from employees	(701,217)	—	—	—	(50,552)	—	(50,552)	—	(50,552)
Shares reserved/issued for director compensation	8,489	—	643	—	—	—	643	—	643
Other comprehensive income	—	—	—	—	—	526	526	—	526
Fund capital contributions, net	—	—	—	—	—	—	—	15,810	15,810
Balance at December 31, 2019	13,717,315	\$ 195	\$ 757,669	\$ 258,669	\$ (284,378)	\$ (872)	\$ 731,283	\$ 75,245	\$ 806,528

Continued on next page

Piper Sandler Companies

Consolidated Statements of Changes in Shareholders' Equity – Continued

<i>(Amounts in thousands, except share amounts)</i>	Common		Additional			Accumulated	Total		Total
	Shares Outstanding	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock	Other Comprehensive Loss	Common Shareholders' Equity	Noncontrolling Interests	Shareholders' Equity
Net income	—	\$ —	\$ —	\$ 40,504	\$ —	\$ —	\$ 40,504	\$ 8,852	\$ 49,356
Dividends	—	—	—	(28,172)	—	—	(28,172)	—	(28,172)
Amortization/issuance of restricted stock (2)	—	—	103,852	—	—	—	103,852	—	103,852
Repurchase of common stock through share repurchase program	(188,319)	—	—	—	(13,129)	—	(13,129)	—	(13,129)
Issuance of treasury shares for restricted stock vestings	309,089	—	(15,310)	—	15,310	—	—	—	—
Issuance of treasury shares for deal consideration	34,205	—	1,049	—	1,674	—	2,723	—	2,723
Repurchase of common stock from employees	(105,193)	—	—	—	(8,836)	—	(8,836)	—	(8,836)
Shares reserved/issued for director compensation	8,928	—	525	—	—	—	525	—	525
Other comprehensive income	—	—	—	—	—	675	675	—	675
Fund capital contributions, net	—	—	—	—	—	—	—	12,560	12,560
Balance at December 31, 2020	13,776,025	\$ 195	\$ 847,785	\$ 271,001	\$ (289,359)	\$ (197)	\$ 829,425	\$ 96,657	\$ 926,082

- (1) Cumulative effect adjustment upon adoption of revenue recognition guidance in ASU 2014-09, as amended.
(2) Includes amortization of restricted stock issued as part of deal consideration. See Note 4 for further discussion.

See Notes to the Consolidated Financial Statements

Piper Sandler Companies
Consolidated Statements of Cash Flows

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Operating Activities:			
Net income	\$ 49,356	\$ 118,174	\$ 55,830
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	10,699	9,360	8,358
Deferred income taxes	(36,184)	11,323	(652)
Gain on sale of Advisory Research, Inc. ("ARI"), net of tax	—	(33,026)	—
Stock-based compensation	121,688	32,003	44,285
Amortization of intangible assets	44,728	9,763	10,460
Amortization of forgivable loans	3,538	4,639	5,138
Decrease/(increase) in operating assets:			
Receivables from brokers, dealers and clearing organizations	254,292	(46,207)	(89,884)
Net financial instruments and other inventory positions owned	203,815	(4,542)	534,355
Investments	(24,353)	(6,255)	24,109
Other assets	4,024	117	(3,758)
Increase/(decrease) in operating liabilities:			
Payables to brokers, dealers and clearing organizations	11,077	(1,143)	(10,735)
Accrued compensation	132,767	(29,277)	(60,191)
Other liabilities and accrued expenses	4,318	(10,117)	(7,915)
Decrease in assets held for sale	—	20,901	1,882
Decrease in liabilities held for sale	—	(7,915)	(1,487)
Net cash provided by operating activities	779,765	67,798	509,795
Investing Activities:			
Business acquisitions, net of cash acquired	(417,414)	(19,674)	—
Proceeds from sale of ARI	—	52,881	—
Purchases of fixed assets, net	(17,581)	(6,516)	(15,804)
Net cash provided by/(used in) investing activities	(434,995)	26,691	(15,804)

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Piper Sandler Companies

Consolidated Statements of Cash Flows – Continued

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Financing Activities:			
Increase/(decrease) in short-term financing	\$ (49,978)	\$ 25	\$ (239,984)
Issuance of senior notes	—	175,000	—
Repayment of senior notes	—	—	(125,000)
Payment of cash dividend	(28,172)	(35,594)	(47,157)
Increase in noncontrolling interests	12,560	15,810	6,275
Repurchase of common stock	(21,965)	(50,584)	(70,903)
Net cash provided by/(used in) financing activities	<u>(87,555)</u>	<u>104,657</u>	<u>(476,769)</u>
Currency adjustment:			
Effect of exchange rate changes on cash	<u>702</u>	<u>508</u>	<u>(651)</u>
Net increase in cash and cash equivalents	257,917	199,654	16,571
Cash and cash equivalents at beginning of year	<u>250,018</u>	<u>50,364</u>	<u>33,793</u>
Cash and cash equivalents at end of year	<u>\$ 507,935</u>	<u>\$ 250,018</u>	<u>\$ 50,364</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 14,485	\$ 12,038	\$ 17,129
Income taxes	\$ 28,891	\$ 9,581	\$ 17,134

See Notes to the Consolidated Financial Statements

Piper Sandler Companies

Notes to the Consolidated Financial Statements

Note 1 *Organization and Basis of Presentation*

Organization

As described in Note 4, Piper Jaffray Companies completed the acquisition of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill") on January 3, 2020. Upon completion of the acquisition, Piper Jaffray Companies was renamed Piper Sandler Companies. Certain of its subsidiaries were also renamed.

Piper Sandler Companies is the parent company of Piper Sandler & Co. ("Piper Sandler"), a securities broker dealer and investment banking firm; Piper Sandler Ltd., a firm providing securities brokerage and mergers and acquisitions services in Europe; Piper Sandler Finance LLC, which facilitates corporate debt underwriting in conjunction with affiliated credit vehicles; Piper Sandler Investment Group Inc. and PSC Capital Management LLC, entities providing alternative asset management services; Piper Sandler Loan Strategies, LLC ("PSLS"), which provides management services for primary and secondary market liquidity transactions of loan and servicing rights; Piper Sandler Hedging Services, LLC, an entity that assists clients with programmatic hedging solutions and broader hedging strategies; Piper Sandler Financial Products Inc. and Piper Sandler Financial Products II Inc., entities that facilitate derivative transactions; and other immaterial subsidiaries.

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

As discussed in Note 5, Advisory Research, Inc. ("ARI") was sold in the third quarter of 2019. ARI's results, previously reported in the Company's Asset Management segment, have been presented as discontinued operations for all prior periods presented. ARI provided traditional asset management services with product offerings in master limited partnerships and equity securities.

Basis of Presentation

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

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

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

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

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

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

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

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

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

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

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

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

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

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

Fixed Assets

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

Leases

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

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

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

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

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

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

Goodwill and Intangible Assets

Goodwill represents the fair value of the consideration transferred in excess of the fair value of identifiable net assets at the acquisition date. The Company tests goodwill and indefinite-life intangible assets for impairment on an annual basis and on an interim basis when circumstances exist that could indicate possible impairment. The Company tests for impairment at the reporting unit level, which is generally one level below its operating segments. The Company has identified one reporting unit: Capital Markets. When testing for impairment, the Company has the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after making an assessment, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then further analysis is unnecessary. However, if the Company concludes otherwise, then the Company is required to perform a quantitative goodwill test, which requires management to make judgments in determining what assumptions to use in the calculation. The quantitative goodwill test compares the fair value of the reporting unit to its carrying value, including allocated goodwill. An impairment is recognized for the excess amount of a reporting unit's carrying value over its fair value. The estimated fair value of the reporting unit is derived based on valuation techniques that a market participant would use. The Company estimates the fair value of the reporting unit using the income approach (discounted cash flow method) and market approach (earnings and/or transaction multiples). See Note 12 for additional information on the Company's impairment testing.

Intangible assets with determinable lives consist of customer relationships, internally developed software and the Simmons & Company International ("Simmons") trade name that are amortized over their original estimated useful lives ranging from one to eight years. The pattern of amortization reflects the timing of the realization of the economic benefits of such intangible assets. The Sandler trade name is an indefinite-lived intangible asset, which is not amortized and is evaluated annually, at a minimum, or on an interim basis if events or circumstances indicate a possible inability to realize the carrying amount.

Investments

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

Piper Sandler Companies**Notes to the Consolidated Financial Statements – Continued****Other Assets**

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

Revenue Recognition

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

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

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

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

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

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

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

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

Stock-Based Compensation

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

Income Taxes

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

Earnings Per Share

Basic earnings per common share is computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share is calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive stock options, restricted stock units and restricted shares. For periods prior to 2020, the Company calculated earnings per share using the two-class method. See Note 21 for additional information on the Company's calculation of earnings per share.

Foreign Currency Translation

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

Contingencies

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Note 3 Recent Accounting Pronouncements

Adoption of New Accounting Standards

Financial Instruments – Credit Losses

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). The new guidance requires an entity to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts as opposed to delaying recognition until the loss was probable of occurring. ASU 2016-13 became effective for the Company as of January 1, 2020. There was no material impact to the Company's consolidated financial statements upon adoption of ASU 2016-13.

Note 4 Acquisitions

The following acquisitions were accounted for pursuant to FASB Accounting Standards Codification Topic 805, "Business Combinations." Accordingly, the purchase price of each acquisition was allocated to the acquired assets and liabilities assumed based on their estimated fair values as of the respective acquisition dates. The excess of the purchase price over the net assets acquired was allocated between goodwill and intangible assets. The fair value of the equity consideration and retention-related restricted stock was determined using the market price of the Company's common stock on the date of the respective acquisition.

SOP Holdings, LLC

On January 3, 2020, the Company completed the acquisition of SOP Holdings, LLC and its subsidiaries, including Sandler O'Neill & Partners, L.P. (collectively, "Sandler O'Neill"), a full-service investment banking firm and broker dealer focused on the financial services industry. The transaction was completed pursuant to the Agreement and Plans of Merger dated July 9, 2019. The purchase price was \$485.0 million, for which the Company was entitled to receive \$100.0 million of tangible book value, subject to a final adjustment as of the closing date. The acquisition of Sandler O'Neill is accretive to the Company's advisory services revenues, diversifies and enhances scale in corporate financings, adds a differentiated fixed income business, and increases scale in the equity brokerage business.

The net assets acquired by the Company are described below. As part of the purchase price, the Company granted 1,568,670 restricted shares valued at \$124.9 million as equity consideration on the acquisition date. These restricted shares are generally subject to ratable vesting over three years and employees must fulfill service requirements in exchange for the rights to the restricted shares. Compensation expense will be amortized on a straight-line basis over the requisite service period of three years.

The Company also entered into acquisition-related compensation arrangements with certain employees of \$113.9 million which consisted of restricted stock (\$96.9 million) and restricted cash (\$17.0 million) for retention purposes. The retention-related awards are also subject to vesting restrictions and employees must remain continuously employed by the Company for the respective vesting period. Compensation expense related to these arrangements will be amortized on a straight-line basis over the requisite service period of 18 months, three years or five years (a weighted average service period of 3.7 years).

The Company recorded \$94.4 million of goodwill on the consolidated statements of financial condition, of which \$93.4 million is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Sandler O'Neill. Identifiable intangible assets purchased by the Company consisted of customer relationships and the Sandler trade name with acquisition-date fair values of \$72.4 million and \$85.4 million, respectively.

Transaction costs of \$1.2 million and \$4.8 million were incurred for the years ended December 31, 2020 and 2019, respectively, and are included in restructuring and integration costs on the consolidated statements of operations.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

(Amounts in thousands)

Assets	
Cash and cash equivalents	\$ 27,420
Receivables from brokers, dealers and clearing organizations	192,675
Fixed assets	6,789
Goodwill	94,360
Intangible assets	157,800
Investments	685
Right-of-use lease asset	39,607
Other assets	9,628
Total assets acquired	528,964
Liabilities	
Accrued compensation	71,398
Accrued lease liability	39,613
Other liabilities and accrued expenses	16,441
Due to Sandler O'Neill (1)	40,673
Total liabilities assumed	168,125
Net assets acquired	\$ 360,839

(1) Represents the amount of excess tangible book value received by the Company on the date of acquisition.

The Valence Group ("Valence")

On April 3, 2020, the Company completed the acquisition of Valence, an investment bank offering mergers and acquisitions advisory services to companies and financial sponsors with a focus on the chemicals, materials and related sectors. The transaction was completed pursuant to the share purchase agreement dated February 20, 2020, as amended. The acquisition adds a new industry sector and expands the Company's presence in Europe.

The net assets acquired by the Company are described below. As part of the purchase price, the Company entered into unsecured promissory notes with the former owners totaling \$20.0 million (the "Valence Notes"), as discussed in Note 15. The Valence Notes were repaid in early 2021. The Company also granted 647,268 restricted shares valued at \$31.2 million as equity consideration on the acquisition date. In addition, the Company entered into acquisition-related compensation arrangements with certain employees of \$5.5 million in restricted stock for retention purposes. Both the equity consideration and retention-related restricted shares are subject to graded vesting, beginning on the third anniversary of the acquisition date, so long as the applicable employee remains continuously employed by the Company for such period. Compensation expense will be amortized on a straight-line basis over the requisite service period of five years.

Additional cash may be earned by certain employees if a revenue threshold is exceeded during the three-year post-acquisition period to the extent they are employed by the Company at the time of payment. Amounts estimated to be payable, if any, will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period. If earned, the amount will be paid by July 3, 2023.

The Company recorded \$33.3 million of goodwill on the consolidated statements of financial condition, none of which is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Valence. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of \$14.8 million.

Transaction costs of \$2.5 million were incurred for the year ended December 31, 2020 and are included in restructuring and integration costs on the consolidated statements of operations.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

(Amounts in thousands)

Assets	
Cash and cash equivalents	\$ 8,181
Fixed assets	256
Goodwill	33,300
Intangible assets	14,800
Right-of-use lease asset	3,279
Other assets	4,190
Total assets acquired	<u>64,006</u>
Liabilities	
Accrued lease liability	3,279
Other liabilities and accrued expenses	10,393
Total liabilities assumed	<u>13,672</u>
Net assets acquired	<u>\$ 50,334</u>

TRS Advisors LLC ("TRS")

On December 31, 2020, the Company completed the acquisition of TRS, an advisory firm offering restructuring and reorganization services to companies in public, private and government settings. The transaction was completed pursuant to the equity purchase agreement dated December 8, 2020. The acquisition expands the scale of the Company's restructuring advisory business.

The net assets acquired by the Company are described below. In addition to cash consideration, as part of the purchase price, the Company granted 145,952 restricted shares valued at \$14.7 million as equity consideration on the acquisition date. The equity consideration restricted shares are subject to graded vesting, beginning on the third anniversary of the acquisition date, so long as the applicable employee remains continuously employed by the Company for such period. Compensation expense will be amortized on a straight-line basis over the requisite service period of five years. In addition, the Company entered into acquisition-related compensation arrangements with certain employees of \$2.9 million in restricted stock for retention purposes. These restricted shares are subject to ratable vesting and employees must fulfill service requirements in exchange for the rights to the restricted shares. Compensation expense will be amortized on a straight-line basis over the requisite service period of three years.

Additional cash of \$7.0 million may be earned by certain employees if a revenue threshold is exceeded during the three-year post-acquisition period to the extent they are employed by the Company at the time of payment. Amounts estimated to be payable, if any, will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period. If earned, the amount will be paid by April 3, 2024.

The Company recorded \$12.2 million of goodwill on the consolidated statements of financial condition, all of which is expected to be deductible for income tax purposes. The final goodwill recorded on the Company's consolidated statements of financial condition may differ from that reflected herein as a result of measurement period adjustments. In management's opinion, the goodwill represents the reputation and operating expertise of TRS. Identifiable intangible assets purchased by the Company consisted of customer relationships with an acquisition-date fair value of \$5.3 million.

Transaction costs of \$0.8 million were incurred for the year ended December 31, 2020 and are included in restructuring and integration costs on the consolidated statements of operations.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

(Amounts in thousands)

Assets	
Cash and cash equivalents	\$ 7
Goodwill	12,199
Intangible assets	5,300
Right-of-use lease asset	1,818
Other assets	6,423
Total assets acquired	25,747
Liabilities	
Accrued compensation	23
Accrued lease liability	1,818
Other liabilities and accrued expenses	7
Total liabilities assumed	1,848
Net assets acquired	\$ 23,899

Weeden & Co. L.P. ("Weeden & Co.")

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

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

Additional cash of up to \$31.5 million may be earned if a net revenue target is achieved during the period from January 1, 2020 to June 30, 2021 ("Weeden Earnout"). Weeden & Co.'s equity owners, a portion of whom are now employees of the Company, are eligible to receive the additional payment. Employees must fulfill service requirements in exchange for the rights to the additional payment. Amounts estimated to be payable to employees will be recorded as compensation expense on the consolidated statements of operations over the requisite performance period. The Company recorded a liability as of the acquisition date for the fair value related to non-employee equity owners, and is required to adjust this liability through the statement of operations for any changes after the acquisition date. If earned, the Weeden Earnout will be paid by September 30, 2021. As of December 31, 2020, the Company expects the maximum Weeden Earnout will be earned and has accrued a total of \$25.0 million related to this additional cash payment. The Company recorded \$24.1 million in non-interest expenses related to the Weeden Earnout for the year ended December 31, 2020.

The Company recorded \$5.8 million of goodwill on the consolidated statements of financial condition, all of which is expected to be deductible for income tax purposes. In management's opinion, the goodwill represents the reputation and operating expertise of Weeden & Co. Identifiable intangible assets purchased by the Company consisted of customer relationships and internally developed software with acquisition-date fair values of \$12.0 million and \$4.7 million, respectively.

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

(Amounts in thousands)

Assets	
Cash and cash equivalents	\$ 4,351
Receivables from brokers, dealers and clearing organizations	1,623
Fixed assets	289
Goodwill	5,794
Intangible assets	16,700
Right-of-use lease asset	6,811
Other assets	7,675
Total assets acquired	43,243
Liabilities	
Accrued compensation	2,156
Accrued lease liability	6,811
Other liabilities and accrued expenses	10,251
Total liabilities assumed	19,218
Net assets acquired	\$ 24,025

Pro Forma Financial Information

The results of operations of Sandler O'Neill, Valence, TRS and Weeden & Co. have been included in the Company's consolidated financial statements prospectively beginning on the respective acquisition dates. The acquisitions have been fully integrated with the Company's existing operations. Accordingly, post-acquisition revenues and net income are not discernible. The following unaudited pro forma financial data is presented on a combined basis. Based on the respective acquisition dates, the unaudited pro forma financial data assumes that the Sandler O'Neill, Valence and TRS acquisitions had occurred on January 1, 2018, the beginning of the comparable prior period presented, and that the Weeden & Co. acquisition had occurred on January 1, 2017. Pro forma results have been prepared by adjusting the Company's historical results to include the results of operations of Sandler O'Neill, Valence, TRS and Weeden & Co. adjusted for the following significant changes: interest expense was adjusted to reflect the debt incurred by the Company to fund portions of the Sandler O'Neill and Valence purchase price; amortization expense was adjusted to account for the acquisition-date fair value of intangible assets; compensation and benefits expenses were adjusted to reflect the restricted cash or restricted stock issued as part of the respective purchase price, the restricted stock issued for retention purposes, and the cost that would have been incurred had Sandler O'Neill partners and Valence and TRS employees been included in the Company's employee compensation arrangements; and the income tax effect of applying the Company's statutory tax rates to the results of operations of Sandler O'Neill, Valence, TRS and Weeden & Co. The Company's consolidated unaudited pro forma information presented does not necessarily reflect the results of operations that would have resulted had the acquisitions been completed at the beginning of the applicable periods presented, does not contemplate client account overlap and anticipated operational efficiencies of the combined entities, nor does it indicate the results of operations in future periods.

	Year Ended December 31,		
	2020	2019	2018
<i>(Amounts in thousands)</i>			
Net revenues	\$ 1,289,331	\$ 1,252,260	\$ 1,183,131
Net income from continuing operations applicable to Piper Sandler Companies	44,453	73,952	6,327

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Note 5 Discontinued Operations

In the third quarter of 2019, the Company completed the sale of its traditional asset management business, which was conducted through its wholly-owned subsidiary ARI. On September 20, 2019, the Company completed the sale of the master limited partnerships and energy infrastructure strategies business to Tortoise Capital Advisors. Additionally, on September 27, 2019, the Company completed the sale of its remaining equity strategies business to its former management team. The transactions generated cash proceeds of \$53.9 million.

ARI's results, previously reported in the Asset Management segment, have been presented as discontinued operations for all prior periods presented and the related assets and liabilities were classified as held for sale. The components of discontinued operations were as follows:

<i>(Amounts in thousands)</i>	Year Ended December 31,	
	2019	2018
Net revenues	\$ 26,546	\$ 43,489
Operating expenses	22,589	35,227
Intangible asset amortization (1)	5,465	5,602
Restructuring costs	10,268	272
Total non-interest expenses	38,322	41,101
Income/(loss) from discontinued operations before income tax expense/(benefit)	(11,776)	2,388
Income tax expense/(benefit)	(2,522)	1,001
Income/(loss) from discontinued operations before gain on sales	(9,254)	1,387
Gain on sales, net of tax	33,026	—
Income from discontinued operations, net of tax	<u>\$ 23,772</u>	<u>\$ 1,387</u>

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

<i>(Amounts in thousands)</i>	December 31, 2020	December 31, 2019
Financial instruments and other inventory positions owned:		
Corporate securities:		
Equity securities	\$ 1,349	\$ 3,046
Convertible securities	146,088	146,406
Fixed income securities	18,432	28,176
Municipal securities:		
Taxable securities	6,267	22,570
Tax-exempt securities	67,944	222,192
Short-term securities	28,592	67,901
Mortgage-backed securities	13	13
U.S. government agency securities	9,146	51,773
U.S. government securities	100,275	77,303
Derivative contracts	23,446	20,382
Total financial instruments and other inventory positions owned	<u>\$ 401,552</u>	<u>\$ 639,762</u>
Financial instruments and other inventory positions sold, but not yet purchased:		
Corporate securities:		
Equity securities	\$ 105,190	\$ 94,036
Fixed income securities	18,789	10,311
U.S. government agency securities	—	9,935
U.S. government securities	21,669	67,090
Derivative contracts	5,382	4,053
Total financial instruments and other inventory positions sold, but not yet purchased	<u>\$ 151,030</u>	<u>\$ 185,425</u>

At December 31, 2020 and 2019, financial instruments and other inventory positions owned in the amount of \$130.7 million and \$205.7 million, respectively, had been pledged as collateral for short-term financings.

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

Derivative Contract Financial Instruments

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

Customer matched-book derivatives: The Company enters into interest rate derivative contracts in a principal capacity as a dealer to satisfy the financial needs of its customers. The Company simultaneously enters into an interest rate derivative contract with a third party for the same notional amount to hedge the interest rate and credit risk of the initial client interest rate derivative contract. In certain limited instances, the Company has only hedged interest rate risk with a third party, and retains uncollateralized credit risk as described below. The instruments use interest rates based upon the London

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Interbank Offered Rate ("LIBOR") index, the Municipal Market Data ("MMD") index or the Securities Industry and Financial Markets Association ("SIFMA") index.

Trading securities derivatives: The Company enters into interest rate derivative contracts and uses U.S. treasury bond futures and options to hedge interest rate and market value risks associated with its fixed income securities. These instruments use interest rates based upon the MMD index, LIBOR or the SIFMA index. The Company also enters into equity option contracts to hedge market value risk associated with its convertible securities.

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

<i>(Amounts in thousands)</i> Derivative Category	December 31, 2020			December 31, 2019		
	Derivative Assets (1)	Derivative Liabilities (2)	Notional Amount	Derivative Assets (1)	Derivative Liabilities (2)	Notional Amount
Interest rate						
Customer matched-book	\$ 233,116	\$ 223,218	\$ 1,955,131	\$ 209,119	\$ 198,315	\$ 2,197,340
Trading securities	—	4,225	55,375	8	1,852	110,875
	<u>\$ 233,116</u>	<u>\$ 227,443</u>	<u>\$ 2,010,506</u>	<u>\$ 209,127</u>	<u>\$ 200,167</u>	<u>\$ 2,308,215</u>

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

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

<i>(Amounts in thousands)</i> Derivative Category	Operations Category	Year Ended December 31,		
		2020	2019	2018
Interest rate derivative contract	Investment banking	\$ (1,407)	\$ (912)	\$ (1,880)
Interest rate derivative contract	Institutional brokerage	(1,881)	2,417	334
		<u>\$ (3,288)</u>	<u>\$ 1,505</u>	<u>\$ (1,546)</u>

Credit risk associated with the Company's derivatives is the risk that a derivative counterparty will not perform in accordance with the terms of the applicable derivative contract. Credit exposure associated with the Company's derivatives is driven by uncollateralized market movements in the fair value of the contracts with counterparties and is monitored regularly by the Company's financial risk committee. The Company considers counterparty credit risk in determining derivative contract fair value. The majority of the Company's derivative contracts are substantially collateralized by its counterparties, who are major financial institutions. The Company has a limited number of counterparties who are not required to post collateral. Based on market movements, the uncollateralized amounts representing the fair value of a derivative contract can become material, exposing the Company to the credit risk of these counterparties. As of December 31, 2020, the Company had \$24.0 million of uncollateralized credit exposure with these counterparties (notional contract amount of \$161.3 million), including \$20.2 million of uncollateralized credit exposure with one counterparty.

Piper Sandler Companies**Notes to the Consolidated Financial Statements – Continued****Note 7 Fair Value of Financial Instruments**

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

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

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

Cash Equivalents

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

Financial Instruments and Other Inventory Positions Owned

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

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

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

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

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

Piper Sandler Companies**Notes to the Consolidated Financial Statements – Continued**

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 variable rate demand notes and other short-term municipal securities. Variable rate demand notes and other short-term municipal securities are valued using recently executed observable trades or market price quotations and therefore are generally categorized as Level II.

Mortgage-backed securities – Mortgage-backed securities collateralized by residential mortgages are valued using cash flow models that utilize unobservable inputs including credit default rates, prepayment rates, loss severity and valuation yields. As judgment is used to determine the range of these inputs, these mortgage-backed securities are categorized as Level III.

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

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

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

Investments

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

Fair Value Option – The fair value option permits the irrevocable fair value option election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The fair value option was elected for certain merchant banking and other investments at inception to reflect economic events in earnings on a timely basis. Merchant banking and other equity investments of \$1.8 million and \$2.1 million, included within investments on the consolidated statements of financial condition, were accounted for at fair value and were classified as Level III assets at December 31, 2020 and 2019, respectively. The realized and unrealized net impact from fair value changes included in earnings as a result of electing to apply the fair value option to certain financial assets were gains of \$0.2 million, losses of \$0.6 million and gains of \$0.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

The following table summarizes quantitative information about the significant unobservable inputs used in the fair value measurement of the Company's Level III financial instruments as of December 31, 2020:

	Valuation Technique	Unobservable Input	Range	Weighted Average (1)
Assets				
Financial instruments and other inventory positions owned:				
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in basis points ("bps") (2)	1 - 3 bps	1.8 bps
Investments at fair value:				
Equity securities in private companies	Market approach	Revenue multiple (2)	3 - 5 times	4.1 times
		EBITDA multiple (2)	9 - 20 times	15.8 times
Liabilities				
Financial instruments and other inventory positions sold, but not yet purchased:				
Derivative contracts:				
Interest rate locks	Discounted cash flow	Premium over the MMD curve in bps (3)	0 - 8 bps	2.4 bps

Uncertainty of fair value measurements:

- (1) *Unobservable inputs were weighted by the relative fair value of the financial instruments.*
- (2) *Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly higher/(lower) fair value measurement.*
- (3) *Significant increase/(decrease) in the unobservable input in isolation would have resulted in a significantly lower/(higher) fair value measurement.*

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

The following table summarizes the valuation of the Company's financial instruments by pricing observability levels defined in ASC 820 as of December 31, 2020:

<i>(Amounts in thousands)</i>	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Counterparty and Cash Collateral Netting (1)</u>	<u>Total</u>
Assets					
Financial instruments and other inventory positions owned:					
Corporate securities:					
Equity securities	\$ 330	\$ 1,019	\$ —	\$ —	\$ 1,349
Convertible securities	—	146,088	—	—	146,088
Fixed income securities	—	18,432	—	—	18,432
Municipal securities:					
Taxable securities	—	6,267	—	—	6,267
Tax-exempt securities	—	67,944	—	—	67,944
Short-term securities	—	28,592	—	—	28,592
Mortgage-backed securities	—	—	13	—	13
U.S. government agency securities	—	9,146	—	—	9,146
U.S. government securities	100,275	—	—	—	100,275
Derivative contracts	—	232,846	270	(209,670)	23,446
Total financial instruments and other inventory positions owned	<u>100,605</u>	<u>510,334</u>	<u>283</u>	<u>(209,670)</u>	<u>401,552</u>
Cash equivalents	468,091	—	—	—	468,091
Investments at fair value	16,496	5,358	152,995 (2)	—	174,849
Total assets	<u>\$ 585,192</u>	<u>\$ 515,692</u>	<u>\$ 153,278</u>	<u>\$ (209,670)</u>	<u>\$ 1,044,492</u>
Liabilities					
Financial instruments and other inventory positions sold, but not yet purchased:					
Corporate securities:					
Equity securities	\$ 102,013	\$ 3,177	\$ —	\$ —	\$ 105,190
Fixed income securities	—	18,789	—	—	18,789
U.S. government securities	21,669	—	—	—	21,669
Derivative contracts	—	223,737	3,706	(222,061)	5,382
Total financial instruments and other inventory positions sold, but not yet purchased	<u>\$ 123,682</u>	<u>\$ 245,703</u>	<u>\$ 3,706</u>	<u>\$ (222,061)</u>	<u>\$ 151,030</u>

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

(2) Includes noncontrolling interests of \$96.7 million primarily attributable to unrelated third party ownership in consolidated merchant banking funds.

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Notes to the Consolidated Financial Statements – Continued

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

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

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

(2) Includes noncontrolling interests of \$75.2 million primarily attributable to unrelated third party ownership in consolidated merchant banking funds.

The Company's Level III assets were \$153.3 million and \$132.4 million, or 14.7 percent and 13.0 percent of financial instruments measured at fair value at December 31, 2020 and 2019, respectively. There were no significant transfers between levels for the year ended December 31, 2020.

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Notes to the Consolidated Financial Statements – Continued

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

	Balance at			Transfers	Transfers	Realized	Unrealized	Balance at	Unrealized gains/ (losses) for assets/ liabilities held at
(Amounts in thousands)	December 31,	Purchases	Sales	in	out	gains/ (losses)	gains/ (losses)	December 31,	December 31,
	2019							2020	2020
Assets									
Financial instruments and other inventory positions owned:									
Mortgage-backed securities	\$ 13	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13	\$ —
Derivative contracts	8	1,005	(535)	—	—	(470)	262	270	270
Total financial instruments and other inventory positions owned	21	1,005	(535)	—	—	(470)	262	283	270
Investments at fair value	132,329	16,133	(6,285)	—	(130)	(3,264)	14,212	152,995	8,711
Total assets	\$ 132,350	\$ 17,138	\$ (6,820)	\$ —	\$ (130)	\$ (3,734)	\$ 14,474	\$ 153,278	\$ 8,981

Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	\$ 1,563	\$ (14,983)	\$ 379	\$ —	\$ —	\$ 14,604	\$ 2,143	\$ 3,706	\$ 3,706
Total financial instruments and other inventory positions sold, but not yet purchased	\$ 1,563	\$ (14,983)	\$ 379	\$ —	\$ —	\$ 14,604	\$ 2,143	\$ 3,706	\$ 3,706

	Balance at			Transfers	Transfers	Realized	Unrealized	Balance at	Unrealized gains/ (losses) for assets/ liabilities held at
(Amounts in thousands)	December 31,	Purchases	Sales	in	out	gains/ (losses)	gains/ (losses)	December 31,	December 31,
	2018							2019	2019
Assets									
Financial instruments and other inventory positions owned:									
Mortgage-backed securities	\$ 15	\$ —	\$ (6)	\$ —	\$ —	\$ (23)	\$ 27	\$ 13	\$ —
Derivative contracts	229	42	(796)	—	—	755	(222)	8	8
Total financial instruments and other inventory positions owned	244	42	(802)	—	—	732	(195)	21	8
Investments at fair value	107,792	23,624	(14,897)	—	(783)	2,901	13,692	132,329	16,105
Total assets	\$ 108,036	\$ 23,666	\$ (15,699)	\$ —	\$ (783)	\$ 3,633	\$ 13,497	\$ 132,350	\$ 16,113

Liabilities									
Financial instruments and other inventory positions sold, but not yet purchased:									
Derivative contracts	\$ 4,202	\$ (16,311)	\$ —	\$ —	\$ —	\$ 16,311	\$ (2,639)	\$ 1,563	\$ 1,563
Total financial instruments and other inventory positions sold, but not yet purchased	\$ 4,202	\$ (16,311)	\$ —	\$ —	\$ —	\$ 16,311	\$ (2,639)	\$ 1,563	\$ 1,563

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Notes to the Consolidated Financial Statements – Continued

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

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

Note 8 Variable Interest Entities ("VIEs")

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

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

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

Consolidated VIEs

The Company's consolidated VIEs at December 31, 2020 include certain alternative asset management funds in which the Company has an investment and, as the managing partner, is deemed to have both the power to direct the most significant activities of the funds and the right to receive benefits (or the obligation to absorb losses) that could potentially be significant to these funds.

The following table presents information about the carrying value of the assets and liabilities of the VIEs which are consolidated by the Company and included on the consolidated statements of financial condition at December 31, 2020. The assets can only be used to settle the liabilities of the respective VIE, and the creditors of the VIEs do not have recourse to the general credit of the Company. One of these VIEs has \$25.0 million of bank line financing available with an interest rate based on prime plus an applicable margin. The assets and liabilities are presented prior to consolidation, and thus a portion of these assets and liabilities are eliminated in consolidation.

<i>(Amounts in thousands)</i>	Alternative Asset Management Funds
Assets	
Investments	\$ 150,879
Other assets	5,905
Total assets	<u>\$ 156,784</u>
Liabilities	
Other liabilities and accrued expenses	\$ 2,593
Total liabilities	<u>\$ 2,593</u>

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Nonconsolidated VIEs

The Company determined it is not the primary beneficiary of certain VIEs and accordingly does not consolidate them. These VIEs had net assets approximating \$1.8 billion and \$0.3 billion at December 31, 2020 and 2019, respectively. The Company's exposure to loss from these VIEs is \$7.8 million, which is the carrying value of its capital contributions recorded in investments on the consolidated statements of financial condition at December 31, 2020. The Company had no liabilities related to these VIEs at December 31, 2020 and 2019. Furthermore, the Company has not provided financial or other support to these VIEs that it was not previously contractually required to provide as of December 31, 2020.

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

<i>(Amounts in thousands)</i>	December 31, 2020	December 31, 2019
Receivable from clearing organizations	\$ 184,662	\$ 260,436
Receivable from brokers and dealers	33,514	19,161
Other	3,315	3,511
Total receivables from brokers, dealers and clearing organizations	<u>\$ 221,491</u>	<u>\$ 283,108</u>

<i>(Amounts in thousands)</i>	December 31, 2020	December 31, 2019
Payable to brokers and dealers	\$ 18,591	\$ 7,514
Total payables to brokers, dealers and clearing organizations	<u>\$ 18,591</u>	<u>\$ 7,514</u>

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

Note 10 Investments

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

<i>(Amounts in thousands)</i>	December 31, 2020	December 31, 2019
Investments at fair value	\$ 174,849	\$ 149,987
Investments at cost	611	1,084
Investments accounted for under the equity method	7,719	7,070
Total investments	183,179	158,141
Less investments attributable to noncontrolling interests (1)	(96,657)	(75,245)
	<u>\$ 86,522</u>	<u>\$ 82,896</u>

(1) Noncontrolling interests are primarily attributable to unrelated third party ownership in consolidated merchant banking funds.

At December 31, 2020, investments carried on a cost basis had an estimated fair market value of \$0.6 million. Because valuation estimates were based upon management's judgment, investments carried at cost would be categorized as Level III assets in the fair value hierarchy, if they were carried at fair value.

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Notes to the Consolidated Financial Statements – Continued

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

Note 11 Other Assets

<i>(Amounts in thousands)</i>	December 31, 2020	December 31, 2019
Fee receivables	\$ 38,840	\$ 18,574
Accrued interest receivables	1,474	2,977
Forgivable loans, net	5,526	5,227
Prepaid expenses	14,585	10,687
Income tax receivables	—	2,658
Other	14,618	15,317
Total other assets	<u>\$ 75,043</u>	<u>\$ 55,440</u>

Note 12 Goodwill and Intangible Assets

(Amounts in thousands)

Goodwill

Balance at December 31, 2018	\$ 81,855
Goodwill acquired	5,794
Balance at December 31, 2019	\$ 87,649
Goodwill acquired	139,859
Balance at December 31, 2020	\$ 227,508

Intangible assets

Balance at December 31, 2018	\$ 4,284
Intangible assets acquired	16,700
Amortization of intangible assets	(4,298)
Balance at December 31, 2019	\$ 16,686
Intangible assets acquired	177,900
Amortization of intangible assets	(44,728)
Balance at December 31, 2020	\$ 149,858

As discussed in Note 4, the addition of goodwill and intangible assets during the year ended December 31, 2020 related to the acquisitions of Sandler O'Neill, Valence and TRS. Management identified \$157.8 million of intangible assets related to the acquisition of Sandler O'Neill, consisting of customer relationships of \$72.4 million and the Sandler trade name of \$85.4 million. The customer relationships will be amortized over a weighted average life of 2.4 years. The Sandler trade name is an indefinite-lived intangible asset and will not be subject to amortization. Management identified \$14.8 million of customer relationship intangible assets related to the acquisition of Valence, which will be amortized over a weighted average life of 1.4 years. Management also identified \$5.3 million of customer relationship intangible assets related to the acquisition of TRS, which will be amortized over one year. The addition of goodwill and intangible assets during the year ended December 31, 2019 related to the acquisition of Weeden & Co. Management identified \$16.7 million of intangible assets, consisting of \$12.0 million of customer relationships and \$4.7 million of internally developed software, which are being amortized over a weighted average life of 8.4 years and 3.6 years, respectively.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

(Amounts in thousands)

2021	\$	30,080
2022		9,344
2023		7,442
2024		6,292
2025		5,302
Thereafter		5,998
Total	<u>\$</u>	<u>64,458</u>

The Company performed its annual goodwill impairment testing as of October 31, 2020, which resulted in no impairment. The annual goodwill impairment testing for 2019 and 2018 resulted in no impairment associated with the Capital Markets reporting unit.

The Company also evaluated its intangible assets and concluded there was no impairment in 2020, 2019 and 2018 associated with the Capital Markets reporting unit.

Note 13 Fixed Assets

(Amounts in thousands)

	December 31, 2020	December 31, 2019
Furniture and equipment	<u>\$ 50,971</u>	<u>\$ 44,018</u>
Leasehold improvements	<u>55,510</u>	<u>39,714</u>
Software	<u>12,214</u>	<u>12,109</u>
Total	<u>118,695</u>	<u>95,841</u>
Accumulated depreciation and amortization	<u>(74,883)</u>	<u>(65,991)</u>
	<u>\$ 43,812</u>	<u>\$ 29,850</u>

For the years ended December 31, 2020, 2019 and 2018, depreciation and amortization of furniture and equipment, leasehold improvements and software totaled \$10.7 million, \$9.3 million and \$8.1 million, respectively, and are included in occupancy and equipment expense from continuing operations on the consolidated statements of operations.

Note 14 Short-Term Financing

(Amounts in thousands)

	Outstanding Balance		Weighted Average Interest Rate	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Commercial paper	<u>\$ —</u>	<u>\$ 49,978</u>	<u>— %</u>	<u>2.69 %</u>
Total short-term financing	<u>\$ —</u>	<u>\$ 49,978</u>		

The Company issues secured commercial paper to fund a portion of its securities inventory. The commercial paper notes ("CP Notes") can be issued with maturities of 27 days to 270 days from the date of issuance. The CP Notes are currently issued under the CP Series II A program, and are secured by different inventory classes. The CP Notes are interest bearing or sold at a discount to par with an interest rate based on LIBOR plus an applicable margin. CP Series II A includes a covenant that requires the Company's U.S. broker dealer subsidiary to maintain excess net capital of \$100 million. At December 31, 2020, the CP Series II A program had no outstanding balance. The Company retired the CP Series A program on January 2, 2020.

Piper Sandler Companies**Notes to the Consolidated Financial Statements – Continued**

The Company has an unsecured \$50 million revolving credit facility with U.S. Bank, N.A. The credit agreement will terminate on December 20, 2022, unless otherwise terminated, and is subject to a one-year extension exercisable at the option of the Company. This credit facility includes customary events of default and covenants that, among other things, requires the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital of \$120 million, limits the Company's leverage ratio, requires maintenance of a minimum ratio of operating cash flow to fixed charges, and imposes certain limitations on the Company's ability to make acquisitions and make payments on its capital stock. At December 31, 2020, there were no advances against this credit facility. In January 2021, the Company increased this credit facility from \$50 million to \$65 million.

The Company's committed short-term bank line financing at December 31, 2020 consisted of a one-year \$100 million committed revolving credit facility with U.S. Bank, N.A., which has been renewed annually in the fourth quarter of each year since 2008. Advances under this facility are secured by certain marketable securities. The facility includes a covenant that requires the Company's U.S. broker dealer subsidiary to maintain a minimum regulatory net capital of \$120 million, and the unpaid principal amount of all advances under this facility will be due on December 10, 2021. The Company pays a nonrefundable commitment fee on the unused portion of the facility on a quarterly basis. At December 31, 2020, the Company had no advances against this line of credit.

Note 15 Long-Term Financing

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

On April 3, 2020, the Company entered into unsecured promissory notes as part of the acquisition of Valence totaling \$20 million. The Valence Notes bear interest at an annual fixed rate of 5.0 percent and mature on October 15, 2021. Interest is payable quarterly in arrears. The Valence Notes were repaid in early 2021.

Long-term financing arrangements are recorded at amortized cost which approximates fair value at December 31, 2020.

Note 16 Contingencies, Commitments and Guarantees**Legal Contingencies**

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

The Company has established reserves for potential losses that are probable and reasonably estimable that may result from pending and potential legal actions, investigations and regulatory proceedings. Reasonably possible losses in excess of amounts accrued at December 31, 2020 are not material. In many cases, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any potential loss, particularly where proceedings may be in relatively early stages or where plaintiffs are seeking substantial or indeterminate damages. Matters frequently need to be more developed before a loss or range of loss can reasonably be estimated.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

Litigation-related reserve activity included within other operating expenses from continuing operations was immaterial for the years ended December 31, 2020, 2019 and 2018.

Operating Lease Commitments

The Company leases office space throughout the United States and in a limited number of foreign countries where the Company's international operations reside. Aggregate minimum lease commitments on an undiscounted basis for the Company's operating leases (including short-term leases) as of December 31, 2020 were as follows:

(Amounts in thousands)

2021	\$	24,345
2022		22,589
2023		18,421
2024		16,185
2025		14,060
Thereafter		22,471
Total	\$	<u>118,071</u>

Total minimum rentals to be received from 2021 through 2024 under noncancelable subleases were \$1.5 million at December 31, 2020.

The following table summarizes the Company's operating lease costs and sublease income from continuing operations subsequent to the adoption of ASU No. 2016-02, "Leases (Topic 842)" on January 1, 2019:

	Year Ended December 31,	
	2020	2019
<i>(Amounts in millions)</i>		
Operating lease costs	\$ 21.9	\$ 12.1
Operating lease costs related to short-term leases	0.8	0.7
Sublease income	1.8	1.6

At December 31, 2020, the weighted average remaining lease term for operating leases was 5.6 years and the weighted average discount rate was 4.0 percent.

Investment Commitments

As of December 31, 2020, the Company had commitments to invest approximately \$66.0 million in limited partnerships or limited liability companies that make direct or indirect equity or debt investments in companies.

Other Guarantees

The Company is a member of numerous exchanges. Under the membership agreements with these entities, members generally are required to guarantee the performance of other members, and if a member becomes unable to satisfy its obligations to the exchange, other members would be required to meet shortfalls. To mitigate these performance risks, the exchanges often require members to post collateral. In addition, the Company identifies and guarantees certain clearing agents against specified potential losses in connection with providing services to the Company or its affiliates. The Company's maximum potential

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

liability under these arrangements cannot be quantified. However, management believes the likelihood that the Company would be required to make payments under these arrangements is remote. Accordingly, no liability is recorded in the consolidated statements of financial condition for these arrangements.

Concentration of Credit Risk

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

Note 17 Restructuring and Integration Costs

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

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Severance, benefits and outplacement	\$ 3,032	\$ 2,938	\$ 3,183
Contract termination	891	2,798	185
Vacated leased office space	2,481	1,726	130
Total restructuring costs	<u>6,404</u>	<u>7,462</u>	<u>3,498</u>
Integration costs	<u>4,351</u>	<u>6,859</u>	<u>—</u>
Total restructuring and integration costs	<u>\$ 10,755</u>	<u>\$ 14,321</u>	<u>\$ 3,498</u>

Note 18 Shareholders' Equity

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

Common Stock

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Dividends

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

In 2020, the Company declared and paid quarterly cash dividends on its common stock, aggregating \$1.25 per share, and an annual special cash dividend on its common stock related to fiscal year 2019 results of \$0.75 per share, totaling \$28.2 million.

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

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

On February 4, 2021, the board of directors declared both a quarterly and annual special cash dividend on its common stock of \$0.40 and \$1.85 per share, respectively, to be paid on March 12, 2021, to shareholders of record as of the close of business on March 3, 2021.

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

Share Repurchases

Effective January 1, 2020, the Company's board of directors authorized the repurchase of up to \$150.0 million in common shares through December 31, 2021. In 2020, the Company repurchased 188,319 shares at an average price of \$69.72 per share for an aggregate purchase price of \$13.1 million related to this authorization. The Company has \$136.9 million remaining under this authorization.

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

The Company also purchases shares of common stock from restricted stock award recipients upon the award vesting or as recipients sell shares to meet their employment tax obligations. The Company purchased 105,193 shares or \$8.8 million; 701,217 shares or \$50.6 million; and 279,664 shares or \$23.8 million of the Company's common stock for these purposes during the years ended December 31, 2020, 2019 and 2018, respectively.

Issuance of Shares

The Company issues common shares out of treasury stock as a result of employee restricted share vesting and exercise transactions as discussed in Note 20. During the years ended December 31, 2020, 2019 and 2018, the Company issued 309,089 shares, 1,415,147 shares and 1,040,015 shares, respectively, related to these obligations. During the year ended December 31, 2020, the Company also issued 34,205 common shares out of treasury stock for Sandler O'Neill deal consideration, as discussed in Note 4.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Preferred Stock

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

Noncontrolling Interests

The consolidated financial statements include the accounts of Piper Sandler Companies, its wholly owned subsidiaries and other entities in which the Company has a controlling financial interest. Noncontrolling interests represent equity interests in consolidated entities that are not attributable, either directly or indirectly, to Piper Sandler Companies. Noncontrolling interests primarily represent the minority equity holders' proportionate share of the equity in the Company's merchant banking funds.

Ownership interests in entities held by parties other than the Company's common shareholders are presented as noncontrolling interests within shareholders' equity, separate from the Company's own equity. Revenues, expenses and net income or loss are reported on the consolidated statements of operations on a consolidated basis, which includes amounts attributable to both the Company's common shareholders and noncontrolling interests. Net income or loss is then allocated between the Company and noncontrolling interests based upon their relative ownership interests. Net income applicable to noncontrolling interests is deducted from consolidated net income to determine net income applicable to the Company. There was no other comprehensive income or loss attributed to noncontrolling interests for the years ended December 31, 2020, 2019 and 2018.

Note 19 *Employee Benefit Plans*

The Company has various employee benefit plans, and substantially all employees are covered by at least one plan. The plans include health and welfare plans and a tax-qualified retirement plan (the "Retirement Plan"). During the years ended December 31, 2020, 2019 and 2018, the Company incurred employee benefits expenses from continuing operations of \$25.5 million, \$18.4 million and \$18.1 million, respectively.

Health and Welfare Plans

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

The Company is self-insured for losses related to health claims, although it obtains third party stop loss insurance coverage on both an individual and a group plan basis. Self-insured liabilities are based on a number of factors, including historical claims experience, an estimate of claims incurred but not reported and valuations provided by third party actuaries. For the years ended December 31, 2020, 2019 and 2018, the Company recognized expense of \$14.7 million, \$10.6 million and \$10.7 million, respectively, in compensation and benefits expense from continuing operations on the consolidated statements of operations related to its health plans.

Retirement Plan

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

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Note 20 Compensation Plans

Stock-Based Compensation Plans

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

The following table provides a summary of the Company's outstanding equity awards (in shares or units) as of December 31, 2020:

<i>Incentive Plan</i>	
Restricted Stock	
Annual grants	456,066
Sign-on grants	103,405
	<u>559,471</u>
<i>2019 Inducement Plan</i>	
Restricted Stock	97,100
<i>2020 Inducement Plan</i>	
Restricted Stock	1,328,301
Total restricted stock related to compensation	<u>1,984,872</u>
Deal Consideration (1)	<u>2,327,685</u>
Total restricted stock outstanding	<u><u>4,312,557</u></u>
<i>Incentive Plan</i>	
Restricted Stock Units	
Leadership grants	146,048
<i>Incentive Plan</i>	
Stock Options	<u>81,667</u>

(1) The Company issued restricted stock with service conditions as part of deal consideration for the acquisitions of Sandler O'Neill, Valence and TRS. See Note 4 for further discussion.

Incentive Plan

The Incentive Plan permits the grant of equity awards, including restricted stock, restricted stock units and non-qualified stock options, to the Company's employees and directors for up to 9.4 million shares of common stock (1.7 million shares remained available for future issuance under the Incentive Plan as of December 31, 2020). The Company believes that such awards help align the interests of employees and directors with those of shareholders and serve as an employee retention tool. The Incentive Plan provides for accelerated vesting of awards if there is a severance event, a change in control of the Company (as defined in the Incentive Plan), in the event of a participant's death, and at the discretion of the compensation committee of the Company's board of directors.

Piper Sandler Companies**Notes to the Consolidated Financial Statements – Continued***Restricted Stock Awards*

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

The Company's Annual Grants are made each year in February. Annual Grants vest ratably over three years in equal installments. The Annual Grants provide for continued vesting after termination of employment, so long as the employee does not violate certain post-termination restrictions set forth in the award agreement or any agreements entered into upon termination. The Company determined the service inception date precedes the grant date for the Annual Grants, and that the post-termination restrictions do not meet the criteria for an in-substance service condition, as defined by ASC 718. Accordingly, restricted stock granted as part of the Annual Grants is expensed in the one-year period in which those awards are deemed to be earned, which is generally the calendar year preceding the February grant date. For example, the Company recognized compensation expense during fiscal year 2020 for its February 2021 Annual Grant. If an equity award related to the Annual Grants is forfeited as a result of violating the post-termination restrictions, the lower of the fair value of the award at grant date or the fair value of the award at the date of forfeiture is recorded within the consolidated statements of operations as a reversal of compensation expense.

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

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

Restricted Stock Units

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

Leadership Grants Subsequent to 2016

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

Up to 75 percent of the award can be earned based on the Company achieving certain average adjusted return on equity targets, as defined in the terms of the award agreements. The fair value of this portion of the award was based on the closing price of the Company's common stock on the grant date. If the Company determines that it is probable that the performance condition will be achieved, compensation expense is amortized on a straight-line basis over the 36-month performance period. The probability that the performance condition will be achieved is reevaluated each reporting period with changes in estimated outcomes accounted for using a cumulative effect adjustment to compensation expense. Compensation expense will be recognized only if the performance condition is met. Employees forfeit unvested restricted stock units upon termination of employment with a corresponding reversal of compensation expense. As of December 31, 2020, the Company has determined that the probability of achieving the performance condition for each award is as follows:

Grant Year	Probability of Achieving Performance Condition
2020	75%
2019	75%
2018	57%

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

Grant Year	Risk-free Interest Rate	Expected Stock Price Volatility
2020	1.40%	27.3%
2019	2.50%	31.9%
2018	2.40%	34.8%
2017	1.62%	35.9%

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

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

2016 Leadership Grant

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

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

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

Stock Options

On February 15, 2018, the Company granted options to certain executive officers. These options are expensed on a straight-line basis over the required service period of five years, based on the estimated fair value of the award on the date of grant. The exercise price per share is equal to the closing price on the date of grant plus 10 percent. These options are subject to graded vesting, beginning on the third anniversary of the grant date, so long as the employee remains continuously employed by the Company. The maximum term of these stock options is ten years.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

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

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

Inducement Plans

Inducement plan awards are amortized as compensation expense on a straight-line basis over each respective vesting period. Employees forfeit unvested shares upon termination of employment and a reversal of compensation expense is recorded.

The Company established the 2016 Employment Inducement Award Plan (the "2016 Inducement Plan") in conjunction with the acquisition of Simmons & Company International ("Simmons"). The Company granted \$11.6 million (286,776 shares) in restricted stock under the 2016 Inducement Plan on May 16, 2016. All outstanding shares cliff vested on May 16, 2019 and the 2016 Inducement Plan was terminated in July 2019.

The Company established the 2019 Inducement Plan in conjunction with its acquisition of Weeden & Co. On August 2, 2019, the Company granted \$7.3 million (97,752 shares) in restricted stock. These restricted shares are subject to graded vesting, generally beginning on the third anniversary of the grant date through August 2, 2023.

The Company established the 2020 Inducement Plan in conjunction with its acquisition of Sandler O'Neill. On January 3, 2020, the Company granted \$96.9 million (1,217,423 shares) in restricted stock. These restricted shares have both cliff and graded vesting terms with vesting periods of 18 months, three years or five years (with a weighted average service period of 3.7 years). On April 3, 2020, the Company granted \$5.5 million (114,000 shares) in restricted stock under the 2020 Inducement Plan in conjunction with its acquisition of Valence. These restricted shares are subject to graded vesting, generally beginning on the third anniversary of the grant date through April 3, 2025. On December 31, 2020, the Company granted \$2.9 million (29,194 shares) in restricted stock under the 2020 Inducement Plan in conjunction with its acquisition of TRS. These restricted shares are subject to ratable vesting over a three-year vesting period.

Stock-Based Compensation Activity

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

<i>(Amounts in millions)</i>	Year Ended December 31,		
	2020	2019	2018
Stock-based compensation expense	\$ 120.8	\$ 30.8	\$ 43.2
Forfeitures	2.3	2.6	0.9
Tax benefit related to stock-based compensation expense	15.6	5.4	6.9

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

	Unvested Restricted Stock (in Shares)	Weighted Average Grant Date Fair Value
December 31, 2017	2,225,617	\$ 46.40
Granted	310,494	88.18
Vested	(945,550)	47.65
Canceled	(20,766)	54.53
December 31, 2018	1,569,795	\$ 53.80
Granted	463,088	74.05
Vested	(1,306,844)	47.30
Canceled	(31,814)	76.20
December 31, 2019	694,225	\$ 78.52
Granted	3,968,340	74.82
Vested	(283,934)	80.64
Canceled	(66,074)	77.68
December 31, 2020	4,312,557	\$ 74.99

The fair value of restricted stock that vested during the years ended December 31, 2020, 2019 and 2018 was \$22.9 million, \$61.8 million and \$45.1 million, respectively.

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

	Unvested Restricted Stock Units	Weighted Average Grant Date Fair Value
December 31, 2017	244,772	\$ 27.89
Granted	53,796	92.93
Vested	(86,511)	21.83
Canceled	(17,806)	23.91
December 31, 2018	194,251	\$ 48.97
Granted	39,758	75.78
Vested	(103,707)	19.93
Canceled	(15,987)	45.79
December 31, 2019	114,315	\$ 85.09
Granted	56,066	86.01
Vested	(18,255)	84.10
Canceled	(6,078)	84.10
December 31, 2020	146,048	\$ 85.60

As of December 31, 2020, there was \$210.4 million of total unrecognized compensation cost related to restricted stock and restricted stock units expected to be recognized over a weighted average period of 3.0 years.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
December 31, 2017	—	\$ —	—	\$ —
Granted	81,667	99.00		
Exercised	—	—		
Canceled	—	—		
Expired	—	—		
December 31, 2018	81,667	\$ 99.00	9.1	\$ —
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Expired	—	—		
December 31, 2019	81,667	\$ 99.00	8.1	\$ —
Granted	—	—		
Exercised	—	—		
Canceled	—	—		
Expired	—	—		
December 31, 2020	81,667	\$ 99.00	7.1	\$ 155,167

As of December 31, 2020, there was \$0.8 million of unrecognized compensation cost related to stock options expected to be recognized over a weighted average period of 2.1 years. There were no exercisable options during the years ended December 31, 2020, 2019 and 2018.

The Company has a policy of issuing shares out of treasury (to the extent available) to satisfy share option exercises and restricted stock vesting. The Company expects to withhold approximately 0.1 million shares from employee equity awards vesting in 2021, related to employee individual income tax withholding obligations on restricted stock vesting. For accounting purposes, withholding shares to cover employees' tax obligations is deemed to be a repurchase of shares by the Company.

Deferred Compensation Plans

The Company maintains various deferred compensation arrangements for employees.

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

The Company recorded compensation expense from continuing operations of \$77.2 million, \$45.5 million and \$50.2 million for the years ended December 31, 2020, 2019 and 2018, respectively, related to employee MFRS Awards, less forfeitures. Forfeitures were \$5.8 million, \$3.3 million and \$1.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The nonqualified deferred compensation plan is an unfunded plan which allows certain highly compensated employees, at their election, to defer a portion of their compensation. This plan was closed to future deferral elections by participants for performance periods beginning after December 31, 2017. The amounts deferred under this plan are held in a grantor trust. The Company invests, as a principal, in investments to economically hedge its obligation under the nonqualified deferred compensation plan. Investments in the grantor trust, consisting of mutual funds, totaled \$16.3 million and \$16.7 million as of

Piper Sandler Companies**Notes to the Consolidated Financial Statements – Continued**

December 31, 2020 and 2019, respectively, and are included in investments on the consolidated statements of financial condition. A corresponding deferred compensation liability is included in accrued compensation on the consolidated statements of financial condition. The compensation deferred by the employees was expensed in the period earned. Changes in the fair value of the investments made by the Company are reported in investment income and changes in the corresponding deferred compensation liability are reflected as compensation and benefits expense on the consolidated statements of operations.

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

Note 21 Earnings Per Share ("EPS")

Basic earnings per common share is computed by dividing net income applicable to Piper Sandler Companies' common shareholders by the weighted average number of common shares outstanding for the period. For periods prior to 2020, the Company calculated EPS using the two-class method. Net income applicable to Piper Sandler Companies' common shareholders represented net income applicable to Piper Sandler Companies reduced by the allocation of earnings to participating securities. No allocation of undistributed earnings was made for periods in which a loss was incurred, or for periods in which cash dividends exceeded net income resulting in an undistributed loss. Distributed earnings (e.g., dividends) were allocated to participating securities. Prior to the February 2019 Annual Grant (the "2019 Annual Grant"), all of the Company's restricted shares were deemed to be participating securities as they were eligible to share in the profits (e.g., receive dividends) of the Company. The Company's restricted stock units, as well as restricted stock grants issued in 2019 and subsequent periods, are not participating securities as they are not eligible to receive dividends, or the dividends are forfeitable until vested. Diluted earnings per common share is calculated by adjusting the weighted average outstanding shares to assume conversion of all potentially dilutive stock options, restricted stock units and non-participating restricted shares.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

The computation of EPS is as follows:

	Year Ended December 31,		
	2020	2019	2018
<i>(Amounts in thousands, except per share data)</i>			
Net income from continuing operations applicable to Piper Sandler Companies	\$ 40,504	\$ 87,939	\$ 55,649
Net income from discontinued operations	—	23,772	1,387
Net income applicable to Piper Sandler Companies	40,504	111,711	57,036
Earnings allocated to participating securities	—	(4,511) ⁽¹⁾	(7,043) ⁽¹⁾
Net income applicable to Piper Sandler Companies' common shareholders	\$ 40,504	\$ 107,200 ⁽²⁾	\$ 49,993 ⁽²⁾
Shares for basic and diluted calculations:			
Average shares used in basic computation	13,781	13,555	13,234
Restricted stock units	135	162	191
Non-participating restricted shares	985	220	—
Average shares used in diluted computation	14,901	13,937	13,425
Earnings per basic common share:			
Income from continuing operations	\$ 2.94	\$ 6.21	\$ 3.68
Income from discontinued operations	—	1.69	0.09
Earnings per basic common share	\$ 2.94	\$ 7.90	\$ 3.78
Earnings per diluted common share:			
Income from continuing operations	\$ 2.72	\$ 6.05	\$ 3.63
Income from discontinued operations	—	1.65	0.09
Earnings per diluted common share	\$ 2.72	\$ 7.69	\$ 3.72

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

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

The average shares used in the diluted computation excluded anti-dilutive stock options and non-participating restricted shares of 1.7 million and 0.1 million for the years ended December 31, 2020 and 2019, respectively. The anti-dilutive effects from stock options, restricted stock units and non-participating restricted shares were immaterial for the year ended December 31, 2018.

Piper Sandler Companies
Notes to the Consolidated Financial Statements – Continued
Note 22 Revenues and Business Information

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

Reportable financial results from continuing operations are as follows:

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Capital Markets			
Investment banking			
Advisory services	\$ 443,327	\$ 440,695	\$ 394,133
Corporate financing	295,333	105,256	123,072
Municipal financing	119,816	83,441	71,773
<i>Total investment banking</i>	858,476	629,392	588,978
Institutional brokerage			
Equity brokerage	161,445	87,555	77,110
Fixed income services	196,308	80,336	47,628
<i>Total institutional brokerage</i>	357,753	167,891	124,738
<i>Interest income</i>	13,164	26,741	32,749
<i>Investment income</i>	23,265	22,275	11,039
Total revenues	1,252,658	846,299	757,504
<i>Interest expense</i>	14,445	11,733	16,551
Net revenues	1,238,213	834,566	740,953
Non-interest expenses (1)	1,169,665	715,587	668,464
Pre-tax income	\$ 68,548	\$ 118,979	\$ 72,489
Pre-tax margin	5.5 %	14.3 %	9.8 %

(1) Non-interest expenses include intangible asset amortization of \$44.7 million, \$4.3 million and \$4.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Note 23 *Net Capital Requirements and Other Regulatory Matters*

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

At December 31, 2020, net capital calculated under the SEC rule was \$212.9 million, and exceeded the minimum net capital required under the SEC rule by \$211.9 million.

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

Piper Sandler Ltd., a broker dealer subsidiary registered in the United Kingdom, is subject to the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority. As of December 31, 2020, Piper Sandler Ltd. was in compliance with the capital requirements of the Prudential Regulation Authority and the Financial Conduct Authority.

Piper Sandler Hong Kong Limited is licensed by the Hong Kong Securities and Futures Commission, which is subject to the liquid capital requirements of the Securities and Futures (Financial Resources) Rule promulgated under the Securities and Futures Ordinance. At December 31, 2020, Piper Sandler Hong Kong Limited was in compliance with the liquid capital requirements of the Hong Kong Securities and Futures Commission.

Note 24 *Income Taxes*

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

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted by the U.S. federal government on March 27, 2020 in response to the COVID-19 pandemic, contains tax provisions allowing a five-year carry back of any net operating losses incurred during federal tax years 2018, 2019 and 2020, to periods when the corporate federal tax rate was 35 percent. ASC 740 requires companies to recognize the effect of tax law changes in the period of enactment. For the year ended December 31, 2020, the Company recorded \$2.4 million of income tax benefits related to the tax provisions in the CARES Act.

SEC Staff Accounting Bulletin No. 118, "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" ("SAB 118") permitted companies to report a provisional amount in the financial statements if the accounting for income tax effects of the Tax Cuts and Jobs Act was incomplete as of December 31, 2017. This provisional amount would be subject to adjustment during a defined measurement period. Pursuant to SAB 118, the Company recorded an additional \$1.0 million of income tax expense from continuing operations for the year ended December 31, 2018.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	\$ 43,445	\$ (404)	\$ 16,351
State	14,551	123	4,784
Foreign	150	96	276
	<u>58,146</u>	<u>(185)</u>	<u>21,411</u>
Deferred:			
Federal	(27,995)	19,071	(7,326)
State	(10,510)	5,517	(524)
Foreign	(449)	174	4,485
	<u>(38,954)</u>	<u>24,762</u>	<u>(3,365)</u>
Total income tax expense from continuing operations	<u>\$ 19,192</u>	<u>\$ 24,577</u>	<u>\$ 18,046</u>
Total income tax expense from discontinued operations	<u>\$ —</u>	<u>\$ 8,370</u>	<u>\$ 1,001</u>

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

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Federal income tax expense at statutory rates	\$ 14,395	\$ 24,986	\$ 15,223
Increase/(reduction) in taxes resulting from:			
Impact of the CARES Act	(2,438)	—	—
Impact of the Tax Cuts and Jobs Act	—	—	952
State income taxes, net of federal tax benefit	4,396	4,906	3,390
Net tax-exempt interest income	(1,661)	(1,643)	(3,034)
Foreign jurisdictions tax rate differential	48	(438)	1,067
Non-deductible compensation	6,163	3,293	1,999
Change in valuation allowance	446	(209)	5,299
Vestings of stock awards	(337)	(5,171)	(7,052)
Loss/(income) attributable to noncontrolling interests	(1,859)	(1,357)	253
Other, net	39	210	(51)
Total income tax expense from continuing operations	<u>\$ 19,192</u>	<u>\$ 24,577</u>	<u>\$ 18,046</u>

In accordance with ASC 740, U.S. income taxes are not provided on undistributed earnings of international subsidiaries that are permanently reinvested. As of December 31, 2020, no deferred taxes have been provided for withholding taxes or other taxes that would result upon repatriation of the Company's foreign earnings to the U.S.

Piper Sandler Companies
Notes to the Consolidated Financial Statements – Continued

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

<i>(Amounts in thousands)</i>	December 31, 2020	December 31, 2019
Deferred tax assets:		
Deferred compensation	\$ 78,155	\$ 54,969
Accrued lease liability	24,067	13,531
Goodwill tax basis in excess of book basis	30,174	11,059
Net operating loss carryforwards	4,665	4,965
Liabilities/accruals not currently deductible	1,357	1,530
Other	2,478	3,852
Total deferred tax assets	<u>140,896</u>	<u>89,906</u>
Valuation allowance	<u>(5,045)</u>	<u>(4,599)</u>
Deferred tax assets after valuation allowance	<u>135,851</u>	<u>85,307</u>
Deferred tax liabilities:		
Right-of-use lease asset	19,759	9,289
Unrealized gains on firm investments	5,610	3,988
Fixed assets	5,686	3,408
Other	577	587
Total deferred tax liabilities	<u>31,632</u>	<u>17,272</u>
Net deferred tax assets	<u>\$ 104,219</u>	<u>\$ 68,035</u>

The realization of deferred tax assets is assessed and a valuation allowance is recorded to the extent that it is more likely than not that any portion of the deferred tax asset will not be realized. The Company believes that its future tax profits will be sufficient to recognize its deferred tax assets, with the exception of \$5.0 million in state and foreign net operating loss carryforwards.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

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

(Amounts in thousands)

Balance at December 31, 2017	\$ 166
Additions based on tax positions related to the current year	608
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	—
Settlements	—
Balance at December 31, 2018	\$ 774
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	4,128
Reductions for tax positions of prior years	(358)
Settlements	(285)
Balance at December 31, 2019	\$ 4,259
Additions based on tax positions related to the current year	—
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	(3,212)
Settlements	(943)
Balance at December 31, 2020	\$ 104

As of December 31, 2020, approximately \$0.1 million of the Company's unrecognized tax benefits would impact the annual effective rate, if recognized.

In 2019, the Company recorded a \$4.1 million liability for uncertain state and local income tax positions related to its acquisition of Weeden & Co. This liability was recorded as a measurement period adjustment and includes a corresponding indemnification asset and deferred tax asset. In 2020, the Company reversed \$3.2 million of this liability and corresponding indemnification asset and deferred tax asset as a measurement period adjustment and paid a settlement of \$0.9 million, for which the Company was indemnified.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. The Company had \$1.2 million accrued related to the payment of interest and penalties at December 31, 2019. The Company had no accruals related to the payment of interest and penalties at December 31, 2020 or 2018. The Company or one of its subsidiaries files income tax returns with the various states and foreign jurisdictions in which the Company operates. The Company is not subject to examination by U.S. federal tax authorities for years before 2017 and is not subject to examination by state and local or non-U.S. tax authorities for taxable years before 2015. The Company anticipates the majority of its uncertain income tax positions will be resolved within the next twelve months.

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Note 25 Parent Company only and PSLs

Parent Company only

Condensed Statements of Financial Condition

<i>(Amounts in thousands)</i>	December 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	\$ 200	\$ 200
Investment in and advances to subsidiaries	1,066,069	931,444
Other assets	9,311	16,878
Total assets	<u>\$ 1,075,580</u>	<u>\$ 948,522</u>
Liabilities and Shareholders' Equity		
Long-term financing	\$ 195,000	\$ 175,000
Accrued compensation	47,647	30,336
Other liabilities and accrued expenses	3,508	11,903
Total liabilities	<u>246,155</u>	<u>217,239</u>
Shareholders' equity	<u>829,425</u>	<u>731,283</u>
Total liabilities and shareholders' equity	<u>\$ 1,075,580</u>	<u>\$ 948,522</u>

Piper Sandler Companies
Notes to the Consolidated Financial Statements – Continued
Condensed Statements of Operations

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Revenues:			
Dividends from subsidiaries	\$ 42,450	\$ 54,762	\$ 74,896
Interest income	829	815	1,247
Investment income/(loss)	1,565	2,012	(496)
Total revenues	<u>44,844</u>	<u>57,589</u>	<u>75,647</u>
Interest expense	<u>10,568</u>	<u>1,910</u>	<u>4,902</u>
Net revenues	<u>34,276</u>	<u>55,679</u>	<u>70,745</u>
Non-interest expenses:			
Total non-interest expenses	<u>2,049</u>	<u>4,851</u>	<u>5,844</u>
Income from continuing operations before income tax expense and equity in income of subsidiaries	32,227	50,828	64,901
Income tax expense	<u>8,186</u>	<u>11,215</u>	<u>10,833</u>
Income from continuing operations of parent company	24,041	39,613	54,068
Equity in undistributed income of subsidiaries	<u>16,463</u>	<u>99,005</u>	<u>5,469</u>
Net income from continuing operations	40,504	138,618	59,537
Discontinued operations:			
Loss from discontinued operations, net of tax	<u>—</u>	<u>(26,907)</u>	<u>(2,501)</u>
Net income applicable to Piper Sandler Companies	<u>\$ 40,504</u>	<u>\$ 111,711</u>	<u>\$ 57,036</u>

Piper Sandler Companies

Notes to the Consolidated Financial Statements – Continued

Condensed Statements of Cash Flows

<i>(Amounts in thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Operating Activities:			
Net income	\$ 40,504	\$ 111,711	\$ 57,036
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock-based compensation	525	643	404
Equity in undistributed income of subsidiaries	(16,463)	(99,005)	(5,469)
Net cash provided by operating activities	24,566	13,349	51,971
Financing Activities:			
Issuance of senior notes	—	175,000	—
Repayment of senior notes	—	—	(125,000)
Advances from/(to) subsidiaries	25,571	(102,225)	188,995
Repurchase of common stock	(21,965)	(50,584)	(70,903)
Payment of cash dividend	(28,172)	(35,594)	(47,157)
Net cash used in financing activities	(24,566)	(13,403)	(54,065)
Net decrease in cash and cash equivalents	—	(54)	(2,094)
Cash and cash equivalents at beginning of year	200	254	2,348
Cash and cash equivalents at end of year	\$ 200	\$ 200	\$ 254

PSLS

Condensed Statement of Financial Condition

<i>(Amounts in thousands)</i>	December 31, 2020
Assets	
Cash and cash equivalents	\$ 3,103
Right-of-use lease asset	1,633
Fee receivables	506
Prepaid expenses	121
Other assets	629
Total assets	\$ 5,992
Liabilities and Shareholder's Equity	
Accrued compensation	\$ 1,209
Accrued lease liability	1,633
Other liabilities and accrued expenses	575
Total liabilities	3,417
Shareholder's equity	2,575
Total liabilities and shareholder's equity	\$ 5,992

Piper Sandler Companies
Supplementary Data
Quarterly Information (unaudited)

	2020 Fiscal Quarter			
	First	Second	Third	Fourth
<i>(Amounts in thousands, except per share data)</i>				
Total revenues	\$ 240,380	\$ 295,964	\$ 307,174	\$ 409,140
Interest expense	4,212	3,526	3,455	3,252
Net revenues	236,168	292,438	303,719	405,888
Non-interest expenses	270,197	285,041	279,070	335,357
Income/(loss) from continuing operations before income tax expense/(benefit)	(34,029)	7,397	24,649	70,531
Income tax expense/(benefit)	(11,774)	4,700	5,674	20,592
Net income/(loss)	(22,255)	2,697	18,975	49,939
Net income/(loss) applicable to noncontrolling interests	(7,528)	1,243	7,358	7,779
Net income/(loss) applicable to Piper Sandler Companies	\$ (14,727)	\$ 1,454	\$ 11,617	\$ 42,160
Net income/(loss) applicable to Piper Sandler Companies' common shareholders	\$ (14,727)	\$ 1,454	\$ 11,617	\$ 42,160
Earnings/(loss) per common share				
Basic	\$ (1.07)	\$ 0.11	\$ 0.84	\$ 3.07
Diluted	\$ (1.07)	\$ 0.10	\$ 0.78	\$ 2.66
Dividends declared per common share				
	\$ 1.125	\$ 0.20	\$ 0.30	\$ 0.375
Weighted average number of common shares outstanding				
Basic	13,796	13,794	13,778	13,755
Diluted	14,411	14,476	14,853	15,860

Piper Sandler Companies
Supplementary Data – Continued

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

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

None.

ITEM 9A. *CONTROLS AND PROCEDURES.*

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

During the fourth quarter of our fiscal year ended December 31, 2020, there was no change in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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

ITEM 9B. *OTHER INFORMATION.*

None.

PART III

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

The information regarding our executive officers included in Part I, Item 1 of this Form 10-K under the caption "Information About our Executive Officers" is incorporated herein by reference. The information in the definitive proxy statement for our 2021 annual meeting of shareholders to be held on May 21, 2021, under the captions "Proposal One — Election of Directors," "Information Regarding the Board of Directors and Corporate Governance — Committees of the Board — Audit Committee," "Information Regarding the Board of Directors and Corporate Governance — Codes of Ethics and Business Conduct" and "Delinquent Section 16(a) Reports" is incorporated herein by reference.

ITEM 11. *EXECUTIVE COMPENSATION.*

The information in the definitive proxy statement for our 2021 annual meeting of shareholders to be held on May 21, 2021, under the captions "Executive Compensation," "Certain Relationships and Related Transactions — Compensation Committee Interlocks and Insider Participation," "Information Regarding the Board of Directors and Corporate Governance — Compensation Program for Non-Employee Directors" and "Information Regarding the Board of Directors and Corporate Governance — Non-Employee Director Compensation for 2020" is incorporated herein by reference.

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

The information in the definitive proxy statement for our 2021 annual meeting of shareholders to be held on May 21, 2021, under the captions "Security Ownership — Beneficial Ownership of Directors, Nominees and Executive Officers," "Security Ownership — Beneficial Owners of More than Five Percent of Our Common Stock" and "Executive Compensation — Outstanding Equity Awards at Fiscal Year-End" is incorporated herein by reference.

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

The information in the definitive proxy statement for our 2021 annual meeting of shareholders to be held on May 21, 2021, under the captions "Information Regarding the Board of Directors and Corporate Governance — Director Independence," "Certain Relationships and Related Transactions — Transactions with Related Persons" and "Certain Relationships and Related Transactions — Review and Approval of Transactions with Related Persons" is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information in the definitive proxy statement for our 2021 annual meeting of shareholders to be held on May 21, 2021, under the captions "Audit Committee Report and Payment of Fees to Our Independent Auditor — Auditor Fees" and "Audit Committee Report and Payment of Fees to Our Independent Auditor — Auditor Services Pre-Approval Policy" is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

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

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

(a)(2) FINANCIAL STATEMENT SCHEDULES.

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

(a)(3) EXHIBITS.

Exhibit Index

Exhibit Number	Description
2.1	Separation and Distribution Agreement dated as of December 23, 2003, between U.S. Bancorp and Piper Sandler Companies (incorporated by reference to Exhibit 2.1 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, filed March 8, 2004). #
2.2	Securities Purchase Agreement dated November 16, 2015 among Piper Sandler Companies, Piper Sandler & Co., Simmons & Company International, SCI JV LP, SCI GP, LLC, and Simmons & Company International Holdings LLC (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed November 17, 2015). #
2.3	First Amendment to Securities Purchase Agreement dated February 25, 2016 among Piper Sandler Companies, Piper Sandler & Co., Simmons & Company International, SCI JV LP, SCI GP, LLC, and Simmons & Company International Holdings LLC (incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2016, filed May 4, 2016). #
2.4	Second Amendment to Securities Purchase Agreement dated April 19, 2017 between Piper Sandler & Co. and SCI JV LP (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed May 9, 2017).
2.5	Agreement and Plans of Merger, dated July 9, 2019, by and among Piper Jaffray Companies, SOP Holdings, LLC, Sandler O'Neill & Partners Corp., Sandler O'Neill & Partners, L.P. and the other parties thereto (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed July 10, 2019).#

Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2007, filed August 3, 2007).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed January 6, 2020).
3.3	Amended and Restated Bylaws (as of January 3, 2020) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed January 6, 2020).
4.1	Form of Specimen Certificate for Piper Sandler Companies Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed February 26, 2018).
4.2	Second Amended and Restated Indenture dated as of June 11, 2012 (Secured Commercial Paper Notes), between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012, filed August 2, 2012).
4.3	First Amendment to Second Amended and Restated Indenture (Secured Commercial Paper Notes - Series I), dated September 29, 2017, between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017, filed November 8, 2017).
4.4	Amended and Restated Indenture (Secured Commercial Paper Notes - Series II), dated as of April 30, 2015, between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed October 2, 2017).
4.5	First Amendment to Amended and Restated Indenture (Secured Commercial Paper Notes - Series II), dated as of September 29, 2017, between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed October 2, 2017).
4.6	Second Amended and Restated Indenture dated April 21, 2014 (Secured Commercial Paper Notes - Series III), between Piper Sandler & Co. and the Bank of New York Mellon (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed April 21, 2014).
4.7	Description of Securities (incorporated by reference to Exhibit 4.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020).
10.1	Form of director indemnification agreement between Piper Sandler Companies and its directors (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed March 17, 2014). †
10.2	Office Lease Agreement, dated May 30, 2012, by and among Piper Sandler & Co. and Wells REIT – 800 Nicollett Avenue Owner, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed June 1, 2012).
10.3	Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (as amended and restated May 15, 2020) (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed May 22, 2020). †
10.4	Piper Sandler Companies Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2013, filed July 31, 2013). †
10.5	Form of Performance Share Unit Agreement for 2017 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed February 24, 2017). †
10.6	Form of Performance Share Unit Agreement for 2018 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †
10.7	Form of Performance Share Unit Agreement for 2019 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed February 26, 2019). †
10.8	Form of Performance Share Unit Agreement for 2020 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020). †

Exhibit Index

Exhibit Number	Description
10.9	Form of Performance Share Unit Agreement for 2021 Leadership Team Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan.†*
10.10	Piper Sandler Companies Deferred Compensation Plan for Non-Employee Directors, as amended and restated effective May 4, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2016, filed August 5, 2016). †
10.11	Summary of Non-Employee Director Compensation Program. †*
10.12	Form of Notice Period Agreement (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2006, filed March 1, 2007). †
10.13	Credit Agreement, dated December 20, 2019, by and between Piper Sandler Companies and U.S. Bank National Association, as conformed through the first amendment, dated January 15, 2021.*
10.14	Amended and Restated Loan Agreement dated December 28, 2012, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed February 27, 2013).
10.15	First Amendment to Amended and Restated Loan Agreement, dated December 28, 2013, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.18 to the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed February 28, 2014).
10.16	Second Amendment to Amended and Restated Loan Agreement, dated December 19, 2014, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed February 26, 2015).
10.17	Third Amendment to Amended and Restated Loan Agreement, dated December 18, 2015, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed February 25, 2016).
10.18	Fourth Amendment to Amended and Restated Loan Agreement, dated December 17, 2016, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2017, filed May 9, 2017).
10.19	Fifth Amendment to Amended and Restated Loan Agreement, dated December 16, 2017, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018).
10.20	Sixth Amendment to Amended and Restated Loan Agreement, dated December 14, 2018, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed February 26, 2019).
10.21	Seventh Amendment to Amended and Restated Loan Agreement, dated December 13, 2019, between Piper Sandler & Co. and U.S. Bank National Association (incorporated by reference to Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020).
10.22	Eighth Amendment to Amended and Restated Loan Agreement, dated December 11, 2020, between Piper Sandler & Co. and U.S. Bank National Association.*
10.23	Piper Sandler Companies Amended and Restated Mutual Fund Restricted Share Investment Plan, effective as of December 13, 2016 (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed February 24, 2017). †
10.24	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2017 (related to performance in 2016) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed February 24, 2017). †
10.25	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for California-based Employee Grants in 2017 (related to performance in 2016) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, filed February 24, 2017). †

Exhibit Index

Exhibit Number	Description
10.26	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2018 (related to performance in 2017) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †
10.27	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for California-based Employee Grants in 2018 (related to performance in 2017) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed February 26, 2018). †
10.28	Form of Non-Qualified Stock Option Agreement for 2018 Promotional Grants under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 9, 2018). †
10.29	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2019 (related to performance in 2018) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed on February 26, 2019). †
10.30	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2020 (related to performance in 2019) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020). †
10.31	Form of Restricted Stock and Mutual Fund Restricted Share Agreement for Employee Grants in 2021 (related to performance in 2020) under the Piper Sandler Companies Amended and Restated 2003 Annual and Long-Term Incentive Plan and Mutual Fund Restricted Share Investment Plan. †*
10.32	Piper Sandler Companies 2019 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, filed March 13, 2019). †
10.33	Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2019 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed March 13, 2019). †
10.34	Letter Agreement, dated July 8, 2019, by and between Piper Sandler Companies and Jonathan J. Doyle (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed January 6, 2020). †
10.35	Equity Consideration Restricted Stock Agreement, dated July 9, 2019, by and between Piper Sandler Companies and Jonathan J. Doyle (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed February 28, 2020). †
10.36	Transition Services Agreement, dated December 31, 2020, by and between Piper Sandler & Co. and Brian R. Sterling. †*
10.37	Piper Sandler Companies 2020 Employment Inducement Award Plan (incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8, filed November 29, 2019). †
10.38	Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (18-Month Cliff Vesting) (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8, filed November 29, 2019). †
10.39	Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (3-Year Cliff Vesting) (incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8, filed November 29, 2019). †
10.40	Form of Restricted Stock Agreement for Grants under the Piper Sandler Companies 2020 Employment Inducement Award Plan (Years 3, 4 and 5 Pro-rata Vesting) (incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8, filed November 29, 2019). †
21.1	Subsidiaries of Piper Sandler Companies *
23.1	Consent of Ernst & Young LLP *
24.1	Power of Attorney *
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.

Exhibit Index

Exhibit Number	Description
32.1	Section 1350 Certifications. **
101	The following financial information from our Annual Report on Form 10-K for the year ended December 31, 2020, formatted in iXBRL (inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Consolidated Financial Statements.
104	The cover page from our Annual Report on Form 10-K for the year ended December 31, 2020, formatted in iXBRL.

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

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

* Filed herewith.

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

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 25, 2021.

PIPER SANDLER COMPANIES

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 25, 2021.

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

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

PERFORMANCE SHARE UNIT AGREEMENT

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

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

Recitals

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

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

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

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

Terms and Conditions*

1. Grant of Performance Share Units.

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

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

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

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

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

<u>Company Total Shareholder Return Relative to Peer Group</u>	<u>% of Performance Share Units Earned</u>
Below 25th percentile	0%
25th percentile (threshold)	12.5%
50th percentile (target)	50%
75th percentile or above (maximum)	75%

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

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

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

<u>Company</u>	<u>% of Performance</u>
Below 11.3%	0%
11.3% (threshold)	25%
16.3% (target)	50%
18.3% or greater (maximum)	75%

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

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

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

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

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

(iv) "Average Annual Shareholders' Equity" is equal to the average of the total common shareholders' equity (which is the total shareholders' equity less amounts attributed to noncontrolling interests) as set forth in the Company's published quarterly financial disclosures during the fiscal year, as adjusted to reflect appropriate adjustments to total common shareholders' equity in the event that (i) an adjustment is made to Adjusted Earnings under the Adjustment Item provided in item #5 of Section

3(c)(i), or (ii) the Committee elects to include in total common shareholders' equity additional equity related to acquisition-related accounting at an earlier time than the ordinary amortization schedule. The Committee may exercise discretion to not make an adjustment when determining Average Annual Shareholders' Equity, but only if the exercise of discretion reduces amounts payable under this award.

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

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

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

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

(ix) "Performance Period" means the 36-month period beginning on January 1, 2021 and ending on December 31, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

(a) If the Change in Control occurs within the first fiscal year of the Performance Period, the Employee shall be entitled to receive Shares of Restricted Stock (each a "Restricted Share" and collectively the "Restricted Shares"), under the Agreement based on, and assuming that, performance would have been achieved at the target level. Accordingly, the target number of Performance Share Units

automatically will become an equal number of Restricted Shares (and no additional Performance Share Units shall be eligible to vest under this Agreement), and, on the closing date of the Change in Control, the Company will cause its transfer agent to make a book entry in the transfer agent's records in the name of the Employee (unless the Employee requests a certificate evidencing the Restricted Shares).

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

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

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

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

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

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

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

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

(i) For purposes of this Agreement,

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

(ii) "Cause" means (1) the Employee's continued failure to substantially perform his or her duties with the Company or an Affiliate after written demand for substantial performance is delivered to the Employee; (2) the Employee's conviction of a crime (including a misdemeanor) that, in the Company's determination, impairs the

Employee's ability to perform his or her duties with the Company or an Affiliate, (3) the Employee's violation of any policy of the Company or an Affiliate that the Company deems material; (4) the Employee's violation of any securities law, rule or regulation that the Company deems material; (5) the Employee's engagement in conduct that, in the Company's determination, exposes the Company or an Affiliate to civil or regulatory liability or injury to their reputations; (6) the Employee's engagement in conduct that would subject the Employee to statutory disqualification pursuant to Section 15(b) of the Exchange Act and the regulations promulgated thereunder; or (7) the Employee's gross or willful misconduct, as determined by the Company.

5. Settlement.

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

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

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

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

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

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

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

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

(a) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, except in connection with the performance of the Employee's job duties for the benefit of the Company, use, disclose or misappropriate any Company-Confidential Information (as defined below) unless the Company or an Affiliate consents otherwise in writing. "Company-Confidential Information" shall have the same meaning as provided in the Company's Code of Ethics and Business Conduct, and shall include without limitation any confidential, secret or proprietary knowledge or information of the Company or an Affiliate that the Employee has acquired or become acquainted with during the Employee's employment with the Company or an Affiliate. For the avoidance of doubt, nothing in this paragraph or any other provision of this Agreement precludes you from reporting to the Company's management or directors or to the government, a regulator, or a self-regulatory agency conduct that you believe to be in violation of the law, or responding truthfully to

questions or requests from the government, a regulator, a self-regulatory agency, or in a court of law.

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

(c) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, on behalf of the Employee or any other person (including but not limited to any Talent Competitor (as defined below)), hire, retain or employ in any capacity any person then employed, or employed within the 180-day period preceding the Employee's termination, by the Company or an Affiliate;

(d) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee or any other person (including but not limited to any Talent Competitor), solicit any customer, client or account of the Company or an Affiliate, or otherwise seek to divert any customer, client or account of the Company or an Affiliate away from engaging in business with the Company or an Affiliate. For purposes of this subparagraph, "customer, client or account" shall include the following: then-current customers, clients, or accounts of the Company or an Affiliate; any customers, clients or accounts that had been represented by or had a business relationship with the Company or an Affiliate within the 365-day period preceding the Employee's termination; and any individual, company or other form of legal entity that had been solicited or pitched for business by the Company or an Affiliate within the 365-day period preceding the Employee's termination, if the Employee was involved in any capacity in the solicitation or pitch;

(e) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, without the prior written consent of the Company or an Affiliate, (x) become a director, officer, employee, partner, consultant or independent contractor of, or otherwise work or provide services for, a Talent Competitor doing business in the same geographic or market area(s) in which the Company or an Affiliate is also doing business, or (y) acquire any material ownership or similar financial interest in any such Talent Competitor;

(f) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, make disparaging, derogatory, or defamatory statements about the Company or an Affiliate in any public forum or media; and

(g) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, fail to cooperate fully with and provide full and accurate information to the Company and its counsel with respect to any matter (including any audit, tax proceeding, litigation, investigation or governmental proceeding) with respect to which the Employee may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by the Employee.

For purposes of this Section 9, the "Applicable Post-Employment Restricted Period" means: (i) with respect to Sections 9(b) and (c), one year following any termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); (ii) with respect to Section 9(d), six months following any termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); and (iii) with respect to Section 9(e), one month following any termination of the Employee's employment initiated and effected by the Company or an Affiliate without Cause, or three months following any other termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); *provided, however*, that if the Company requests that the Employee sign a Post-Termination Agreement and the Employee voluntarily elects to sign such Post-Termination Agreement with the Company pursuant to Section 3(f) or Section 3(g), then the Applicable Post-Employment Restricted Period provided by the Post-Termination Agreement shall be of the same duration as the Performance Period.

For purposes of this Section 9, a "Talent Competitor" means any corporation, partnership, limited liability company or other business association, organization or entity that engages in the investment banking, securities brokerage or investment management business, including, but not limited to, investment banks, sell-side broker dealers, mergers and acquisitions or strategic advisory firms, merchant banks, hedge funds, private equity firms, venture capital firms, asset managers and investment advisory firms.

10. Interpretation of This Agreement. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plan shall be binding and conclusive upon the Company and the Employee. If there is any inconsistency between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern (including, for avoidance of doubt, any provisions under the Plan imposing limitations on the number of Performance Share Units that may be awarded under this Agreement).

11. Not Part of Employment Contract; Discontinuance of Employment. The Employee acknowledges that this Agreement awards performance share units to the Employee, but does not impose any obligation on the Company to make any future grants or issue any future Awards to the Employee or otherwise continue the participation of the Employee under the Plan. This Agreement does not constitute a contract of employment, shall not give the Employee a right to continued employment with the Company or any Affiliate, and the Company or Affiliate employing the Employee may terminate his or her employment and otherwise deal with the Employee without regard to the effect it may have upon him or her under this Agreement.

12. Binding Effect. This Agreement shall be binding in all respects on the heirs, representatives, successors and assigns of the Employee.

13. Choice of Law. This Agreement is entered into under the laws of the State of Delaware and shall be construed and interpreted thereunder (without regard to its conflict-of-law principles).

14. Entire Agreement. This Agreement and the Plan set forth the entire agreement and understanding of the parties hereto with respect to the issuance of the Performance Share Units or Restricted Shares in lieu thereof and the administration of the Plan and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance of the Performance Share Units, Restricted Shares in lieu thereof and the administration of the Plan.

15. Securities Law Compliance. No Shares shall be delivered upon the vesting and settlement of any Performance Share Units unless and until the Company and/or the Employee shall have complied with all applicable federal, state or foreign registration, listing and/or qualification requirements and all other requirements of law or of any regulatory agencies having jurisdiction, unless the Committee has received evidence satisfactory to it that the Employee may acquire such shares pursuant to an exemption from registration under the applicable securities laws. Any determination in this connection by the Committee shall be final, binding, and conclusive. The Company reserves the right to legend any Share certificate or book entry, conditioning sales of such Shares upon compliance with applicable federal and state securities laws and regulations.

16. Potential Clawback. This Award and any compensation associated therewith is subject to the Company's Incentive Compensation Recovery Policy and may be made subject to forfeiture, recovery by the Company or other action pursuant to any compensation recovery policy adopted by the Board or the Committee at any time, including any amendment to the Company's Incentive Compensation Recovery Policy in effect as of the date hereof or in response to the requirements of Section 10D of the Exchange Act and any implementing rules and regulations thereunder, or as otherwise required by law. This Agreement may be unilaterally amended by the Committee at any time to comply with any such compensation recovery policy.

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

18. Acknowledgment of Receipt of Copy. By execution hereof, the Employee acknowledges having received a copy of the prospectus related to the Plan and instructions on how to access a copy of the Plan.

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

EMPLOYEE

Printed name: _____

PIPER SANDLER COMPANIES

By _____
Its _____

List of companies within the Russell 3000 with the Investment Banking GICS code as of January 25, 2021 (excluding Piper Sandler Companies):

1. B. Riley Financial Inc. (RILY)
2. Cowen Inc. (COWN)
3. Evercore Inc. (EVR)
4. The Goldman Sachs Group, Inc. (GS)
5. Greenhill & Co. (GHL)
6. Houlihan Lokey (HLI)
7. Lazard Ltd. (LAZ)
8. Moelis & Company (MC)
9. Morgan Stanley (MS)
10. Oppenheimer Holdings, Inc. (OPY)
11. PJT Partners Inc. (PJT)
12. Raymond James Financial (RJF)
13. Stifel Financial Corp. (SF)
14. StoneX Group Inc. (SNEX)

PIPER SANDLER COMPANIES
2021 Compensation and Benefits for Non-Employee Directors

	<i>Amount</i>	<i>Objective</i>	<i>Time and Terms of Payment</i>
Annual Cash Retainer	\$80,000	Consideration for Board and committee service for the current calendar year	Paid quarterly in arrears. For any director joining or leaving the Board during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter
Additional Annual Retainer for Chairman, Lead Director, Committee Chairpersons	\$100,000 – Chairman <ul style="list-style-type: none"> • \$50,000 cash • \$50,000 PSC equity granted at the time of the annual equity grant \$30,000 cash -Lead Director \$25,000 cash -Audit \$15,000 cash -Compensation \$15,000 cash -Nominating and Governance	Consideration for service as lead director or committee chairperson for the current calendar year	Paid quarterly in arrears. For any director gaining (or resigning) a lead director or committee chairperson position during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter.
Additional Annual Cash Retainer for Committee Members	\$10,000-Audit \$5,000-Compensation \$5,000-Nominating and Governance	Consideration for service as committee member for the current calendar year	Paid quarterly in arrears. For any director joining or leaving a committee during a quarter, the amount paid shall be a pro rata sum based on the number of days served during the quarter..
Additional Cash Fee for Non-Member Attendance at Committee Meetings	\$1,000 per meeting (Chairman is not eligible. Maximum annual non-member attendance fees being: <ul style="list-style-type: none"> a. \$10,000 – Audit b. \$5,000 – Compensation c. \$5,000 – Nominating and Governance) 	Consideration for attendance at a meeting of a committee on which the attendee is not a member	Paid on the last business day in December.
Initial Equity Grant	\$60,000 (valued as of election date)	Establish PSC equity interest upon initial election to the Board to align director and shareholder interests	Shares of PIPR common stock granted on the date of the director's initial election or appointment to the Board.

Annual Equity Grant	\$95,000 (valued on the date of the annual meeting of shareholders)	Incentive compensation for continuing service on the Board and enhanced alignment of director and shareholder interests	Shares of PIPR common stock granted on the date of the annual meeting of shareholders to any director whose service on the Board will continue following the annual meeting. For directors joining the Board after the annual meeting in any year, an equity award will be granted on the date the director is elected to the Board covering a pro rata number of shares based on the number of days during which the director will serve on the Board during that year.
Deferral Opportunity	All cash and equity received on an annual basis	Increase equity stake by directors	Annual opportunity to participate in the Amended and Restated Piper Sandler Companies Deferred Compensation Plan for Non-Employee Directors, permitting deferral into phantom stock units of all or a portion of the director's annual cash compensation for service as a Piper Sandler Companies director, and deferral of any shares granted in consideration of the director's service as a director. To participate in any year, irrevocable election must be made by December 31 of the preceding year for continuing directors and on the date of initial election or appointment to the Board for new directors. Annual opportunity to change the subsequent year's election. The deferral date for the cash retainer is the date that each quarterly payment would have otherwise been made; the deferral date for the equity grant is the date of the annual meeting of shareholders each year.
Charitable Gift Matching Program	Up to \$5,000	Encourage charitable giving	Pursuant to the Piper Sandler Gift Matching Program, Piper Sandler will match directors' gifts to eligible organizations dollar for dollar from a minimum of \$50 up to an aggregate maximum of \$5,000 per year (the same terms and conditions as are applicable to employees).
Reimbursement of Out-of-Pocket Expenses	In addition to the foregoing, non-employee directors will be reimbursed for reasonable out-of-pocket expenses incurred in connection with their service on the Board and Board committees.		

CREDIT AGREEMENT
DATED AS OF DECEMBER 20, 2019,
BETWEEN
PIPER SANDLER COMPANIES
AND
U.S. BANK NATIONAL ASSOCIATION

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Form of Prepayment Notice

CREDIT AGREEMENT

This Credit Agreement, dated as of December 20, 2019, is between Piper Sandler Companies, a Delaware corporation (the “Borrower”) and U.S. Bank National Association, a national banking association (the “Lender”). The parties hereto agree as follows:

ARTICLE I DEFINITIONS

1.1 Definitions. As used in this Agreement:

“Acquisition” means any transaction, or any series of related transactions, consummated on or after the Closing Date, by which the Borrower or any of its Subsidiaries (a) acquires any going-concern business or all or substantially all of the assets of any firm, corporation, limited liability company or partnership, or division thereof, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the outstanding Equity Interests of a corporation that have ordinary voting power for the election of directors (other than Equity Interests having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding Equity Interests of a partnership or limited liability company.

“Adjusted Assets” is a non-GAAP financial measure that means Consolidated Total Assets reduced by assets such as goodwill and intangible assets, right-of-use lease assets and amounts attributed to noncontrolling interests. To the extent that GAAP changes in the future, similar type asset reductions may be needed to address new categories of assets that are not currently in the definition of Consolidated Total Assets.

“Adjusted Leverage Ratio” means Adjusted Assets divided by Tangible Common Shareholder’s Equity as reported in the Borrower’s quarterly report on form 10-Q (including the form 10-Q filed for the quarter ended September 30, 2019) or the annual report on form 10-K.

“Affiliate” of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person, including, without limitation, such Person’s Subsidiaries. A Person shall be deemed to control another Person if the controlling Person owns 10% or more of any class of Equity Interests of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of Equity Interests, by contract or otherwise.

“Agreement” means this Credit Agreement, as amended, restated, supplemented, or otherwise modified from time to time.

“Anti-Corruption Laws” means the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder, and any other anti-corruption law applicable to the Borrower and its Subsidiaries.

“Applicable Law” means, as to any Person, all applicable Laws binding upon such Person or to which such a Person is subject.

“Applicable Fee Rate” means 0.25%.

“Applicable Margin” means (i) 2.00% in the case of a Eurocurrency Borrowing and (ii) 1.00% in the case of a Base Rate Borrowing.

“Article” means an article of this Agreement unless another document is specifically referenced.

“Authorized Officer” means any of the chairman, chief executive officer, president, chief legal officer, chief financial officer, chief operating officer or treasurer of the Borrower, acting singly, or any other officer having substantially the same authority and responsibility.

“Available Revolving Commitment” means, at any time, the Revolving Commitment Amount then in effect *minus* the Revolving Exposure at such time.

“Base Rate” means, for any day, a rate per annum equal to (a) the greater of (i) zero and (ii) the Prime Rate for such day plus (b) the Applicable Margin.

“Base Rate Borrowing” means a Borrowing that, except as otherwise provided in Section 2.10, bears interest at the Base Rate.

“Base Rate Loan” means a Loan that, except as otherwise provided in Section 2.10, bears interest at the Base Rate.

“Benchmark Replacement” means the sum of: (a) an alternate benchmark rate that has been selected by the Lender giving due consideration to (i) any selection or recommendation of a replacement rate or the mechanism for determining such a rate by the Relevant Governmental Body and (ii) any evolving or then-prevailing market convention for determining a rate of interest as a replacement to LIBOR for U.S. syndicated or bilateral credit facilities denominated in Dollars that are substantially similar to the credit facilities under this Agreement and (b) the Benchmark Replacement Adjustment; provided that, if the Benchmark Replacement as so determined would be less than zero, the Benchmark Replacement will be deemed to be zero for the purposes of this Agreement.

“Benchmark Replacement Adjustment” means, with respect to any replacement under this Agreement of LIBOR with an alternative benchmark rate, for each applicable Interest Period, the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Lender giving due consideration to (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with an alternative benchmark rate by the Relevant Governmental Body and (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of LIBOR with an alternative benchmark rate at such time for U.S. syndicated or bilateral credit facilities denominated in Dollars that are substantially similar to the credit facilities under this Agreement, which

adjustment or method for calculating or determining such spread adjustment pursuant to clause (b) is published on an information service as selected by the Lender from time to time and as may be updated periodically.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest and other administrative matters) that the Lender decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Lender in a manner substantially consistent with then-prevailing market practice (or, if the Lender decides that adoption of any portion of such market practice is not administratively feasible or if the Lender determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as the Lender decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to LIBOR:

- (a) in the case of clauses (ii), (iii) or (iv) of Section 3.3(b), the later of:
 - (i) the date of the public statement or publication of information referenced therein and
 - (ii) the date on which the administrator of LIBOR permanently or indefinitely ceases to provide LIBOR;
- (b) in the case of clause (i) of Section 3.3(b), the earlier of
 - (i) the date of the public statement or publication of information referenced therein; and
 - (ii) the date specified by the Lender by notice to the Borrower; and
- (c) in the case of clause (v) of Section 3.3(b), the date specified by the Lender by notice to the Borrower.

“Benchmark Transition Event” is defined in Section 3.3(b).

“Benchmark Unavailability Period” means, if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to LIBOR and solely to the extent that LIBOR has not been replaced hereunder with a Benchmark Replacement, the period (y) beginning at the time that such Benchmark Replacement Date has occurred if, at such time, no Benchmark Replacement has replaced LIBOR for all purposes under this Agreement and the other Loan Documents in accordance with Section 3.3(b) and (z) ending at the time that a Benchmark Replacement has replaced LIBOR for all purposes under this Agreement and the other Loan Documents pursuant to Section 3.3(b).

“Beneficial Ownership Certification” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

“Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

“Board” means the Board of Governors of the Federal Reserve System.

“Borrower” is defined in the opening paragraph hereof.

“Borrowing” means an advance of Loan proceeds hereunder as to which one of the available interest options and, if pertinent, an Interest Period, is applicable. A Borrowing may be a Base Rate Borrowing or a Eurocurrency Borrowing.

“Borrowing Date” means a date on which a Borrowing is made.

“Borrowing Notice” is defined in Section 2.7.

“Broker-Dealer Subsidiary” mean any Subsidiary of the Borrower that is registered with the SEC (or comparable agency in any applicable non-U.S. jurisdiction) as a broker-dealer.

“Business Day” means a day (other than a Saturday or Sunday) on which banks generally are open in St. Louis, Missouri and Minneapolis, Minnesota for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

“Capital Expenditures” means, with reference to any period, without duplication, any expenditures for purchase or other acquisition of any Property that would be classified as a fixed or capital asset on a consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP, calculated on a consolidated basis for such period.

“Capitalized Lease” of a Person means any lease of Property by such Person as lessee that would be reflected as a finance lease on a balance sheet of such Person prepared in accordance with GAAP.

“Capitalized Lease Obligations” of a Person means the amount of the obligations of such Person under Capitalized Leases that would be shown as a liability on a balance sheet of such Person prepared in accordance with GAAP.

“Cash Equivalent Investments” means (a) short-term obligations of, or fully guaranteed by, the United States of America, (b) commercial paper rated A-1 or better by S&P or P-1 or better by Moody’s, (c) demand deposit accounts maintained in the ordinary course of business, (d) certificates of deposit issued by and time deposits with commercial banks (whether domestic or foreign) having capital and surplus in excess of \$500,000,000, in each case which provide for payment of both principal and interest (and not principal alone or interest alone) and are not subject to any contingency regarding the payment of principal or interest and (e) shares of money market mutual funds that are rated at least AAAM or AAAG by S&P or P-1 or better by Moody’s.

“Cash Management Services” means any banking services that are provided to the Borrower or any Subsidiary by the Lender, including without limitation: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) stored value cards, (f) freight payable transactions, (g) automated clearing house or wire transfer services, or (h)

treasury management, including controlled disbursement, consolidated account, lockbox, overdraft, return items, sweep and interstate depository network services.

“Change in Law” means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements, or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines, requirements, or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“Change of Control” means (a) the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934) of 50% or more of the outstanding shares of voting Equity Interests of the Borrower on a fully diluted basis; or (b) within any 12-month period, occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) members of the board of directors of the Borrower as of the Closing Date, nor (ii) nominated by the board of directors of the Borrower, nor (iii) appointed or approved by directors so nominated.

“Closing Date” means the first date on which the conditions in Section 4.1 are satisfied.

“Code” means the Internal Revenue Code of 1986.

“Commodity Exchange Act” means the Commodity Exchange Act (7 U.S.C. §1 et seq.).

“Commitment Fee” is defined in Section 2.4.

“Compliance Certificate” means a compliance certificate in substantially the form of Exhibit A.

“Connection Income Taxes” means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

“Constituent Documents” means, with respect to any Person, as applicable, such Person’s certificate of incorporation, articles of incorporation, bylaws, certificate of formation, articles of organization, limited liability company agreement, management agreement, operating agreement, shareholder agreement, partnership agreement or similar document or agreement governing such Person’s existence, organization or management or concerning the disposition of Equity Interests of such Person or voting rights among such Person’s owners.

“Consolidated EBITDA” means, for any period, (a) the Consolidated Net Income for such period plus (b) to the extent deducted in determining such Consolidated Net Income for such period, the sum of the following for such period: (i) Consolidated Interest Expense for such period, (ii) income tax expense for such period, (iii) depreciation and amortization for such period and (iv) the aggregate amount of extraordinary, non-operating or non-cash charges for such period and minus, without duplication, (c) the aggregate amount of extraordinary, non-operating or non-cash income during such period.

“Consolidated Fixed Charges” means, with respect to any period, the sum of (i) Consolidated Interest Expense for such period *plus* (ii) Lease Rentals for such period.

“Consolidated Funded Indebtedness” means, as of any date of determination, the total amount of Indebtedness of the Borrower and its Subsidiaries payable one year or more from the date of its creation, including the current portion thereof.

“Consolidated Interest Expense” means, for any period, the gross interest expense of the Borrower and its Subsidiaries on Consolidated Funded Indebtedness deducted in the calculation of Consolidated Net Income for such period, determined on a consolidated basis in accordance with GAAP.

“Consolidated Net Income” means, for any period, the consolidated net income (or loss) of the Borrower and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

“Consolidated Shareholder’s Equity” means the consolidated shareholder’s equity of the Borrower and its Subsidiaries, as defined according to GAAP.

“Consolidated Total Assets” means the total assets of the Borrower and its Subsidiaries on a consolidated basis, as defined according to GAAP.

“Contingent Obligation” of a Person means any agreement, undertaking or arrangement by which such Person (a) assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, (b) agrees to maintain the net worth or working capital or other financial condition of any other Person, or (c) otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or the obligations of any such Person as general partner of a partnership with respect to the liabilities of the partnership.

“Conversion/Continuation Notice” is defined in Section 2.8.

“Default” means an event that with the lapse of time or the giving of notice, or both, would be an Event of Default.

“Deposits” is defined in Section 9.5.

“Dollar” and “\$” mean the lawful currency of the United States of America.

“Domestic Subsidiary” means a Subsidiary of Borrower incorporated or organized under the laws of the United States of America, any state thereof or the District of Columbia.

“Equity Interests” means all shares, interests or other equivalents, however designated, of or in a corporation, limited liability company, or partnership, whether or not voting, including but not limited to common stock, member interests, partnership interests, warrants, preferred stock, convertible debentures, and all agreements, instruments and documents convertible, in whole or in part, into any one or more of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event,” as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the failure with respect to any Plan to satisfy the “minimum funding standard” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 303 of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal of the Borrower or any of its ERISA Affiliates from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition upon the Borrower or any of its ERISA Affiliates of withdrawal liability under Section 4201 of ERISA or a determination that a Multiemployer Plan is, or is expected to be, insolvent within the meaning of Title IV of ERISA.

“E-SIGN” means the Federal Electronic Signatures in Global and National Commerce Act, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

“Eurocurrency Borrowing” means a Borrowing that, except as otherwise provided in Section 2.10, bears interest at the applicable Eurocurrency Rate.

“Eurocurrency Loan” means a Loan that, except as otherwise provided in Section 2.10, bears interest at the applicable Eurocurrency Rate.

“Eurocurrency Rate” means, with respect to a Eurocurrency Borrowing for the relevant Interest Period, the sum of (a) the Applicable Margin and (b) greater of (i) zero and (ii) the applicable interest settlement rate for deposits in Dollar LIBOR administered by ICE Benchmark

Administration (or any other Person that takes over the administration of such rate) quoted by the Lender from Reuters Screen LIBOR01 Page or any successor thereto which may be designated by the Lender as provided below (which shall be the LIBOR rate in effect two New York Banking Days before the commencement of the Borrowing), adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation. Subject to Section 3.3(b), if the rate index described above shall become unavailable or shall cease to exist, the Lender may, in its discretion, designate a successor to the interest rate described above (which may include a successor index and a spread adjustment).

“Event of Default” is defined in Article VIII.

“Excluded Swap Obligation” means, with respect to any Guarantor, any Swap Obligation with respect to a Lender-Provided Swap if, and only to the extent that, all or a portion of the guarantee of such Guarantor of, or the grant by such Guarantor of a security interest to secure, such Swap Obligation (or any guarantee thereof) is or becomes illegal under the Commodity Exchange Act or any rule, regulation or order of the Commodity Futures Trading Commission (or the application or official interpretation of any thereof), including by virtue of such Guarantor’s failure for any reason to constitute an “eligible contract participant” as defined in the Commodity Exchange Act and the regulations thereunder at the time the guarantee of such Guarantor or the grant of such security interest becomes effective with respect to such Swap Obligation. If a Swap Obligation arises under a master agreement governing more than one Swap, such exclusion shall apply only to the portion of such Swap Obligation that is attributable to Swaps for which such guarantee or security interest is or becomes illegal.

“Excluded Taxes” means any of the following Taxes imposed on or with respect to the Lender or required to be withheld or deducted from a payment to the Lender: Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (a) imposed as a result of the Lender being organized under the laws of, or having its principal office or its applicable lending office located in the jurisdiction imposing such Tax (or any political subdivision thereof) or (b) that are Other Connection Taxes.

“Exhibit” refers to an exhibit to this Agreement, unless another document is specifically referenced.

“Extension Date” is defined in Section 2.17.

“Facility Termination Date” means December 20, 2022, as may be extended pursuant to Section 2.17, or any earlier date on which the Revolving Commitment Amount is reduced to zero or the Revolving Commitment is otherwise terminated pursuant to the terms hereof.

“Federal Reserve Bank of New York’s Website” means the website of the Federal Reserve Bank of New York at <http://www.newyorkfed.org> or any successor source.

“Fee Letter” is defined in Section 4.1(a)(iii).

“FINRA” means the Financial Industry Regulatory Authority, Inc. or any other self-regulatory body which succeeds to the functions of the Financial Industry Regulatory Authority, Inc.

“FOCUS Report” means each Financial and Operational Combined Uniform Single Report (FOCUS) (SEC Form X-17A-5) completed and executed by Piper Sandler & Co. and filed with the SEC.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States, applied in a manner consistent with that used in preparing the financial statements referred to in Section 5.4, subject to Section 1.3.

“Governmental Authority” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

“Guarantor” means each Person that is a party to a Guaranty entered into pursuant to Section 6.10, and their respective successors and assigns.

“Guaranty” means each Guaranty executed by any of the Loan Parties in favor of the Lender.

“Indebtedness” of a Person means, without duplication, such Person’s (a) obligations for borrowed money (including the Obligations under this Agreement and the other Loan Documents), (b) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person’s business payable on terms customary in the trade), (c) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (d) obligations evidenced by notes, acceptances, or other instruments, (e) obligations to purchase securities or other Property arising out of or in connection with the sale of the same or substantially similar securities or Property, (f) Capitalized Lease Obligations, (g) obligations as an account party with respect to standby and commercial letters of credit, (h) Contingent Obligations, (i) Swap Obligations after giving effect to any applicable netting provisions, and (j) any other obligation for borrowed money or other financial accommodation that in accordance with GAAP would be shown as a liability on the consolidated balance sheet of such Person.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Indemnitee” means each of the Lender and its Related Parties.

“Information” is defined in Section 9.12.

“Interest Differential” is defined in Section 3.4.

“Interest Period” means, with respect to a Eurocurrency Borrowing, the period commencing on the date of the applicable Eurocurrency Borrowing and ending on the numerically corresponding day thereafter that matches the interest rate term selected by the Borrower (which shall be a period of one (1) week, one (1) month, two (2) months, three (3) months or six (6) months (or such other period agreed upon in writing by the Borrower and the Lender)) commencing on a Business Day selected by the Borrower pursuant to this Agreement and ending on the day which (x) with respect to a one-week Interest Period, corresponds to such date one week thereafter (or such other period agreed upon in writing by the Borrower and the Lender) and (y) with respect to each other Interest Period, corresponds numerically to such date one (1) month, two (2) months, three (3) months or six (6) months thereafter (or such other period agreed upon in writing by the Borrower and the Lender), provided that

(a) if any Interest Period would otherwise end on a day which is not a New York Banking Day, then the Interest Period shall end on the next succeeding New York Banking Day unless the next succeeding New York Banking Day falls in another calendar month, in which case the Interest Period shall end on the immediately preceding New York Banking Day;

(b) if any Interest Period begins on the last New York Banking Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), then the Interest Period shall end on the last New York Banking Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period may extend beyond the Facility Termination Date, and if the Interest Period should happen to extend beyond the Facility Termination Date, such Borrowing must be prepaid on the Facility Termination Date.

“Investment” of a Person means (a) any loan, advance (other than commission, travel and similar advances to officers and employees made in the ordinary course of business), extension of credit (other than accounts receivable arising in the ordinary course of business on terms customary in the trade) or contribution of capital by such Person; (b) Equity Interests, bonds, mutual funds, notes, debentures or other securities (including warrants or options to purchase securities) owned by such Person; (c) any deposit accounts and certificates of deposit owned by such Person; and (d) structured notes, derivative financial instruments and other similar instruments or contracts owned by such Person.

“Law” means, collectively, all international, foreign, federal, state, provincial, and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all administrative orders, directed duties, requests, licenses, authorizations and permits of,

and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lease Rentals” means, for any period, the aggregate amount of rental or operating lease expenses payable by the Borrower and its Subsidiaries with respect to leases of real and personal property (excluding Capitalized Lease Obligations) determined on a consolidated basis in accordance with GAAP.

“Lender” is defined in the opening paragraph hereof.

“Lender-Provided Swap” means a Swap provided to the Borrower or any Subsidiary by the Lender or any Affiliate thereof.

“LIBOR” means the London interbank offered rate.

“Lien” means any lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

“Loan” means a loan made pursuant to Section 2.1 (or any conversion or continuation thereof).

“Loan Documents” means this Agreement, the Guaranty, the Note, the Fee Letter and any other document or agreement, now or in the future, executed by any Person for the benefit of the Lender in connection with this Agreement.

“Loan Parties” means, individually or collectively, the Borrower and the Guarantors.

“Material” means material in relation to the business, operations, affairs, financial condition, assets or properties of the Borrower and its Subsidiaries taken as a whole.

“Material Adverse Effect” means a material adverse effect on (a) the business, Property, liabilities (actual and contingent), operations or condition (financial or otherwise), results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, (b) the ability of any Loan Party to perform its obligations under the Loan Documents to which it is a party, or (c) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Lender under the Loan Documents.

“Material Domestic Subsidiary” means any Domestic Subsidiary of the Borrower, designated as such by the Borrower, (i) the total assets of which, determined in accordance with GAAP as of any date, exceed ten percent (10%) of the Consolidated Total Assets of the Borrower as of such date, and (iii) the total operating income of which, determined in accordance with GAAP as of any date, exceeds ten percent (10%) of the Consolidated Net Income of the Borrower as of such date; provided, for the avoidance of doubt, at no time shall a Regulated Subsidiary constitute a Material Domestic Subsidiary.

“Material Indebtedness” means Indebtedness of the Borrower or any Subsidiary in an outstanding principal amount of \$10,000,000 or more in the aggregate (or the equivalent thereof in any currency other than Dollars). For purposes of this definition, the principal amount of the obligations of the Borrower or any Subsidiary in respect of any Swap Obligation at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Swap Obligation were terminated at such time.

“Material Indebtedness Agreement” means any agreement under which any Material Indebtedness was created or is governed or that provides for the incurrence of Indebtedness in an amount that would constitute Material Indebtedness (whether or not an amount of Indebtedness constituting Material Indebtedness is outstanding thereunder).

“Maximum Rate” is defined in Section 2.15.

“Moody’s” means Moody’s Investors Service, Inc.

“Multiemployer Plan” means a Plan that constitutes a “multiemployer plan” within the meaning of Section 3(37) of ERISA.

“New York Banking Day” means any day (other than a Saturday or Sunday) on which commercial banks are open for business in New York, New York.

“Note” means the promissory note of the Borrower in the form of Exhibit B.

“Obligations” means all unpaid principal of and accrued and unpaid interest on the Loans, all obligations in connection with Cash Management Services, all obligations in connection with Lender-Provided Swaps, all accrued and unpaid fees, and all expenses, reimbursements, indemnities and other obligations of any Loan Party to any Indemnitee arising under the Loan Documents (including interest and fees accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding); provided that “Obligations” excludes all Excluded Swap Obligations.

“OFAC” means the U.S. Department of the Treasury’s Office of Foreign Assets Control, and any successor thereto.

“Operating Cash Flow” means, for any period, (a) Consolidated EBITDA for such period plus (b) Lease Rentals for such period minus (c) Capital Expenditures to replace existing equipment, income tax expense and dividends paid for such period.

“Other Connection Taxes” means Taxes imposed as a result of a present or former connection between the Lender and the jurisdiction imposing such Tax (other than connections arising from the Lender having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“Participant” is defined in Section 9.4(c).

“PATRIOT Act” means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)).

“Payment Date” means the first day of each month, or, if such day is not a Business Day, the immediately succeeding Business Day.

“PBGC” means the Pension Benefit Guaranty Corporation, or any successor thereto.

“Permitted Acquisition” means any Acquisition made by the Borrower or any Subsidiary as to which each of the following conditions has been satisfied:

(a) as of the date of the consummation of such Acquisition, no Default or Event of Default has occurred and is continuing or would result after giving effect to such Acquisition;

(b) such Acquisition is consummated on a non-hostile basis pursuant to a negotiated acquisition agreement that has been (if required by the governing documents of the seller or entity to be acquired) approved by the board of directors or other applicable governing body of the seller or entity to be acquired, and no material challenge to such Acquisition (excluding the exercise of appraisal rights) shall be pending or threatened by any shareholder or director of the seller or entity to be acquired;

(c) the business to be acquired in such Acquisition is in the same line of business as the Borrower’s or a line of business incidental thereto;

(d) as of the date of the consummation of such Acquisition, all material approvals required in connection therewith have been obtained; and

(e) the Borrower has furnished to the Lender a certificate demonstrating in reasonable detail pro forma compliance with Section 7.11 for such period, in each case, calculated as if such Acquisition, including the consideration therefor, had been consummated on the first day of such period.

A Permitted Acquisition shall also include a transaction (whether a merger or sale or transfer of control or ownership) that represents solely a “corporate reorganization” involving any entity (including banks or trust companies) that, both preceding and following the transaction, is lawfully controlled and operated, directly or indirectly, by Borrower, and the transaction does not involve the acquisition of additional voting shares

of an entity that, prior to the transaction, was less than majority owned, directly or indirectly, by Borrower; provided, (a) such corporate reorganization that constitutes a Permitted Acquisition does not need to comply with subsections (b) through (d) of the preceding sentence.

“Permitted Liens” means the Liens permitted pursuant to Section 7.6.

“Person” means any natural person, corporation, firm, joint venture, partnership, limited liability company, association, enterprise, trust or other entity or organization, or any Governmental Authority.

“Plan” means an employee pension benefit plan covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code or Section 302 of ERISA as to which the Borrower or any ERISA Affiliate may have any liability.

“Prime Rate” means a rate per annum equal to the prime rate announced by the Lender from time to time, changing as and when such rate changes. The prime rate is not necessarily the lowest rate charged to any customer. Notwithstanding anything herein to the contrary, if the Prime Rate is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Property” of a Person means all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

“Regulated Subsidiary” means any Subsidiary of the Borrower whose activities are supervised or regulated by a Governmental Authority, including, but not limited to, (a) a bank holding company, (b) a depository institution, or (c) (i) a broker or dealer that is registered under the Securities Exchange Act of 1934; (ii) a registered investment adviser, properly registered by or on behalf of either the SEC or any State, with respect to the investment advisory activities of such investment adviser and activities incidental to such investment advisory activities; (iii) an investment company that is registered under the Investment Company Act of 1940; (iv) an insurance company, with respect to insurance activities of the insurance company and activities incidental to such insurance activities, that is subject to supervision by a state insurance regulator; or (v) an entity that is subject to regulation by the Commodity Futures Trading Commission, with respect to the commodities activities of such entity and activities incidental to such commodities activities.

“Regulation U” means Regulation U of the Board or any other regulation or official interpretation of the Board relating to the extension of credit by banks for the purpose of purchasing or carrying margin stocks applicable to member banks of the Federal Reserve System.

“Regulatory Net Capital” means the Regulatory Net Capital of Piper Sandler & Co. as shown on its monthly FOCUS Report.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, members, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s Affiliates.

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“Restricted Payment” means any dividend or other distribution (whether in cash, Equity Interests, or other Property) with respect to any Equity Interest in the Borrower or any Subsidiary, or any payment (whether in cash, Equity Interests, or other Property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Borrower or any Subsidiary or any option, warrant or other right to acquire any such Equity Interest in the Borrower or any Subsidiary.

“Revolving Commitment” means the obligation, if any, of the Lender to make Loans to the Borrower in an aggregate principal amount outstanding at any time not to exceed the Revolving Commitment Amount upon the terms and subject to the conditions and limitations of this Agreement.

“Revolving Commitment Amount” means \$65,000,000, as such amount may be modified (a) pursuant to Section 2.6 or (b) otherwise from time to time pursuant to the terms hereof.

“Revolving Exposure” means, at any time, the sum of the aggregate principal amount of the Loans outstanding at such time.

“Rule 15c3-3” means Rule 15c3-3 of the General Rules and Regulations as promulgated by the SEC under the Securities Exchange Act of 1934, as such rule may be amended from time to time, or any rule or regulation of the SEC that replaces Rule 15c3-3.

“S&P” means S&P Global Ratings, a division of S&P Global Inc.

“Sanctions” means sanctions administered or enforced from time to time by the U.S. government, including those administered by OFAC, the U.S. Department of State, the United Nations Security Council, the European Union, Her Majesty’s Treasury or other relevant sanctions authority.

“Schedule” refers to a specific schedule to this Agreement, unless another document is specifically referenced.

“SEC” means the United States Securities and Exchange Commission.

“Section” means a numbered section of this Agreement, unless another document is specifically referenced.

“Securities” means any stocks, bonds (including loans and interests therein), instruments, or other securities, including but not limited to all items included in either or both of the definitions of “security” contained in the Securities Act of 1933 (15 U.S.C. §77b(1)), or in the UCC.

“Subsidiary” of a Person means any corporation, partnership, limited liability company, association, joint venture, or similar business organization more than 50% of the outstanding Equity Interests having ordinary voting power of which at the time is owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries. Unless otherwise expressly provided, “Subsidiary” means a Subsidiary of the Borrower.

“Substantial Portion” means, with respect to the Property of the Borrower and its Subsidiaries, Property that (i) represents more than 10% of the consolidated assets of the Borrower and its Subsidiaries taken as a whole, and (ii) is responsible for more than 10% of the Consolidated Net Income of the Borrower and its Subsidiaries taken as a whole, in each case, as would be shown in the consolidated financial statements of the Borrower and its Subsidiaries as at the beginning of the 12-month period ending with the month in which such determination is made (or if financial statements have not been delivered hereunder for the first month of the 12-month period, then the financial statements delivered hereunder for the quarter ending immediately before that month).

“Swap” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, fixed-price physical delivery contracts, whether or not exchange traded, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, including any agreement, contract or transaction that constitutes a “swap” within the meaning of Section 1a(47) of the Commodity Exchange Act and (b) any and all transactions of any kind, and the related confirmations, that are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement or any other master agreement, including any such obligations or liabilities under any such master agreement.

“Swap Obligation” means, with respect to any Person, any and all obligations, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Swaps and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap.

“Tangible Common Shareholder’s Equity” is a non-GAAP financial measure that means Consolidated Shareholder’s Equity reduced by assets such as goodwill and intangible assets, right-of-use lease assets and amounts attributed to noncontrolling interests. To the extent that GAAP changes in the future, similar type asset reductions may be needed to address new categories of assets that are not currently in the definition of Consolidated Shareholder’s Equity.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“Type” means, with respect to any Borrowing, its nature as a Base Rate Borrowing or a Eurocurrency Borrowing and with respect to a Loan, its nature as a Base Rate Loan or a Eurocurrency Loan.

“UCC” means the Uniform Commercial Code as in effect from time to time in Minnesota or any other state the laws of which are required to be applied in connection with the issue of perfection of security interests.

“UETA” means the Uniform Electronic Transactions Act as in effect in the State of Minnesota, as amended from time to time, and any successor statute, and any regulations promulgated thereunder from time to time.

“Wholly-Owned Subsidiary” of a Person means any other entity of which 100% of the Equity Interests are at the time owned or controlled, directly or indirectly, by such Person or one or more Wholly-Owned Subsidiaries of such Person.

The foregoing definitions apply equally to both the singular and plural forms of the defined terms.

1.2 Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise stated the word “from” means “from and including” and the words “to” and “until” mean “to but excluding.”

1.3 Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with GAAP in a manner consistent with that used in preparing the financial statements referred to in Section 5.4, except that any calculation or determination to be made on a consolidated basis shall be made for the Borrower and all Subsidiaries, including any that are unconsolidated on the Borrower’s audited financial statements. Notwithstanding any other provision herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made without giving effect to (a) any election under Accounting Standards Codification Section 825-10-25 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of the Borrower or any Subsidiary at “fair value,” as defined therein, or (b) any treatment of Indebtedness in respect of convertible debt instruments under Financial Accounting Standards Codification Subtopic 470-20 (or any other Accounting Standards Codification or Financial Accounting Standard having a similar result or effect) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be valued at the full stated principal amount thereof. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and the Borrower or the Lender so requests, the Lender and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change, but until so amended, such ratio or requirement shall

continue to be computed in accordance with GAAP before such change and the Borrower shall provide to the Lender reconciliation statements showing the difference in such calculation, together with the delivery of monthly, quarterly and annual financial statements required hereunder. In addition, notwithstanding any other provision herein, the definitions set forth in this Agreement and any financial calculations required by the Loan Documents shall be computed to exclude the impact of the adoption of the lease accounting rules as a result of Financial Accounting Standards Board Accounting Standards Codification 842 (Leases) such that the term “Capitalized Lease” shall only include leases that would have required to be capitalized on a balance sheet of such Person pursuant to Financial Accounting Standards Board Accounting Standards Codification 840 (Leases) and other related lease accounting guidance.

1.4 Other Definitional Terms; Interpretative Provisions. The words “hereof,” “herein” and “hereunder” and words of similar import refer to this Agreement as a whole and not to any particular provision. References to Sections, Articles, Exhibits, and Schedules are to this Agreement unless otherwise expressly provided. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The terms “shall” and “will” have the same meaning as the term “must.” Unless the context otherwise clearly requires, “or” has the inclusive meaning represented by the phrase “and/or.” All covenants, terms, definitions or other provisions incorporated by reference to other agreements are incorporated into this Agreement as if fully set forth herein, and such incorporation includes all necessary definitions and related provisions from such other agreements, but includes only amendments thereto agreed to by the Lender, and survives any termination of such other agreements until the Obligations are irrevocably paid in full (other than inchoate indemnity obligations), and the Revolving Commitment is terminated. Any reference to any Law includes all statutory and regulatory provisions consolidating, amending, replacing or interpreting such Law and, unless otherwise specified, refers to such Law as amended, modified, supplemented, replaced, or succeeded from time to time. References to any document, instrument or agreement (a) include all exhibits, schedules and other attachments thereto, (b) include all documents, instruments or agreements issued or executed in replacement thereof, to the extent permitted hereby and (c) mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, supplemented, restated or otherwise modified from time to time to the extent not otherwise stated herein or prohibited hereby and in effect at any given time.

1.5 Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

1.6 LIBOR Notification. The interest rate on Eurocurrency Borrowings is determined by reference to the Eurocurrency Rate, which is derived from LIBOR. Section 3.3(b) provides a mechanism for (a) determining an alternative rate of interest if LIBOR is no longer available or in the other circumstances set forth in Section 3.3(b) and (b) modifying this Agreement to give effect to such alternative rate of interest. The Lender does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission

or any other matter related to LIBOR or other rates in the definition of Eurocurrency Rate or with respect to any alternative or successor rate thereto, or replacement rate thereof, including without limitation whether any such alternative, successor or replacement reference rate, as it may or may not be adjusted pursuant to Section 3.3(b), will have the same value as, or be economically equivalent to, the Eurocurrency Rate.

ARTICLE II THE CREDITS

2.1 Loans. From the Closing Date until the Facility Termination Date, the Lender agrees, on the terms and conditions set forth in this Agreement, to make revolving loans to the Borrower in Dollars, only if, after giving effect to the making of each such loan, the Revolving Exposure does not exceed the Revolving Commitment Amount.

Subject to the terms of this Agreement, the Borrower may borrow, repay and reborrow the Loans at any time before the Facility Termination Date. Unless previously terminated, the Revolving Commitment shall terminate on the Facility Termination Date.

2.2 Required Payments; Termination. If at any time the Revolving Exposure exceeds the Revolving Commitment Amount, the Borrower shall immediately make a payment on the Loans in an amount sufficient to eliminate such excess. The Borrower shall pay in full on the Facility Termination Date the aggregate principal amount of all Loans, all interest thereon, all fees and expenses due hereunder, and all other unpaid Obligations under this Agreement and the other Loan Documents.

2.3 Types of Borrowings. The Borrowings may be Base Rate Borrowings or Eurocurrency Borrowings, or a combination thereof, selected by the Borrower in accordance with Sections 2.7 and 2.8.

2.4 Fees. The Borrower shall pay to the Lender a commitment fee (the “Commitment Fee”) at a per annum rate equal to the Applicable Fee Rate on the average daily Available Revolving Commitment (based on the actual Available Revolving Commitment as of the end of each calendar day) from the Closing Date until (and including) the Facility Termination Date, payable in arrears on each Payment Date and on the Facility Termination Date.

2.5 Minimum Amount of Each Borrowing. Each Eurocurrency Borrowing shall be in the minimum amount of \$100,000 and in integral multiples of \$100,000, and each Base Rate Borrowing shall be in the minimum amount of \$100,000 and in integral multiples of \$100,000, except that any Base Rate Borrowing may be in the amount of the Available Revolving Commitment. At no time may there be more than \$65,000,000 Borrowings outstanding. Borrowings may be Base Rate Borrowings or Eurocurrency Borrowings, or a combination thereof, selected by the Borrower in accordance with Sections 2.7 and 2.8.

2.6 Termination of and Reductions in Revolving Commitment; Voluntary Prepayments.

(a) The Borrower may terminate the unused portion of the Revolving Commitment or from time to time permanently reduce the Revolving Commitment Amount in integral multiples of \$1,000,000 upon at least five Business Days' irrevocable prior written notice to the Lender by 11:00 a.m. (Minneapolis time) specifying the amount of any such reduction. In no event may the Revolving Commitment Amount be reduced below the Revolving Exposure.

(b) The Borrower may from time to time prepay, without penalty or premium, all outstanding Base Rate Loans, or, in a minimum aggregate amount of \$100,000 and in integral multiples of \$100,000 (or the aggregate amount of the outstanding Loans at such time), any portion of the aggregate outstanding Base Rate Loans upon same-day notice by 11:00 a.m. (Minneapolis time) to the Lender in the form of Exhibit E. The Borrower may from time to time prepay, subject to the payment of any funding indemnification amounts required by Section 3.4 but without penalty or premium, all outstanding Eurocurrency Loans or any portion of the aggregate outstanding Eurocurrency Loans upon at least two New York Banking Days' prior written notice to the Lender by 11:00 a.m. (Minneapolis time); provided that each such prepayment shall be in the amount of the entire principal balance of the applicable Eurocurrency Borrowing(s).

2.7 Borrowing Requests; Method of Selecting Types and Interest Periods for New Borrowings. The Borrower shall select the Type of Borrowing and, in the case of each Eurocurrency Borrowing, the Interest Period applicable thereto from time to time. The Borrower shall give the Lender irrevocable notice in the form of Exhibit C (a "Borrowing Notice") not later than 11:00 a.m. (Minneapolis time) on the Borrowing Date of each Base Rate Borrowing, and two New York Banking Days before the Borrowing Date for each Eurocurrency Borrowing, specifying:

- (a) the Borrowing Date, which shall be a Business Day, of such Borrowing;
- (b) the amount of such Borrowing;
- (c) the Type of Borrowing selected; and
- (d) in the case of each Eurocurrency Borrowing, the Interest Period applicable thereto.

2.8 Conversion and Continuation of Outstanding Borrowings; Maximum Number of Interest Periods. Base Rate Borrowings shall continue as Base Rate Borrowings unless and until such Base Rate Borrowings are converted into Eurocurrency Borrowings pursuant to this Section 2.8 or are prepaid in accordance with Section 2.6. Each Eurocurrency Borrowing shall continue as a Eurocurrency Borrowing until the end of the then applicable Interest Period therefor. If the Borrower does not provide a Conversion/Continuation Notice with respect to such Eurocurrency Borrowing before the end of the applicable Interest Period, the Lender may at any time after the end of such Interest Period convert such Eurocurrency Borrowing to a Base Rate Borrowing, but until such conversion or conversion or continuation pursuant to a Conversion/Continuation

Notice, such Eurocurrency Borrowing shall continue to accrue interest at the same rate as the interest rate in effect for such Eurocurrency Borrowing prior to the end of the Interest Period. Subject to Section 2.5, the Borrower may elect from time to time to convert all or any part of a Base Rate Borrowing into a Eurocurrency Borrowing. The Borrower shall give the Administrative Agent irrevocable notice in the form of Exhibit D (a “Conversion/Continuation Notice”) of each conversion of a Base Rate Borrowing into a Eurocurrency Borrowing, conversion of a Eurocurrency Borrowing to a Base Rate Borrowing, or continuation of a Eurocurrency Borrowing not later than 10:00 a.m. (Minneapolis time) at least two Business Days before the date of the requested conversion or continuation, specifying:

- (a) the requested date, which shall be a Business Day, of such conversion or continuation;
 - (b) the Type of the Borrowing and whether it is to be converted or continued;
- and
- (c) the amount of such Borrowing to be converted or continued and, in the case of a Eurocurrency Borrowing, the duration of the Interest Period applicable thereto.

After giving effect to all Borrowings, all conversions of Borrowings from one Type to another and all continuations of Borrowings of the same Type, there shall be no more than four (4) Interest Periods in effect hereunder.

2.9 Interest Rates. Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from and including the date such Loan is made or is automatically converted from a Eurocurrency Loan into a Base Rate Loan pursuant to Section 2.8, to but excluding the date it is paid or is converted from a Base Rate Loan into a Eurocurrency Loan pursuant to Section 2.8, at a rate per annum equal to the Base Rate for such day; provided that if a Base Rate Loan is due as a result of an Event of Default or is otherwise outstanding during the continuance of an Event of Default, the Base Rate shall continue to apply thereto plus such other amounts as required under Section 2.10. Changes in the rate of interest on each Base Rate Borrowing will take effect simultaneously with each change in the Base Rate. Each Eurocurrency Loan shall bear interest on the outstanding principal amount thereof from and including the first day of the Interest Period applicable thereto to (but excluding) the last day of such Interest Period at the Eurocurrency Rate determined by the Lender as applicable to such Eurocurrency Loan based upon the Borrower’s selections under Sections 2.7 and 2.8 and the Applicable Margin. The Lender’s internal records of applicable interest rates shall be determinative in the absence of manifest error. No Interest Period may end after the Facility Termination Date.

2.10 Rates Applicable After Event of Default. Notwithstanding anything to the contrary in Section 2.7, 2.8 or 2.9, during the continuance of a Default or Event of Default, the Lender may, at its option, by notice to the Borrower, declare that no Borrowing may be made as, converted into or continued as a Eurocurrency Borrowing. Notwithstanding anything to the contrary in Section 2.7, 2.8 or 2.9, during the continuance of an Event of Default, at the option of the Lender (or, in the case of an Event of Default under Section 8.1(b), (f), or (g), automatically), the Loans shall bear interest at the rate otherwise applicable thereto plus 2.00% per annum.

2.11 Method of Payment.

(a) All payments of the Obligations under this Agreement and the other Loan Documents shall be made, without setoff, deduction, or counterclaim, in immediately available funds to the Lender at the Lender's address specified pursuant to Section 9.1 by noon (Minneapolis time) on the date when due. The Lender is hereby authorized to charge the account of the Borrower maintained with the Lender for each payment of principal, interest and fees as it becomes due hereunder.

(b) Principal of the Loans is payable on the Facility Termination Date. The Borrower hereby unconditionally promises to pay such amounts when due.

2.12 Evidence of Indebtedness.

(a) The Loans shall be evidenced by a Note payable to the Lender in a principal amount equal to the Revolving Commitment Amount originally in effect.

(b) The Lender will also maintain accounts in which it will record (i) the amount of each Borrowing and Type thereof and the Interest Period with respect thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to the Lender hereunder, and (iii) the amount of any sum received by the Lender hereunder from the Borrower. The entries maintained in such accounts shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided that the failure of the Lender to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to pay the Obligations in accordance with their terms.

2.13 Oral Notices. The Borrower hereby authorizes the Lender to extend, convert or continue Borrowings and Types of Borrowings and to transfer funds based on oral or written requests, including Borrowing Notices and Conversion/Continuation Notices via telephone. The Lender may rely upon, and shall incur no liability for relying upon, any oral or written request the Lender believes to be genuine and to have been signed, sent or made by an authorized person. Upon request by the Lender, the Borrower must promptly confirm each oral notice in writing (which may include email), authenticated by an Authorized Officer. If the written confirmation differs in any material respect from the action taken by the Lender, the records of the Lender shall govern absent manifest error.

2.14 Interest Payment Dates; Interest and Fee Basis. Interest accrued on each Base Rate Loan shall be payable in arrears on each Payment Date, commencing with the first Payment Date to occur after the Closing Date, on the date of any prepayment of such Loan (whether or not as a result of acceleration) on the amount prepaid, and on the Facility Termination Date. Interest accrued on each Eurocurrency Loan shall be payable in arrears on the last day of its applicable Interest Period, on the date of any prepayment of such Loan (whether or not as a result of acceleration) on the amount prepaid, and on the Facility Termination Date. Interest accrued on each Eurocurrency Loan having an Interest Period longer than three months shall also be payable in arrears on the last day of each three-month interval during such Interest Period. Interest accrued pursuant to Section 2.10 is payable on demand. Interest and fees hereunder shall be calculated for actual days elapsed on the basis of a 360-day year. Interest shall be payable for the

day a Loan is made but not for the day of any payment on the amount paid if payment is received before noon (Minneapolis time). If any payment of principal of or interest on a Loan becomes due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day.

2.15 Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan under Applicable Law (collectively, “charges”), exceeds the maximum lawful rate (the “Maximum Rate”) that may be contracted for, charged, taken, received or reserved by the Lender in accordance with Applicable Law, the rate of interest payable in respect of such Loan hereunder, together with all charges payable in respect thereof, shall be limited to the Maximum Rate. To the extent lawful, the interest and charges that would have been paid in respect of such Loan but were not paid as a result of the operation of this Section 2.15 shall be applied first to reduce the unpaid balance of the Loans, then to reduce the principal balance of any other Indebtedness of the Borrower to the Lender, and then to the Borrower.

2.16 Judgment Currency. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due from the Borrower hereunder in the currency expressed to be payable herein (the “specified currency”) into another currency, the parties hereto agree, to the fullest extent that they can effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Lender could purchase the specified currency with such other currency at the Lender’s offices on the Business Day preceding that on which final, non-appealable judgment is given. The obligations of the Borrower in respect of any sum due to the Lender hereunder shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by the Lender of any sum adjudged to be so due in such other currency the Lender can in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to the Lender in the specified currency, the Borrower agrees, to the fullest extent that it can effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify the Lender against such loss, and if the amount of the specified currency so purchased exceeds the sum originally due to the Lender in the specified currency, the Lender shall remit such excess to the Borrower.

2.17 Extension of Facility Termination Date. The Borrower may, by notice to the Lender not earlier than 60 days and not later than 30 days prior to the Facility Termination Date then in effect hereunder (the “Extension Date”), extend the Facility Termination Date for a period of one year. The effectiveness of the extension of the Facility Termination Date shall be conditioned only upon (a) no Default or Event of Default occurring and continuing as of the Extension Date and after giving effect thereto, (b) the representations and warranties in this Agreement being true and correct as of the Extension Date and after giving effect thereto, as though made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and (c) the payment of the applicable work fee set forth in the Fee Letter to the Lender, for the Lender’s own account, in immediately available funds. For the avoidance of doubt, subject to this Section 2.17, the Lender

agrees that the Borrower, in its sole and absolute discretion, may elect to extend the Facility Termination Date.

ARTICLE III YIELD PROTECTION; TAXES

3.1 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Lender (except any reserve requirement reflected in the Eurocurrency Rate);

(ii) subject the Lender to any Taxes (other than (A) Indemnified Taxes and (B) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) impose on the Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans,

and the result of any of the foregoing shall be to increase the cost to the Lender of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any Loan, or to reduce the amount of any sum received or receivable by the Lender hereunder (whether of principal, interest or any other amount), then, upon request of the Lender, the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If the Lender determines that any Change in Law affecting the Lender or any lending office of the Lender or the Lender's holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on the Lender's capital or on the capital of the Lender's holding company, if any, as a consequence of this Agreement, the Revolving Commitment or the Loans to a level below that which the Lender or the Lender's holding company could have achieved but for such Change in Law (taking into consideration the Lender's policies and the policies of the Lender's holding company with respect to capital adequacy), then from time to time the Borrower will pay to the Lender such additional amount or amounts as will compensate the Lender or the Lender's holding company for any such reduction suffered.

3.2 Certificates for Reimbursement; Delay in Requests. A certificate of the Lender setting forth the amount or amounts necessary to compensate the Lender or its holding company, as the case may be, as specified in Section 3.1 and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay the Lender the amount shown as due on any such certificate within 10 days after receipt thereof. Failure or delay on the part of the Lender to

demand compensation pursuant to Section 3.1 shall not constitute a waiver of the Lender's right to demand such compensation; provided that the Borrower shall not be required to compensate the Lender pursuant to Section 3.1 for any increased costs incurred or reductions suffered more than nine months prior to the date that the Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of the Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the nine-month period referred to above shall be extended to include the period of retroactive effect thereof).

3.3 Availability of Types of Borrowings; Adequacy of Interest Rate.

(a) Notwithstanding anything to the contrary in this Agreement or any other Loan Document, if the Lender determines (which determination shall be conclusive absent manifest error) that

(i) deposits of a type and maturity appropriate to match fund Eurocurrency Borrowings are not available to the Lender in the relevant market; or

(ii) the interest rate applicable to Eurocurrency Borrowings for any requested Interest Period is not ascertainable or available (including, without limitation, because the applicable Reuters Screen (or on any successor or substitute page on such screen) is unavailable) or does not adequately and fairly reflect the cost of making or maintaining Eurocurrency Borrowings,

then the Lender shall suspend the availability of Eurocurrency Borrowings and require any affected Eurocurrency Borrowings to be repaid or converted to Base Rate Borrowings, subject to the payment of any funding indemnification amounts required by Section 3.4.

(b) Notwithstanding the foregoing or anything to the contrary in this Agreement or any other Loan Document, if the Lender determines (which determination shall be conclusive absent manifest error) that any one or more of the following (each, a "Benchmark Transition Event") has occurred:

(i) the circumstances set forth in Section 3.3(a)(ii) have arisen (including, without limitation, a public statement or publication of information by the regulatory supervisor for the administrator of LIBOR described in clause (ii) of this Section 3.3(b) announcing that LIBOR is no longer representative) and such circumstances are unlikely to be temporary;

(ii) ICE Benchmark Administration (or any Person that has taken over the administration of LIBOR for deposits in Dollars that is acceptable to the Lender) discontinues its administration and publication of LIBOR for deposits in Dollars;

(iii) a public statement or publication of information by or on behalf of the administrator of LIBOR described in clause (ii) of this Section 3.3(b)

announcing that such administrator has ceased or will cease as of a specific date to provide LIBOR (permanently or indefinitely); provided that, at the time of such statement, there is no successor administrator that is acceptable to the Lender that will continue to provide LIBOR after such specified date;

(iv) a public statement by the supervisor for the administrator of LIBOR described in clause (ii) of this Section 3.3(b), the U.S. Federal Reserve System, an insolvency official with jurisdiction over such administrator for LIBOR, a resolution authority with jurisdiction over such administrator for LIBOR; or a court or an entity with similar insolvency or resolution authority over such administrator for LIBOR, which states that such administrator of LIBOR has ceased or will cease as of a specific date to provide LIBOR (permanently or indefinitely); provided that, at the time of such statement or publication, there is no successor administrator that is acceptable to the Lender that will continue to provide LIBOR after such specified date; or

(v) syndicated or bilateral credit facilities are being executed or amended, as the case may be, to incorporate or adopt a new benchmark interest rate to replace LIBOR for deposits in Dollars,

then the Lender may amend this Agreement to replace the Eurocurrency Rate with a Benchmark Replacement. Notwithstanding anything to the contrary in Section 9.2, any such amendment with respect to a Benchmark Transition Event will become effective without any further action or consent of the Borrower at 5:00 p.m. (New York City time) on the fifth Business Day after the Lender has provided such proposed amendment to the Borrower. No replacement of LIBOR with a Benchmark Replacement pursuant to this Section 3.3(b) will occur prior to the date set forth in the applicable amendment.

In connection with the implementation of a Benchmark Replacement, the Lender will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of the Borrower.

The Lender will promptly notify the Borrower of (i) any occurrence of a Benchmark Transition Event (other than pursuant to clause (v) of this Section 3.3(b)), (ii) the implementation of any Benchmark Replacement. and (iii) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Lender pursuant to this Section 3.3(b), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action, will be conclusive and binding absent manifest error and may be made in the Lender's sole discretion and without consent from the Borrower, except, in each case, as expressly required pursuant to this Section 3.3(b).

Upon notice to the Borrower by the Lender in accordance with Section 9.1 of the commencement of a Benchmark Unavailability Period and until a Benchmark Replacement is determined in accordance with this Section 3.3(b), (y) any request pursuant to Section 2.8 that

requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurocurrency Borrowing may be revoked by the Borrower and if not revoked shall be ineffective and any such Borrowing shall be continued as or converted to, as the case may be, a Base Rate Borrowing, and (z) if any request pursuant to Section 2.7 requests a Eurocurrency Borrowing, such request may be revoked by the Borrower and if not revoked such Borrowing shall be made as a Base Rate Borrowing.

3.4 Funding Indemnification. If

(a) any payment of a Eurocurrency Borrowing occurs on a date that is not the last day of the applicable Interest Period, whether because of acceleration, prepayment or otherwise;

(b) a Eurocurrency Borrowing is not made on the date specified by the Borrower for any reason other than default by the Lender;

(c) a Eurocurrency Borrowing is converted other than on the last day of the Interest Period applicable thereto; or

(d) the Borrower fails to borrow, convert, continue or prepay a Eurocurrency Borrowing on the date specified in any notice delivered pursuant hereto,

the Borrower shall indemnify the Lender for the Lender's costs, expenses and Interest Differential (as determined by the Lender) incurred as a result of such prepayment. The term "Interest Differential" means the greater of zero and the financial loss incurred by the Lender resulting from prepayment, calculated as the difference between the amount of interest the Lender would have earned (from like investments as of the first day of the Interest Period) had prepayment not occurred and the interest the Lender will actually earn (from like investments as of the date of prepayment) as a result of the redeployment of funds from the prepayment. Because of the short-term duration of any Interest Period, the Borrower agrees that the Interest Differential shall not be discounted to its present value. The Borrower hereby acknowledges that the Borrower shall be required to pay Interest Differential with respect to any portion of the principal balance accelerated or paid before the end of the Interest Period for such Eurocurrency Borrowing, whether voluntarily, involuntarily, or otherwise, including without limitation any principal payment required upon maturity when the Borrower has elected an Interest Period that extends beyond the scheduled maturity date of such Loan and any principal payment required following default, demand for payment, acceleration, collection proceedings, foreclosure, sale or other disposition of collateral, bankruptcy or other insolvency proceedings, eminent domain, condemnation, application of insurance proceeds or otherwise. Such Interest Differential shall at all times be an Obligation as well as an undertaking by the Borrower to the Lender whether arising out of a voluntary or mandatory prepayment.

3.5 Taxes.

(a) Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law

requires the deduction or withholding of any Tax from any such payment, then the applicable Loan Party may make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 3.5) the Lender receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by Loan Parties. The Loan Parties shall timely pay to the relevant Governmental Authority in accordance with Applicable Law or at the option of the Lender timely reimburse it for the payment of, any Other Taxes.

(c) Indemnification by Loan Parties. The Loan Parties shall indemnify the Lender, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 3.5) payable or paid by the Lender or required to be withheld or deducted from a payment to the Lender and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be conclusive absent manifest error.

(d) Evidence of Payments. As soon as practicable after any payment of Taxes by any Loan Party to a Governmental Authority pursuant to this Section 3.5, such Loan Party shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.

(e) Treatment of Certain Refunds. If the Lender determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.5 (including by the payment of additional amounts pursuant to this Section 3.5), it shall pay to the applicable Loan Party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.5 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of the Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such Loan Party, upon the request of the Lender, shall repay to the Lender the amount paid over pursuant to this Section 3.5(e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) if the Lender is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this Section 3.5(e), in no event will the Lender be required to pay any amount pursuant to this Section 3.5(e) the payment of which would place the Lender in a less favorable net after-Tax position than it would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This Section 3.5(e) shall not be construed to require the Lender to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to any Loan Party or any other Person.

(f) Survival. Each party's obligations under this Section 3.5 shall survive any assignment of rights by the Lender, the termination of the Revolving Commitment and the repayment, satisfaction or discharge of all obligations under any Loan Document.

3.6 Lender Statements; Survival of Indemnity. The Lender shall give notice to the Borrower as to any amount due under Section 3.1, 3.2, 3.4 or 3.5. Such notice shall set forth in reasonable detail the calculations upon which the Lender determined such amount and shall be final, conclusive and binding on the Borrower in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurocurrency Borrowing shall be calculated as though the Lender funded such Borrowing through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Eurocurrency Rate applicable to such Borrowing, whether or not that is in fact the case. Unless otherwise provided herein, the Borrower shall pay the amount specified in such notice on demand.

3.7 Illegality. If the Lender determines that any Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Lender or its applicable lending office to make, maintain, or fund Loans whose interest is determined by reference to the Eurocurrency Rate, or to determine or charge interest rates based upon the Eurocurrency Rate, or any Governmental Authority has imposed material restrictions on the authority of the Lender to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, upon notice thereof by the Lender to the Borrower, any obligation of the Lender to make or continue Eurocurrency Borrowings or to convert Base Rate Borrowings to Eurocurrency Borrowings shall be suspended until the Lender notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from the Lender, prepay or, if applicable, convert all Eurocurrency Borrowings to Base Rate Borrowings, either on the last day of the Interest Period therefor, if the Lender can lawfully continue to maintain such Eurocurrency Borrowings to such day, or immediately, if the Lender cannot lawfully continue to maintain such Eurocurrency Borrowings. Upon any such prepayment or conversion, the Borrower shall also pay accrued interest on the amount so prepaid or converted, together with any additional amounts required pursuant to Section 3.4.

ARTICLE IV CONDITIONS PRECEDENT

4.1 Closing Date. The initial Borrowing following the Closing Date is subject to the conditions precedent, unless waived by the Lender (and the Borrower, by executing this Agreement, shall be deemed to have certified that all such conditions precedent unless waived are satisfied on the Closing Date), that:

(a) The Lender shall have received executed counterparts of each of the following:

(i) this Agreement;

(ii) the Note;

(iii) the letter agreement, dated as of December 20, 2019 (the “Fee Letter”), between the Borrower and the Lender;

(iv) a certificate of the Secretary or an Assistant Secretary of the Borrower certifying (A) that there have been no changes in the charter document of the Borrower, as attached thereto and as certified as of a recent date by the Secretary of State (or analogous governmental entity) of the jurisdiction of its organization, since the date of the certification thereof by such governmental entity, (B) as to the bylaws, as attached thereto, of the Borrower as in effect on the date of such certification, (C) as to resolutions of the board of directors of the Borrower authorizing the execution, delivery and performance of each Loan Document to which it is a party, (D) as to a good standing certificate (or analogous documentation if applicable) for the Borrower from the Secretary of State (or analogous governmental entity) of the jurisdiction of its organization as of a recent date, to the extent generally available in such jurisdiction and (E) the names and true signatures of the incumbent officers of the Borrower authorized to sign the Loan Documents to which it is a party, and authorized to request a Borrowing;

(v) a certificate, signed by an Authorized Officer of the Borrower, stating that on Closing Date (A) no Default or Event of Default has occurred and is continuing and (B) the representations and warranties in Article V are (1) with respect to any representations or warranties that contain a materiality qualifier, true and correct in all respects as of such date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all respects on and as of such earlier date and (2) with respect to any representations or warranties that do not contain a materiality qualifier, true and correct in all material respects as of such date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all material respects on and as of such earlier date; and

(vi) a written opinion of the counsel to the Borrower, addressed to the Lender and otherwise in form and substance satisfactory to the Lender.

(b) The Lender shall have received all fees and other amounts due and payable on or before the Closing Date, including without limitation (i) the fees specified in the Fee Letter, (ii) any other fees agreed to by the Borrower and the Lender from time to time, and (iii), to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(c) The Lender shall have received evidence in form, scope and substance reasonably satisfactory to the Lender of current insurance coverage that complies with Section 6.6.

(d) There shall not have occurred a material adverse change in (i) the business, Property, liabilities (actual and contingent), operations or condition (financial or

otherwise), results of operations, or prospects of the Borrower and its Subsidiaries taken as a whole, since December 31, 2018, or (ii) the facts and information regarding such entities as represented by such entities to date.

(e) The Lender shall have received evidence of all governmental, equity holder and third-party consents and approvals necessary in connection with the contemplated financing, all applicable waiting periods shall have expired without any action being taken by any authority that would be reasonably likely to restrain, prevent or impose any material adverse conditions on the Borrower and its Subsidiaries, taken as a whole, and no Law applies that in the reasonable judgment of the Lender could have such effect.

(f) No action, suit, investigation or proceeding shall be pending or, to the knowledge of any Loan Party, threatened in any court or before any arbitrator or Governmental Authority that would reasonably be expected to result in a Material Adverse Effect or that seeks to prevent, enjoin or delay any Borrowing.

(g) The Lender shall have received: (i) a compliance certificate substantially in the form of Exhibit A attached hereto (which certificate may state in Section 4 thereof that the Borrower is in compliance with Section 7.11 hereof as of the Closing Date without attaching any financial data or computations), (ii) such information as the Lender reasonably requests to confirm the tax, legal, and business assumptions made in such pro forma financial statements, (iii) unaudited consolidated financial statements of the Borrower and its Subsidiaries for the fiscal quarter ended September 30, 2019, (iv) audited consolidated financial statements of the Borrower and its Subsidiaries for the fiscal years ended December 31, 2018, December 31, 2017, and December 31, 2016 and (v) the most recent FOCUS Report.

(h) Upon the reasonable request of the Lender made at least 10 days before the Closing Date, the Borrower shall have provided to the Lender the documentation and other information so requested in connection with applicable “know your customer” and anti-money-laundering Laws, including the PATRIOT Act, in each case at least five days before the Closing Date.

(i) The Lender shall have received such other agreements, documents, instruments and certificates as are reasonably requested by the Lender and its counsel, in form and substance reasonably satisfactory to the Lender.

4.2 Each Borrowing. The Lender shall not be required to make any Borrowing unless on the applicable Borrowing Date:

(a) There exists no Default or Event of Default, nor would a Default or Event of Default result from such Borrowing.

(b) The representations and warranties in Article V are (i) with respect to any representations or warranties that contain a materiality qualifier, true and correct in all respects as of such Borrowing Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all respects on and as of such earlier date and (ii) with respect to any representations or

warranties that do not contain a materiality qualifier, true and correct in all material respects as of such Borrowing Date, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all material respects on and as of such earlier date.

(c) The Lender shall have received a Borrowing Notice in accordance with the requirements hereof.

Each Borrowing Notice constitutes a representation and warranty by the Borrower that the conditions in Section 4.2(a) and (b) have been satisfied.

ARTICLE V REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lender that:

5.1 Existence and Standing. Each of the Borrower and its Subsidiaries is a corporation, partnership or limited liability company duly and properly incorporated or formed, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

5.2 Authorization and Validity. Each Loan Party has the power and authority and legal right to execute and deliver the Loan Documents to which it is a party and to perform its obligations thereunder. The execution and delivery by each Loan Party of the Loan Documents to which it is a party and the performance of its obligations thereunder have been duly authorized by proper corporate, limited liability company or partnership, as applicable, proceedings, and the Loan Documents to which each Loan Party is a party are legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar Laws affecting the enforcement of creditors' rights generally.

5.3 No Conflict; Government Consents. Neither the execution and delivery by each Loan Party of the Loan Documents to which it is a party, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate (a) any Law, order, writ, judgment, injunction, decree or award binding on any Loan Party or any of its Subsidiaries, (b) any Loan Party's or any of its Subsidiaries' Constituent Documents, or (c) any indenture, instrument or agreement to which any Loan Party or any of its Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with or be a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of any Loan Party or any of its Subsidiaries pursuant to any such indenture, instrument or agreement. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, that has not been obtained is required to be obtained by any Loan Party or any of its Subsidiaries in connection with the execution and delivery of the Loan Documents, the borrowings under this Agreement, the payment and

performance of the Obligations or the legality, validity, binding effect or enforceability of any of the Loan Documents.

5.4 Financial Statements. The December 31, 2018 audited consolidated financial statements of the Borrower and its Subsidiaries, and their unaudited financial statements dated as of September 30, 2019, heretofore delivered to the Lender were prepared in accordance with Section 1.3 and fairly present in all material respects the consolidated financial condition and operations of the Borrower and its Subsidiaries at such date and the consolidated results of their operations for the period then ended.

5.5 Material Adverse Change. Since December 31, 2018, there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Borrower and its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

5.6 Taxes. The Borrower and its Subsidiaries have filed all United States federal and state income Tax returns and all other material Tax returns required to be filed by them and have paid all United States federal and state income Taxes and all other material Taxes due from the Borrower and its Subsidiaries, including, without limitation, pursuant to any assessment received by the Borrower or any Subsidiary, except any Taxes that are being contested in good faith as to which adequate reserves have been provided in accordance with GAAP and as to which no Lien exists. No Tax Liens have been filed and no claims are being asserted with respect to any such Taxes the amount of which, individually or in the aggregate, is Material. The charges, accruals and reserves on the books of the Borrower and its Subsidiaries in respect of any Taxes or other governmental charges are adequate.

5.7 Litigation and Contingent Obligations. Except as identified under “Legal Proceedings” in Part I, Item 3 of the Borrower’s Annual Report on Form 10-K for the year ended December 31, 2018, and updated in subsequent reports filed with the SEC, there is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of the Borrower or any Subsidiary, threatened against or affecting the Borrower or any Subsidiary that could reasonably be expected to have a Material Adverse Effect or that seeks to prevent, enjoin or delay any Borrowing. Other than any liability incident to any litigation, arbitration or proceeding that could not reasonably be expected to have a Material Adverse Effect, the Borrower has no material Contingent Obligations not provided for or disclosed in the financial statements referred to in Section 5.4.

5.8 Subsidiaries. Schedule 5.8 contains an accurate list of all Subsidiaries as of the Closing Date, setting forth their respective jurisdictions of organization and the percentage of their respective Equity Interests owned by the Borrower or other Subsidiaries. All of the issued and outstanding Equity Interests of such Subsidiaries have been (to the extent such concepts are relevant with respect to such Equity Interests) duly authorized and issued and are fully paid and non-assessable.

5.9 ERISA. With respect to each Plan, the Borrower and all ERISA Affiliates have paid all required minimum contributions and installments on or before the due dates provided under Section 430(j) of the Code and could not reasonably be subject to a Lien under Section

430(k) of the Code or Section 303(k) or Title IV of ERISA. Neither the Borrower nor any ERISA Affiliate has filed, pursuant to Section 412(c) of the Code or Section 302(c) of ERISA, an application for a waiver of the minimum funding standard. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in material liability.

5.10 Accuracy of Information. No information, exhibit or report furnished by the Borrower or any Subsidiary to the Lender in connection with the negotiation of, or compliance with, the Loan Documents, taken as a whole, contained any material misstatement of fact or omitted to state a material fact or any fact necessary to make the statements therein not misleading.

5.11 Material Agreements. Neither the Borrower nor any Subsidiary is a party to any agreement or instrument or subject to any charter or other restriction that could reasonably be expected to have a Material Adverse Effect. Neither the Borrower nor any Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions in (a) any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect or (b) any agreement or instrument evidencing or governing Material Indebtedness.

5.12 Compliance with Laws. The Borrower and its Subsidiaries are in compliance in all material respects with all applicable Laws, orders and restrictions of any Governmental Authority having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property.

5.13 Ownership of Properties. The Borrower and its Subsidiaries have good title, free of all Liens, other than Permitted Liens, to all of the Property reflected in the Borrower's most recent audited balance sheet referred to in Section 6.1(a).

5.14 Plan Assets; Prohibited Transactions. The Borrower is not an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. § 2510.3-101, as modified by Section 3(42) of ERISA, of an employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA or any plan (within the meaning of Section 4975 of the Code) subject to Section 4975 of the Code, and neither the execution of this Agreement nor the Borrowings give rise to a prohibited transaction within the meaning of Section 406 of ERISA or Section 4975 of the Code. The Borrower is not subject to any Law substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

5.15 Investment Company Act. Neither the Borrower nor any of its Subsidiaries is subject to regulation under the Investment Company Act of 1940 or under any other federal or state statute or regulation which would reasonably be expected to limit its ability to incur the Obligations or which may otherwise render all or any portion of the Obligations unenforceable.

5.16 Insurance. The Borrower maintains, and has caused each Subsidiary to maintain, insurance in compliance with Section 6.6.

5.17 Solvency.

(a) Immediately after the consummation of the transactions to occur on the Closing Date and immediately following any Borrowings made on the Closing Date and after giving effect to the application of the proceeds of such Borrowings, (i) the fair value of the assets of the Borrower and its Subsidiaries on a consolidated basis, at a fair valuation, will exceed the debts and liabilities, subordinated, contingent or otherwise, of the Borrower and its Subsidiaries on a consolidated basis; (ii) the present fair saleable value of the Property of the Borrower and its Subsidiaries on a consolidated basis will be greater than the amount that will be required to pay the probable liability of the Borrower and its Subsidiaries on a consolidated basis on their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured; (iii) the Borrower and its Subsidiaries on a consolidated basis will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and (iv) the Borrower and its Subsidiaries on a consolidated basis will not have unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and are proposed to be conducted after the Closing Date.

(b) The Borrower does not intend to, or to permit any Subsidiary to, and does not believe that it or any Subsidiary will, incur debts beyond its ability to pay such debts as they mature, taking into account the timing of and amounts of cash to be received by it and the timing of the amounts of cash to be payable on or in respect of its Indebtedness.

5.18 No Default. No Default or Event of Default has occurred and is continuing.

5.19 Anti-Corruption Laws; Sanctions. The Borrower, its Subsidiaries and their respective directors, officers, and employees and, to the knowledge of the Borrower, the agents of the Borrower and its Subsidiaries are in compliance with Anti-Corruption Laws and all applicable Sanctions in all material respects. The Borrower and its Subsidiaries have implemented and maintain in effect policies and procedures designed to ensure compliance with Anti-Corruption Laws and applicable Sanctions. None of the Borrower, any of its Subsidiaries or any director, officer, employee, agent, or affiliate of the Borrower or any of its Subsidiaries is an individual or entity that is, or is 50% or more owned (individually or in the aggregate, directly or indirectly) or controlled by individuals or entities (including any agency, political subdivision or instrumentality of any government) that are (a) the target of any Sanctions or (b) located, organized or resident in a country or territory that is the subject of Sanctions (currently Crimea, Cuba, Iran, North Korea and Syria).

5.20 Force Majeure. Since the date of the most recent financial statements referred to in Section 5.4, the business and Property of the Borrower and its Subsidiaries have not been affected in any way by any fire or other casualty, strike, lockout, or other labor trouble, embargo, sabotage, confiscation, condemnation, riot, civil disturbance, activity of armed forces or act of God, in any case that could reasonably be expected to have a Material Adverse Effect.

5.21 Labor Matters. There are no collective bargaining agreements or Multiemployer Plans covering the employees of any Loan Party or any Subsidiary as of the Closing Date and

neither any Loan Party nor any Subsidiary has suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five (5) years preceding the Closing Date.

5.22 Margin Regulation. Margin stock (as defined in Regulation U) constitutes less than 25% of the value of those assets of the Borrower and its Subsidiaries (other than any Subsidiary which is an “exempted borrower” within the meaning of Regulation U) which are subject to any limitation on sale, pledge or other restriction hereunder.

5.23 Broker-Dealer.

(a) Each Broker-Dealer Subsidiary shall be duly registered as a broker or dealer with the SEC (or comparable agency in any applicable non-U.S. jurisdiction) under the Securities Exchange Act of 1934 (or comparable law in any applicable non-U.S. jurisdiction), is a member in good standing of FINRA (or comparable agency in any applicable non-U.S. jurisdiction) and such other self-regulatory organizations of which it is required to be a member in order to conduct its business as currently conducted and is duly registered under applicable state laws. There is no proceeding pending or threatened in writing with respect to the suspension, revocation or termination of any such registrations and the termination or withdrawal of any such registrations is not contemplated by any Broker-Dealer Subsidiary except as could not reasonably be expected to have a Material Adverse Effect. Each Broker-Dealer Subsidiary is in compliance in all material respects with the applicable provisions of the Securities Exchange Act of 1934 (or comparable law in any applicable non-U.S. jurisdiction) and all applicable rules of FINRA (or comparable agency in any applicable non-U.S. jurisdiction) and such other self-regulatory organizations except as could not reasonably be expected to have a Material Adverse Effect. All Persons associated with each Broker-Dealer Subsidiary required to be registered or licensed with FINRA (or comparable agency in any applicable non-U.S. jurisdiction) or with any other self-regulatory organization or other Governmental Authority are duly registered or licensed except where any failure to be so registered or licensed individually, or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) To the knowledge of the Borrower, no Broker-Dealer Subsidiary, nor any of their “associated persons” (as defined in Section 3(a)(18) of the Securities Exchange Act of 1934) who are required to be registered as such, is currently subject to a statutory disqualification as defined in Section 3(a)(39) of the Securities Exchange Act of 1934 (or comparable law in any applicable non-U.S. jurisdiction) except for such statutory disqualifications which (i) have been waived by the SEC (or comparable agency in any applicable non-U.S. jurisdiction), (ii) are the subject to an MC-400 or MC-400A approved by FINRA (or comparable agency in any applicable non-U.S. jurisdiction) or (iii) could not reasonably be expected to have a Material Adverse Effect.

(c) The information contained in the currently effective Form BD (the uniform application for broker-dealer registration) of each Broker-Dealer Subsidiary and any amendments thereto filed with the SEC and FINRA (or comparable agencies in any applicable non-U.S. jurisdiction) by each Broker-Dealer Subsidiary, was, at the time of filing, complete and accurate in all material respects.

(d) No Broker-Dealer Subsidiary has received a notice from the SEC, FINRA (or comparable agency in any applicable non-U.S. jurisdiction) or any other Governmental Authority, except as could not otherwise be expected to have a Material Adverse Effect.

ARTICLE VI AFFIRMATIVE COVENANTS

Until the Revolving Commitment has expired or been terminated and all Obligations hereunder and under the other Loan Documents have been paid in full (other than any contingent indemnification obligations), the Borrower covenants and agrees with the Lenders that:

6.1 **Financial Reporting.** The Borrower will maintain, for itself and each Subsidiary, a system of accounting established and administered in accordance with GAAP, and furnish to the Lender:

(a) within 90 days after the close of each of its fiscal years, an unqualified (except for qualifications relating to changes in accounting principles or practices reflecting changes in GAAP) audit report, with no going concern modifier, certified by independent certified public accountants acceptable to the Lender, prepared in accordance with GAAP on a consolidated basis for itself and its Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows, accompanied by (i) any management letter prepared by said accountants and (ii) a certificate of such accountants that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Default or Event of Default, or if, in the opinion of such accountants, any Default or Event of Default exists, stating the nature and status thereof;

(b) within 45 days after the close of each of the first three quarterly periods of each of its fiscal years, for itself and its Subsidiaries, consolidated unaudited balance sheets as at the close of each such period and consolidated profit and loss and reconciliation of surplus statements (including sufficient detail for independent calculation of the financial covenants set forth in Section 7.11) and a statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its chief financial officer;

(c) together with the financial statements required under Section 6.1(a) and (b), a Compliance Certificate signed by its chief financial officer showing the calculations necessary to determine compliance with this Agreement and stating that no Default or Event of Default exists, or if any Default or Event of Default exists, stating the nature and status thereof;

(d) promptly upon the furnishing thereof to the shareholders of the Borrower, copies of all financial statements, reports, proxy statements, and other materials so furnished;

(e) promptly upon the filing thereof, copies of all registration statements and annual, quarterly, monthly or other regular reports the Borrower or any Subsidiary files with the SEC or any other Governmental Authority, including regulatory capital reports and, within ten (10) days after filing, copies of all monthly FOCUS Reports of Piper Sandler & Co.;

(f) promptly, and in any event within five (5) Business Days after receipt thereof by the Borrower or any Broker-Dealer Subsidiary, copies of each notice or other correspondence received from the SEC (or comparable agency in any applicable non-U.S. jurisdiction) concerning any investigation or possible investigation or other inquiry by such agency regarding financial or other operational results of the Borrower or any Broker-Dealer Subsidiary, in each case, that could reasonably be expected to have a Material Adverse Effect.

(g) such other information (including non-financial information) as the Lender from time to time reasonably requests, including information and documentation reasonably requested by the Lender for purposes of compliance with applicable “know your customer” requirements under the PATRIOT Act or other applicable anti-money laundering Laws; and

(h) on or promptly after any time at which the Borrower or any Subsidiary becomes subject to the Beneficial Ownership Regulation, a completed Beneficial Ownership Certification in form and substance acceptable to the Lender.

Any financial statement required to be furnished pursuant to Section 6.1(a) or (b) shall be deemed to have been furnished on the date on which the Lender receives notice that the Borrower has filed such financial statement with the SEC and is available on the EDGAR website on the Internet at www.sec.gov or any successor government website that is freely and readily available to the Lender without charge. The Borrower will give notice of any such filing to the Lender. Notwithstanding the foregoing, the Borrower will deliver paper or electronic copies of any such financial statement to the Lender if the Lender requests the Borrower to furnish such paper or electronic copies until written notice to cease delivering such paper or electronic copies is given by the Lender.

If any information required to be furnished to the Lender under this Section 6.1 is required by Applicable Law to be filed by the Borrower with a government body on an earlier date, then the information required hereunder must be furnished to the Lender at such earlier date.

6.2 Use of Proceeds. The Borrower will, and will cause each Subsidiary to, use the proceeds of the Borrowings for general corporate purposes. The Borrower will not, and will not permit any Subsidiary to, use any of the proceeds of the Loans to purchase or carry any “margin stock” (as defined in Regulation U). The Borrower will not, directly or indirectly, use the proceeds of the Loans, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, (a) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or (b)(i) to fund any activities or business of or with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or (ii) in any other manner that would result in a violation of Sanctions by any Person (including any Person participating in the Loans, whether as Lender, underwriter, advisor, investor, or otherwise).

6.3 Notice of Material Events. The Borrower will, and will cause each Subsidiary to, give notice to the Lender, promptly and in any event within five days after an officer of the Borrower obtains knowledge thereof, of the occurrence of any of the following:

(a) any Default or Event of Default;

(b) (i) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, would reasonably be expected to result in a Material Adverse Effect or that seeks to prevent, enjoin or delay any Borrowings or (ii) any material adverse development in any litigation, arbitration or governmental investigation or proceeding previously disclosed by the Borrower or any Subsidiary;

(c) with respect to a Plan, (i) any failure to pay all required minimum contributions and installments on or before the due dates provided under Section 430(j) of the Code or (ii) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA, of an application for a waiver of the minimum funding standard;

(d) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, would reasonably be expected to result in material liability;

(e) any change in the information provided in any Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in parts (c) or (d) of such certification;

(f) any Subsidiary becoming a Material Domestic Subsidiary or a Material Domestic Subsidiary becoming organized or otherwise acquired; and

(g) any other development, financial or otherwise, that would reasonably be expected to have a Material Adverse Effect.

Each notice delivered under this Section 6.3 must be accompanied by a statement of an officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

6.4 Conduct of Business. The Borrower will, and will cause each Subsidiary to, (a) carry on and conduct its business in substantially the same manner and fields of enterprise in which it is conducted on the Closing Date; provided, however, that any Subsidiary that is not a Material Domestic Subsidiary may cease operations or otherwise wind-down operations if the Borrower determines to do so in its reasonable business judgment (provided that (i) the total assets, determined in accordance with GAAP, of the Subsidiaries, in the aggregate, which have ceased operations or otherwise wound-down operations shall not exceed ten percent (10%) of the Consolidated Total Assets of the Borrower during the 12-month period ending with the month in which such business was ceased, and (ii) the total operating income, determined in accordance with GAAP, of the Subsidiaries, in the aggregate, which have ceased operations or otherwise wound-down operations, shall not exceed ten percent (10%) of the Consolidated Net Income of the Borrower during the 12-month period ending with the month in which such business was ceased), (b) do all things necessary to remain duly incorporated or organized, validly existing and (to the extent such concept applies to such entity) in good standing as a domestic corporation, partnership or limited liability company in its jurisdiction of incorporation or organization, except through a transaction that is otherwise permitted by this Agreement, (c)

maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except through a transaction that is otherwise permitted by this Agreement, and (d) keep in full force and effect all rights, contracts, trademarks, trade names, patents, copyrights, licenses, permits, privileges, franchises, and other authorizations material to the conduct of its business, except through a transaction that is otherwise permitted by this Agreement.

6.5 Payment of Taxes and Obligations. The Borrower will, and will cause each Subsidiary to, timely file complete and correct United States federal and applicable foreign, state and local tax returns required by Applicable Law. The Borrower will, and will cause each Subsidiary to, pay when due all its obligations, including without limitation Taxes upon it or its income, profits or Property, except those amounts (i) being contested in good faith by appropriate proceedings, with respect to which adequate reserves have been set aside in accordance with GAAP, and (ii) the nonpayment of which, in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

6.6 Insurance. The Borrower will, and will cause each Subsidiary to, maintain with financially sound and reputable insurance companies insurance on all their Property in such amounts, subject to such deductibles and self-insurance retentions and covering such Properties and risks as is consistent with sound business practice, and the Borrower will furnish to the Lender upon request full information as to the insurance carried.

6.7 Compliance with Laws and Material Contractual Obligations. The Borrower will, and will cause each Subsidiary to, (a) comply in all material respects with all Laws, orders, writs, judgments, injunctions, decrees or awards to which it may be subject including, without limitation, all Anti-Corruption Laws and applicable Sanctions and (b) perform in all material respects its obligations under material agreements to which it is a party. The Borrower will maintain in effect and enforce policies and procedures designed to ensure compliance by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

6.8 Maintenance of Properties. The Borrower will, and will cause each Subsidiary to, do all things necessary to maintain, preserve, protect and keep its Property in good repair, working order and condition, ordinary wear and tear excepted, and make all repairs, renewals and replacements necessary to properly conduct its business at all times.

6.9 Books and Records; Inspection. The Borrower will, and will cause each Subsidiary to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions related to its business and activities. The Borrower will, and will cause each Subsidiary to, permit the Lender, by its representatives and agents, at the Borrower's expense, to inspect any of the Property, books and financial records of the Borrower and each Subsidiary, to examine and make copies of the books of accounts and other financial records of the Borrower and each Subsidiary, and to discuss the affairs, finances and accounts of the Borrower and each Subsidiary with, and to be advised as to the foregoing by, their respective officers at such reasonable times and intervals as the Lender designates.

6.10 Further Assurances. As promptly as possible but in any event within 30 days (or such later date as agreed by the Lender in its sole discretion) after a Subsidiary becomes a

Material Domestic Subsidiary (or a Material Domestic Subsidiary is organized or otherwise acquired), the Borrower will provide the Lender with written notice thereof setting forth information in reasonable detail describing the material Property of such Subsidiary and will deliver or cause each such Subsidiary to deliver to the Lender (i) a Guaranty (or a joinder to the Guaranty, as applicable) in a form acceptable to the Lender pursuant to which such Subsidiary agrees to be bound by the terms and provisions thereof, (ii) an updated Schedule 5.8 designating each Material Domestic Subsidiary as such, (iii) appropriate resolutions and legal opinions, and (iv) such other documentation as the Lender reasonably requests, in each case in form and substance reasonably satisfactory to the Lender and its counsel. Each Loan Party will, and will cause each Subsidiary to, promptly correct any ambiguity, omission, mistake, defect, inconsistency or error discovered in any Loan Document or in the execution, acknowledgment or recordation thereof. Notwithstanding anything herein to the contrary, if such Person would qualify as a “Regulated Subsidiary” and has been identified by the Borrower as such in the written notice provided to the Lender under this Section 6.10, such Person shall not be required to become a Guarantor pursuant to this Section 6.10. In addition, notwithstanding anything herein to the contrary, neither Sandler O’Neill + Partners, L.P. nor any of its Affiliates or Subsidiaries shall be deemed to be a Material Domestic Subsidiary hereunder.

6.11 Anti-Money Laundering Compliance. The Borrower will, and will cause each Subsidiary to, provide such information and take such actions as are reasonably requested by the Lender to assist the Lender in maintaining compliance with anti-money laundering Laws.

6.12 Registration Status. The Borrower shall cause each Broker-Dealer Subsidiary to maintain its (a) registration as a registered “broker-dealer” under the Securities Exchange Act of 1934 (or comparable law in any applicable non-U.S. jurisdiction) and under the laws of each state in which such registration is required and where a failure to maintain such registration could be likely to have a Material Adverse Effect and (b) membership with FINRA (or comparable agency in any applicable non-U.S. jurisdiction), except where the failure to maintain such membership could not be reasonably likely to have a Material Adverse Effect.

ARTICLE VII NEGATIVE COVENANTS

Until the Commitments have expired or been terminated and all Obligations hereunder and under the other Loan Documents have been paid in full (other than any contingent indemnification obligations), the Borrower covenants and agrees with the Lender that:

7.1 Indebtedness. The Borrower will not, and will not permit any Subsidiary to, create, incur or suffer to exist any Indebtedness, except for:

- (a) the Loans;
- (b) Indebtedness existing on the Closing Date and described in Schedule 7.1 (and any renewal or extension of such Indebtedness that does not increase the principal amount thereof);

(c) Indebtedness arising under Swaps; provided, that, (i) such Swap is (or was) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person, and not for purposes of speculation or taking a “market view,” and (ii) such Swap does not contain any provision exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party;

(d) Indebtedness incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capitalized Lease Obligations, and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets (in each case to the extent such acquisition is otherwise permitted hereby) before the acquisition thereof (only if such Indebtedness is incurred before or within 90 days after such acquisition or the completion of such construction or improvements), and any renewal or extension of such Indebtedness that does not increase the principal amount thereof;

(e) Indebtedness of the Borrower owing to any Subsidiary and of any Subsidiary owing to the Borrower or any other Subsidiary, subject to Section 7.4(f);

(f) guaranties by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary, subject to Section 7.4(f);

(g) Indebtedness of any Person that becomes a Subsidiary after the Closing Date in a transaction otherwise permitted hereunder, only if (i) such Indebtedness exists at the time that such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (ii) the aggregate principal amount of such Indebtedness does not exceed \$10,000,000 at any time outstanding;

(h) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guaranties or letters of credit, surety bonds or performance bonds securing the performance by a Loan Party pursuant to such agreements, in connection with any of the transactions expressly permitted under Section 7.4 or 7.5, in each case on customary terms and in the ordinary course of business;

(i) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business, provided that such Indebtedness must be extinguished within five Business Days after incurrence;

(j) Indebtedness constituting marketable Securities sold under agreements to repurchase entered into in the ordinary course of business;

(k) Indebtedness constituting (i) liabilities to customers for cash on deposit, (ii) liabilities to brokers, dealers and clearing organizations relating to the settlement of securities transactions and (iii) monies due to counterparties under interest rate swap transactions, in each case under clauses (i) through (iii), arising, or pursuant to transactions entered into, in the ordinary course of business; and

(l) other Indebtedness so long as, before and after giving effect to the creation or incurrence of such Indebtedness, the Borrower shall be in compliance with each of the financial covenants set forth in Section 7.11.

7.2 Fundamental Changes. The Borrower will not, and will not permit any Subsidiary to, merge or consolidate with or into any other Person, divide, or liquidate or dissolve, except that (a) a Subsidiary may merge, consolidate, liquidate or dissolve into the Borrower (with the Borrower being the survivor thereof), (b) a Subsidiary may merge, consolidate, liquidate or dissolve into another Subsidiary, and (c) the Borrower or any Subsidiary may merge or consolidate with or into any Person other than the Borrower or such Subsidiary to effect a Permitted Acquisition (with the Borrower or such Subsidiary being the survivor thereof). For the avoidance of doubt, the contemplated merger of Sandler O'Neill + Partners, L.P. with and into Piper Sandler & Co., and the mergers of their respective Affiliates and Subsidiaries, shall be permitted under this Section 7.2 and the Borrower shall promptly provide the Lender with any amendments to its charter documents or as to its bylaws resulting from such contemplated merger.

7.3 Sale of Property. The Borrower will not, and will not permit any Subsidiary to, lease, sell, transfer, or otherwise dispose of its Property to any other Person, except for:

(a) sales of inventory, or used, worn-out or surplus equipment, all in the ordinary course of business;

(b) the sale of equipment (i) in exchange for credit against the purchase price of similar replacement equipment or (ii) the proceeds of which are applied with reasonable promptness to the purchase price of similar replacement equipment;

(c) any disposition of Property that, together with all other Property disposed of pursuant to this Section 7.3(c) during the 12-month period ending with the month in which such disposition occurs, does not constitute a Substantial Portion of its Property.

7.4 Investments. The Borrower will not, and will not permit any Subsidiary to, make or suffer to exist any Investments (including without limitation, loans and advances to, and other Investments in, Subsidiaries), or commitments therefor, or create any Subsidiary or become or remain a partner in any partnership or joint venture, except for:

(a) Cash Equivalent Investments;

(b) Investments existing on the Closing Date (i) in Subsidiaries or (ii) described in Schedule 7.4;

(c) Investments constituting Permitted Acquisitions and any deferred or restricted compensation arrangements related thereto;

(d) advances and loans to management personnel and employees in the ordinary course of business;

- (e) Swaps permitted by Section 7.1(c);
- (f) Investments by the Borrower in any Subsidiary and by any Subsidiary in the Borrower or another Subsidiary;
- (g) Investments constituting Securities purchased by Broker-Dealer Subsidiaries and acquired in the ordinary course of business and consistent with past practice;
- (h) Investments in Securities to fund deferred compensation plans or non-qualified plans for employees in the ordinary course of business and consistent with past practice;
- (i) other Investments constituting variable interest entities and Investments in funds managed or advised by the Borrower or any Subsidiary in the ordinary course of business and consistent with past practice;
- (j) Investments consisting of marketable Securities purchased under agreements to resell; and
- (k) other Investments in the ordinary course of business and consistent with past practice, in an aggregate principal amount not to exceed \$50,000,000 at any time outstanding.

7.5 Acquisitions. The Borrower will not, and will not permit any Subsidiary, to make any Acquisition other than a Permitted Acquisition.

7.6 Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, or suffer to exist any Lien in, of or on the Property of the Borrower or any Subsidiary, except for:

- (a) Liens for taxes, assessments or governmental charges or levies on its Property that are not at the time delinquent or thereafter can be paid without penalty, or are being contested in good faith and by appropriate proceedings and for which adequate reserves in accordance with GAAP have been set aside on its books;
- (b) Liens imposed by law, such as carriers', warehousemen's and mechanics' liens and other similar liens arising in the ordinary course of business that secure payment of obligations that are not more than 60 days past due or that are being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP have been set aside on its books;
- (c) Liens arising out of pledges or deposits under worker's compensation laws, unemployment insurance, old age pensions, or other social security or retirement benefits, or similar legislation;
- (d) utility easements, building restrictions and such other encumbrances or charges against real property that generally exist with respect to Properties of a similar character

and do not in any material way affect the marketability of the property or interfere with the use thereof in the business of the Borrower or its Subsidiaries;

(e) Liens arising solely by virtue of any statutory or common law provision relating to bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts, securities accounts or other funds maintained with a creditor depository institution, only if (i) such account is not a dedicated cash collateral account and is not subject to restriction against access by the Borrower or a Subsidiary in excess of those set forth by regulations promulgated by the Board, and (ii) such account is not intended by the Borrower or any Subsidiary to provide collateral to the depository institution;

(f) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(g) judgment and attachment liens not giving rise to an Event of Default or Liens created by or existing from any litigation or legal proceeding that are currently being contested in good faith by appropriate proceedings diligently conducted and with respect to which adequate reserves are being maintained in accordance with GAAP;

(h) the interest or title of a lessor, sublessor or owner under any lease of real estate, equipment or facilities (including fiber optic cable) expressly permitted under this Agreement (but not Liens, encumbrances or other exceptions to title encumbering such interest or title, except as otherwise provided in this definition);

(i) purported Liens evidenced by the filing of precautionary UCC financing statements relating solely to operating leases of personal property entered into in the ordinary course of business;

(j) licenses of trademarks and other intellectual property rights granted by the Borrower or a Subsidiary in the ordinary course of business and not interfering in any respect with the ordinary conduct of the business of the Borrower or such Subsidiary;

(k) purchase money Liens upon or in any fixed or capital assets to secure the purchase price or the cost of construction or improvement of such fixed or capital assets or to secure Indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of such fixed or capital assets (including Liens securing any Capitalized Lease Obligations), only if (i) such Lien secures Indebtedness permitted by Section 7.1(d), (ii) such Lien attaches to such asset concurrently or within 90 days after the acquisition or the completion of the construction or improvements thereof, (iii) such Lien does not extend to any other asset, and (iv) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets;

(l) any Lien (i) existing on any Property of any Person at the time such Person becomes a Subsidiary, (ii) existing on any Property of any Person at the time such Person is merged with or into the Borrower or a Subsidiary, or (iii) existing on any Property before the acquisition thereof by the Borrower or a Subsidiary, in each case pursuant to a transaction

otherwise permitted hereby, only if such Lien (x) was not created in the contemplation of any of the foregoing, (y) secures only the obligations it secures on the date such Person becomes a Subsidiary or the date of such merger or acquisition, and (z) is not a blanket or “all assets” Lien;

(m) Liens existing on the Closing Date and described in Schedule 7.6;

(n) Liens on Property acquired in a Permitted Acquisition, provided that such Liens extend only to the Property so acquired and were not created in contemplation of such acquisition;

(o) Liens in connection with Indebtedness permitted pursuant to Sections 7.1(c) and (j), and

(p) other Liens securing Indebtedness in an aggregate principal amount not to exceed \$10,000,000 at any time outstanding.

7.7 Restricted Payments. The Borrower will not, and will not permit any Subsidiary to, make any Restricted Payment, except that

(a) any Subsidiary may declare and pay dividends or make distributions to the Borrower or to a Wholly-Owned Subsidiary of the Borrower; and

(b) the Borrower may declare and pay dividends or make distributions or repurchases on its Equity Interests if no Default or Event of Default exists before or after giving effect to such dividends, distributions or repurchases or would be created as a result thereof.

7.8 Transactions with Affiliates. The Borrower will not, and will not permit any Subsidiary to, enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make any payment or transfer to, any Affiliate except in the ordinary course of business and pursuant to the reasonable requirements of the Borrower’s or such Subsidiary’s business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary than the Borrower or such Subsidiary would obtain in a comparable arms-length transaction.

7.9 Restrictive Agreements. The Borrower will not, and will not permit any Subsidiary to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its Property other than Permitted Liens, or (b) the ability of any Subsidiary to (i) pay dividends or other distributions to holders of its Equity Interests, (ii) make or repay loans or advances to the Borrower or any other Subsidiary, or (iii) guarantee Indebtedness of the Borrower or any other Subsidiary; provided that (w) the foregoing does not apply to restrictions and conditions imposed by law or by any Loan Document, (x) the foregoing does not apply to customary restrictions and conditions in agreements relating to the sale of a Subsidiary pending such sale, if such restrictions and conditions apply only to the Subsidiary to be sold and such sale is permitted hereunder, (y) clause (a) of the foregoing does not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement, and (z) clause (a)

of the foregoing does not apply to customary provisions in leases and other contracts restricting the assignment thereof.

7.10 Accounting Changes, etc. The Borrower will not, and will not permit any Subsidiary to, (a) make any material change in GAAP accounting treatment or reporting practices other than any changes or reporting practices either (i) required by GAAP or (ii) necessary or advisable in the Borrower's reasonable discretion to maintain compliance with GAAP or change its fiscal year (provided, however, that any Subsidiary may change its fiscal year to match the fiscal year of the Borrower), or (b) amend, modify or change any of its Constituent Documents in any manner materially adverse in any respect to the rights or interests of the Lender.

7.11 Financial Covenants.

(a) The Borrower will, at all times, cause its Wholly-Owned Subsidiary, Piper Sandler & Co., to maintain Regulatory Net Capital of at least \$120,000,000.

(b) The Borrower will maintain, as of the end of each fiscal quarter commencing with the fiscal quarter ending December 31, 2019, an Adjusted Leverage Ratio of not more than 5.50 to 1.00.

(c) The Borrower will maintain, as of the end of each fiscal quarter, commencing with the fiscal quarter ending December 31, 2019, a ratio of Operating Cash Flow for the period commencing on the first day of the related fiscal year, through the end of such fiscal quarter to Consolidated Fixed Charges for the period commencing on the first day of the related fiscal year, through the end of such fiscal quarter, of at least 2.00 to 1.00.

**ARTICLE VIII
DEFAULTS AND REMEDIES**

8.1 Events of Default. The occurrence of any one or more of the following events is an Event of Default (each, an "Event of Default"):

(a) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary to the Lender under or in connection with this Agreement, any other Loan Document, any Borrowing, or any certificate or information delivered in connection with this Agreement or any other Loan Document is materially false on the date made or confirmed;

(b) nonpayment of (i) principal of any Loan when due or (ii) interest upon any Loan, any Commitment Fee, or any other obligation under any of the Loan Documents within one Business Day after it becomes due;

(c) the breach of any of the provisions of Section 6.1, 6.2, 6.3, 6.4, 6.6, and 6.11 or Article VII;

(d) the breach (other than a breach that is an Event of Default under another clause of this Section 8.1) of any of the terms or provisions of this Agreement or any other Loan Document that is not remedied within 30 days after the earlier of (i) the Borrower becoming aware of such breach and (ii) the Lender notifying the Borrower of such breach;

(e) (i) failure of the Borrower or any Subsidiary to pay when due any payment (whether of principal, interest or any other amount) in respect of any Material Indebtedness, (ii) the default (beyond any applicable grace period) by the Borrower or any Subsidiary in the performance of any term, provision or condition in any Material Indebtedness Agreement, or any other event or condition, that causes, or permits the holder(s) of such Material Indebtedness or the lender(s) under any Material Indebtedness Agreement to cause, any portion of such Material Indebtedness to become due before its stated maturity or any commitment to lend under any Material Indebtedness Agreement to be terminated before its stated expiration date, or (iii) any portion of Material Indebtedness being declared due and payable or required to be prepaid or repurchased (other than by a regularly scheduled payment) before the stated maturity thereof;

(f) the Borrower or any Subsidiary (i) has an order for relief entered with respect to it under the federal bankruptcy Laws, (ii) makes an assignment for the benefit of creditors, (iii) applies for, seeks, consents to, or acquiesces in the appointment of a receiver, custodian, trustee, examiner, liquidator, administrator, sequestrator or similar official for it or any Substantial Portion of its Property, (iv) institutes any proceeding seeking an order for relief under the federal bankruptcy Laws or seeking to adjudicate it a bankrupt or insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, adjustment or composition of it or its debts under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors or fails to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (v) takes any corporate, limited liability company or partnership action to authorize or effect any of the foregoing actions set forth in this Section 8.1(f), (vi) fails to contest in good faith any appointment or proceeding described in this Section 8.1(f), or (vii) fails to pay, or admits in writing its inability to pay, its debts generally as they become due;

(g) without the application, approval or consent of the Borrower or any Subsidiary, a receiver, trustee, examiner, liquidator or similar official is appointed for the Borrower, any Subsidiary, or any Substantial Portion of its Property, or a proceeding described in Section 7.1(f) is instituted against the Borrower or any Subsidiary, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for 30 days;

(h) any Governmental Authority condemns, seizes or otherwise appropriates, or takes custody or control of, all or any portion of the Property of the Borrower and its Subsidiaries that, when taken together with all other Property so condemned, seized, appropriated, or taken custody or control of, during the 12-month period ending with the month in which any such action occurs, constitutes a Substantial Portion of its Property;

(i) the Borrower or any Subsidiary fails within 30 days to pay, obtain a stay with respect to, or otherwise discharge one or more (i) judgments or orders for the payment of money of more than \$10,000,000 (or the equivalent thereof in currencies other than Dollars) in the aggregate, or (ii) nonmonetary judgments or orders that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, in each case which are not

stayed on appeal or otherwise being appropriately contested in good faith, or any action is legally taken by a judgment creditor to attach or levy upon any Property of the Borrower or any Subsidiary to enforce any such judgment;

(j) (i) with respect to a Plan, the Borrower or an ERISA Affiliate is subject to a Lien pursuant to Section 430(k) of the Code or Section 303(k) of ERISA or Title IV of ERISA, or (ii) an ERISA Event that, in the opinion of the Lender, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a liability in excess of \$10,000,000;

(k) nonpayment by the Borrower or any Subsidiary of any Swap Obligation in an amount in excess of \$2,000,000 when due or the breach by the Borrower or any Subsidiary of any term, provision or condition in any Swap or any transaction of the type described in the definition of "Swap," whether or not the Lender or Affiliate of the Lender is a party thereto;

(l) any Change of Control shall occur;

(m) the occurrence of any "default," or "event of default" as defined in any Loan Document (other than this Agreement), or the breach of any of the terms or provisions of any Loan Document (other than this Agreement), which default or breach continues beyond any period of grace therein provided;

(n) any Loan Document fails to remain in full force or effect or any action is taken to discontinue or to assert the invalidity or unenforceability of any Guaranty, or any Guarantor fails to comply with any of the terms or provisions of any Guaranty to which it is a party, any Guarantor repudiates or purports to revoke its Guaranty or any Guarantor otherwise denies that it has any further liability under its Guaranty, or gives notice to such effect; or

(o) any occurrence or event that has a Material Adverse Effect.

8.2 Acceleration; Remedies.

(a) If any Event of Default described in Section 7.1(f) or (g) occurs,

(i) the obligations of the Lender to make Loans shall automatically terminate and

(ii) the Obligations under this Agreement and the other Loan Documents shall immediately become due and payable without any election or action by the Lender.

(b) If any other Event of Default occurs, the Lender may take any or all of the following actions:

(i) terminate the Revolving Commitment; and

(ii) declare the Obligations under this Agreement and the other Loan Documents to be due and payable, whereupon the Obligations under this Agreement and the other Loan Documents shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which the Borrower hereby expressly waives.

(c) Upon the occurrence and during the continuation of any Event of Default, the Lender may exercise all rights and remedies under the Loan Documents and enforce all other rights and remedies under Applicable Law.

(d) The Lender may apply any amounts it receives on account of the Obligations to the payment of the Obligations as the Lender decides in its sole discretion.

8.3 Preservation of Rights. No delay or omission of the Lender to exercise any right under the Loan Documents will impair such right or be construed to be a waiver of any Event of Default or an acquiescence therein, and any Borrowing notwithstanding an Event of Default or the inability of the Borrower to satisfy the conditions precedent to such Borrowing shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right. All remedies in the Loan Documents or afforded by Applicable Law shall be cumulative and all shall be available to the Lender until (a) the Obligations have been irrevocably paid and performed in full and (b) the Lender no longer has any commitment to provide any financial accommodations to the Borrower or any other Loan Party under any Loan

ARTICLE IX MISCELLANEOUS

9.1 Notice; Effectiveness; Electronic Communication.

(a) Notices Generally. Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in Section 9.1(b)), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile as follows:

(i) if to the Borrower, to it at Piper Sandler Companies, 800 Nicollet Mall, Suite 900, Minneapolis, Minnesota 55402, Attention: Kasi V. Subramanian, Facsimile: (612) 303-1316; and

(ii) if to the Lender, to it at U.S. Bank National Association, One US Bank Plaza St. Louis, 505 N 7th St, Saint Louis, Missouri 63101, Attention: Christopher Doering, Telephone: (314) 418-8303.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (or, if not given during normal business hours for the recipient, at the opening of business on the next business day for the recipient),

except that notices to the Lender under Article II shall not be effective unless and until actually received. Notices delivered through electronic communications pursuant to Section 9.1(b) shall be effective as provided in Section 9.1(b).

(b) Electronic Communications. Notices and other communications to the Lender hereunder may be delivered or furnished by email pursuant to procedures approved by the Lender. The Lender or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it or as it otherwise determines. Such determination or approval may be limited to particular notices or communications. Unless the Lender otherwise prescribes, notices and other communications sent to an email address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return email or other written acknowledgement), or, if not sent during the normal business hours of the recipient, at the opening of business on the next business day for the recipient.

(c) Change of Address, etc. Any party hereto may change its address or facsimile number above by notice to the other parties hereto as provided in this Section 9.1.

9.2 Amendments and Waivers. Notwithstanding any provision to the contrary herein, no amendment, modification or waiver of any provision of this Agreement or any other Loan Document or consent to any departure therefrom by any Loan Party shall be effective unless in writing and signed by the Lender, and then such amendment, modification, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

9.3 Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Lender) in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents, or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby are consummated), and (ii) all out-of-pocket expenses incurred by the Lender (including the fees, charges and disbursements of any counsel for the Lender) in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section 9.3, or (B) in connection with the Loans, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) Indemnification by the Borrower. The Borrower shall indemnify each Indemnitee against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the Borrower) arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions

contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, (y) result from a claim brought by the Borrower against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Loan Document, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction or (z) result from a claim not involving an act or omission of the Borrower and brought by an Indemnitee against another Indemnitee. This Section 9.3(b) does not apply with respect to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) Waiver of Consequential Damages, etc. To the fullest extent permitted by Applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan, or the use of the proceeds thereof. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(d) Payments. All amounts due under this Section 9.3 are payable promptly after demand therefor.

(e) Survival. Each party's obligations under this Section 9.3 shall survive the termination of the Loan Documents and payment of the obligations hereunder.

9.4 Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Lender (and any other attempted assignment or transfer by the Borrower shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in Section 9.4(c) and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lender. Subject to the Borrower's prior written consent (such consent to not be unreasonably withheld, conditioned or delayed) prior to the occurrence

and continuation of an Event of Default, the Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of the Revolving Commitment and the Loans at the time owing to it).

(c) Participations. The Lender may at any time, without the consent of, or notice to, the Borrower, sell participations to any Person (each, a “Participant”) in all or a portion of the Lender’s rights or obligations under this Agreement (including all or a portion of the Revolving Commitment or the Loans); provided that (i) the Lender’s obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the Borrower for the performance of such obligations, and (iii) the Borrower shall continue to deal solely and directly with the Lender in connection with this Agreement.

The Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.1, 3.4, and 3.5 (subject to the requirements and limitations therein) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 9.4(b); provided that such Participant shall not be entitled to receive any greater payment under Section 3.1 or 3.5, with respect to any participation, than the Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.5 as though it were a Lender.

(d) Certain Pledges. The Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of the Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment may release the Lender from any of its obligations hereunder or substitute any such pledgee or assignee for the Lender as a party hereto.

9.5 Setoff. The Borrower hereby grants the Lender a security interest in all deposits, credits and deposit accounts (including all account balances, whether provisional or final and whether or not collected or available) of the Borrower with the Lender or any Affiliate of the Lender (the “Deposits”) to secure the Obligations. In addition to, and without limitation of, any rights of the Lender under Applicable Law, if the Borrower becomes insolvent, however evidenced, or any Event of Default occurs, the Borrower authorizes the Lender and its Affiliates to offset and apply all such Deposits toward the payment of the Obligations owing to the Lender, whether or not the Obligations, or any part thereof, are contingent or unmatured or are owed to a branch office or Affiliate of the Lender different from the branch office or Affiliate holding such Deposit and regardless of the existence or adequacy of any collateral, guaranty or any other security, right or remedy available to the Lender.

9.6 Payments Set Aside. To the extent that any payment by or on behalf of any Loan Party is made to the Lender, or the Lender exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Lender in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Law relating to bankruptcy, insolvency, or reorganization or relief of debtors or otherwise, then to the extent of such recovery, the obligation or part thereof originally

intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

9.7 Survival. All covenants, agreements, representations and warranties made by any Loan Party in any Loan Document or other documents delivered in connection therewith or pursuant thereto shall be considered to have been relied upon by the Lender and shall survive the execution and delivery hereof and thereof and the Borrowings, regardless of any investigation made by or on behalf of the Lender and notwithstanding that the Lender may have had notice or knowledge of any Default at the time of any Borrowing, and shall continue in full force and effect as long as any Loan or any other Obligation remains unpaid or unsatisfied and so long as the Revolving Commitment has not expired or been terminated. The provisions of Sections 3.1, 3.2, 3.4, 3.5, 9.3, and 9.7 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the payment in full of the Obligations, the expiration or termination of the Revolving Commitment or the termination of any Loan Document or any provision thereof.

9.8 Governmental Regulation. Anything in this Agreement to the contrary notwithstanding, the Lender shall not be obligated to extend credit to the Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.9 Headings. Section headings in the Loan Documents are for convenience of reference only and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.10 Entire Agreement. The Loan Documents embody the entire agreement and understanding between the Borrower and the Lender and supersede all prior agreements and understandings between the Borrower and the Lender relating to the subject matter thereof other than those in the Fee Letter entered into in connection herewith, which shall survive and remain in full force and effect during the term of this Agreement.

9.11 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.12 Treatment of Certain Information; Confidentiality. The Lender agrees to maintain the confidentiality of the Information, except that Information may be disclosed (a) to its Affiliates and to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential); (b) to the extent required or requested by any regulatory authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners); (c) to the extent required by Applicable Laws or by any subpoena or similar legal process; (d) to any other party hereto; (e) in connection with the exercise of any remedies hereunder or under any other Loan Document or any action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder; (f) subject to an agreement

containing provisions substantially the same as those of this Section 9.12, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights and obligations under this Agreement, or (ii) any actual or prospective party (or its Related Parties) to any swap, derivative or other transaction under which payments are to be made by reference to the Borrower and its obligations, this Agreement or payments hereunder; (g) on a confidential basis to any rating agency in connection with rating the Borrower or its Subsidiaries or the credit facilities contemplated hereby; (h) with the consent of the Borrower; or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section 9.12, or (y) becomes available to the Lender or any of its Affiliates on a nonconfidential basis from a source other than the Borrower who did not acquire such information as a result of a breach of this Section 9.12. In addition, the Lender may disclose the existence of this Agreement and information about this Agreement to market data collectors, similar service providers to the lending industry and service providers to the Lender in connection with the administration of this Agreement, the other Loan Documents, and the Revolving Commitment.

For purposes of this Section 9.12, “Information” means all information received from the Borrower or any of its Subsidiaries relating to the Borrower or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Lender on a nonconfidential basis prior to disclosure by the Borrower or any of its Subsidiaries; provided that, in the case of information received from the Borrower or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 9.12 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

9.13 No Advisory or Fiduciary Responsibility. In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Borrower acknowledges and agrees, and acknowledges its Affiliates’ understanding, that (a)(i) no fiduciary, advisory or agency relationship between the Borrower and the Lender is intended to be or has been created in respect of the transactions contemplated hereby or by the other Loan Documents, irrespective of whether the Lender has advised or is advising the Borrower or any Subsidiary on other matters, (ii) any services regarding this Agreement provided by the Lender are arm’s-length commercial transactions between the Borrower and its Affiliates, on the one hand, and the Lender, on the other hand, (iii) the Borrower has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iv) the Borrower is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; and (b)(i) the Lender is and has been acting solely as a principal and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Borrower or any of its Affiliates, or any other Person; (ii) the Lender has no obligation to the Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (iii) the Lender and its Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and the Lender has no obligation to disclose any of such interests to the Borrower or its Affiliates. To the fullest extent

permitted by Law, the Borrower hereby waives and releases any claims that it may have against the Lender with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

9.14 PATRIOT Act. The Lender hereby notifies the Borrower and each other Loan Party that, pursuant to the requirements of the PATRIOT Act, it may be required to obtain, verify and record information that identifies such Loan Party, which information includes the name and address of such Loan Party and other information that will allow the Lender to identify such Loan Party in accordance with the PATRIOT Act.

9.15 Communication by Cellular Phone or Other Wireless Device. By providing the Lender with a telephone number for a cellular phone or other wireless device, including a number that the Borrower later converts to a cellular number, the Borrower is expressly consenting to receiving communications (including but not limited to prerecorded or artificial voice message calls, text messages, and calls made by an automatic telephone dialing system) from the Lender and the Lender's affiliates and agents at that number. This express consent applies to each such telephone number that the Borrower provides to the Lender now or in the future and permits such calls for non-marketing purposes. Calls and messages may incur access fees from the Borrower's cellular provider.

9.16 Counterparts; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Except as provided in Article IV, this Agreement shall become effective when it has been executed by the Lender, and when the Lender has received counterparts hereof that, when taken together, bear the signatures of each of the parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement and any other Loan Document by facsimile or electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement or such Loan Document.

9.17 Document Imaging; Telecopy and PDF Signatures; Electronic Signatures. Without notice to or consent of any Loan Party, the Lender may create electronic images of any Loan Documents and destroy paper originals of any such imaged documents. Such images have the same legal force and effect as the paper originals and are enforceable against the Borrower and any other parties thereto. The Lender may convert any Loan Document into a "transferable record" as such term is defined under, and to the extent permitted by, UETA, with the image of such instrument in the Lender's possession constituting an "authoritative copy" under UETA. If the Lender agrees, in its sole discretion, to accept delivery by telecopy or PDF of an executed counterpart of a signature page of any Loan Document or other document required to be delivered under the Loan Documents, such delivery will be valid and effective as delivery of an original manually executed counterpart of such document for all purposes. If the Lender agrees, in its sole discretion, to accept any electronic signatures of any Loan Document or other document required to be delivered under the Loan Documents, the words "execution," "signed," and "signature," and words of like import, in or referring to any document so signed will be deemed to include electronic signatures and/or the keeping of records in electronic form, which will be of the same legal effect, validity and enforceability as a manually executed signature and/or the use

of a paper-based recordkeeping system, to the extent and as provided for in any applicable law, including UETA, E-SIGN, or any other state laws based on, or similar in effect to, such acts. The Lender may rely on any such electronic signatures without further inquiry.

9.18 Governing Law. This Agreement and the other Loan Documents and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the law of the State of Minnesota.

9.19 Jurisdiction. The Borrower irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind or description, whether in law or equity, whether in contract or in tort or otherwise, against the Lender or any Related Party of the foregoing in any way relating to this Agreement or any other Loan Document or the transactions relating hereto or thereto, in any forum other than the courts of the State of Minnesota sitting in Hennepin County, and of the United States District Court for the District of Minnesota, and any appellate court from any thereof, and each of the parties hereto irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such state court or, to the fullest extent permitted by Applicable Law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action, litigation or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or its properties in the courts of any jurisdiction.

9.20 Waiver of Venue. The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 9.19. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

9.21 Service of Process. Each party hereto irrevocably consents to service of process in the manner provided for notices in Section 9.1. Nothing in this Agreement shall affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

9.22 WAIVER OF JURY TRIAL. THE BORROWER AND THE LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Borrower and the Lender have executed this Agreement as of the date first above written.

PIPER SANDLER COMPANIES

By: /s/ Kasi V. Subramanian

Name: Kasi V. Subramanian

Title: Treasurer

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Christopher M. Doering

Name: Christopher M. Doering

Title: Senior Vice President

SCHEDULE 5.8 SUBSIDIARIES

SCHEDULE 7.1 INDEBTEDNESS

SCHEDULE 7.4 INVESTMENTS

SCHEDULE 7.6 LIENS

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

To: U.S. Bank National Association

This Compliance Certificate is furnished pursuant to the Credit Agreement dated as of December 20, 2019 (as amended, restated, supplement, or otherwise modified from time to time, the "Agreement"), between Piper Sandler Companies (the "Borrower") and U.S. Bank National Association. Unless otherwise defined herein, capitalized terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected [·] of the Borrower.
2. I have reviewed the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower and its Subsidiaries during the accounting period covered by the attached financial statements.
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, any Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below.
4. Schedule I hereto sets forth financial data and computations evidencing the Borrower's compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this [·] day of [·], 20[·].

By: _____
Name:
Title:

SCHEDULE I TO COMPLIANCE CERTIFICATE

Compliance as of [·], 20[·] with Section 7.11 of the Agreement

[insert relevant calculations]

EXHIBIT B

FORM OF NOTE

[·], 20[·]

Piper Sandler Companies, a Delaware corporation (the “Borrower”), promises to pay to the order of U.S. Bank National Association (the “Lender”) the principal amount of [·] AND [·]/100 DOLLARS (\$[·]) or, if less, the aggregate unpaid principal amount of all Loans, in immediately available funds, together with interest on the unpaid principal amount hereof, at the rates and on the dates set forth in the Agreement. The Borrower shall pay the principal of and accrued and unpaid interest on the Loans in full on the Facility Termination Date.

This Note is one of the Notes issued pursuant to, and is entitled to the benefits of, the Credit Agreement dated as of December 20, 2019 (as amended restated, supplemented, or otherwise modified from time to time, the “Agreement”), between the Borrower and the Lender. Reference is made to the Agreement for a statement of the terms and conditions governing this Note, including the terms and conditions under which this Note may be prepaid or its maturity date accelerated. Capitalized terms used and not otherwise defined herein are used with the meanings attributed to them in the Agreement.

In the event of default hereunder, the undersigned agrees to pay all costs and expenses of collection, including reasonable attorneys’ fees. The undersigned waives demand, presentment, notice of nonpayment, protest, notice of protest and notice of dishonor.

This Note shall be governed by, and construed in accordance with, the law of the State of Minnesota.

PIPER SANDLER COMPANIES

By: _____

Name: [·]

Title: [·]

EXHIBIT C

FORM OF BORROWING NOTICE

TO: U.S. Bank National Association (the “Lender”)

Capitalized terms used herein have the meanings ascribed to such terms in the Credit Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “Agreement”), dated as of December 20, 2019, between Piper Sandler Companies (the “Borrower”) and the Lender.

The Borrower hereby gives to the Lender a request for borrowing pursuant to Section 2.7 of the Agreement, and the Borrower hereby requests to borrow on [·], 20[·] (the “Borrowing Date”) an amount of \$[·] in Loans [as:

1. a Base Rate Borrowing
2. a Eurocurrency Borrowing with an Interest Period of [·] [week][month(s)]

The Borrower hereby certifies to the Lender that (a) the representations and warranties in Article V of the Agreement are (i) with respect to any representations or warranties that contain a materiality qualifier, true and correct in all respects as of the date hereof, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all respects on and as of such earlier date and (ii) with respect to any representations or warranties that do not contain a materiality qualifier, true and correct in all material respects as of the date hereof, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all material respects on and as of such earlier date; (b) at the time of and immediately after giving effect to such Borrowing, no Default or Event of Default has occurred and is continuing; and (c) all other relevant conditions set forth in Section 4.2 of the Agreement have been satisfied.

IN WITNESS WHEREOF, the undersigned has caused this Borrowing Notice to be executed by its authorized officer as of the date set forth below.

Dated: [·], 20[·]

[·]

By: _____

Name: [·]

Title: [·]

EXHIBIT D

FORM OF CONVERSION/CONTINUATION NOTICE

TO: U.S. Bank National Association (the “Lender”)

Capitalized terms used herein have the meanings ascribed to such terms in the Credit Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “Agreement”), dated as of December 20, 2019, between Piper Sandler Companies (the “Borrower”) and the Lender.

Pursuant to Section 2.8 of the Agreement, the Borrower hereby requests to [continue] [convert] the interest rate on a Borrowing the outstanding principal amount of \$[·] on [·], 20[·], as follows:

[] to convert such Eurocurrency Borrowing to a Base Rate Borrowing of the same type as of the last day of the current Interest Period for such Eurocurrency Borrowing.

[] to convert such Base Rate Borrowing to a Eurocurrency Borrowing of the same type with an Interest Period of [·] [week][month(s)].

[] to continue such Eurocurrency Borrowing on the last day of its current Interest Period as a Eurocurrency Borrowing of the same type with an Interest Period of [·] [week][month(s)].

The undersigned hereby certifies to the Lender that (a) the representations and warranties in Article V of the Agreement are (i) with respect to any representations or warranties that contain a materiality qualifier, true and correct in all respects as of the date hereof, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all respects on and as of such earlier date and (ii) with respect to any representations or warranties that do not contain a materiality qualifier, true and correct in all material respects as of the date hereof, except to the extent any such representation or warranty is stated to relate solely to an earlier date, in which case such representation or warranty was true and correct in all material respects on and as of such earlier date; (b) the Borrower is in full compliance with all of the terms and conditions hereof, and no Default or Event of Default has occurred and is continuing or would occur as a result of the [continuation][conversion] contemplated hereby; and (c) all other relevant conditions set forth in Section 4.2 of the Agreement have been satisfied.

IN WITNESS WHEREOF, the undersigned has caused this Conversion/Continuation Notice to be executed on its behalf by its authorized officer as of the date set forth below.

Dated: [·], 20[·]

[·]

By: _____

Name: [·]

Title: [·]

EXHIBIT E

FORM OF PREPAYMENT NOTICE

TO: U.S. Bank National Association (the “Lender”)

Capitalized terms used herein have the meanings ascribed to such terms in the Credit Agreement (as amended, restated, supplemented or otherwise modified from time to time, the “Agreement”), dated as of December 20, 2019, between Piper Sandler Companies (the “Borrower”) and the Lender.

Pursuant to Section 2.6 of the Agreement, the undersigned Borrower hereby notifies the Lender of its intent to make a prepayment of a portion of its [Eurocurrency][Base Rate] Loans in the amount of \$[·] on [·], 20[·].

IN WITNESS WHEREOF, the undersigned has caused this Prepayment Notice to be executed on its behalf by its authorized officer as of the date set forth below.

Dated: [·], 20[·]

[·]

By: _____

Name: [·]

Title: [·]

EIGHTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

THIS EIGHTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT (this "Amendment") made and entered into as of December 11, 2020 (the "Effective Date"), by and between **PIPER SANDLER & CO.**, a Delaware corporation ("Borrower") and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association ("Lender"); has reference to the following facts and circumstances (the "Preambles"):

A. Borrower and Lender entered into the Amended and Restated Loan Agreement dated as of December 28, 2012 (as amended, the "Agreement", all capitalized terms used and not otherwise defined in this Amendment shall have the respective meanings ascribed to them in the Agreement as amended by this Amendment), pursuant to which Borrower executed the Amended and Restated Revolving Credit Note dated December 28, 2012, payable to the order of Lender in the original principal amount of up to \$250,000,000 (subsequently decreased to \$125,000,000) (as amended, the "Note").

B. The Agreement was previously amended as described in the First Amendment to Amended and Restated Loan Agreement dated as of December 28, 2013, the Second Amendment to Amended and Restated Loan Agreement dated as of December 19, 2014, the Third Amendment to Amended and Restated Loan Agreement dated as of December 18, 2015, the Fourth Amendment to Amended and Restated Loan Agreement dated as of December 17, 2016, the Fifth Amendment to Amended and Restated Loan Agreement dated as of December 16, 2017, the Sixth Amendment to Amended and Restated Loan Agreement dated as of December 14, 2018 and the Seventh Amendment to Amended and Restated Loan Agreement dated as of December 13, 2019.

C. Borrower and Lender desire to further amend the Agreement on the terms set forth below.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

1. Preambles. The Preambles are true and correct, and, with the defined terms set forth herein, are incorporated herein by this reference.

2. Amendments to Agreement. As of the Effective Date, the Agreement is amended as follows:

(a) Effective as of the date hereof, the parties hereto agree that the Agreement is hereby amended as indicated in the attached Annex A with the text marked in underline indicating additions and with text marked in strike through indicating deletions to the Agreement.

(b) All references in the Agreement and the other Credit Documents to “Piper Jaffray Companies” shall be deemed to be references to “Piper Sandler Companies”.

(c) All references in the Agreement and the other Credit Documents to “Piper Jaffray & Co.” shall be deemed to be references to “Piper Sandler & Co.”.

(d) All references in the Agreement and the other Credit Documents to “PJC” shall be deemed to be references to “PSC”.

3. Amendments to Note. As of the Effective Date, the Note is amended as follows:

(a) The reference at the top of page 1 of the Note to “\$125,000,000.00” is deleted and replaced with “\$100,000,000.00”.

(b) The first paragraph on page 1 of the Note is deleted and replaced with the following:

FOR THE VALUE RECEIVED, the undersigned, **PIPER SANDLER & CO.**, a Delaware corporation (“Borrower”), hereby unconditionally promises to pay, to the order of **U.S. BANK NATIONAL ASSOCIATION**, a national banking association (“Lender”), on the Termination Date (as defined in the Amended and Restated Loan Agreement between Lender and Borrower dated of even date herewith, as the same may from time to time be amended (the “Loan Agreement”; all capitalized terms not otherwise defined shall have the meanings ascribed to them in the Loan Agreement), the principal amount of One Hundred Million Dollars (\$100,000,000) or, if less, the aggregate unpaid principal amount of all Advances made by Lender to Borrower and evidenced by this Amended and Restated Revolving Credit Note (as amended, this “Note”), which amount may be borrowed, paid, re-borrowed and repaid, in whole or in part, subject to the terms of this Note and the Loan Agreement.

4. Costs and Expenses. Borrower hereby agrees to reimburse Lender upon demand for all out-of-pocket costs and expenses (including charges and disbursements of outside counsel to Lender) incurred by Lender in the preparation, negotiation and execution of this Amendment and any and all other agreements, documents, instruments and/or certificates relating to the amendment of the Agreement and the other Credit Documents. Borrower further agrees to pay or reimburse Lender for (a) any stamp or other taxes (excluding income or gross receipts taxes) which may be payable with respect to the execution, delivery, filing and/or recording of any of the Credit Documents and (b) the cost of any filings and searches, including Uniform Commercial Code filings and searches. All of the obligations of Borrower under this Section 3 shall survive the payment of the Advances and the termination of the Agreement.

5. References. This Amendment is a Credit Document and all references in the Agreement to “this Agreement” and any other references of similar import shall after the effectiveness of this Amendment pursuant to the terms hereof mean the Agreement as amended

by this Amendment. All references in the other Credit Documents to “the Loan Agreement” or “the Note” and any other references of similar import shall mean the Agreement and the Note as amended by this Amendment.

6. Full Force and Effect. Except to the extent specifically amended by this Amendment, all of the terms, provisions, conditions, covenants, representations and warranties contained in the Agreement shall be and remain in full force and effect and the same are hereby ratified and confirmed.

7. Continuing Security. The Agreement, as hereby amended, and the Note, are, and shall continue to be, secured by the Collateral Pledge Agreement.

8. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower may not assign, transfer or delegate any of its rights or obligations under the Agreement as amended by this Amendment.

9. Representations and Warranties. Borrower represents and warrants to Lender that as of the Effective Date:

(a) the execution, delivery and performance by Borrower of this Amendment are within the corporate powers of Borrower, have been duly authorized by all necessary corporate action and require no action by or in respect of, consent of or filing or recording with, any governmental or regulatory body, instrumentality, authority, agency or official or any other person or entity;

(b) the execution, delivery and performance by Borrower of this Amendment do not conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under or result in any violation of, the terms of the Certificate of Incorporation or Bylaws of Borrower, any applicable law, rule, regulation, order, writ, judgment or decree of any court or governmental or regulatory body, instrumentality authority, agency or official or any agreement, document or instrument to which Borrower is a party or by which Borrower or any of its property or assets is bound or to which Borrower or any of its property is subject;

(c) this Amendment has been duly executed and delivered by Borrower and constitutes the legal, valid and binding obligation of Borrower enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors’ rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(d) all of the representations and warranties made by Borrower in the Agreement, the Note, the Collateral Pledge Agreement, and the other Credit Documents are true and

correct in all material respects on and as of the date of this Amendment as if made on and as of the date of this Amendment;

(e) Borrower is an “exempted borrower” (as defined in Section 221.2 of Federal Reserve Board Regulation U) and Borrower acknowledges that Lender is entering into this Amendment based on Lender’s good faith determination that Borrower is an “exempted borrower”; and

(f) Borrower is in compliance with all provisions of the Agreement, the Note, the Collateral Pledge Agreement, and the other Credit Documents.

10. Inconsistency. In the event of any inconsistency or conflict between this Amendment and the Agreement, the terms, provisions and conditions contained in this Amendment shall govern and control.

11. Governing Law. This Amendment shall be governed by and construed in accordance with the substantive laws of the State of Minnesota (without reference to conflict of law principles) but giving effect to Federal laws applicable to national banks.

12. Electronic Imaging. Borrower hereby acknowledges the receipt of a copy of the Agreement, the Note, the Collateral Pledge Agreement, this Amendment and all other Advance Documents. Lender may, on behalf of Borrower, create a microfilm or optical disk or other electronic image of any or all of the Credit Documents. Lender may store the electronic image of any Credit Document in its electronic form and then destroy the paper original as part of Lender’s normal business practices, with the electronic image deemed to be an original.

13. Headings. Section or other headings contained in this Amendment are for reference purposes only and shall not in any way affect the meaning or interpretation of this Amendment.

14. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement, and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart hereof by facsimile or email transmission shall be effective as delivery of a manually executed counterpart hereof.

15. Conditions. Notwithstanding any provision contained in this Amendment to the contrary, this Amendment shall not be effective unless and until Lender shall have received:

(a) this Amendment and the Pricing Letter, duly executed by Borrower;

(b) the fees due and payable on the Effective Date as specified in the Pricing Letter;

(c) the Certificate of Secretary (with Resolutions) dated as of the Effective Date, certified by the Secretary of Borrower;

(d) a certificate of good standing for Borrower issued by the Delaware Secretary of State (or other evidence of good standing acceptable to Lender); and

(e) such other documents and information as reasonably required by Lender.

Borrower and Lender executed this Amendment as of the Effective Date.

[Signature Page Follows]

SIGNATURE PAGE-
EIGHTH AMENDMENT TO AMENDED AND RESTATED LOAN AGREEMENT

Borrower:

PIPER SANDLER & CO.

By: /s/ Timothy L. Carter

Name: Timothy L. Carter

Title: Chief Financial Officer

By: /s/ Kasi V. Subramanian

Name: Kasi V. Subramanian

Title: Treasurer

Lender:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Christopher M. Doering

Name: Christopher M. Doering

Title: Senior Vice President

(US Bank Letterhead)

December 11, 2020

Piper Sandler & Co.
800 Nicollet Mall, J09SO4
Minneapolis, Minnesota 55402
Attention: Timothy L. Carter, Chief Financial Officer and Kasi V. Subramanian, Treasurer

Re: Amended and Restated Loan Agreement dated as of December 28, 2012, executed by U.S. Bank National Association (“Lender”) and Piper Sandler & Co. (“Borrower”), as amended by the First Amendment to Amended and Restated Loan Agreement dated as of December 28, 2013, the Second Amendment to Amended and Restated Loan Agreement dated as of December 19, 2014, the Third Amendment to Amended and Restated Loan Agreement dated as of December 18, 2015, the Fourth Amendment to Amended and Restated Loan Agreement dated as of December 17, 2016, the Fifth Amendment to Amended and Restated Loan Agreement dated as of December 16, 2017, the Sixth Amendment to Amended and Restated Loan Agreement dated as of December 14, 2018, the Seventh Amendment to Amended and Restated Loan Agreement dated as of December 13, 2019 and the Eighth Amendment to Amended and Restated Loan Agreement dated as of December 11, 2020 (as amended, the “Agreement”; all capitalized terms used and not otherwise defined in this letter agreement shall have the respective meanings ascribed to them in the Agreement)

Dear Tim and Kasi:

This letter agreement (this “Pricing Letter”) is the Pricing Letter, as defined in the Agreement (and amends, restates and replaces the Pricing Letter dated December 13, 2019). The following terms are defined and incorporated into the Agreement by reference:

Applicable Margin shall mean (a) with respect to Advances priced at the LIBOR Rate 1.0% and (b) with respect to Advances priced at the Base Rate, 0.0%.

Commitment Fee. From and including the date of this Pricing Letter to but excluding the Termination Date, Borrower shall pay a nonrefundable commitment fee on the unused portion of the Facility Amount (determined by subtracting the outstanding principal amount of all Advances from the Facility Amount) at an annual rate of 0.20%. The commitment fee shall be (a) calculated on a daily basis, (b) payable quarterly in arrears on the first day of each calendar quarter prior to the Termination Date and on the Termination Date and (c) calculated on an actual day, 360-day year basis.

Work Fee. Borrower shall pay Lender, in conjunction with the Eighth Amendment to the Agreement, dated as of December 11, 2020 (the “Seventh Amendment”), a work fee in the amount of \$125,000.

The payment of the fees set forth above is a condition precedent to the effectiveness of the Eighth Amendment. You agree that, once paid, the fees or any part thereof payable hereunder and under the Agreement shall be fully earned on the date hereof and shall not be refundable under any circumstances. All fees payable hereunder and under the Agreement shall be paid in immediately available funds and shall be in addition to reimbursement of the Lender's out-of-pocket expenses in accordance with the terms of the Agreement.

The Borrower's obligation to pay the foregoing fees will not be subject to counterclaim or setoff for or be otherwise affected by any claim or dispute the undersigned may have against the Lender. It is understood and agreed that this Pricing Letter shall not constitute or give rise to any obligation to provide any financing; such an obligation will arise only to the extent provided in the Agreement. This Pricing Letter may not be amended or waived except by an instrument in writing signed by the Lender and you. This Pricing Letter shall be governed by, and construed in accordance with, the laws of the State of Minnesota. This Pricing Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Pricing Letter by electronic or facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

Piper Sandler & Co.

December 11, 2020

Page 3

Please indicate your acceptance of this Pricing Letter by signing in the space indicated below and returning a copy of this letter to the undersigned.

Very Truly Yours,

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Christopher M. Doering

Name: Christopher M. Doering

Title: Senior Vice President

Accepted and agreed to by Borrower as of December 11, 2020:

PIPER SANDLER & CO.

By: /s/ Timothy L. Carter
Name: Timothy L. Carter
Title: Chief Financial Officer

By: /s/ Kasi V. Subramanian
Name: Kasi V. Subramanian
Title: Treasurer

RESTRICTED STOCK AND MUTUAL FUND RESTRICTED SHARE AGREEMENT

(2021 Annual Grant)

Under the

**PIPER SANDLER COMPANIES
AMENDED AND RESTATED 2003 ANNUAL AND LONG-TERM INCENTIVE PLAN
AND
MUTUAL FUND RESTRICTED SHARE INVESTMENT PLAN**

Notice of Grant

Piper Sandler Companies, a Delaware corporation (the “Company”), hereby grants to the below-named employee of the Company or an Affiliate of the Company (the “Employee”) (i) a Restricted Stock Award pursuant to the Company’s Amended and Restated 2003 Annual and Long-Term Incentive Plan, as amended from time to time (the “2003 Plan”), and (ii) a Mutual Fund Restricted Share Award (the “MFRS Award”) pursuant to the Company’s Mutual Fund Restricted Share Investment Plan, as amended from time to time (the “MFRS Plan” and together with the Restricted Stock Plan, the “Plans”). The terms and conditions of the Restricted Stock Award and MFRS Award (collectively, the “Awards”) are set forth in this Restricted Stock and Mutual Fund Restricted Share Agreement (the “Agreement”), consisting of this Notice of Grant and the Terms and Conditions on the following pages. This Agreement and the Awards are subject to all of the provisions of the applicable Plans. Any capitalized term that is not defined in this Agreement shall have the meaning set forth in the Plans as they currently exist or as they are amended in the future.

Name of Employee: _____

Date of Issuance: _____, 2021

Restricted Stock Award

No. of Restricted Shares Covered:

Vesting Schedule pursuant to Section 3:

The Restricted Shares shall vest ratably over three years on the 16th day of the month (or, if the 16th falls on a weekend or another day on which the New York Stock Exchange is closed, on the immediately preceding business day) in which the first, second, and third anniversaries of the date of issuance occurs.

Mutual Fund Restricted Share Award

Restricted Mutual Fund Shares Covered:*	
Vanguard Short-term Government Bond Index Fund	
Dodge & Cox Income Fund	
T. Rowe Price Blue Chip Growth Fund	
Vanguard Extended Market Index Fund	
Vanguard Global Equity Fund	
Vanguard 500 Index	
<p>Vesting Schedule pursuant to Section 3:</p> <p>The Restricted Mutual Fund Shares shall vest ratably over three years on the 16th day of the month (or, if the 16th falls on a weekend or another day on which the New York Stock Exchange is closed, on the immediately preceding business day) in which the first, second, and third anniversaries of the date of issuance occurs.</p>	

* Subject to adjustment in accordance with the terms of this Agreement

IMPORTANT ACKNOWLEDGEMENT: *By signing this Agreement, Employee voluntarily elects to receive and accept the Restricted Stock Award and MFRS Award subject to all of the terms and conditions set forth in this Agreement, and specifically acknowledges and agrees that under certain circumstances, as specified in Section 5(a), the unvested Restricted Shares and Restricted Mutual Fund Shares may cease to vest and be forfeited to the Company. Employee also acknowledges and agrees that such terms and conditions are fair and reasonable under the circumstances.*

EMPLOYEE

PIPER SANDLER COMPANIES

By _____
 Its _____

Terms and Conditions

1. Restricted Shares.

(a) The Shares subject to the Restricted Stock Award are subject to the restrictions provided for in this Agreement and are referred to collectively as the “Restricted Shares” and each as a “Restricted Share.”

(b) The Restricted Shares will be evidenced by a book entry made in the records of the Company’s transfer agent in the name of the Employee (unless the Employee requests a certificate evidencing the Restricted Shares). All restrictions provided for in this Agreement will apply to each Restricted Share and to any other securities distributed with respect to that Restricted Share. Any dividends or distributions payable or distributable with respect to or in exchange for outstanding but unvested Restricted Shares shall be held by the Company (or its designated agent) subject to the same restrictions, vesting conditions, and other terms of this Agreement to which the underlying unvested Restricted Shares are subject. At the time the underlying Restricted Shares vest, the Company shall cause to be delivered to the Employee (without interest) the portion of such retained dividends and distributions that relate to the Restricted Shares that have vested. Unless otherwise permitted by the Committee in accordance with the terms of the Plan, the Restricted Shares may not (until such Restricted Shares have vested in the Employee in accordance with all terms and conditions of this Agreement) be assigned or transferred other than by will or the laws of descent and distribution and shall not be subject to pledge, hypothecation, execution, attachment or similar process. Each Restricted Share will remain restricted and subject to forfeiture to the Company unless and until that Restricted Share has vested in the Employee in accordance with all of the terms and conditions of this Agreement and the 2003 Plan. Each book entry (or stock certificate if requested by the Employee) evidencing any Restricted Share may contain such notations or legends and stock transfer instructions or limitations as may be determined or authorized by the Company in its sole discretion. If a certificate evidencing any Restricted Share is requested by the Employee, the Company may, in its sole discretion, retain custody of the certificate throughout the period during which any restrictions are in effect and require, as a condition to issuing a certificate, that the Employee tender to the Company a stock power duly executed in blank relating to such custody.

2. Restricted Mutual Fund Shares.

(a) The Restricted Mutual Fund Shares represent Restricted Mutual Fund Shares that have been awarded to the Employee by the Company as well as any additional Restricted Mutual Fund Shares that the Employee has elected to receive in lieu of amounts that would have been otherwise awarded as Restricted Shares, in accordance with the Committee’s determination to permit such an election and in the amount so permitted. The Restricted Mutual Fund Shares were to be allocated by the Employee among mutual funds and exchange-traded funds selected by the Company.

The deadline for submitting an allocation form for this award cycle has passed and no reallocation among selected mutual funds or exchange-traded funds shall be permitted. The Employee's allocation, and any election to increase the amount of Restricted Mutual Fund Shares received in lieu of amounts that would have been otherwise awarded as Restricted Shares, is irrevocable. If the Employee failed to allocate their Restricted Mutual Fund Shares among the available mutual funds and exchange-traded funds prior to the deadline, the Company's determination of the allocation shall be binding on the Employee, and no reallocation shall be permitted.

(b) All vesting contingencies and restrictions provided for in this Agreement will apply to each Restricted Mutual Fund Share. The Restricted Mutual Fund Shares may not (until such Restricted Mutual Fund Shares have vested in the Employee in accordance with all terms and conditions of this Agreement) be assigned or transferred other than by will or the laws of descent and distribution and shall not be subject to pledge, hypothecation, execution, attachment or similar process. Each Restricted Mutual Fund Share will remain restricted, and its unvested portion subject to forfeiture to the Company, unless and until that Restricted Mutual Fund Share has vested in the Employee in accordance with all of the terms and conditions of this Agreement and the MFRS Plan. The Employee shall execute such pledge or other agreement that the Company may require at any time to perfect such restriction.

3. Vesting.

(a) Continuous Employment: So long as the Employee remains continuously employed (including during the continuance of any leave of absence as approved by the Company or an Affiliate) by the Company or an Affiliate, then the Restricted Shares and Restricted Mutual Fund Shares will vest in the numbers and on the dates specified in their respective Vesting Schedules in the Notice of Grant. Except as otherwise provided herein, if and when the Employee's employment with the Company or an Affiliate terminates, whether by the Employee or by the Company (or an Affiliate), voluntarily or involuntarily, for any reason, then, in accordance with Section 5 of this Agreement, the Restricted Shares and Restricted Mutual Fund Shares shall cease vesting, the unvested Restricted Shares and Restricted Mutual Fund Shares as of the termination date shall be forfeited to the Company.

(b) Vesting in Event of Death: If the Employee's employment by the Company or an Affiliate terminates because of the Employee's death, then the unvested Restricted Shares and Restricted Mutual Fund Shares will immediately vest in full.

(c) Vesting in Event of Long-Term Disability: If the Employee's employment by the Company or an Affiliate terminates because of the Employee's long-term disability (as defined in the Company's long-term disability plan, a "Disability"), then the unvested Restricted Shares and Restricted Mutual Fund Shares will continue vesting during the Employee's long-term disability period in accordance with their respective Vesting Schedules set forth in the Notice of Grant. If, however, the Employee recovers

from the Disability, and returns to gainful employment with any employer other than the Company or an Affiliate, the Employee's entitlement to the unvested Restricted Shares and Restricted Mutual Fund Shares will be subject to the requirements of subparagraph 3(f) below.

(d) Vesting in Event of Severance Event: If the Employee's employment by the Company or an Affiliate is involuntarily terminated as a result of a Company-determined severance event (i.e., an event specifically designated as a severance event by the Company in a written notice to the Employee that he or she is eligible for severance benefits under the Company's Severance Plan, as may be amended from time to time), then the unvested Restricted Shares and Restricted Mutual Fund Shares will, as set forth in writing in a severance agreement, vest in full upon the expiration of a thirty-day period commencing upon the Employee's execution of a general release of all claims against the Company and its Affiliates, on a form provided by the Company for this purpose and within the timeframe designated by the Company; provided that, no such vesting will occur unless (i) the Employee has not revoked the general release and it remains effective and enforceable upon expiration of the thirty-day period following its execution, and (ii) the Employee has complied with the terms and conditions of the Company's Severance Plan and the applicable severance agreement.

(e) Vesting in Event of For Cause Discharge: If the Employee's employment with the Company or an Affiliate terminates because the Employee was discharged for "Cause" (as that term is defined in subparagraph 5(b)) below, then the unvested Restricted Shares and Restricted Mutual Fund Shares shall cease vesting and be forfeited to the Company.

(f) Vesting in the Event of Any Other Type of Separation: If the Employee's employment with the Company or an Affiliate terminates for any reason other than the Employee's death, Disability, termination in a Company-determined severance event, or for Cause (all as described above), then the unvested Restricted Shares and Restricted Mutual Fund Shares shall cease vesting and be forfeited to the Company; *provided, however,* that at the time of termination, the Company shall offer the Employee an opportunity to (a) sign a Post-Termination Agreement, and (b) execute a general release of all claims against the Company and its Affiliates on a form provided by the Company for this purpose and within the timeframe designated by the Company.

If the Employee signs a Post-Termination Agreement, and thereafter complies with the Employee's obligations under such Post-Termination Agreement, including the obligation to refrain from engaging in any Restricted Activities (as defined below) for the shorter of the remaining vesting period of the unvested Restricted Shares and Restricted Mutual Fund Shares, or the restricted period identified in the Post-Termination Agreement (which may extend beyond the Applicable Post-Employment Restricted Period (as defined below) and be up to two years following the date of termination), and the Employee signs and does not rescind or take any action to revoke the general release as described above in whole or in part, then the unvested Restricted

Shares and Restricted Mutual Fund Shares shall not cease to vest and shall not be forfeited, but rather, as set forth in the Post-Termination Agreement, shall continue to vest in the numbers and on the dates specified in their respective Vesting Schedules in the Notice of Grant for so long as the Employee continuously refrains from engaging in all Restricted Activities for the shorter of the remaining vesting period of the unvested Restricted Shares and Restricted Mutual Fund Shares, or the restricted period identified in the Post-Termination Agreement.

(g) Notwithstanding any other provisions of this Agreement to the contrary, the Committee may, in its sole discretion, declare at any time that the unvested Restricted Shares or Restricted Mutual Fund Shares, or any portion of either thereof, shall vest immediately or, to the extent they otherwise would be forfeited, shall vest in the numbers and on such dates as are determined by the Committee to be in the interests of the Company as determined by the Committee in its sole discretion.

4. Effect of Vesting. Upon the vesting of any Restricted Shares or Restricted Mutual Fund Shares, such vested Restricted Shares and Restricted Mutual Fund Shares will no longer be subject to forfeiture; provided, however, that such vested Restricted Shares and Restricted Mutual Fund Shares shall remain subject to potential recovery by the Company pursuant to Section 7 of this Agreement.

5. Forfeiture of Unvested Restricted Shares and Restricted Mutual Fund Shares.

(a) If (i) the Employee attempts to pledge, encumber, assign, transfer or otherwise dispose of any of the Restricted Shares (except as permitted by Section 1(b) of this Agreement) or the Employee's interest in or rights to any of the Restricted Mutual Fund Shares (except as permitted by Section 2(b) of this Agreement), or the Restricted Shares or Restricted Mutual Fund Shares become subject to attachment or any similar involuntary process in violation of this Agreement, or (ii) the Employee's employment with the Company or an Affiliate (A) is terminated for Cause or (B) terminates under the circumstances covered by Section 3(d) or Section 3(f) (including as Section 3(f) applies with respect to Section 3(c)) of this Agreement and either (1) the conditions or restrictions of such Section, as applicable, are not satisfied or (2) the conditions or restrictions of such Section, as applicable, are satisfied but the Employee subsequently violates any of them, then any Restricted Shares and Restricted Mutual Fund Shares that have not previously vested shall cease to vest and shall be forfeited to the Company immediately, the Employee shall thereafter have no right, title or interest whatsoever in such unvested Restricted Shares and Restricted Mutual Fund Shares, and, if the Company does not have custody of any and all certificates representing Restricted Shares so forfeited, the Employee shall immediately return to the Company any and all certificates representing Restricted Shares so forfeited. Additionally, the Employee will deliver to the Company a stock power duly executed in blank relating to any and all certificates representing such forfeited Restricted Shares to the Company in accordance with the previous sentence or, if such stock power has previously been

tendered to the Company, the Company will be authorized to deem such previously tendered stock power delivered, and the Company will be authorized to cancel any and all certificates representing Restricted Shares so forfeited and to cause a book entry to be made in the records of the Company's transfer agent in the name of the Employee (or a new stock certificate to be issued, if requested by the Employee) evidencing any Restricted Shares that vested prior to the forfeiture of unvested Restricted Shares under this Section 5. If the Restricted Shares are evidenced by a book entry made in the records of the Company's transfer agent, then the Company will be authorized to cause such book entry to be adjusted to reflect the number of Restricted Shares so forfeited.

(b) For purposes of this Agreement, "Cause" means (i) the Employee's continued failure to substantially perform his or her duties with the Company or an Affiliate after written demand for substantial performance is delivered to the Employee; the Employee shall be provided thirty (30) days to attempt to remedy the deficiencies identified by the Company or an Affiliate in its written demand; (ii) the Employee's conviction of a felony; (iii) the Employee committing a felony or engaging in other misconduct that the Company determines in its sole discretion impairs the Employee's ability to perform his or her duties with the Company or an Affiliate, and/or results in negative or otherwise adverse publicity for the Company or an Affiliate; (iv) the Employee's violation of any policy of the Company or an Affiliate that the Company, in its sole discretion, deems material; (v) the Employee's violation of any securities law, rule or regulation that the Company, in its sole discretion, deems material; (vi) the Employee's engagement in conduct that, in the Company's sole discretion, exposes the Company or an Affiliate to civil or regulatory liability or injury to its reputation; (vii) the Employee's engagement in conduct that would subject the Employee to statutory disqualification pursuant to Section 15(b) of the Exchange Act and the regulations promulgated thereunder; or (viii) the Employee's gross or willful misconduct that the Company, in its sole discretion, deems material.

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

(a) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, except in connection with the performance of the Employee's job duties for the benefit of the Company, use, disclose or misappropriate any Company-Confidential Information (as defined below) unless the Company or an Affiliate consents otherwise in writing. "Company-Confidential Information" shall have the same meaning as provided in the Company's Code of Ethics and Business Conduct, and shall include without limitation any confidential, secret or proprietary knowledge or information of the Company or an Affiliate that the Employee has acquired or become acquainted with during the Employee's employment with the Company or an Affiliate. For the avoidance of doubt, nothing in this paragraph or any other provision of this Agreement precludes you from reporting to the Company's management or directors or to the government, a regulator, or a self-regulatory agency

conduct that you believe to be in violation of the law, or responding truthfully to questions or requests from the government, a regulator, a self-regulatory agency, or in a court of law.

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

(c) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, on behalf of the Employee or any other person (including but not limited to any Talent Competitor (as defined below)), hire, retain or employ in any capacity any person then employed, or employed within the 180-day period preceding the Employee's termination, by the Company or an Affiliate;

(d) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, directly or indirectly, on behalf of the Employee or any other person (including but not limited to any Talent Competitor), solicit any customer, client or account of the Company or an Affiliate, or otherwise seek to divert any customer, client or account of the Company or an Affiliate away from engaging in business with the Company or an Affiliate. For purposes of this subparagraph, "customer, client or account" shall include the following: then-current customers, clients, or accounts of the Company or an Affiliate; any customers, clients or accounts that had been represented by or had a business relationship with the Company or an Affiliate within the 365-day period preceding the Employee's termination; and any individual, company or other form of legal entity that had been solicited or pitched for business by the Company or an Affiliate within the 365-day period preceding the Employee's termination, if the Employee was involved in any capacity in the solicitation or pitch;

(e) the Employee will not, during the Employee's employment by the Company or an Affiliate and during the Applicable Post-Employment Restricted Period, without the prior written consent of the Company or an Affiliate, (x) become a director, officer, employee, partner, consultant or independent contractor of, or otherwise work or provide services for, a Talent Competitor doing business in the same geographic or market area(s) in which the Company or an Affiliate is also doing business, or (y) acquire any material ownership or similar financial interest in any such Talent Competitor;

(f) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, make disparaging, derogatory, or

defamatory statements about the Company or an Affiliate in any public forum or media;
and

(g) the Employee will not, either during the Employee's employment by the Company or an Affiliate or at any time thereafter, fail to cooperate fully with and provide full and accurate information to the Company and its counsel with respect to any matter (including any audit, tax proceeding, litigation, investigation or governmental proceeding) with respect to which the Employee may have knowledge or information, subject to reimbursement for actual, appropriate and reasonable expenses incurred by the Employee.

For purposes of this Section 6, the "Applicable Post-Employment Restricted Period" means: (i) with respect to Sections 6(b) and (c), one year following any termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); (ii) with respect to Section 6(d), six months following any termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); and (iii) with respect to Section 6(e), one month following any termination of the Employee's employment initiated and effected by the Company or an Affiliate without Cause, or three months following any other termination of the Employee's employment with the Company or an Affiliate (not including any period of notice provided by the Employee); provided, however, that if the Employee voluntarily elects to sign a Post-Termination Agreement with the Company pursuant to Section 3(f), then such Post-Termination Agreement may include one or more restricted periods that are longer than the Applicable Post-Employment Restricted Period with respect to one or more of the Restricted Activities.

For purposes of this Section 6, a "Talent Competitor" means any corporation, partnership, limited liability company or other business association, organization or entity that engages in the investment banking, securities brokerage or investment management business, including, but not limited to, investment banks, sell-side broker dealers, mergers and acquisitions or strategic advisory firms, merchant banks, hedge funds, private equity firms, venture capital firms, asset managers and investment advisory firms.

7. Potential Clawback. The Employee acknowledges that he or she has been provided a copy of the Company's Incentive Compensation Recovery Policy, dated February 4, 2014 (the "Recovery Policy"), and understands, accepts and agrees that this grant in this Agreement of Restricted Shares and Restricted Mutual Fund Shares, and any other outstanding Award he or she may have been granted under the Plans after May 8, 2013 (a "Prior Award") are subject to the terms and conditions of the Recovery Policy as it currently exists and as it may be amended from time to time, which include the potential forfeiture to or recovery by the Company of the Restricted Stock Award or the MFRS Award, any Prior Award, any Shares issued or mutual fund shares vested pursuant to this Agreement or any Prior Award, any proceeds received by

the Employee upon the sale of any such Shares or mutual fund shares, and any other compensatory value received by Employee under the Restricted Stock Award, the MFRS Award or any Prior Award under the circumstances and to the extent set forth in the Recovery Policy. This Agreement may be unilaterally amended by the Committee at any time to comply with the Recovery Policy as it may be amended from time to time.

8. Shareholder Rights. As of the date of issuance specified at the beginning of this Agreement, the Employee shall have all of the rights of a shareholder of the Company with respect to the Restricted Shares, and all the rights of a mutual fund shareholder with respect to the Restricted Mutual Fund Shares, except as otherwise specifically provided in this Agreement.

9. Fund Fees and Distributions.

(a) Management fees of the applicable mutual funds for the Restricted Mutual Fund Shares shall be the sole responsibility of the Employee.

(b) If any mutual fund in which the Employee holds an interest distributes dividends, income or earnings with respect to the Restricted Mutual Fund Shares prior to the vesting of such Restricted Mutual Fund Shares, then the following shall apply. In the event of distributions made in cash, such cash distributions shall be reinvested in the mutual fund from which the distribution occurred and the mutual fund shares representing the reinvested amounts shall be considered Restricted Mutual Fund Shares under this Agreement, and shall vest along with the other unvested Restricted Mutual Fund Shares in equal installments over the remaining vesting dates provided in the Vesting Schedule in the Notice of Grant. In the event of in-kind distributions, extraordinary distributions (whether in other securities or other property) or other adjustments, such distributions shall be held in the account of the Employee together with the Restricted Mutual Fund Shares. All Restricted Mutual Fund Shares received via distributions shall also be restricted and shall vest on the dates specified in the applicable Vesting Schedule in the Notice of Grant. For the avoidance of doubt, in the event that any unvested Restricted Mutual Fund Shares are forfeited in accordance with this Agreement, the distributions with respect to any such Restricted Mutual Fund Shares not previously paid out will also be forfeited.

10. Tax Withholding. The parties hereto recognize that the Company or an Affiliate may be obligated to withhold federal and state taxes or other taxes upon the vesting of the Restricted Shares or Restricted Mutual Fund Shares, or, in the event that the Employee elects under Code Section 83(b) to report the receipt of the Restricted Shares or Restricted Mutual Fund Shares as income in the year of receipt, upon the Employee's receipt of the Restricted Shares or Restricted Mutual Fund Shares, respectively. The Employee agrees that, at such time, if the Company or an Affiliate is required to withhold such taxes, the Employee will promptly pay, in cash upon demand (or in any other manner permitted by the Committee in accordance with the terms of the Plans), to the Company or an Affiliate such amounts as shall be necessary to satisfy such obligation.

The Employee further acknowledges that the Company has directed the Employee to seek independent advice regarding the applicable provisions of the Code, the income tax laws of any municipality, state or foreign country in which the Employee may reside, and the tax consequences of the Employee's death.

11. Injunctive Relief. In the event of a breach by the Employee of the Employee's obligations under this Agreement, including but not limited to a commission by the Employee of a Restricted Activity as described in Section 6, in addition to being entitled to exercise all rights granted by law, including recovery of damages, the Company will be entitled to specific performance of its rights under this Agreement. The Employee acknowledges that a violation or attempted violation of the obligations set forth herein will cause immediate and irreparable damage to the Company, and therefore agrees that the Company shall be entitled as a matter of right to an injunction, from any court of competent jurisdiction, restraining any violation or further violation of such obligations (without posting any bond or other security).

12. Restrictive Legends and Stop-Transfer Orders.

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

"THE SHARES REPRESENTED BY THIS [BOOK ENTRY] [CERTIFICATE] MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AND MUTUAL FUND RESTRICTED SHARE AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY."

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

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

13. Interpretation of This Agreement. All decisions and interpretations made by the Committee with regard to any question arising hereunder or under the Plans shall be

binding and conclusive upon the Company and the Employee. If there is any inconsistency between the provisions of this Agreement and the Plans, the provisions of the Plans shall govern.

14. No Promise of Future Awards or Continued Employment. The Employee acknowledges that this Agreement awards restricted stock and/or property to the Employee, but does not impose any obligation on the Company to make any future grants or issue any future restricted shares or restricted mutual fund shares to the Employee or otherwise continue the participation of the Employee under either of the Plans. This Agreement shall not give the Employee a right to continued employment with the Company or any Affiliate, and the Company or Affiliate employing the Employee may terminate his or her employment at will, and otherwise deal with the Employee without regard to this Agreement.

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

16. Agreement to Arbitrate. The Company and the Employee each agrees (i) that any dispute, claim or controversy arising out of or relating directly or indirectly to the construction, performance or breach of this Agreement (including, without limitation, the grant, issuance or forfeiture of Restricted Shares and Restricted Mutual Fund Shares) shall be settled by arbitration conducted before and in accordance with the rules of the Financial Industry Regulatory Authority; and (ii) that judgment upon any award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Accordingly, the Company and the Employee each waive their right (if any) to a trial before a court judge and/or jury to resolve any such disputes; provided, this Section 16 shall not be construed to limit the Company's right to obtain equitable relief under Section 11 with respect to any matter or controversy subject to Section 11, and pending a final determination by the arbitrators with respect to any such matter or controversy, the Company shall be entitled to obtain any such relief by direct application to state, federal, or other applicable court, without being required to first arbitrate such matter or controversy.

17. Choice of Law. The Company is incorporated in the State of Delaware, and by their terms the Plans are governed by the laws of the State of Delaware. Accordingly, this Agreement is entered into under the laws of the State of Delaware and shall be construed and interpreted thereunder (without regard to its conflict-of-law principles).

18. Modification. In the event that any one or more of the Restricted Activities described in Section 6 above shall be held to be unenforceable, invalid or illegal for any reason including, but not limited to, being excessively broad as to duration, geographical scope, activity or subject, such restriction shall be construed or modified by limiting and reducing it, so as to provide the Company with the maximum protection of its business interests and the intent of the parties as set forth herein and yet be valid and

enforceable under the applicable law as it shall then exist. If any such restriction held to be unenforceable, invalid or illegal cannot be so construed or modified, such finding shall not affect the enforceability of any of the other restrictions contained herein.

19. Entire Agreement. This Agreement and the Plans set forth the entire agreement and understanding of the parties hereto with respect to the issuance and sale of the Restricted Shares and Restricted Mutual Fund Shares and the administration of the Plans, and supersede all prior agreements, arrangements, plans, and understandings relating to the issuance and sale of the Restricted Shares and Restricted Mutual Fund Shares and the administration of the Plans.

20. Amendment and Waiver. Except as provided in the Plans or in Section 7 above, this Agreement may be amended, modified, or canceled only by a written instrument executed by the parties. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provision of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived, and shall not constitute a waiver of such term or condition for the future or as to any other act other than that specifically waived.

21. Acknowledgment of Receipt of Copy. By execution hereof, the Employee acknowledges having received a copy of the prospectus related to the 2003 Plan and instructions on how to access a copy of each of the Plans.

22. Acknowledgement of Voluntary Election; Fairness. By executing this Agreement, the Employee acknowledges his or her voluntary election to receive and accept the Restricted Shares and any Restricted Mutual Fund Shares subject to all of the terms and conditions set forth in this Agreement, and agrees to be bound thereby, including, without limitation, the terms and conditions specifying the circumstances under which the unvested Restricted Shares and Restricted Mutual Fund Shares shall cease to vest and be forfeited. Employee further acknowledges and agrees that such terms and conditions are fair and reasonable in light of the circumstances under which the award of Restricted Shares and any award of Restricted Mutual Fund Shares is being made.

TRANSITION SERVICES AGREEMENT

THIS AGREEMENT, dated as of December 31, 2020 (the “Agreement”), is entered into by and between Piper Sandler & Co. (“Piper Sandler” or the “Company”) and Brian R. Sterling (“Sterling” and, jointly, the “Parties”) for the purpose of establishing the terms and conditions governing Sterling’s provision of limited transition services to Piper Sandler.

1. Services. Piper Sandler hereby retains Sterling in an advisory capacity to transition client engagements existing as of the termination of his employment. Sterling agrees to provide such assistance to Piper Sandler as Piper Sandler may reasonably request, and to perform all such services in accordance with the direction and supervision of Jonathan J. Doyle or his designee. Piper Sandler agrees that Sterling shall have access to such of Piper Sandler’s employees and support staff as may be reasonably necessary to assist Sterling in performing his duties under this Agreement. Piper Sandler shall have direct access to any work product developed by Sterling in performing his services hereunder, and Sterling acknowledges that any such work product shall be deemed to be the sole and exclusive property of Piper Sandler. The Parties acknowledge that it is their mutual intention and expectation that Sterling shall not be required to provide services to Piper Sandler on a full-time basis, and Sterling shall be free to devote other portions of his working hours to other activities consistent with Sterling’s obligations contained in this Agreement pertaining to confidentiality, non-competition and non-solicitation.

2. Payment. As payment for the services provided to Piper Sandler by Sterling, Piper Sandler shall pay to Sterling a mutually agreed amount based upon the fees received by Piper Sandler during the term of this Agreement relating to transactions with respect to which Sterling was substantively involved prior to the date of this Agreement (each a “Covered Transaction”). The form of payment may consist of cash, shares of common stock, par value \$0.01 per share, of Piper Sandler Companies, or a combination of both forms of payment. Sterling shall be responsible for payment of all required taxes and other levies that may be payable in respect of his receipt of any payment hereunder.

3. Expenses. Piper Sandler agrees to reimburse Sterling for his reasonable out-of-pocket expenses incurred in connection with the performance of his services under this Agreement (“Expenses”); *provided, however*, that Piper Sandler will reimburse such Expenses only to the extent that such reimbursement is consistent with Piper Sandler’s expense reimbursement policy (including compliance with the terms of such policy governing timing and manner of requests for reimbursement), a copy of which has been provided to Sterling.

4. Term. Unless sooner terminated mutually by the Parties, this Agreement shall terminate on December 31, 2021 (the “Termination Date”), provided, however, that if any Covered Transaction has been publicly announced on or prior to the Termination Date, then Sterling shall receive payment for such Covered Transaction so long as the fees relating to such Covered Transaction are received by Piper Sandler prior to June 30, 2022. Notwithstanding the foregoing, the terms and provisions of Sections 7, 9-12, and 16-19 of this Agreement shall survive termination of this Agreement.

5. Securities Licenses and Registrations. Piper Sandler agrees that during the term of this Agreement, it shall continue to maintain Sterling's securities registrations, including his S7, S24, S63 and S79 licenses with the Financial Industry Regulatory Authority ("FINRA") and Sterling shall be registered with FINRA as an associated person of Piper Sandler. Sterling warrants to Piper Sandler that he shall promptly advise Piper Sandler of any actions or events that require that his Form U-4 be amended or updated.

6. Conflict of Interest Prohibited. Sterling represents and warrants that he currently has no conflict of interest with any Client (as defined in Section 12) relating to any potential Covered Transaction or with Piper Sandler that may arise out of the services that Sterling is to provide pursuant to this Agreement. In the event Sterling anticipates any conflict of interest arising as a result of this Agreement, or as between himself and Piper Sandler, Sterling covenants that he will promptly notify Piper Sandler of any such conflict or potential conflict.

7. Cooperation. Sterling agrees to reasonably cooperate with Piper Sandler and any of its affiliates, at their cost and expense, in any legal or regulatory matters (whether or not such regulatory matters are formal investigations) arising in connection with services performed during Sterling's employment with Piper Sandler (including its predecessors) or services performed under this Agreement brought by or against them or any of their officers, directors, employees, agents, assigns, insurers, representatives, counsel, administrators, predecessors, successors and shareholders before any court, arbitrator, mediator, regulator government agency or self-regulatory agency. By agreeing to cooperate with Piper Sandler and any of its affiliates in any such matters, Sterling agrees, among other things, to make himself available at mutually agreeable dates and times, provide any documents within his possession or control, and provide testimony if Sterling is called to provide it at a deposition, trial or arbitration.

8. Independent Contractor. The Parties mutually agree that Sterling's employment with Piper Sandler ends as of December 31, 2020. The Parties further agree that neither party is acting in the capacity of agent for the other party under this Agreement. Sterling's relationship to Piper Sandler is that of an independent contractor and Sterling's services hereunder shall in no way create on the part of Sterling any right or entitlement to any benefit as an employee of Piper Sandler. Sterling shall not hold himself out as being in any way affiliated with Piper Sandler, other than as (i) an independent contractor providing services to Piper Sandler and (ii) upon election, a member of the Board of Directors of Piper Sandler Companies. The parties will have no authority to make representations, commitments or contracts on behalf of the other party, and none of the parties will hold itself out as possessing such authority. Sterling will not make, publish or distribute any advertisement or marketing material utilizing the trademarks, logos, trade names or abbreviations thereof or any other such identifying mark or name of Piper Sandler without the prior consent of Piper Sandler.

9. Confidentiality. Sterling acknowledges that he may, in the course of the performance of services hereunder or while in the offices of Piper Sandler, come into contact with or become familiar with proprietary, secret or confidential information concerning Clients (the "Client Confidential Information"). Sterling shall keep all Client Confidential Information

confidential and shall not disclose or reveal in any manner whatsoever any Client Confidential Information to any person other than persons (including officers, employees and agents of Piper Sandler) with respect to whom Piper Sandler has authorized Sterling to disclose such Client Confidential Information.

Sterling also acknowledges that Sterling may, in the course of the performance of services hereunder or while in the offices of Piper Sandler, come into contact with or become familiar with proprietary, secret or confidential information concerning Piper Sandler, including, without limitation, any and all proprietary work product generated by any officer, employee or agent of Piper Sandler, the identity and any other information about any of Piper Sandler's Clients and information about Piper Sandler's business and financial affairs (the "Company Confidential Information," and together with the Client Confidential Information, the "Confidential Information").

Sterling agrees that he shall not use any Confidential Information for any purpose other than in connection with the performance of his services pursuant to the terms and conditions of this Agreement. Sterling further agrees that he shall not use any Confidential Information in any way to the detriment of Piper Sandler. Sterling acknowledges that Sterling does not have, nor will he acquire based upon the performance of his services hereunder, any right, title or interest in any Confidential Information.

Sterling shall implement all reasonable, necessary and appropriate measures to safeguard the Confidential Information from disclosure to anyone other than as permitted in this Agreement.

Sterling acknowledges that monetary damages would not be an adequate or sufficient remedy to compensate Piper Sandler for any breach of Sterling's obligations pertaining to Confidential Information and that Piper Sandler shall be entitled to specific performance and injunctive relief as remedies for any such breach or any threat of such breach without being required to prove actual damages, and that Piper Sandler shall not be required to post a bond or other security in connection therewith, and that Sterling shall not oppose the granting of such relief. Such remedies shall not be deemed to be the exclusive remedies for any such breach of the provisions relating to Confidential Information but shall be in addition to all other remedies at law or in equity available to Piper Sandler.

10. Non-Competition. Sterling acknowledges and agrees that Piper Sandler has a legitimate interest in being protected from Sterling being employed by, or providing services to, an entity that competes with Piper Sandler. By signing this Agreement, Sterling voluntarily agrees to accept the terms of this noncompetition provision as reasonable and equitable under the circumstances. Sterling specifically agrees that (1) it is reasonable with respect to its scope, duration and geographic area and (2) the payment that Piper Sandler has offered is sufficient consideration for this noncompetition provision. Sterling agrees that he shall not become an employee of, or a consultant to, or otherwise engage (including as a director, partner, agent or advisor) in any business, enterprise or activity that competes with Piper Sandler or any of its affiliates in Investment Banking in the Restricted Territory during the term of this Agreement

and for the period ending on January 3, 2023. Notwithstanding the foregoing, nothing in this Agreement shall prevent (a) ownership of a passive investment interest of no more than five percent (5%) in a publicly traded company, or (b) management of personal investments, including through Sterling's family office, to the extent such investments do not compete with Piper Sandler or any of its affiliates in Investment Banking in the Restricted Territory. The following terms shall have the meanings set forth below:

"Investment Banking" means any capital markets (including equity and debt capital raising), fixed income sales and trading (including fixed income analysis), equity research, equity sales and trading, mergers and acquisition advisory, and/or strategic advisory services, in each case, of the type and in the manner provided by investment banks. For the avoidance of doubt, Investment Banking does not include investment advisory and investment management business as conducted by merchant banks, hedge funds, private equity firms, venture capital firms, family offices, asset managers and investment advisory firms.

"Restricted Territory" means any geographic area, including, but not limited to, North America, Europe, Asia, and the Middle East, in which the Company or any of its affiliates: (i) is engaged in business at any time within the prior twelve (12)-month period through sales and trading, research, merger and acquisition advisory services, capital raising or otherwise; or (ii) has within the prior twelve (12)-month period otherwise taken demonstrable steps to commence engaging in business, including by establishing client relationships.

11. Non-Solicitation of Clients. During the term of this Agreement and for the period ended January 3, 2023, Sterling will not, directly or indirectly, solicit or assist in the solicitation of Clients in the Restricted Territory for a firm other than Piper Sandler or any of its affiliates to provide services comparable to those services provided by the Company. Sterling acknowledges and agrees that this non-solicitation agreement is necessary to protect Piper Sandler's legitimate business interests, and that the payment that Piper Sandler has offered in this Agreement is sufficient consideration for this non-solicitation provision. By signing this Agreement, Sterling voluntarily elects to receive and accept the terms and conditions of this paragraph and acknowledge and agree that they are fair, reasonable and necessary to protect Piper Sandler's legitimate business interests.

"Client" means Piper Sandler's current or prospective investment banking, capital markets, merchant banking, investment advisory or private equity clients, or any such client that has done business with Piper Sandler, in all cases within the prior twelve (12)-month period, with a "prospective client" to mean any individual or entity that has been solicited for business by Piper Sandler or an affiliate within the prior twelve (12)-month period.

12. Non-Solicitation of Employees. During the term of this Agreement and for the period ended January 3, 2023, Sterling will not, directly or indirectly, alone or in concert with others, hire or attempt to hire any person who is an employee, an individual consultant or individual contractor of the Company or who was an employee, individual consultant or individual contractor of the Company during the prior twelve (12)-month period. Sterling agrees that during this period he will not, directly or indirectly, encourage or induce any employee,

individual consultant or individual contractor of Piper Sandler to cease providing services to Piper Sandler (other than general solicitations not specifically targeted at any such persons). References herein to an “individual consultant” or “individual contractor” shall refer to individuals who provide professional services exclusively to Piper Sandler for more than a limited period of time. By signing this Agreement, Sterling voluntarily elects to receive and accept the terms and conditions of this paragraph and acknowledge and agree that they are fair, reasonable and necessary to protect Piper Sandler’s legitimate business interests.

13. Termination of Offer Letter and Entire Agreement. The parties agree that Sterling’s Offer Letter, dated July 2, 2019, is terminated effective December 31, 2020, concurrently with the termination of Sterling’s employment with Piper Sandler, and that this Agreement constitutes the entire understanding between Sterling and Piper Sandler with respect to the subject matter hereof and supersedes any and all prior understandings, whether oral or written, in connection therewith. This Agreement may be amended only in a writing signed by the Parties.

14. Compliance with Piper Sandler Policies and Procedures. In consideration of Piper Sandler agreeing to continue to maintain Sterling’s registrations and association with Piper Sandler during the term of this Agreement, Sterling will be subject to and agrees to comply with all Piper Sandler ethics and compliance policies and procedures in the same manner as he would if he were an employee, including but not limited to Piper Sandler’s Code of Ethics and Business Conduct, the Piper Sandler Information Barriers Policy, the Piper Sandler Personal Trading Policy, and the Piper Sandler personal conflict policies (i.e., disclosure of Outside Securities Accounts, Outside Business Activities, Outside Board Affiliations and Private Securities Transactions). For the avoidance of doubt, all trading activity in Sterling’s personal and related securities accounts must continue to be pre-approved by the Chief Administrative Officer of Investment Banking until the Termination Date. In addition, Sterling will be required to fulfill all Piper Sandler training and continuing education requirements, as specified by Compliance. Sterling acknowledges and agrees that current regulations require Sterling to disclose to Piper Sandler any outside business activities and/or outside employment Sterling is contemplating engaging in during the term of this Agreement, and all such contemplated outside business activities and/or outside employment during the term of this Agreement shall be subject to Piper Sandler’s prior review and prior approval. Notwithstanding the foregoing, it is expressly acknowledged that Sterling shall cease to have any supervisory responsibilities at Piper Sandler and its affiliates as of December 31, 2020, and no policies, procedures, or requirements previously applicable to him in his supervisory and managerial capacities shall apply following as of December 31, 2020.

15. Facilities. During the term of this Agreement, Piper Sandler shall provide Sterling with an e-mail address, a laptop and a mobile device. Sterling agrees to conduct any and all Piper Sandler business on Piper Sandler’s network so that Piper Sandler can meet its regulatory requirements.

16. Indemnification. Piper Sandler agrees to indemnify and hold Sterling harmless from and against any and all losses, claims, damages and liabilities, joint or several, to which

Sterling may become subject under applicable federal or state law, or otherwise, related to or arising out of the retention of Sterling pursuant to, and the performance by Sterling of the services contemplated by, this Agreement, and will reimburse Sterling for all expenses (including reasonable counsel fees and expenses) as they are incurred, including expenses incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not Sterling is a party. Piper Sandler will not be liable under the foregoing indemnification provision to the extent that any such loss, claim, damage, liability or expense is found in a final judgment by a court of competent jurisdiction to have resulted from Sterling's bad faith, willful misconduct or gross negligence.

17. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to agreements made and to be fully performed therein.

18. Assignment. The rights and obligation of Piper Sandler under this Agreement shall be transferable, and all covenants and agreements hereunder shall be binding upon, inure to the benefit of, and be enforceable by its successors and assigns. Sterling may not assign this Agreement, and any such assignment shall be null and void.

19. Miscellaneous.

Entire Agreement. This Agreement constitutes the entire understanding between Sterling and Piper Sandler with respect to the subject matter hereof and supersedes any and all prior understandings, whether oral or written, in connection therewith. This Agreement may be amended only in a writing signed by the Parties.

Waivers. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof. No waiver of any of the provision of this Agreement shall be valid or effective unless in writing, signed by both parties hereto.

Severability. If any provision of this Agreement shall be held or made invalid by a statute, rule, regulation, decision of a tribunal or otherwise, the remainder of this Agreement shall not be affected thereby and, to this extent the provisions of this Agreement shall be deemed to be severable.

Counterparts. This Agreement may be executed in one or more counterparts (including by means of telecopied or emailed signature pages), each of which need not contain the signature of all parties hereto, and all of such counterparts taken together shall constitute a single agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

PIPER SANDLER & CO.

By: /s/ Chad R. Abraham
Name: Chad R. Abraham
Title: Chairman and CEO

/s/ Brian R. Sterling
Brian R. Sterling

SUBSIDIARIES OF PIPER SANDLER COMPANIES
(as of January 31, 2021)

Name*	State or Jurisdiction of Entity
Piper Sandler & Co.	Delaware
Piper Jaffray Foundation	Minnesota
Piper Jaffray EVP, LLC	Delaware
Edgeview Partners, L.P.	Delaware
Piper Sandler European Holdings Co.	Delaware
Piper Sandler Ltd.	United Kingdom
Parallel General Partner Limited	Guernsey
Piper Jaffray Financial, LLC	Delaware
Piper Jaffray Financial Trust Depositor LLC	Delaware
Piper Sandler Financial Products Inc.	Delaware
Piper Sandler Financial Products II Inc.	Delaware
Piper Jaffray Financial Products III Inc.	Delaware
Piper Jaffray Funding LLC	Delaware
Piper Jaffray Lending LLC	Delaware
Piper Jaffray Private Capital Inc.	Delaware
PJC Capital LLC	Delaware
Piper Jaffray Asset Management Inc.	Delaware
Piper Sandler Investment Group Inc.	Delaware
Piper Jaffray Investment Management LLC	Delaware
Piper Sandler Finance Management LLC	Delaware
PSC Capital Partners LLC	Delaware
Piper Heartland Healthcare Capital, LLC	Delaware
Piper Heartland Healthcare Capital Management LLC	Delaware
Piper Heartland Healthcare Crossover Fund I, L.P.	Delaware
Piper Jaffray Senior Living, LLC	Delaware
Piper Jaffray Senior Living Fund I, L.P.	Delaware
PSC Capital Management LLC	Delaware
Piper Sandler Merchant Banking Fund I, L.P.	Delaware
PJC Merchant Banking Partners I, LLC	Delaware
PJC Merchant Banking Partners II, LLC	Delaware
PJC Merchant Banking Partners III, LLC	Delaware
PJC Merchant Banking Partners IV, LLC	Delaware
PSC Capital Management II LLC	Delaware
Piper Sandler Merchant Banking Fund II, L.P.	Delaware
Piper Sandler Finance LLC	Delaware
Piper Sandler Finance I, LLC	Delaware
Piper Sandler Finance II, LLC	Delaware
Piper Sandler Finance III, LLC	Delaware
Piper Sandler Finance IV, LLC	Delaware
Piper Sandler Hong Kong Limited	Hong Kong
Piper Sandler Loan Strategies, LLC	Delaware
SOMF, LLC	Delaware

Piper Sandler Advisors LLC

Delaware

Piper Sandler Hedging Services, LLC

Delaware

* Indentation indicates the principal parent of each subsidiary.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-111665) of the Company dated December 31, 2003
2. Registration Statement (Form S-8 No. 333-122494) of the Company dated February 2, 2005
3. Registration Statement (Form S-8 No. 333-142699) of the Company dated May 8, 2007
4. Registration Statement (Form S-8 No. 333-150962) of the Company dated May 16, 2008
5. Registration Statement (Form S-8 No. 333-159360) of the Company dated May 20, 2009
6. Registration Statement (Form S-8 No. 333-205229) of the Company dated June 25, 2015
7. Registration Statement (Form S-8 No. 333-228096) of the Company dated October 31, 2018
8. Registration Statement (Form S-8 No. 333-230241) of the Company dated March 13, 2019
9. Registration Statement (Form S-8 No. 333-235311) of the Company dated November 29, 2019
10. Registration Statement (Form S-8 No. 333-238598) of the Company dated May 22, 2020

of our reports dated February 25, 2021, with respect to the consolidated financial statements of Piper Sandler Companies (“the Company”) and the effectiveness of internal control over financial reporting of the Company, included in this Annual Report (Form 10-K) of the Company for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
February 25, 2021

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Chad R. Abraham, Timothy L. Carter and John W. Geelan, and each of them, his or her true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Piper Sandler Companies (the "Company") for the Company's fiscal year ended December 31, 2020, and any or all amendments to said Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to file the same with such other authorities as necessary, granting unto each such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that each such attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Dated and effective as of the 25th of February, 2021.

/s/ Chad R. Abraham

Chad R. Abraham,
Chairman and Chief Executive Officer

/s/ Debbra L. Schoneman

Debbra L. Schoneman, Director

/s/ Timothy L. Carter

Timothy L. Carter,
Chief Financial Officer

/s/ Thomas S. Schreier Jr.

Thomas S. Schreier Jr., Director

/s/ Jonathan J. Doyle

Jonathan J. Doyle, Director

/s/ Sherry M. Smith

Sherry M. Smith, Director

/s/ William R. Fitzgerald

William R. Fitzgerald, Director

/s/ Philip E. Soran

Philip E. Soran, Director

/s/ Victoria M. Holt

Victoria M. Holt, Director

/s/ Brian R. Sterling

Brian R. Sterling, Director

/s/ Addison L. Piper

Addison L. Piper, Director

/s/ Scott C. Taylor

Scott C. Taylor, Director

CERTIFICATIONS

I, Chad R. Abraham, certify that:

1. I have reviewed this annual report on Form 10-K of Piper Sandler Companies;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2021

/s/ Chad R. Abraham

Chad R. Abraham

Chairman and Chief Executive Officer

CERTIFICATIONS

I, Timothy L. Carter, certify that:

1. I have reviewed this annual report on Form 10-K of Piper Sandler Companies;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 25, 2021

/s/ Timothy L. Carter

Timothy L. Carter
Chief Financial Officer

Certification Under Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of Piper Sandler Companies.

Dated: February 25, 2021

/s/ Chad R. Abraham

Chad R. Abraham
Chairman and Chief Executive Officer

/s/ Timothy L. Carter

Timothy L. Carter
Chief Financial Officer