

**Award**  
**NASD Dispute Resolution, Inc.**

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*In the Matter of the Arbitration Between:*

Emerald Securities, L.L.C., (Claimant) vs. Cornerstone Securities Corporation, (Respondent, Counterclaimant, and Third-Party Claimant) v. William Camilo Kauachi and Jose Kauachi (Third-Party Respondents).

Case Number:  
99-01709

Hearing Site:  
Houston, Texas

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**REPRESENTATION OF PARTIES**

Claimant, Emerald Securities, L.L.C. ("Emerald"), hereinafter referred to as "Claimant": Jerry L. Elmore, Esq., Frank, Elmore, Lievens, Chesney & Turst, Houston, Texas.

Respondent, Counterclaimant, and Third-Party Claimant, Cornerstone Securities Corporation ("Cornerstone"), hereinafter referred to as "Cornerstone": Mark K. Glasser, Esq., Porter & Hedges, LLP, Houston, Texas.

Third-Party Respondents, William Camilo Kauachi ("Camilo Kauachi") and Jose Kauachi ("Jose Kauachi"), hereinafter collectively referred to as "Third-Party Respondents": Jerry L. Elmore, Esq., Frank, Elmore, Lievens, Chesney & Turst, Houston, Texas.

**CASE INFORMATION**

Statement of Claim filed on or about: April 13, 1999.

Claimant, (Emerald), signed the Uniform Submission Agreement: April 13, 1999.  
Statement of Answer filed by Respondent, (Cornerstone), on or about: July 26, 1999.

Counterclaim filed by Counterclaimant, (Cornerstone), on or about July 26, 1999.  
Respondent, (Cornerstone), signed the Uniform Submission Agreement: August 6, 1999.

First Amended Statement of Answer filed by Respondent, (Cornerstone), on or about September 24, 1999.

First Amended Statement of Counterclaim filed by Counterclaimant, (Cornerstone), on or about September 24, 1999.

Third-Party Claim filed by Third-Party Claimant, (Cornerstone), on or about September 24, 1999.

Statement of Answer filed by Third-Party Respondents, (Camilo Kauachi and Jose Kauachi), on or about March 13, 2000.

Third-Party Respondents, (Camilo Kauachi and Jose Kauachi), signed the Uniform Submission Agreement on: April 20, 2000.

### CASE SUMMARY

Claimant asserted the following causes of action:

1. Tortious Interference with Contract and Advantageous Business Relationships.
2. Misappropriation of Trade Secrets and Confidential Business Information.

Unless specifically admitted in its Answer, Respondent (Cornerstone) denied the allegations made in the Statement of Claim and asserted the following defenses:

1. Cornerstone's conduct was justified and/or excused.
2. Claimant was barred from any recovery due to estoppel or waiver.
3. An award of exemplary damages against Cornerstone would violate Cornerstone's rights under the Texas and United States Constitutions.

Further, Counterclaimant and Third-Party Claimant (Cornerstone) asserted the following Counterclaim:

1. Reimbursement of attorneys' fees and expenses based on Claimant's (Emerald's) and Third-Party Respondents' (Camilo Kauachi's and Jose Kauachi's) frivolous and knowingly false claims.

Unless specifically admitted in their Answer, Third-Party Respondents (Camilo Kauachi and Jose Kauachi) denied the allegations made in the Statement of Third-Party Claim and asserted the following defenses:

1. Claims asserted by Claimant (Emerald) are not frivolous; but rather, the claims are well-grounded in both fact and law.
2. Third-Party Respondents (Camilo Kauachi and Jose Kauachi) are not individually liable to Third-Party Claimant (Cornerstone) because the Third-Party Respondents (Camilo Kauachi and Jose Kauachi) acted solely in their corporate capacities as officers and directors of Claimant (Emerald), and, thus, were shielded from individual liability for the corporate acts of Claimant (Emerald).

Respondent (Cornerstone) filed a Motion for Directed Verdict on or about: April 25, 2000.

Claimant (Emerald) filed a Motion for Directed Verdict to dismiss Counterclaim on or about: August 14, 2000.

**RELIEF REQUESTED**

Claimant requested:

Compensatory Damages	\$924,000
Punitive Damages	Unspecified
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary/Non-Monetary Relief if any:	None Requested

Respondent/Counterclaimant/Third-Party Claimant (Cornerstone) requested:

Compensatory Damages	\$0
Punitive Damages	\$0
Interest	\$0
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary/Non-Monetary Relief if any:	None Requested

**OTHER ISSUES CONSIDERED AND DECIDED**

The Arbitration Panel denied Respondent's (Cornerstone's) Motion for Directed Verdict on August 14, 2000.

The Arbitration Panel denied Claimant's (Emerald's) Motion for a Directed Verdict dismissing Counterclaim on August 14, 2000.

All parties agreed to use a court reporter tape as the record due to malfunction of recording machine.

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

Claimant (Emerald) is denied all requested relief.

Cornerstone is awarded attorneys' fees and accounting fees of \$190,000 and \$22,000, respectively, against Claimant (Emerald) and Third-Party Respondents (Camilo Kauachi and Jose Kauachi), jointly and severally.

Any and all relief not specifically addressed herein, including punitive damages, is denied.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee (Emerald)	= \$1,250
Counterclaim filing fee (Cornerstone)	= \$500
Third-Party claim filing fee (Cornerstone)	= \$500

#### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firms are Claimant (Emerald) and Respondent/Counterclaimant/Third-Party Claimant (Cornerstone).

Member surcharge (Emerald)	= \$2,000 (Waived)
Pre-hearing process fee (Emerald)	= \$ 600 (Waived)
Hearing process fee (Emerald)	= \$3,500

Member surcharge (Cornerstone)	= \$2,000
Pre-hearing process fee (Cornerstone)	= \$ 600
Hearing process fee (Cornerstone)	= \$3,500

#### **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 arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

Two (2) Pre-hearing sessions with Panel x \$1,200	= \$2,400
Pre-hearing conference: November 11, 1999	1 session
April 10, 1999	1 session

Thirteen (13) Hearing sessions x \$1,200	= \$15,600
Hearing Date(s):	
April 13, 2000	2 sessions
April 14, 2000	2 sessions
April 24, 2000	2 sessions
April 25, 2000	2 sessions
August 16, 2000	2 sessions
August 17, 2000	3 sessions

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Total Forum Fees	= \$18,000
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1. The Arbitration Panel has assessed \$18,000 of the forum fees jointly and severally to Claimant (Emerald) and Third-Party Respondents (Camilo Kauachi and Jose Kauachi).

**Fee Summary**

1. Claimant, (Emerald), be and hereby is solely liable for:

Initial Filing Fee	= \$1,250
Member Fees	= \$2,600 (Waived)
Member Fees	= \$3,500
Total Fees	= \$4,750
Less payments	= \$2,450
Balance Due NASD Dispute Resolution, Inc.	= \$2,300

2. Claimant, (Emerald), and Third-Party Respondents (Camilo Kauachi and Jose Kauachi), be and hereby are jointly and severally liable for:

Forum Fees	= \$18,000
Balance Due NASD Dispute Resolution, Inc.	= \$18,000


3. Respondent, (Cornerstone), be and hereby is solely liable for:

Member Fees	= \$6,100
Counterclaim Filing Fee	= \$ 500
Third-Party Claim Filing Fee	= \$ 500
Forum Fees	= \$ 0
Total Fees	= \$7,100
Less payments	= \$4,100
Balance Due NASD Dispute Resolution, Inc.	= \$3,000

All balances are due to NASD Dispute Resolution, Inc.

NASD Dispute Resolution, Inc.  
Arbitration No. 99-01709  
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Concurring Arbitrators' Signature(s)

  
Robert N. Mackey  
Public Arbitrator, Presiding Chair

10/14/00  
Signature Date

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Tim S. Hartzell  
Public Arbitrator

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
William J. Kirkpatrick, Jr.  
Public Arbitrator

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Signature Date

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Date of Filing (For NASD Dispute Resolution, Inc. office use only)

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Robert N. Mackey  
Public Arbitrator, Presiding Chair

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Signature Date

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*Tim S. Hartzell*  
Tim S. Hartzell  
Public Arbitrator

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Signature Date

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William J. Kirkpatrick, Jr.  
Public Arbitrator

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Signature Date

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Date of Service (For NASD Dispute Resolution, Inc. office use only)

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Arbitration No. 99-01709  
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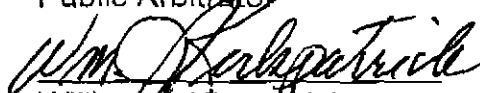
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Public Arbitrator, Presiding Chair

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Signature Date

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Tim S. Hartzell  
Public Arbitrator

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Signature Date

  
William J. Kirkpatrick, Jr.  
Public Arbitrator

10-16-2000  
Signature Date

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