

Piper Sandler & Co.

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Form ADV Part 2 - Disclosure Brochure

Piper Sandler Balance Sheet Management Services Program

March 30, 2020

This Brochure provides information about the qualifications and business practices for the investment adviser activities of Piper Sandler & Co. ("PS&Co."). If you have any questions about the contents of this Brochure, please contact us at 612-303-6000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

PS & Co. is a registered investment adviser. Registration of an Investment Adviser does not imply any particular level of skill or training. Additional information about PS&Co. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This item is intended to discuss only specific material changes made to the Brochure and provide clients with a summary of such changes made subsequent to the date of the last update. There have been no material changes since the last brochure.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Additional information about Piper Sandler & Co. is available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with PS & Co. who are registered, or are required to be registered, as investment adviser representatives of PS & Co.

Item 3 – Table of Contents

Item 1 -- Piper Sandler & Co.	1
Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management	5
Item 7 – Types of Clients	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	5
Item 9 – Disciplinary Information	6
Item 10 – Other Financial Industry Activities and Affiliations.....	7
Item 11 – Code of Ethics	8
Item 12 – Brokerage Practices	8
Item 13 – Review of Accounts	9
Item 14 – Client Referrals and Other Compensation	9
Item 15 – Investment Discretion	9
Item 16 – Voting Client Securities	10
Item 17 – Financial Information	10

Item 4 – Advisory Business

This disclosure document deals solely with the Piper Sandler Balance Sheet Management Services Program. This document provides information about Piper Sandler & Co. (“PS & Co.”) and its asset management strategies that should be considered before becoming an advisory client of PS & Co. This information has not been approved by any governmental authority.

General Information and Investment Advisory Services Relating to Piper Sandler Balance Sheet Management Services Program

Piper Sandler Balance Sheet Management Services Program provides balance sheet management services for financial institutions, including banks, thrifts, insurance companies and credit unions. These services include investment recommendations and a range of analyses of interest rate sensitivities, yields, asset quality, etc. We do not make investment decisions or hold assets for these advisory clients. Instead, we provide our analyses, conclusions and recommendations to our clients’ boards of directors, senior managements, and/or senior investment or financial personnel. These services are provided on either a commission basis, a fixed-fee basis or for fees that are determined as a percentage of the assets analyzed. In each case, we negotiate the amount of the fee with the applicable client.

Assets Under Management

As of December 31, 2019, PS&Co. had \$151,418,842.40 in non-discretionary assets under management across the various investment strategies employed by PS&Co. on behalf of its clients.

Additional Information Relating to Piper Sandler & Co.

In addition to sponsoring the Piper Sandler Balance Sheet Management Services Program, PS&Co also offers a Fixed Income Advisory Service Program, Piper Sandler Analytics Program, and Public Finance Consulting Services Program. PS&Co.’s separate brochures regarding these programs are available upon request by contacting the Chief Compliance Officer at 612-303-6359.

Piper Sandler & Co., (“PS & Co.”) is a full-service brokerage and financial services firm and is also a member of FINRA, various exchanges, the Securities Investor Protection Corporation (“SIPC”) and other financial services related organizations. PS & Co.’s broker-dealer activities are its principal business and account for the vast majority of its time, energies and resources. PS & Co.’s corporate headquarters are located at 800 Nicollet Mall, Suite 900, Minneapolis, Minnesota 55402. PS & Co. services its brokerage clients from numerous branch offices located throughout the United States.

PS & Co. has affiliated investment advisory companies Piper Jaffray Investment Management, LLC; PSC Capital Partners LLC; and Piper Sandler Advisors LLC. Piper Jaffray Investment Management, LLC, (“PJIM”) and PSC Capital Partners LLC are affiliated SEC-registered investment advisers providing advisory services to private funds. Piper Sandler Advisors LLC is an SEC-registered investment adviser that serves as the collateral manager to two CDOs.

PS & Co., PJIM, PSC Capital Partners, and Piper Sandler Advisors LLC. are wholly owned subsidiaries of Piper Sandler Companies (“PSC”), a financial holding company, publicly traded on the NYSE under the symbol PIPR.

Item 5 – Fees and Compensation

The client pays PS & Co. a fee that includes compensation for portfolio analytical reports. The program fee does not cover and the client will be additionally responsible and charged for third party services which could include but is not limited to custodial, safekeeping, bond accounting, performance measurement, asset-liability measurement, credit evaluation and trade execution services, etc.

We provide our balance sheet management services on either a commission basis, a fixed-fee basis or for fees that are determined as a percentage of the assets analyzed. In each case, we negotiate the amount of the fee with the applicable client.

We may require the advance payment of fees for balance sheet management services. We generally do not refund payments made in advance in the event the client terminates the advisory agreement before we render all of our services.

Neither we nor any of our supervised persons accepts compensation for the sale of securities or other investment products.

Item 6 – Performance-Based Fees and Side-By-Side Management

PS & Co. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

The Piper Sandler Balance Sheet Management Services Program is offered to a variety of financial institutions, including banks, thrifts, insurance companies and credit unions. We do not generally provide advice to any other types of clients.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

We employ proprietary balance sheet modeling to analyze the asset/liability structure of our clients and the impact of various financial and operating strategies. Our review of the asset/liability structure generally includes an analysis of interest rate sensitivities, yields, asset quality and other similar metrics. Using pro forma models, we project the impact of various strategies on our clients, as well as the impact of changes to interest rate risk profile, credit, liquidity and capital management. Based on our analysis, we may recommend strategies to our clients to help them achieve their goals.

The following risks apply to each of our investment strategies and methods of analysis:

- Risks relating to banks, thrifts and the banking industry generally. We focus on the financial services industry, which is subject to change, volatility and significant pressures. Securities issued by financial service companies may decline in value due to deteriorations in their businesses or creditworthiness.
- Our dependence on key personnel. Our clients depend on our financial and managerial experience, as well as the skills of our personnel, to develop investment strategies and conduct our analyses. In the event that our personnel were no longer available to provide services to us, we would have to reassign responsibilities, contract for additional personnel and/or hire one or more additional employees. Any such loss could have a material adverse effect on our investment strategies and methods of analysis. In addition, since most of our personnel are employees of PS& Co, our personnel have substantial responsibilities outside of their responsibilities to perform services for us.
- Potential conflicts of interest involving us and our affiliates. Various potential and actual conflicts of interest may arise from our advisory, investment and other activities and those of our affiliates. As a result, we may have incentives to favor ourselves, our affiliates, our other clients or the clients of our affiliates over you.

The investment strategies and methods of analysis that we utilize when providing balance sheet management services are highly dependent on the accuracy of our financial models. Although we develop our financial models based upon or by reference to sources, materials and systems that we believe to be reliable and accurate, we do not guarantee their completeness or accuracy. In addition, some of our investment strategies and methods of analysis are based on assumptions. The assumptions and parameters used are not the only ones that we might reasonably have selected, and you must make your own determination as to the reasonableness or appropriateness of these assumptions. In addition, as our investment strategies and analyses are prepared as of a particular date and time, they will not reflect subsequent changes in market values or prices or in any other factors relevant to their determination. You should also note that the strategies and analyses we produce do not constitute an offer, or a solicitation of an offer, to buy or sell any securities or other financial instruments.

Our balance sheet management services may at times result in recommendations to buy or sell securities. However, since each client's balance sheet varies, we do not primarily recommend any particular type of security for purchase or disposition.

Item 9 – Disciplinary Information

PS & Co. is a registered broker-dealer and investment adviser. It should be noted that the disciplinary reporting requirements for broker-dealers and investment advisers differ. Since we are registered as both a broker-dealer and investment adviser, we file information as required by both sets of regulatory requirements. This section contains information about certain legal and regulatory matters that PS & Co. believes are material to a client's evaluation of its advisory business or the integrity of its management. We entered into various orders, consents and settlements without admitting or denying

any of the allegations. In addition to the descriptions below, you can find information on the SEC's website www.adviserinfo.sec.gov as well as the FINRA website www.finra.org/brokercheck.

In March 2014, as part of an industry-wide review of municipal issuer disclosure obligations and lapses therein, the SEC commenced an initiative for all industry member firms to avail themselves of the opportunity to review and self-report any bond offering transactions wherein issuers may have made materially inaccurate statements in a final official statement regarding their prior compliance with their continuing obligations as described in SEC Rule 15c2-12. On March 24, 2015 PS & Co. entered into a settlement agreement with the SEC whereby we incurred a \$500,000 penalty for alleged deficiencies in the Firm's due diligence procedures.

On November 5, 2013, PS & Co. entered into a settlement with the SEC whereby we incurred a \$300,000 penalty from the SEC related to alleged deficiencies in the due diligence conducted by Piper Sandler in the course of its engagement as the underwriter for the Greater Wenatchee Regional Events Center Public Facilities District bond offering.

On May 19, 2010, PS & Co. entered into a settlement with FINRA whereby we incurred a \$700,000 penalty for alleged deficiencies in the Firm's supervisory systems and procedures related to email review, reporting and recordkeeping.

On September 24, 2008 PS & Co. entered into a settlement with FINRA whereby we incurred a \$167,500 penalty for alleged deficiencies in time of execution reporting on brokerage order memoranda and to TRACE as well as the correct number of bonds to TRACE.

On December 18, 2007 PS & Co. entered into a settlement with FINRA whereby we incurred a \$100,000 penalty for alleged deficiencies in compliance with applicable securities laws, regulations and NASD rules concerning NASD Rule 3310, the Identification of the Person(s) Responsible for Supervision with Respect to the Advertised Trade Volume on Subscriber Services and Applicable Rules. The Firm did not supervise the trade volume that it advertised in these systems.

On June 26, 2007 PS & Co entered into a settlement with NYSE whereby we incurred a \$150,000 penalty for alleged deficiencies in compliance with Regulation SHO. Alleged the Firm failed to make certain short sell orders as "short exempt", failed to timely close fail to deliver positions and inaccurately treated non-settled, non-delivered securities as if in its possession and control.

Item 10 – Other Financial Industry Activities and Affiliations

Piper Sandler Companies (NYSE: PIPR) is a leading, international investment bank and asset management firm. Securities brokerage and investment banking services are offered in the United States through Piper Sandler & Co., member SIPC and FINRA; in Europe through Piper Sandler Ltd., authorized and regulated by the U.K. Financial Conduct Authority; in Hong Kong through Piper Sandler Hong Kong Limited, authorized and regulated by the Securities and Futures Commission. Asset management products and services are offered through five separate investment advisory

affiliates registered with the U.S. Securities and Exchange Commission: Piper Sandler Advisors LLC.; Piper Sandler & Co.; PSC Capital Partners LLC; Piper Jaffray Investment Management, LLC; and Guernsey-based Parallel General Partners Limited, authorized and regulated by the Guernsey Financial Services Commission.

Item 11 – Code of Ethics

The PS & Co. Code of Ethics for advisory activities is based on the principle that the officers, directors, and employees (or persons having similar status or function) of PS & Co. have a fiduciary duty to place the interests of clients ahead of their own interests and embodies the commitment of Piper Sandler Companies and our subsidiaries, affiliated entities and representative offices to conduct our business in accordance with:

- our Guiding Principles
- the highest ethical standards; and
- all applicable laws, rules and regulations of the United States, the United Kingdom, Hong Kong, and any other countries in which we operate.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of gifts and business entertainment items, and personal securities trading procedures, among other things. All Piper Sandler Balance Sheet Management Services Program persons at PS & Co. must acknowledge the terms of the Code of Ethics for advisory activities annually, or as amended.

The Code of Ethics has specific restrictions and disclosure requirements around initial public offerings, private placements and the prevention of the misuse of material, non-public information.

PS & Co.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Chief Compliance Officer at PS & Co., 800 Nicollet Mall, Suite 900, Minneapolis, MN 55402.

Item 12 – Brokerage Practices

Broker-Dealer Transactions

PS & Co. as Advisor in the Piper Sandler Balance Sheet Management Services Program provides analytical or statistical reports for clients and does not manage assets or have discretion for accounts. PS & Co. may also have brokerage accounts for Piper Sandler Balance Sheet Management Services Program clients and conduct agency and principal transactions for the Analytics Program clients.

Potential Conflicts of Interest

Piper Sandler, in its capacity as a securities broker-dealer, investment banker and investment adviser, is routinely engaged in various securities transactions and trading activities for various clients and

customers (in addition to the client) which could create conflicts of interest among its duties to the client and its duties to other clients and customers.

As a full service broker-dealer, on an ongoing basis and as permitted by applicable law, Piper Sandler may when appropriate:

- Act as a principal, buy securities from, or sell securities to other clients (in reliance on Rule 206(3)-1, we will not obtain client consent for each principal trade),
- Act as broker or agent, effect securities transactions for compensation for other clients,
- Recommend to clients that they buy or sell securities or investment products in which PS & Co. or a related person has some financial interest, or
- Buy or sell for itself securities that it also recommends to clients.

PS & Co. may give advice and take action in performing their duties to the client that differ from advice given, or the timing and nature of action taken, with respect to Piper Sandler Balance Sheet Management Services Program. In the course of their respective investment banking activities or otherwise PS & Co. and its affiliates may from time to time acquire material non-public or other information about corporations or other entities or their securities. PS & Co. and its affiliates are not obligated and may not be permitted to divulge any such information to or for the benefit of clients, or otherwise act on the basis of any such information in providing services to clients. PS & Co. and its affiliates may trade for their own accounts securities that are recommended to clients.

PS & Co. has adopted and enforces internal policies and procedures with respect to conflicts of interest between PS & Co. and its clients. Pursuant to these policies and procedures PS & Co., when engaging in the enumerated above, treats clients fairly.

Item 13 – Review of Accounts

PS & Co. is responsible for supervising its employees and agents in the performance of their job responsibilities, to provide effective advisory services to its clients and to ensure, to the extent reasonably possible, that those services are provided in accordance with applicable legal requirements and firm policies. PS & Co. will provide the client with portfolio analytical reports on a periodic basis.

Item 14 – Client Referrals and Other Compensation

Other than the compensation described in Item 5, PS & Co. does not receive an economic benefit from anyone other than its clients.

Item 15 – Investment Discretion

The advisory activities for the Piper Sandler Balance Sheet Management Services Program do not include managing securities accounts and therefore, we do not have discretionary authority.

Item 16 – Voting Client Securities

The advisory activities for the Piper Sandler Balance Sheet Management Services Program do not include managing securities accounts and therefor, does not have authority to vote client securities.

Item 17 – Financial Information

In certain circumstances, registered investment advisers are required to provide financial information or disclosures about their financial condition. However, PS & Co. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Piper Sandler Companies ("PSC") files quarterly and annual financial statements with the SEC. These are available through the SEC and on PSC's web site at the following location: <http://www.pipersandler.com>.