

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of Claimant

James Kanellitas

vs.

Case Number: 05-05979
Hearing Site: Minneapolis, Minnesota

Names of Respondents

Piper Jaffray & Co., and Thomas Patrick Schnettler

and

Consolidated with:

Name of Claimant

James Kanellitas

vs.

Case Number: 05-05980
Hearing Site: Minneapolis, Minnesota

Name of Respondent

Piper Jaffray & Co.

NATURE OF THE DISPUTE

Associated Person vs. Member and Associated Person
Associated Person vs. Member

REPRESENTATION OF PARTIES

James Kanellitas ("Claimant") was represented by James H. Kaster, Esq., Nicholas Kaster & Anderson, PLLP, Minneapolis, Minnesota.

Piper Jaffray & Co. ("Piper") and Thomas Patrick Schnettler ("Schnettler"), hereinafter collectively referred to as "Respondents," were represented by Marko Mrkonich, Esq. Littler & Mendelson, PC, Minneapolis, Minnesota.

CASE INFORMATION

05-05979

The Statement of Claim was filed on or about November 21, 2005. The Submission Agreement of Claimant, James Kanellitas, was signed on or about November 22, 2005.

The Statement of Answer was filed jointly by Respondents, Piper Jaffray & Co., and Thomas Patrick Schnettler, on or about January 18, 2006. The Submission Agreement of Respondent, Piper Jaffray & Co., was signed on or about January 17, 2006. The Submission Agreement of Respondent, Thomas Patrick Schnettler, was signed on or about January 17, 2006.

Claimant filed a Motion to Bifurcate the Hearing on or about May 12, 2006. Respondents filed an Opposition to Claimant's Motion to Bifurcate on or about May 26, 2006.

Respondents filed a Motion to Dismiss Claimant's Wrongful Termination Claim on or about January 13, 2007.

Claimant filed an Amended Statement of Claim on or about January 18, 2007.

Respondents filed an Answer to Claimant's Amended Statement of Claim on or about January 29, 2007.

05-05980

The Statement of Claim was filed on or about November 21, 2005. The Submission Agreement of Claimant, James Kanellitas, was signed on or about November 22, 2005.

The Statement of Answer was filed by Respondent, Piper Jaffray & Co., on or about January 18, 2006. The Submission Agreement of Respondent, Piper Jaffray & Co., was signed on or about January 17, 2006.

CASE SUMMARY

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Claimant asserted the following causes of action: violation of Minn. Stat. § 181.932; wrongful termination; promissory estoppel; violation of Minnesota Human Rights Act; tortious interference with contract; breach of severance contract; and failure to pay wages promptly under Minn. Stat. §181.13 and §181.14. The causes of action related to Claimant's allegation that Piper eliminated his position in retaliation over objections he made as to questionable deals between Piper and outside clients that would have brought

in substantial investment banking fees for Piper. Claimant alleged that because Piper's change in relation to his employment status and reduction in salary, he was forced to resign and was constructively discharged from Piper. Claimant asserted that he lost substantial salary, a portion of his unearned bonus for 2005, and deferred compensation as a result of Respondents' retaliation.

Unless specifically admitted their Answer, Respondents, Piper Jaffray & Co., and Thomas Patrick Schnettler denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant failed to state a claim upon which relief can be granted; Claimant's claims are barred, in whole or in part, by the applicable statute of limitations or other limitations period; any actions taken by Respondents were in good faith, and reasonable necessary of the normal operation of Piper's business and was based on legitimate, reasonable, and non-retaliatory business considerations; all alleged acts of Respondents were in good faith and do not constitute fraud, oppression, malice, or other willful or intentional conduct for which punitive damages could be awarded; Claimant is barred from recovering a remedy to the extent that he engaged in misconduct, violation of company policies, or other conduct that would have resulted in his termination from Piper, or would have precluded him from obtaining employment with Piper had Piper discovered such conduct; benefits under the severance plan were properly denied under the terms of the plan; if Claimant had been damaged as alleged, his damages were caused by his own intentional or negligent acts or omissions, or by intentional or negligent acts or omissions of those other than Respondents or for which Respondents are not responsible; Claimant's claims are barred, in whole or in part, by the doctrines of unclean hands, laches, waiver, and estoppel; and Claimant's claims are barred because Respondents did not knowingly interfere with any of Claimant's alleged contractual provisions with Piper; Claimant's claims failed because he resigned voluntarily.

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Claimant asserted the following cause of action: breach of a settlement agreement. Claimant alleged that Respondent violated a settlement to resolve various issues of his termination that would have paid him salary, benefits, bonus monies for time worked in 2005, vesting of restricted stock and options, and continued salary benefits through the end of 2006.

Unless specifically admitted in its Answer, Respondent, Piper Jaffray & Co., denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant failed because he cannot demonstrate the existence of a valid agreement between himself and Piper; Claimant's Statement of Claim failed to the extent a discussion with Claimant was comprised and consisted of confidential information disclosed during inadmissible settlement negotiations; all alleged acts of Respondent were in good faith and do not constitute fraud, oppression, malice, or any other willful or intentional conduct for which punitive damages could be awarded; and Claimant is barred from recovering a remedy to the extent that he engaged in misconduct, violation of

company policies, or other conduct that would have resulted in his termination from Piper, or would have precluded him from obtaining employment with Piper had Piper discovered such conduct.

RELIEF REQUESTED

05-05979

Claimant requested an award in the amount of:

Actual/Compensatory Damages	\$ 1,000,000.00
Exemplary/Punitive Damages	\$ 2,000,000.00
Interest	Unspecified
Attorneys' Fees	Unspecified
Costs	Unspecified
Other Monetary Relief	Unspecified

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees. In addition, Respondents requested that the Panel expunge all references to the above-captioned arbitration from Schnettler's registration records maintained by the NASD Central Registration Depository ("CRD").

05-05980

Claimant requested an award in the amount of:

Actual/Compensatory Damages	\$ 1,005,000.00
Interest	Unspecified
Attorneys' Fees	Unspecified
Costs	Unspecified
Other Monetary Relief	Unspecified

Respondent requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

On or about April 21, 2006, the parties submitted a Stipulation to Consolidate Case #05-05979 and Case# 05-05980. The Panel executed the Stipulated Order and granted the consolidation on or about April 26, 2006.

On or about May 31, 2006, the Panel granted Claimant's Motion to Bifurcate the Hearing.

On or about November 13, 2006, the parties notified NASD Dispute Resolution that they had resolved all claims arising out of Case #05-05980.

At the arbitration hearing, the Panel denied Respondents' Motion to Dismiss Claimant's Wrongful Termination Claim.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Respondent, Piper Jaffray & Co., is liable for and shall pay to Claimant, James Kanellitas, the sum of \$ 437,173.00 in compensatory damages;
- 2.) Respondent, Piper Jaffray & Co., is liable for and shall pay to Claimant, James Kanellitas, interest on the above-stated sum at the rate of 6% per annum from and including 30 days from the date of service of this Award through and the date this Award is paid in full;
- 3.) The Panel recommends the expungement of all references to the above captioned arbitration from Respondent, Thomas Patrick Schnettler's, registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 04-16, Respondent, Thomas Patrick Schnettler, must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by the NASD, parties seeking judicial confirmation of an arbitration award containing expungement relief must name NASD as an additional party and serve NASD with all appropriate documents.

Pursuant to Rule 2130, the Panel has made the following affirmative findings of fact:

- The claim, allegation, or information is clearly erroneous.
- 4.) Other than Forum Fees which are specified below, the parties shall each

bear their own costs and expenses incurred in this matter; and

- 5.) Any relief not specifically enumerated, including punitive damages and attorneys' fees, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain the non-refundable filing fee for each claim:

05-05979

Initial Claim filing fee = \$ 500.00

05-05980

Initial Claim filing fee = \$ 500.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, the member firm is Piper Jaffray & Co.

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Member surcharge = \$ 2,800.00

Pre-hearing process fee = \$ 750.00

Hearing process fee = \$ 5,000.00

05-05980

Member surcharge = \$ 2,800.00

Pre-hearing process fee = \$ 750.00

Adjournment Fees

Adjournments granted during these proceedings:

December 4-8, 2006, Adjournment requested by all parties = \$ 1,200.00
(Fee Waived by the Panel)

Forum Fees and Assessments

The Panel has assessed forum fees for each hearing session conducted or each decision rendered on a discovery-related motion on the papers. A session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators that last four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with a single arbitrator x \$ 450.00	= \$ 450.00
Pre-hearing conference: December 7, 2006 1 session	
Two (2) Pre-hearing sessions with Panel x \$ 1,200.00	= \$ 2,400.00
Pre-hearing conferences: April 20, 2006 1 session	
May 31, 2006 1 session	
Nine (9) Hearing sessions x \$ 1,200.00	= \$ 10,800.00
Hearing Dates: January 15, 2007 2 sessions	
January 16, 2007 2 sessions	
January 17, 2007 2 sessions	
January 18, 2007 2 sessions	
January 30, 2007 1 session	
Total Forum Fees	= \$ 13,650.00

The Panel has assessed \$ 13,650.00 of the forum fees to Piper Jaffray & Co.

FEE SUMMARY

Claimant, James Kanellitas, is liable for:

Initial Filing Fee 05-05979	= \$ 500.00
Initial Filing Fee 05-05980	= \$ 500.00
Total Fees	= \$ 1,000.00
Less payments	= \$ 3,400.00
Refund Due Claimant	= \$ 2,400.00

Respondent, Piper Jaffray & Co., is liable for:

Member Fees 05-05979	= \$ 8,550.00
Member Fees 05-05980	= \$ 3,550.00
Forum Fees	= \$ 13,650.00
Total Fees	= \$ 25,750.00
Less payments	= \$ 12,100.00
Balance Due NASD Dispute Resolution	= \$ 13,650.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Sherry R. Wetsch, Esq. - Public Arbitrator, Presiding Chair
Kevin H. Roche, Esq. - Public Arbitrator
Jane L. Lawless - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Sherry R. Wetsch, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Kevin H. Roche, Esq.
Public Arbitrator

Signature Date

Jane L. Lawless
Non-Public Arbitrator

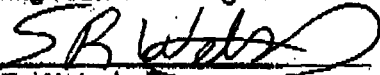
Signature Date

2/12/07
Date of Service (For NASD office use only)

ARBITRATION PANEL

Sherry R. Wetsch, Esq. - Public Arbitrator, Presiding Chair
Kevin H. Roche, Esq. - Public Arbitrator
Jane L. Lawless - Non-Public Arbitrator

Concurring Arbitrators' Signatures:



Sherry R. Wetsch, Esq.
Public Arbitrator, Presiding Chair

2/10/07

Signature Date

Kevin H. Roche, Esq.
Public Arbitrator

Signature Date

Jane L. Lawless
Non-Public Arbitrator

Signature Date

2/12/07

Date of Service (For NASD office use only)

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Jane L. Lawless - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Sherry R. Wetsch, Esq.
Public Arbitrator, Presiding Chair

Kevin H. Roche

Kevin H. Roche, Esq.
Public Arbitrator

Signature Date

2-9-2007

Signature Date

Jane L. Lawless
Non-Public Arbitrator

Signature Date

2/12/07

Date of Service (For NASD office use only)

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Sherry R. Wetsch, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Kevin H. Roche, Esq.
Public Arbitrator

Signature Date



Jane L. Lawless
Non-Public Arbitrator

2-12-2007

Signature Date

2/12/07

Date of Service (For NASD office use only)