Piper Jaffray Companies: A study in investment banking

Michael P. Hughes
Francis Marion University

ABSTRACT

This case study concerns Pipper Jaffray Companies, an investment bank and asset management company based in Minneapolis, Minnesota. It is set against the backdrop of the 2000 and 2008 financial crises. The heart of the company's business is focused on serving US and international corporate needs in the areas of mergers and acquisitions, financial restructuring, asset and investment management, institutional brokerage services for debt and equity financial products, debt and equity securities research, initial public offerings, and public finance among others. Piper Jaffray Companies operates through several subsidiaries such as Piper Jaffray & Co., which is focused towards corporations, public institutions, and institutional investors, and Advisory Research, Inc., which serves as the company's asset management function. In December 2002 Piper Jaffray agreed to pay $25 million in fines as settlement for charges that conflicts of interest between its investment banking and research departments led to the company providing biased stock ratings. These charges were brought against the company by state and federal regulators. In March 2003 the company settled with the Securities and Exchange Commission, National Association of Securities Dealers, the New York Stock Exchange, the New York Attorney General, and a host of other New York state regulators. Pipe Jaffray settled without admitting or denying guilt in the matter.

Keywords: finance, investments, bank, international, SEC, brokerage, crisis, merger, acquisition, ethics

CASE OBJECTIVES

The purpose of this case study is to evaluate an investment bank in the shadow of the financial crises of 2000 and 2008. Students should consider the problems that have arisen within financial services industry since the end of the Cold War, particularly in regards to investment banking. Students should then discuss the implications of investment bank behavior and the associated ethical dilemmas created by or associated with that behavior. Particular attention should be given to the impacts on the financial markets, hence the financial systems and economies of the US and the world at large.

INTRODUCTION

Pipper Jaffray Companies is an investment bank and asset management company based in Minneapolis, Minnesota, with 35 offices located across the US and in London, Zurich, and Hong Kong. The heart of the company's business is focused on serving US and international corporate needs in the areas of mergers and acquisitions, financial restructuring, asset and investment management, institutional brokerage services for debt and equity financial products, debt and equity securities research, initial public offerings, and public finance among others. Piper Jaffray Companies operates through several subsidiaries such as Piper Jaffray & Co., which is focused towards corporations, public institutions, and institutional investors, and Advisory Research, Inc., which serves as the company's asset management function. Piper Jaffray was founded in 1895 (Yahoo, 2014, Piper Jaffray, 2014a).

Investment banks are financial institutions that assist corporate, government, and individual clients with a broad range of products and services. These products and services include assisting corporations in mergers and acquisitions, raising capital for the corporation, underwriting corporate debt and equity securities, making a market in those securities, providing brokerage services for debt and equity financial products, and providing Fixed Income Clear Income Corporation (FICC) services in such areas as government fixed income securities (e.g., US Treasury securities), commodities, and foreign currencies. These investment banks operate both on the buy and sell sides of security transactions. Investment banks do not take deposits like commercial banks do. Examples of notable investment banks of the past 20 years are Bear-Stearns, Lehman Brothers, Merrill Lynch, and Goldman Sachs.

In general, investment banks foremost focus is corporate finance. The banks help corporations raise capital in the financial markets primarily through such services such as underwriting debt and equity securities. The investment banks also provide advice and associated support in corporate mergers and acquisitions. Investment banks buy and sell securities, both for their clients and for the banks' own portfolios. The foremost objective of the banks' buying and selling activities is to generate profits. More specifically, the banks seek to maximize the return on their investments for any given level of risk, through prudent security selection and effective risk management.

Investment banks possess research segments that review and analyze various corporations and their suitability for investment. These research segments typically compile reports about various corporations and then provide "buy" and "sell" recommendations to the investment banks' client investors for each evaluated corporate stock.

Asset management companies manage the tangible and intangible assets of its clients in an effort to, at a minimum, maintain their value. At times this may include divesting the client's assets if the value of those assets cannot be maintained due to changing markets conditions. Examples of assets managed by asset management companies are investment accounts, educational accounts, corporate and government funding accounts, and pension funds where specific objectives and goals are established, such as the maximization of returns while maintaining the safety of principal.

In 1933 the Glass–Steagall Act prevented investment banking functions and commercial banking functions from coexisting within the same company. In 1999 the Gramm–Leach–Bliley Act repealed that restriction and many commercial banks entered the investment banking arena while continuing their depository functions. This also permitted insurance companies to enter the fold and establish both investment banking and depository banking functions. While this provided the convenience of "one-stop" financial shopping for many clients and has worked admirably and problem free with several financial institutions, it also generated a significant amount of criticism and is often cited as a major contributing factor of the financial crises of 2000 and 2008. In reaction to financial crisis of 2008, the Dodd-Frank Act of 2010 was passed into law. This law is seen by some as a "knee-jerk" reaction to the crisis, achieving little in the way of improved financial services and creating new problems of its own such as the requirement to provide special treatment for very large financial institutions—the "too big to fail" institutions (Skeel, 2011).

The financial crisis of 2008, in particular, led to the demise of several major and notable investment banks. The storied firm of Lehman Brothers declared bankruptcy and subsequently went into receivership. Bearn-Stearns was acquired by JP Morgan for pennies on the dollar and effectively ceased to exist. Like Bear-Stearns, Merrill Lynch was acquired by the Bank of America (BOA) for far less than its market value, although it still operates today under the Merrill-Lynch name as a subsidiary of BOA. To help stem the epidemic failures in the financial services industry during the financial crisis of 2008, the US Government provided low cost loans to many investment banks or it purchased outright the problematic financial assets of these banks (e.g., mortgage backed securities) under Troubled Asset Relief Program (TARP) with the intent of placing the banks on a somewhat more solid financial footing. In order to accept TARP funds some investment banks, such as Goldman Sachs, had to restructure their business into bank holding companies.

Piper Jaffray Companies is composed of two reportable business segments, Capital Markets and Asset Management, addressing four product and service areas: Investment Banking, Institutional Brokerage, Public Finance, and Asset Management, (Piper Jaffray, 2014a, 2014b).

Capital Markets

In this segment Piper Jaffray addresses the following product and service areas:

Investment banking.

This area provides the following client groups with the products and services listed (Piper Jaffray, 2014b):

- Corporate clients – provides business and financial services in the areas of industrials, technology, consumer and retail, media and telecommunications, clean technologies, and healthcare. This area is focused primarily on middle-market clients.

- Government and non-profit clients – provides financial advisory and interest-rate risk management services, and underwriting debt issuances.

Equity and Fixed Income Institutional Brokerage.

This area consists of the following products and services (Piper Jaffray, 2014b):

- Equity and fixed income advisory and trade execution services for institutional investors, along with government and non-profit entities.
- Equity sales and trading relationships with US and European institutional investors who invest in the company's core sectors.
- Investment ideas and support for trading clients.
- Treasury, agency, municipal, corporate, mortgage, and structured product securities.
- Trading support for customers and strategic trading.
- Strategic trading activities (i.e. proprietary trading) focused solely on investing firm capital. This principally focuses on investments in equity securities, municipal bonds, and mortgage-backed securities.

Principal Investments.

Piper Jaffray engages in merchant banking activities involving debt and equity investments for private companies. The company also provides investments in venture capital funds, private equity, and other firm investments (Piper Jaffray, 2014b).

Alternative Asset Management Funds.

In this area Piper Jaffray offers alternative asset management funds in municipal securities. In addition, the company possesses a merchant banking function focused on investing firm capital, along with seeking capital from outside investors (Piper Jaffray, 2014b).

In 2013 Piper Jaffray acquired the Seattle-based investment bank and broker dealer, Seattle-Northwest Securities Corporation. This business focused on public finance in the Northwest region of the US. In that same year Piper Jaffray also acquired Edgeview Partners, LP, a middle-market advisory firm that specialized in mergers and acquisitions (Piper Jaffray, 2014b).

Asset Management

The Asset Management segment is the traditional business area for Piper Jaffray. It consists of the core asset management business and seed investments in registered and private funds. In this segment the company offers specialized investment solutions for institutions, private clients, and investment advisors. Piper Jaffray manages value-oriented domestic and international equity securities, along with energy infrastructure assets through open-end and closed-end funds. Further, the company provides customized solutions to its clients. The products and services covered in this segment are as follows (Piper Jaffray, 2014b):

***Value Equity*.**

Piper Jaffray manages assets in the domestic and international equity markets. The company's investment strategy focuses on company fundamentals paying particular attention to analyzing a company's financial position, its liquidity, and its profitability when weighed against its market valuation. Piper Jaffray seeks to produce competitive long-term investment returns while simultaneously minimizing the risk of the investments (Piper Jaffray, 2014b).

***Master Limited Partnerships ("MLPs")*.**

Pipe Jaffray manages energy sector MLPs. The company seeks growth while simultaneously limiting risk exposure. As a means of accomplishing this, the company places great importance on firms with more stable earnings distributions and by seeking higher quality MLPs. To address the company's MLP function, Piper Jaffray acquired St. Louis-based Fiduciary Asset Management, LLC (FAMCO) in 2007. FAMCO specialized in MLPs. In 2010 Piper Jaffray acquired Chicago-based Advisory Research, Inc. Advisory Research, operating as a subsidy company of Piper Jaffray, provides diversified investment management services for MLP investors in the energy sector. In the first quarter of 2012, Piper Jaffray consolidated FAMCO and Advisory Research under the Advisory Research name (Piper Jaffray, 2007, 2014b, Advisory Research, 2014).

HISTORY

In 1895 George Lane established George B. Lane, Commercial Paper and Collateral Loans & Co. in Minneapolis, Minnesota. This business was concerned with offering promissory notes to Minnesota businesses in the grain elevator and milling industries. In 1913 H.C. Piper Sr. and C.P. Jaffray established Piper, Jaffray & Co., a business specializing in commercial paper. A year later, in 1914, F.P. Hopwood and his son established Hopwood Investment Co., a firm specializing in mortgage loans, real estate, and insurance. Three year hence, in 1917, George B. Lane & Co. merged with Piper, Jaffray & Co., creating the firm Lane, Piper & Jaffray. This new firm operated as brokers of commercial paper securities (Piper Jaffray, 2014a).

In 1929 the stock market crash hit Hopwood & Company hard, while Lane, Piper & Jaffray, which had not engaged in the trading of listed securities, was not directly affected. Subsequently Lane, Piper & Jaffray merged with Hopwood & Company thus creating Piper Jaffray & Hopwood. This new firm then acquired a seat on the New York Stock Exchange (Piper Jaffray, 2014a) .

The year before the end of World War II, 1944, saw Piper Jaffray & Hopwood setting out on a western expansion of the company, initially by opening an office in Great Falls, Montana. By 1964 the company acquired Jamieson & Company and added eight offices (Piper Jaffray, 2014a).

In 1971 Piper Jaffray & Hopwood became the first regional brokerage firm to offer its own stock for public sales. By 1983 Forbes listed Piper Jaffray Incorporated, which was the holding company for Piper Jaffray & Hopwood, as one of the best "small companies" in the US (Piper Jaffray, 2014a).

Piper Jaffray & Hopwood moved in 1985 to a building bearing its own name, the Piper Jaffray Tower. In 1986 the company's common stock began trading on NASDAQ under the symbol PIPR. Then, in 1992, the company changed its name from Piper Jaffray & Hopwood Incorporated to Piper Jaffray Inc. (Piper Jaffray, 2014a).

Piper Jaffray was acquired by U.S. Bancorp in 1998. This precipitated a name change the following year to U.S. Bancorp Piper Jaffray to reflect the new ownership. By 2000 the company established more than 125 retail offices in 18 Midwest, Mountain, and Western states. Then, in 2001, Milwaukee-based Firstar Inc. acquired U.S. Bancorp, but retained the U.S. Bancorp name (Piper Jaffray, 2014a).

In 2003 Piper Jaffray was spun off from U.S. Bancorp and became an independent, publicly held company. The company's stock began trading on the NYSE under the symbol PJC. Piper Jaffray acquired Vie Securities, LLC, in 2004, a leading provider of algorithm-based, electronic execution services. With this acquisition Piper Jaffray could now offer a proprietary algorithm-based trading capability as part of its equity trading platform (Piper Jaffray, 2014a).

Piper Jaffray sold its Private Client Services branch network to UBS Financial Services in 2006. Piper Jaffray then refocused its efforts entirely on building its investment bank. In 2007 the company acquired FAMCO to expand asset management capabilities and also that same year the company acquired Hong Kong-based Goldbond Capital Holdings Limited, an investment bank. Three years later, in 2010, Piper Jaffray acquired Advisory Research, Inc. (Piper Jaffray, 2014a).

Piper Jaffray acquired Seattle-Northwest Securities Corporation and Edgeview Partners in 2013. In acquiring these companies Piper Jaffray significantly expanded its municipal and M&A advisory businesses, respectively. Also in this year Piper Jaffray was named the best investment bank in the healthcare industry sector by Global Finance Magazine (Piper Jaffray, 2014a, Global Finance Magazine, 2013).

COMPETITION

Piper Jaffray's competition ranges from large Wall Street and international investment banking firms, operating independently or as segments of large commercial depository banks. Piper Jaffray also competes with regional brokers and dealers, asset management firms, specialty firms, and firms specializing in electronic media-based, alternative trading systems. From a broad viewpoint Piper Jaffray's competition includes The Goldman Sachs Group, Citigroup Markets, JPMorgan Chase & Company, Morgan Stanley, Merrill–Lynch, the UBS Investment Bank, the Jeffries Group, Oppenheimer Holdings, Merriman Holdings, the Cowen Group, Leucadia National Corporation, Evercore Partners Inc., The Ziegler Companies, Stifel Financial Corporation, FBR & Company, and the Deutsche Banc Alex. Brown segment of the Deutsche Bank AG. Its direct competitors are seen as The Goldman Sachs Group, the Jeffries Group, and the Deutsche Banc Alex. Brown segment of the Deutsche Bank AG. Of these direct competitors, only The Goldman Sachs Group is publically traded, with the other two firms being privately-held companies. These direct competitors actually may be a little less than direct since although they provide similar services, the corporate client focus is somewhat different. The client focus of The Goldman Sachs Group and Deutsche Banc Alex. Brown is more towards large corporations, while the focus of the Jeffries Group is more towards small and midsized corporations. Piper Jaffray is focused mostly towards midsized corporations. (Piper Jaffray, 2014b, Yahoo Finance, 2014, Google Finance, 2014).

Jeffries Group, Inc.

The Jefferies Group raises capital, trades securities, performs research, and provides advisory services for small and midsized companies in the US. The company also trades derivatives and commodities, and is a market maker for around 5,000 US and international equities. The Jefferies Group invests on behalf of investors, companies, and national and local governments. The Jefferies Group is a privately held company (Yahoo Finance, 2014)

Deutsche Banc Alex. Brown

The Deutsche Banc Alex. Brown constitutes the North American investment banking and brokerage segment of Deutsche Bank AG. This company provides advisory, brokerage, and investment services to institutional and corporate clients in the US, as well as to high-net-worth individual investors. Deutsche Banc Alex. Brown is a privately held company (Yahoo Finance, 2014, Bloomberg, 2014).

The Goldman Sachs Group, Inc.

The Goldman Sachs Group, Inc. is an investment banking, securities, and investment management firm. It provides services to corporations, financial institutions, governments, and high-net-worth individual investors throughout the world. Goldman Sachs' operations are divided over four segments: Investment Banking, Institutional Client Services, Investing & Lending, and Investment Management. Goldman Sachs is a publically traded corporation and is headquartered in New York, New York. It is traded on the NYSE under the ticker symbol GS (Yahoo Finance, 2014).

Table 1 (Appendix) presents a comparison of key select data and statistics for the Piper Jaffray Companies and The Goldman Sachs Group (Piper Jaffray, 2014b, Yahoo Finance, 2014).

ISSUES

Over the past two decades, and especially since 2008, investment banks have been criticized for a myriad of reasons, real or perceived. These include a lack of transparency, conflicts of interest, taking both sides in securities transactions, excessive employee/owner compensation, and cartel-like behavior. For example, the SEC requires that investment banks establish a communication barrier or wall between a bank's investment function (e.g., underwriting a new equity issue) and its research and equity trading function (e.g., rating and then selling securities to investors). Although this barrier is established by regulation and is in place theoretically, many critics contend that in practice the wall doesn't really exist. This results in a bank functionally taking both sides of a trade, possibly in coordinated fashion, which in turn creates the potential for market manipulation for the securities being traded. If true, this presents a clear conflict of interest (Wikipedia, 2014).

During the 1990s, many investment bank equity researchers were accused of trading positive stock ratings for investment banking business. This supposedly led to the investment banks misrepresenting the riskiness of securities to investors. Further, since investment banks often trade securities for their own portfolios, there appeared to be a strong incentive for the banks to “front run” the trades. “Front running” is when an investment bank executes orders for their own portfolio prior to filling their investment clients’ previously submitted orders. This leads to higher prices being paid by these clients due to the prices being driven up by the increased demand resulting from the bank’s previous large scale purchase of the same security. This, in turn, increases commissions and other associated fees paid to the bank by the client. This also arguably presents the bank with an opportunity to quickly reverse its position and immediately sell into the higher equity security prices created as a result of the trading activity. The entire “front run” process and resulting profits can occur in a matter of seconds. In the shadow of the 2000 financial crisis several new laws were enacted to discourage, if not outright prohibit, these practices. Prosecutions under these new laws, along with increased pressure from various investment banking regulators and numerous lawsuits with large settlements, greatly reduced such practices, at least for a time (Wikipedia, 2014).

In December 2002 Piper Jaffray agreed to pay $25 million in fines as settlement for charges that conflicts of interest between its investment banking and research departments led to the company providing biased stock ratings. These charges were brought against the company by state and federal regulators. The charges against Piper Jaffray were part of an industry-wide investigation into alleged inflating of stock ratings. Citigroup, Goldman Sachs, and Credit Suisse had earlier agreed to pay $1.44 billion in fines as a result of this investigation. Piper Jaffray held out for period of time, but eventually decided to settle. In March 2003 the company settled with the Securities and Exchange Commission (SEC), National Association of Securities Dealers (NASD), the New York Stock Exchange (NYSE), the New York Attorney General, and a host of other New York state regulators. Pipe Jaffray settled without admitting or denying guilt in the matter. Further, the company agreed to implement changes in its analyses of securities and in its operation in order to restore investor confidence (New York Times, 2002, Securities and Exchange Commission, 2003).

In October, 2010, the Financial Industry Regulatory Authority (FINRA) fined Piper Jaffray & Co. $700,000 for its failure to retain approximately 4.3 million e-mail messages from November 2002 through December 2008. FINRA also stated that Piper Jaffray "failed to inform FINRA of its e-mail retention and retrieval issues,” which precluded the firm complying completely with requests for copies of the e-mails. It also seems to have affected the firm's ability to satisfy e-mail requests from other regulators and from parties in civil litigation or arbitrations. Piper Jaffray eventually settled the charges, without admitting or denying guilt (Think Advisor, 2010, White Securities Law Firm, 2010).

This was not the first time Piper Jaffray had been sanctioned for its e-mail failures. In November, 2002 the company was sanctioned by the SEC, NASD, and the NYSE for its e-mail failures that occurred during the investigation of the biased stock rating due to alleged conflicts of interest between its investment banking and research departments (White Securities Law Firm, 2010).

DISCUSSION

Both depository and investment banks provide the means by which money and financial securities representing money are exchanged in the financial markets. The financial markets, in turn, represent the primary means by which wealth in an economy is transferred and commodities traded. So, logically, banks are necessary for an advanced economy to exist. Investment banks are a crucial element in the banking system, providing the means by which businesses and specifically corporations can raise the necessary capital to operate.

1. Discuss the extent to which the above paragraph is true. View this from a real-world perspective and not a theoretical classroom perspective when answering this question and the questions that follow. The risk in a theoretical classroom setting is minimal since no real money is waged and potentially lost, but major amounts of money are at risk in the real world and how you answer may be the difference between you being employed or staying out of trouble with the law.
2. In light of the financial crises of 2000 and 2008, to what extent were the banks culpable in causing the crises to occur? If culpable, how so?
3. To what extent may the government or the Federal Reserve have played a role in these financial crises? Insufficient regulation? Too much bad regulation that possibly incentivized questionable bank practices? Insufficiently or selectively enforced regulation?
4. Specifically, with regards to investment banking, if you are an investment banker and your competitors are engaged in profitable activities that border on or maybe even transcend ethical and possibly legal boundaries, and these competitors are getting away with such activities because regulators are seemingly looking the other way, do you decide to engage in similar activities? Remember that as an investment bank manager you are supposed to be maximizing your shareholders' wealth. Or do you take an ethical stand and possibly cost your company and its shareholders money? How long will you keep your job if you do this?
5. Do you think investment banks would or even should engage in ethically and legally questionable practices as a calculated risk, such that that the expected profits far exceed the any possible fine assessed the company? Again, don't lose sight of the fact that you are there to maximize your shareholders' wealth. Isn't this the nature of the banking business? If so, should it be?
6. What impact do such questionable practices have on the overall economy in the short run? How about the long run?
7. In the case of Piper Jaffray, do you think they engaged in such practices? If you believe that they did, was it worth it for them to engage in such practices? How are they doing today? How do you think Piper Jaffray compares to other investment banks since the end of the Cold War?
8. If you are thinking that more regulation of investment banking is the answer, then consider how successful government regulations and oversight been in the past. Is there a point where there is too much government interference in the financial system? Strong arguments can be made that government controlled financial systems and the associated economies have a very poor track record.
9. Finally, Piper Jaffray has somewhat of a niche business in that they focus primarily on mid-level corporations. Should they continue this focus or broaden their business model? If you believe the latter, what new risks may be involved?

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APPENDIX

Table 1. This table presents selected financial data for Piper Jaffray Companies (PJC) and The Goldman Sachs Group, Inc. (GS) as of July 3, 2014, unless otherwise stated.
Source: Yahoo Finance, 2014.

	PJC	GS		PJC	GS
Market Cap	866.54M	78.76B	**Trailing P/E (ttm)**	16.65	11.17
Employees	1,026	32,600	**Forward P/E (fye Dec 31, 2015)**	14.48	10.07
Qtrly Rev Growth (yoy)	0.54	-0.08	**PEG (5 years expected)**	0.93	1.56
Revenue (ttm)	583.79M	33.44B	**Price/Sales (ttm)**	1.46	2.32
Revenue per share (ttm)	39.44	71.47	**Price/Book (mrq)**	1.02	1.08
Qtrly Revenue Growth (yoy)	53.50%	-7.60%	**Enterprise Value/Revenue (ttm)**	-0.24	-252.79B
Gross Profit	525.20M	34.21B	**Profit Margin (ttm)**	9.03%	23.36%
Gross Margin (ttm)	0.89	0.91	**Operating Margin (ttm)**	15.54%	35.21%
EBITDA (ttm)	N/A	N/A	**Return on Assets (ttm)**	2.82%	0.83%
Operating Margin	0.16	0.35	**Return on Equity (ttm)**	7.37%	9.95%
Net Income (ttm)	51.94M	7.46B	**Total Cash (mrq)**	1.62B	777.34B
Net Income Avl. To Common (ttm)	51.94M	7.46B	**Total Cash per Share (mrq)**	99.72	1,672.42
Qtrly Earnings Growth (yoy)	74.90%	-10.00%	**Total Debt (mrq)**	612.85M	442.68B
Diluted EPS (ttm)	3.20	15.18	**Total Debt/Equity (mrq)**	66.83	557.73
Book Value per Share (mrq)	51.45	154.69	**Current Ratio (mrq)**	1.53	1.52
Market Value as of July 3, 2014	53.27	169.46	**Operating Cash Flow (ttm)**	185.56M	6.02B

Table 2. This table presents the condensed balance sheets for the years ending December 31, 2012 and 2013. Source: Piper Jaffray 2013 Annual Report

Balance Sheet *(Amounts in thousands)*	**2013**	**2012**
<u>Assets</u>		
Cash and cash equivalents	$ 336	$ 1,069
Investment in and advances to subsidiaries	870,104	857,973
Other assets	9,119	20,850
Total assets	$ 879,559	$ 879,892
<u>Liabilities and Shareholders' Equity</u>		
Variable rate senior notes	$ 125,000	$ 125,000
Accrued compensation	18,454	20,838
Other liabilities and accrued expenses	1,429	762
Total liabilities	144,883	146,600
Shareholders' equity	734,676	733,292
Total liabilities and shareholders' equity	$ 879,559	$ 879,892

Table 3. This table presents the condensed income statements for the years ending December 31, 2011, 2012 and 2013. Source: Piper Jaffray 2013 Annual Report

Income Statement *(Amounts in thousands)*	**2013**	**2012**	**2011**
Revenues			
Dividends from subsidiaries	$ 46,000	$ 119,000	$ 80,483
Interest	254	82	31
Other revenues	198	—	—
Total revenues	46,452	119,082	80,514
Interest expense	5,850	5,823	5,392
Net revenues	40,602	113,259	75,122
Non-interest expenses			
Total non-interest expenses	3,096	4,222	13,044
Income from continuing operations before income tax expense/(benefit) and equity in undistributed/(distributed in excess of) income of subsidiaries	37,506	109,037	62,078
Income tax expense/(benefit)	13,263	39,175	(3,128)
Income from continuing operations of parent company	24,243	69,862	65,206
Equity in undistributed/(distributed in excess of) income of subsidiaries	25,200	(49,617)	(167,226)
Net income/(loss) from continuing operations	49,443	20,245	(102,020)
Discontinued operations			
Income/(loss) from discontinued operations, net of tax	(4,353)	21,023	—
Net income/(loss)	$ 45,090	$ 41,268	$ (102,020)

Table 4. This table presents the condensed cash flow statements for the years ending December 31, 2011, 2012 and 2013. Source: Piper Jaffray 2013 Annual Report

Cash Flow Statement *(Amounts in thousands)*	**2013**	**2012**	**2011**
Operating Activities			
Net income/(loss)	**$ 45,090**	$ 41,268	$ (102,020)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Share-based and deferred compensation	**60**	240	437
Goodwill impairment	**—**	—	9,247
Equity distributed in excess of/ (in undistributed) income of subsidiaries	**(25,200)**	49,617	167,226
Net cash provided by operating activities	**19,950**	91,125	74,890
Financing Activities			
Issuance of variable rate senior notes	—	125,000	—
Decrease in bank syndicated financing	—	(115,000)	(10,000)
Advances from/(to) subsidiaries	**35,246**	(76,481)	(51,916)
Repurchase of common stock	**(55,929)**	(38,068)	(5,994)
Net cash used in financing activities	**(20,683)**	(104,549)	(67,910)
Net increase/(decrease) in cash and cash equivalents	**(733)**	(13,424)	6,980
Cash and cash equivalents at beginning of year	**1,069**	14,493	7,513
Cash and cash equivalents at end of year	**$ 336**	$ 1,069	$ 14,493

Supplemental disclosures of cash flow information			
Cash received/(paid) during the year for:			
Interest	**$ (5,596)**	$ (5,741)	$ (5,361)
Income taxes	**$ (13,263)**	$ (39,175)	$ 3,128