

PIPER JAFFRAY COMPANIES

Form 10-Q

May 12, 2008

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

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

**For the Quarterly Period Ended March 31, 2008**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File No. 001-31720  
PIPER JAFFRAY COMPANIES**

(Exact name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**30-0168701**

(IRS Employer Identification No.)

**800 Nicollet Mall, Suite 800  
Minneapolis, Minnesota**

(Address of principal executive offices)

**55402**

(Zip Code)

**(612) 303-6000**

(Registrant's telephone number, including area code)

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

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

Large accelerated filer:  Accelerated filer:  Non-accelerated filer:  Smaller reporting company:

(Do not check if a smaller reporting company)

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

As of May 2, 2008, the registrant had 18,731,269 shares of Common Stock outstanding.

**Piper Jaffray Companies**  
**Index to Quarterly Report on Form 10-Q**

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Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer

Certifications Furnished Pursuant to Section 906

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**ITEM 1. FINANCIAL STATEMENTS****Piper Jaffray Companies**  
**Consolidated Statements of Financial Condition**

<i>(Amounts in thousands, except share data)</i>	<b>March 31, 2008</b>	December 31, 2007
	(Unaudited)	
<b>Assets</b>		
Cash and cash equivalents	\$ 26,660	\$ 150,348
Cash and cash equivalents segregated for regulatory purposes	10,000	
Receivables:		
Customers	125,088	124,329
Brokers, dealers and clearing organizations	85,732	87,668
Deposits with clearing organizations	30,062	30,649
Securities purchased under agreements to resell	26,048	52,931
Financial instruments and other inventory positions owned	510,503	550,335
Financial instruments and other inventory positions owned and pledged as collateral	383,706	242,214
Total financial instruments and other inventory positions owned	894,209	792,549
Fixed assets (net of accumulated depreciation and amortization of \$57,844 and \$55,508, respectively)	25,430	27,208
Goodwill	284,804	284,804
Intangible assets (net of accumulated amortization of \$6,264 and \$5,609, respectively)	16,489	17,144
Other receivables	48,403	47,719
Other assets	104,176	107,807
Total assets	\$ 1,677,101	\$ 1,723,156
<b>Liabilities and Shareholders Equity</b>		
Short-term bank financing	\$ 112,250	\$
Payables:		
Customers	73,188	91,272
Checks and drafts	16,622	7,444
Brokers, dealers and clearing organizations	46,101	23,675
Securities sold under agreements to repurchase	274,227	247,202
Financial instruments and other inventory positions sold, but not yet purchased	125,817	224,710
Accrued compensation	35,609	132,908
Other liabilities and accrued expenses	77,313	83,356

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Total liabilities	<b>761,127</b>	810,567
Shareholders' equity:		
Common stock, \$0.01 par value:		
Shares authorized: 100,000,000 at March 31, 2008 and December 31, 2007;		
Shares issued: 19,494,488 at March 31, 2008 and December 31, 2007;		
Shares outstanding: 16,038,106 at March 31, 2008 and 15,662,835 at		
December 31, 2007	<b>195</b>	195
Additional paid-in capital	<b>724,202</b>	737,735
Retained earnings	<b>364,463</b>	367,900
Less common stock held in treasury, at cost: 3,456,382 shares at March 31,		
2008 and 3,831,653 shares at December 31, 2007	<b>(173,946)</b>	(194,461)
Other comprehensive income	<b>1,060</b>	1,220
Total shareholders' equity	<b>915,974</b>	912,589
Total liabilities and shareholders' equity	<b>\$ 1,677,101</b>	\$ 1,723,156

*See Notes to Consolidated Financial Statements*

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**Piper Jaffray Companies**  
**Consolidated Statements of Operations**  
**(Unaudited)**

<i>(Amounts in thousands, except per share data)</i>	<b>Three Months Ended March</b>	
	<b>2008</b>	<b>31, 2007</b>
<b>Revenues:</b>		
Investment banking	\$ 55,265	\$ 83,733
Institutional brokerage	29,812	41,694
Interest	15,159	17,410
Asset management	3,973	127
Other income/(loss)	(1,600)	688
<b>Total revenues</b>	<b>102,609</b>	<b>143,652</b>
 Interest expense	 6,878	 6,702
 Net revenues	 95,731	 136,950
 <b>Non-interest expenses:</b>		
Compensation and benefits	65,251	80,116
Occupancy and equipment	8,110	7,722
Communications	6,739	6,259
Floor brokerage and clearance	2,654	3,515
Marketing and business development	6,096	5,681
Outside services	8,817	7,317
Other operating expenses	2,474	3,756
 Total non-interest expenses	 100,141	 114,366
 <b>Income/(loss) from continuing operations before income tax expense/(benefit)</b>	 <b>(4,410)</b>	 <b>22,584</b>
 Income tax expense/(benefit)	 (973)	 7,862
 <b>Net income/(loss) from continuing operations</b>	 <b>(3,437)</b>	 <b>14,722</b>
 <b>Discontinued operations:</b>		
Loss from discontinued operations, net of tax		(1,304)

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<b>Net income/(loss)</b>	<b>\$ (3,437)</b>	<b>\$ 13,418</b>
<b>Earnings per basic common share</b>		
Income/(loss) from continuing operations	<b>\$ (0.22)</b>	<b>\$ 0.86</b>
Loss from discontinued operations		<b>(0.08)</b>
Earnings per basic common share	<b>\$ (0.22)</b>	<b>\$ 0.79</b>
<b>Earnings per diluted common share</b>		
Income from continuing operations	<b>N/A</b>	<b>\$ 0.82</b>
Loss from discontinued operations		<b>(0.07)</b>
Earnings per diluted common share	<b>N/A</b>	<b>\$ 0.74</b>
<b>Weighted average number of common shares outstanding</b>		
Basic	<b>15,829</b>	<b>17,071</b>
Diluted	<b>16,634</b>	<b>18,018</b>

*See Notes to Consolidated Financial Statements*

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**Piper Jaffray Companies**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

<i>(Dollars in thousands)</i>	<b>Three Months Ended March</b>	
	<b>2008</b>	<b>31, 2007</b>
<b>Operating Activities:</b>		
Net income/(loss)	\$ (3,437)	\$ 13,418
Adjustments to reconcile net income/(loss) to net cash provided by/ (used in) operating activities:		
Depreciation and amortization	2,391	2,158
Deferred income taxes	4,222	8,061
Gain on disposal of fixed assets		(34)
Stock-based compensation	9,801	5,477
Amortization of intangible assets	655	400
Decrease/(increase) in operating assets:		
Cash and cash equivalents segregated for regulatory purposes	(10,000)	(10,000)
Receivables:		
Customers	(771)	9,712
Brokers, dealers and clearing organizations	3,359	208,103
Deposits with clearing organizations	587	(3,307)
Securities purchased under agreements to resell	26,883	(43,288)
Net financial		