

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Case Number: 98-00090

Northeast Securities, Inc., (Claimant) vs. Quest Capital Strategies, Inc. David Chen Yu, Richard Skinner, Joyce Lubbers, and Carolyne Yu, (Respondents)

consolidated with:

Case Number: 01-02217

Carolyne Yu, (Claimant) vs. Northeast Securities, Inc., (Respondent)

consolidated with:

Case Number: 01-02275

David Chen Yu, (Claimant) vs. Northeast Securities, Inc., (Respondent)

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Northeast Securities, Inc. ("Northeast") hereinafter referred to as "Claimant": Timothy P. Kebbe, Esq., Lehman & Eilen, Uniondale, New York.

Quest Capital Strategies, Inc. ("Quest"), David Chen Yu ("D. Yu") and Carolyne Yu ("C. Yu") : Robert N. Vohra, Esq., Thiemann, Aitken & Vohra, LLC, Alexandria, Virginia and Richard Pali, Points & Authorities, et al., Woodland Hills, California. Quest, D. Yu and C. Yu were previously represented by David E. Robbins, Esq., Kaufmann, Feiner, Yamin, Gildin & Robbins LLP.

Richard Skinner ("Skinner"): did not appear at the hearings in this matter. Skinner was previously represented by Ernest E. Badway, Esq., Saiber Schlesinger Satz & Goldstein, LLC, Newark, New Jersey.

Joyce Lubbers ("Lubbers"): appeared pro se.

CASE INFORMATION

98-00090

Statement of Claim filed on or about: January 8, 1998

Reply to Cross-Compliant filed by Northeast on or about: August 20, 1998

Reply to Amended Cross-Compliant filed by Northeast on or about: October 10, 1998

Northeast signed the Uniform Submission Agreement: January 7, 1998

Joint Statement of Answer filed by Quest, D. Yu and C. Yu on or about: March 10, 1998

Reply to Cross-Complaint filed by D. Yu and C. Yu on or about: October 27, 1998

Amended Answer filed by Quest, D. Yu and C. Yu on or about: November 20, 1998

Quest signed the Uniform Submission Agreement: March 5, 1998

D. Yu signed the Uniform Submission Agreement: March 3, 1998

C. Yu signed the Uniform Submission Agreement: March 5, 1998

Statement of Answer and Cross-Complaint filed by Lubbers on or before: August 20, 1998

Amended Statement of Answer and Cross-Complaint filed by Lubbers on or about: September 30, 1998

Lubbers signed the Uniform Submission Agreement: August 20, 1998

Statement of Answer filed by Skinner on or about: January 20, 1999

Skinner did not execute a Uniform Submission Agreement.

01-02217

Statement of Claim filed on or about: April 30, 2001

C. Yu signed the Uniform Submission Agreement: April 6, 2001

Statement of Answer filed by Northeast on or about: June 22, 2001

01-02275

Statement of Claim filed on or about: April 30, 2001

D. Yu signed the Uniform Submission Agreement: April 6, 2001

Statement of Answer filed by Northeast on or about: June 22, 2001

CASE SUMMARY

Northeast asserted the following causes of action: fraud; negligence; violation of NASD Rules of Fair Practice; contribution and indemnity.

Unless specifically admitted in their Answer, Quest, D. Yu, and C. Yu denied the allegations

made in the Statement of Claim. In their Amended Answer, Quest, D. Yu and C. Yu asserted the following affirmative defenses: failure to state a claim; judgment on the pleadings; no genuine issue of material facts exist; Skinner's conduct was not within the scope of his employment; managerial immunity; no independent duty owed to Northeast; no alter ego; discharge of contractual duty; discharge of statutory duty; Respondents were unaware of falsity claimed by Claimant; ratification; comparative fault; active fault; partial and total indemnification; estoppel; unclean hands; Claimant has failed to alleged any facts under its fraud count to support the recovery of punitive damages; lack of actual reliance; lack of justifiable reliance; lack of materiality; lack of inducement; failure to mitigate damages.

Quest asserted the following causes of action in its cross-claim against Skinner: equitable indemnity; contractual indemnity; breach of written contract.

Unless specifically admitted in her Answer, Lubbers denied the allegations made in the Statement of Claim. In her cross-complaint she asserted the following causes of action: frivolous litigation; fraud; defamation; breach of Federal "Whistle Blower" statute; retaliatory termination; conspiracy to commit fraud; evidence tampering; perjury.

Unless specifically admitted in his Answer, Skinner denied the allegations made in the Statement of Claim and asserted the following affirmative defenses: the Statement of Claim fails to state a claim against him upon which relief can be granted; Claimant waived its right to seek the relief demanded from him as a result of its own acts, conduct and omissions; he did not cause Claimant to incur any damages; Claimant's claims are barred by Claimant's contributory and comparative negligence.

C. Yu and D. Yu asserted the following causes of action: malicious prosecution; abuse of process; and intentional and negligent infliction of emotional distress.

Unless specifically admitted in their Answer, Northeast denied the allegations made in the Yu's Statements of Claim.

RELIEF REQUESTED

Northeast requested compensatory damages of not less than \$1,200,000.00, contribution and indemnity in an amount to be determined at the hearing, punitive damages not less than \$1,000,000.00, pre and post award interest, and such other and further relief as the Panel deems just and proper.

Quest, D. Yu, and C. Yu requested that all claims against them be dismissed, that they be awarded reasonable attorney's fees and reimbursement of all arbitration-related costs.

In its cross-claim, Quest requested damages to be determined at the hearing if Quest is found liable to Northeast; costs, expenses, attorney's fees, indemnification, and interest at the legal rate.

Lubbers requested an award against Northeast for \$2,200.00 in general damages, \$45,500.00 in consequential damages, and \$10,000.00 in punitive damages. Lubbers requested an award against Quest, D. Yu, and C. Yu for \$2,200.00 in general damages, \$675,000.00 in consequential damages, and \$500,000.00 in punitive damages.

Skinner requested that the Panel dismiss all counts against him, deny Claimant's punitive damages, deny Claimant's pre and post award interest, award him his attorney's fees and costs, and such other and further relief as the Panel deems just and proper.

In their Statements of Claim, D. Yu and C. Yu each requested \$500,000.00 in special damages, \$500,000.00 in general damages, future special and general damages in an amount to be determined, punitive damage, costs, and such other and further relief as the Panel deems just, equitable and proper.

OTHER ISSUES CONSIDERED AND DECIDED

Upon review of the file and the representations made on behalf of the Claimant, the undersigned arbitrators (the "Panel") determined that Respondent Skinner has been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without said Respondent present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

Respondent Skinner did not file with NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to the Code and is bound by the determination of the Panel on all issues submitted.

On January 20, 1999, the Panel granted Quest's Motion to Amend the Statement of Answer to state affirmative defenses and a cross-claim against Skinner and denied Quest's request for leave to file counterclaims and third party claims.

On April 28, 2000, the Panel denied Quest's Motion for Non-Suit to Dismiss Arbitration Claim.

On April 28, 2000, the Panel granted D. Yu's and C. Yu's Motion for Summary Judgment and all claims against them were dismissed.

On May 26, 2000, the Panel, by majority vote, found Quest liable to Northeast. Arbitrator

Alison Berry dissented from this ruling. The Panel, by unanimous vote, found Skinner liable to Northeast. The hearings in this matter continued on the issue of damages.

By letter dated April 24, 2001, Northeast withdrew its claims against Lubbers.

On August 13, 2001, the Panel granted Northeast's Motion to Consolidate.

On April 22, 2002, Quest filed a request that Arbitrator George I. Harris and Arbitrator Charles L. Walker recuse themselves from the panel. On May 23, 2002, Arbitrator Walker denied the request that he recuse himself. On May 24, 2002, Arbitrator Harris also denied the request that he recuse himself. Pursuant to Rule 10308(d)(2) and 10312(d) of the Code, the Director of Arbitration considered the parties positions regarding the removal of Arbitrators Harris and Walker from the Panel. The Director denied the application and both Harris and Walker remained on the Panel.

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, a majority of the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents Quest and Skinner are jointly and severally liable and shall pay \$505,000.00 to Northeast.

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

1. Respondent Quest is liable for and shall pay \$700.00 to Northeast as a sanction for Quest's counsel arriving to the hearing two hours late.
2. Quest's cross-claims against Skinner are denied.
3. All claims brought by D. Yu and C. Yu in the consolidated cases are dismissed in their entirety.
4. Each party shall bear their own costs, including attorneys' fees.
5. All other requests for relief are denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Northeast's initial claim filing fee (98-00090)	= \$500.00
Lubber's cross claim filing fee (98-00090)	= \$500.00
Quest's cross claim filing fee (98-00090)	= \$500.00
C. Yu's initial claim filing fee (01-02217)	= \$375.00
D. Yu's initial claim filing fee (01-02275)	= \$375.00

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 persons at the time of the events giving rise to the dispute. In this matter, the member firms Northeast and Quest are parties.

Northeast

<u>98-00090</u>	
Member surcharge	= \$2,500.00
Pre-hearing process fee	= \$600.00
Hearing process fee	= \$4,500.00
 <u>01-02217</u>	
Member surcharge	= \$2,000.00
Pre-hearing process fee	= \$200.00
 <u>01-02275</u>	
Member surcharge	= \$2,000.00
Pre-hearing process fee	= \$200.00

Quest

<u>98-00090</u>	
Member surcharge	= \$2,500.00
Pre-hearing process fee	= \$600.00
Hearing process fee	= \$4,500.00
 <u>01-02217</u>	
Member surcharge	= \$2,000.00
Pre-hearing process fee	= \$200.00
 <u>01-02275</u>	
Member surcharge	= \$2,000.00
Pre-hearing process fee	= \$200.00

Adjournment Fees

Adjournments requested during these proceedings:

July 31, August 1 and 2, 2001, adjournment by Northeast	= waived
October 22, 23, 24, and 25, 2001, adjournment by Quest	= \$1,000.00
April 24 and 25, 2002, adjournment by Quest	= \$1,000.00

Forum Fees and Assessments

The 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.

In this case, forum fees are assessed at the rate of \$1,000.00 per session for sessions which occurred prior to August 13, 2001, the date these cases were consolidated. Forum fees for sessions conducted after August 13, 2001 are assessed at the rate of \$1,200.00 per session. Fees associated with these proceedings are:

Five (5) Pre-hearing sessions with Panel x \$1,000.00	= \$5,000.00
Pre-hearing conferences:	
August 7, 1998	1 session
June 18, 1999	1 session
April 25, 2000	1 session
July 27, 2000	1 session
April 10, 2001	1 session

Thirty three (33) Hearing sessions x \$1,000.00	= \$33,000.00
Hearing Dates:	
June 21, 1999	2 sessions
June 22, 1999	2 sessions
June 23, 1999	2 sessions
June 24, 1999	2 sessions
October 4, 1999	2 sessions
October 5, 1999	2 sessions
October 6, 1999	2 sessions
February 2, 2000	2 sessions
February 3, 2000	2 sessions
February 4, 2000	2 sessions
May 3, 2000	2 sessions
May 4, 2000	2 sessions
May 5, 2000	2 sessions
December 13, 2000	1 session
December 14, 2000	2 sessions
December 15, 2000	2 sessions
April 17, 2001	1 session
April 19, 2001	1 session

Six (6) Hearing sessions x \$1,200.00 = \$7,200.00

Hearing Dates:	January 23, 2002	1 session
	January 24, 2002	2 sessions
	April 23, 2002	1 session
	May 29, 2002	1 session
	May 30, 2002	1 session

Total Forum Fees = \$45,200.00

1. The Panel has assessed \$22,600.00 of the forum fees against Northeast.
2. The Panel has assessed \$22,600.00 of the forum fees jointly and severally against Quest and Skinner.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services including, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

1. Northeast, audio tape duplication, \$735.00
2. Quest, audio tape duplication, \$705.00
3. D. Yu and C. Yu, audio tape duplication, \$210.00
4. Lubbers, audio tape duplication, \$150.00

Fee Summary

1. Northeast is solely liable for:

Initial Filing Fee	= \$ 500.00
Member Fees	= \$12,000.00
Forum Fees	= \$22,600.00
<u>Administrative Costs</u>	<u>= \$ 735.00</u>
Total Fees	= \$35,835.00
<u>Less payments</u>	<u>= \$11,640.00</u>
Balance Due NASD Dispute Resolution	= \$24,195.00

2. Lubbers is solely liable for:

Cross claim Filing Fee	= \$ 500.00
<u>Administrative Costs</u>	<u>= \$ 150.00</u>
Total Fees	= \$ 650.00
<u>Less payments</u>	<u>= \$ 25.00</u>
Balance Due NASD Dispute Resolution	= \$ 625.00

3. Quest is solely liable for:

Cross claim Filing Fee	= \$ 500.00
Member Fees	= \$12,000.00
Adjournment Fee	= \$ 2,000.00
Administrative Costs	= \$ 705.00
Total Fees	= \$15,205.00
Less payments	= \$10,257.00
Balance Due NASD Dispute Resolution	= \$ 4,948.00

4. C. Yu is solely liable for:

Initial Claim Filing Fee	= \$ 375.00
Total Fees	= \$ 375.00
Less payments	= \$ 3,500.00
Refund Due	= \$ 3,125.00

5. D. Yu is solely liable for:

Cross claim Filing Fee	= \$ 375.00
Total Fees	= \$ 375.00
Less payments	= \$ 3,500.00
Refund Due	= \$ 3,125.00

6. D. Yu and C. Yu are jointly and severally liable for:

Administrative Costs	= \$ 210.00
Total Fees	= \$ 210.00
Less payments	= \$ 210.00
Balance Due NASD Dispute Resolution	= \$ 0.00

7. Quest and Skinner are jointly and severally liable for:

Forum Fees	= \$22,600.00
Total Fees	= \$22,600.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$22,600.00

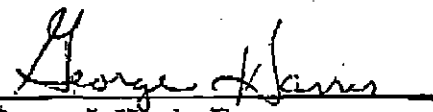
All balances are payable to NASD Dispute Resolution, and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Alison H. Berry, Esq.	-	Public Arbitrator, Presiding Chair
George I. Harris, Esq.	-	Public Arbitrator
Charles L. Walker	-	Non-Public Arbitrator

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

Concurring Arbitrators' Signatures


George I. Harris, Esq.
Public Arbitrator

March 10, 2003
Signature Date

Charles L. Walker
Non-Public Arbitrator

Signature Date

Concurring in Part and Dissenting in Part Arbitrator's Signature

Alison H. Berry, Esq.
Public Arbitrator, Presiding Chair

Signature Date

March 10, 2003
Date of Service (For NASD Dispute Resolution use only)

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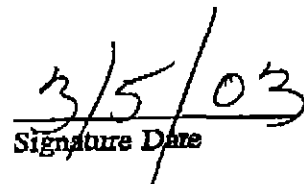
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Signature Date



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Non-Public Arbitrator



Signature Date

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Alison H. Berry, Esq.
Public Arbitrator, Presiding Chair

Signature Date

March 10, 2003

Date of Service (For NASD Dispute Resolution use only)

NASD Dispute Resolution
Arbitration No. 98-00090
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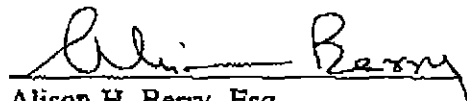
George I. Harris, Esq.
Public Arbitrator

Signature Date

Charles L. Walker
Non-Public Arbitrator

Signature Date

Concurring in Part and Dissenting in Part Arbitrator's Signature



Alison H. Berry, Esq.
Public Arbitrator, Presiding Chair

3-06-03
Signature Date

March 10, 2003
Date of Service (For NASD Dispute Resolution use only)