

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Claimants

Raymond, James & Associates, Inc.
and Scott Alan Lewis

v.

05-00005
Houston, Texas

Respondents

Southwest Corporate Investment Services f/k/a CUSOURCE, LLC
and Southwest Corporate Federal Credit Union

Counter-Claimant

Southwest Corporate Investment Services f/k/a CUSOURCE, LLC

v.

Counter-Respondents

Raymond, James & Associates, Inc.
and Scott Alan Lewis

NATURE OF THE DISPUTE

Member Firm and Associated Person v. Member Firm and Non-Member
Member Firm v. Member Firm and Associated Person

REPRESENTATION OF PARTIES

Raymond, James & Associates, Inc. ("RJA") and Scott Alan Lewis ("Lewis"), hereinafter referred to as ("Claimants"), were represented by Eric Cassidy, Esq., of Ogden, Gibson, White, Brooks & Longoria, Houston, Texas.

Southwest Corporate Investment Services f/k/a CUSOURCE, LLC ("SCIS") and Southwest Corporate Federal Credit Union ("SCFCU"), hereinafter referred to as ("Respondents"), were represented by Patricia Seifert, Esq., of Jones Day, Dallas, Texas.

CASE INFORMATION

The Statement of Claim was filed on or about January 3, 2005. The Submission Agreement of Claimant, Raymond, James & Associates, Inc., was signed on or about January 10, 2005. The Submission Agreement of Claimant, Scott Alan Lewis, was signed on or about January 7, 2005. Claimants' Response in Opposition to Respondents' Motions to Dismiss was filed on or about January 18, 2005.

The Joint Answer was filed by Respondents, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, on or about January 12, 2005. Respondents, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, did not submit Submission Agreements.

Respondent, Southwest Corporate Federal Credit Union's, Motion to Dismiss was filed on or about January 12, 2005. Respondent, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC's Motion to Dismiss was filed on or about January 12, 2005.

Respondent, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC's, Counterclaim was filed on about January 12, 2005.

CASE SUMMARY

Prior to the submission of this case for arbitration, Respondents filed cause no. 2004-70042 against Scott Lewis in the 152nd Judicial District Court of Harris County, Texas, seeking injunctive relief and damages and fees from Mr. Lewis for a number of contract-related matters, breaches of duties, civil theft, and unfair competition. On December 14, 2004, that Court issued a Temporary Restraining Order against Lewis, which was followed by a Temporary Injunction on December 28, 2004. Lewis filed a Motion to Compel Arbitration, which was granted by the Honorable Judge Ken Wise on January 5, 2005.

Claimants asserted the following causes of action: breach of contract; common law fraud; bad faith enforcement of overly broad covenant not to compete pursuant to Texas Business & Commerce Code Section 15.51(c); and tortious interference.

The Permanent Injunctive Relief sought is a permanent extension of the terms of the temporary injunction entered by the District Court. Claimants contend that the Respondent's Counterclaim should be dismissed because they are all common law or contractual claims that are specifically preempted by Texas Business & Commerce Code §15.52. Claimants also content that the injunctive relief sought was not properly pled under Texas Business & Commerce Code §15.50. Claimants further contend that the underlying employment was enforceable because: (1) it was unreasonably broad; (2) it was induced by fraud; (3) it was breached by the Respondents when they unilaterally

reduced Lewis's commission payout and increased his quota less than nine months into his contract term; (4) there is no evidence of irreparable injury to any business interest or goodwill; (5) the names of Mr. Lewis's former clients are not trade secrets; (6) the contract is illusory; (7) enforcement of the contract is anti-competitive; and (8) such relief would be in contradiction of Rule 703 which requires credit unions to seek multiple competitive bids for their investments.

Unless specifically admitted in their Answer, Respondents, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, denied the allegations made in the Statement of Claim and asserted the following defenses: Claimants have failed to state claims upon which relief may be granted; Claimants' claims for commissions or breach are barred by laches; Claimants have acted inequitably and with unclean hands towards Respondents in delaying any claims against Respondents; and Claimants claims for commission or breach are barred by the doctrines of waiver and estoppel.

The Counterclaim sought herein by Respondent, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC, is essentially the same as the causes they brought in District Court. The Respondent seeks damages and fees for: (1) breach of confidentiality provision; (2) breach of contract (non-competition provisions); (3) common law theft of trade secrets; (4) violation of Texas Theft Liability Act; (5) breach of duty of loyalty; (6) unfair competition; (7) tortious interference with business relationship; (8) civil conspiracy; (9) fraud; and (10) unjust enrichment.

RELIEF REQUESTED

Claimants requested that the NASD handle this proceeding pursuant to the provisions of NASD Rule 10335(d) as Respondents have previously obtained injunctive relief against them. Claimants further requested an entry of an award in their favor against Respondents to recover: (a) money damages resulting from all causes of action asserted herein; (b) all costs and fees incurred in this action, including, but not limited to, attorneys' fees incurred by Claimants as a result of Respondents' failure to file a statement of claim pursuant to NASD Rule 10335 and Respondents' refusal to acknowledge their membership in the NASD, along with any and all other attorneys' fees. Claimants are entitled to: (c) pre-judgment interest on all sums awarded; (d) post-judgment interest on the award; and (e) such other and further relief as the Panel may deem just and equitable.

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees and for such other relief that the Panel deemed appropriate.

Counter-Claimant requested the following relief: (1) Upon final trial, judgment of and from the RJA Counter-Respondents for full permanent injunctive relief, and for the full amount of SCIS' liquidated and actual damages including, and not limited to, lost profits as found by the Arbitration Panel as a consequence of their conduct; (2) Punitive damages against the RJA Counter-Respondents' malicious, tortious conduct in an amount consistent with constitutional principles; (3) Judgment decreeing a constructive trust on any revenues or other income that the RJA Counter-Respondents

have obtained from their wrongful activities towards SCIS, the RJA Counter-Respondents as constructive trustees for the benefit of SCIS; (4) Judgment ordering the RJA Counter-Respondents, as constructive trustees, to convey to SCIS the entire interest held by the RJA Counter-Respondents in such revenue or other income; (5) Pre-judgment interest at the maximum lawful rate on the sums awarded herein as SCIS' actual damages; (6) Post-judgment interest at the maximum lawful rate on all the sums awarded herein; (7) The full amount of SCIS' reasonable and necessary attorneys' fees in prosecuting its claims through trial and, if necessary, through appeal; (8) All costs of suit; and (9) Such other further relief, at law or in equity, to which SCIS may show itself justly entitled.

OTHER ISSUES CONSIDERED & DECIDED

Respondent, Southwest Corporate Federal Credit Union, argued that NASD lacked jurisdiction because primary employment was between Claimant, Scott Alan Lewis, and Respondent, SCFCU, which was not a NASD member. It also argued that the case had properly been brought first in Texas District Court. Claimants responded that the contract for employment by both SCFCU and its subsidiary, which is an NASD member; that the U-4 requires arbitration and that the District Court had ordered this arbitration. The Panel denied the Motion to Dismiss and ordered the arbitration to proceed.

At the close of Claimants' case in chief, Respondents orally argued for a directed verdict to deny all of Claimants' causes of action. The panel granted the motion only for the claim by RJA for breach of contract, since there was no evidence of any contract between RJA and Respondents. Motion was denied for all other claims.

The Panel ordered that, based on upon their Award, Claimants shall immediately notify Judge Ken Wise that an arbitration has been held in accordance with his order and that the panel requests that the temporary injunction granted by the court be immediately lifted in accordance with the panel's decision to deny injunctive relief, and that Cause No. 2004-70042 be dismissed with prejudice.

Respondents, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, did not file with the NASD Dispute Resolution properly executed submissions to arbitration but are required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having answered the claim, appeared and testified at the hearing are bound by the determination of the arbitration panel on all issues submitted.

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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with the NASD Dispute Resolution (the "NASD").

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, and the post-hearing submissions, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents', Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, Application for Permanent Injunctive Relief is denied and dismissed with prejudice;
2. Respondent, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC's, Counterclaim is denied and dismissed with prejudice;
3. Respondents', Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, requests for damages and attorneys' fees are denied and dismissed with prejudice;
4. Claimants', Raymond, James & Associates, Inc. and Scott Alan Lewis, request for attorneys' fees is denied and dismissed with prejudice;
5. Respondents, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, are jointly and severally liable for and shall reimburse to Claimants, Raymond, James & Associates, Inc. and Scott Alan Lewis, their claim-filing fee in the amount of \$500.00;
6. Respondents, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, are jointly and severally liable for and shall pay to Claimants, Raymond, James & Associates, Inc. and Scott Alan Lewis, the sum of \$2,500.00 for costs;
7. To the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice; and
8. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$500.00
Counterclaim 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 firms that employed the associated person at the time of the events giving rise to the dispute. In this matter, the member firms are Raymond, James & Associates, Inc. and Southwest Corporate Investment Services f/k/a CUSOURCE, LLC.

Member surcharge	\$	1,500.00
Pre-hearing process fee	\$	750.00
Hearing process fee	\$	2,200.00
Total Member Fees	\$	4,450.00

Injunctive Relief Fees

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the panel.

Raymond, James & Associates, Inc.
and Scott Alan Lewis assessed:

Injunctive relief surcharge	= \$2,500.00
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Southwest Corporate Investment Services f/k/a CUSOURCE, LLC
and Southwest Corporate Federal Credit Union are assessed:

Additional arbitrator honoraria	= \$ 625.00
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Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

6 Hearing sessions		x	1,000.00	\$	6,000.00
	January 19, 2005	2	sessions		
	February 1, 2005	2	sessions		
	February 2, 2005	2	sessions		
Total Forum Fees				\$	<u>6,000.00</u>

The Arbitration Panel has assessed \$3,000.00 of the forum fees jointly and severally to Raymond, James & Associates, Inc. and Scott Alan Lewis.

The Arbitration Panel has assessed \$3,000.00 of the forum fees jointly and severally to Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union.

Fee Summary

Claimants, Raymond, James & Associates, Inc. and Scott Alan Lewis, are jointly and severally liable for:

Filing Fee	= \$	500.00
Injunctive Fee	= \$	2,500.00
<u>Forum Fees</u>	= \$	<u>3,000.00</u>
Total Fees	= \$	6,000.00
<u>Less payments</u>	= \$	<u>-3,000.00</u>
Balance Due NASD Dispute Resolution	= \$	3,000.00

Claimant, Raymond, James & Associates, Inc., is liable for:

<u>Member Fees</u>	= \$	<u>4,450.00</u>
Total Fees	= \$	4,450.00
<u>Less payments</u>	= \$	<u>-0.00</u>
Balance Due NASD Dispute Resolution	= \$	4,450.00

Respondents, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC and Southwest Corporate Federal Credit Union, are jointly and severally liable for:

Costs	= \$	162.80
Additional arbitrator honoraria	= \$	625.00
<u>Forum Fees</u>	= \$	<u>3,000.00</u>
Total Fees	= \$	3,787.80
<u>Less payments</u>	= \$	<u>-600.00</u>
Balance Due NASD Dispute Resolution	= \$	3,187.80

Respondent, Southwest Corporate Investment Services f/k/a CUSOURCE, LLC, is liable for:

Counter Claim filing fee	= \$	500.00
<u>Member Fees</u>	= \$	<u>4,450.00</u>
Total Fees	= \$	4,950.00
<u>Less payments</u>	= \$	<u>-2,250.00</u>
Balance Due NASD Dispute Resolution	= \$	2,700.00

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

ARBITRATION PANEL

Oren L. Connaway, JD - Public Arbitrator, Presiding Chair
W. Merrill Glasgow - Public Arbitrator
John F. Hinrichs - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Oren L. Connaway, JD
Oren L. Connaway, JD
Public Arbitrator, Presiding Chair

03/04/05
Signature Date

/s/ W. Merrill Glasgow
W. Merrill Glasgow
Public Arbitrator

03/04/05
Signature Date

/s/ John F. Hinrichs
John F. Hinrichs
Non-Public Arbitrator

03/03/05
Signature Date

03/04/05
Date of service

NASD Dispute Resolution

Arbitration No. 05-00005

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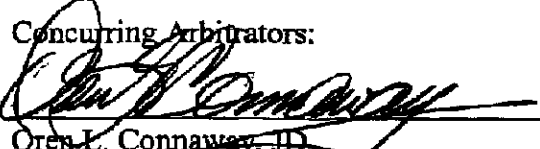
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Public Arbitrator, Presiding Chair

3/4/05
Signature Date

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Public Arbitrator

Signature Date

John F. Hinrichs
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Signature Date

Date of service

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W. Merrill Glasgow
Public Arbitrator

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NASD Dispute Resolution
Arbitration No. 05-00005
Award Page 8 of 8

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Public Arbitrator, Presiding Chair

Signature Date

W. Merrill Glasgow
Public Arbitrator

Signature Date

John F. Hinrichs

John F. Hinrichs
Non-Public Arbitrator

3 MARCH 2005

Signature Date

Date of service