

IN THE MATTER OF AN ARBITRATION BEFORE THE  
NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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THOMAS FLETCHER & COMPANY, INC.,  
THOMAS FLETCHER HOLDINGS, L.L.C., and  
FRANK J. LOCKWOOD

Claimants,

- against -

MEIYI XIA, a/k/a MARY XIA, and  
LAWRENCE X. PAN,

Respondents.  
-----X

STATEMENT OF  
CLAIM

Pursuant to the rules of the National Association of Securities Dealers, Inc. ("NASD"), Thomas Fletcher & Company, Inc., previously known as Asia Pacific Securities, Inc. ("Fletcher"), Thomas Fletcher Holdings, L.L.C. ("Holdings"), and Frank J. Lockwood ("Lockwood") (together referred to as "Claimants") submit this claim against Meiyi Xia a/k/a Mary Xia ("Xia") and Lawrence X. Pan ("Pan") (together referred to as "Respondents"), and allege as follows:

**JURISDICTION**

1. Fletcher, as a member of the NASD, Lockwood, as an individual registered with the NASD, and Holdings as the principal owner of Fletcher, submit this dispute for arbitration pursuant to Section 10201 of the NASD Code of Arbitration Procedure.

**PARTIES**

2. Fletcher, a corporation organized pursuant to the laws of Delaware, is a broker-dealer registered with the Securities and Exchange Commission, and is a member of the NASD. It maintains an office at 39 Broadway, New York, New York 10006. Fletcher was known as Asia

Pacific Securities, Inc. prior to March 2001 and all of its voting stock was owned by Xia.

3. Holdings is a limited liability company organized and existing pursuant to the laws of the State of New York with its principal place of business located at 39 Broadway, New York, New York 10006. Holdings purchased 20% of the voting stock of Fletcher on March 1, 2001 and an option to purchase the 80% balance of the voting stock of Fletcher. The option was exercised on May 31, 2001. Xia holds an option to repurchase 20% of the voting stock of Fletcher through January 31, 2002.

4. Lockwood is an individual registered with the NASD and is associated with Fletcher. Lockwood has an unblemished record of nearly 50 years in the securities industry and has served on various committees of regulatory agencies.

5. Xia until May 3, 2001 was employed by Fletcher as its Chairman of the Board of Directors and as a registered principal. Xia is a resident of the State of New Jersey with a mailing address of 2 Monroe Drive, Princeton Junction, New Jersey 08550. Xia is married to respondent Pan.

6. Upon information and belief, Pan was employed by and associated with Fletcher as a Director and principal thereof. Pan is a resident of the State of New Jersey with a mailing address of 2 Monroe Drive, Princeton Junction, New Jersey 08550, and is the husband of respondent Xia.

#### **FACTUAL BACKGROUND**

7. On or about March 1, 2001, Holdings purchased 20% of the voting stock in Fletcher from Xia pursuant to a written Stock Acquisition Agreement (the "Stock Acquisition Agreement"). A copy of the Stock Acquisition Agreement is attached hereto as Exhibit A.

8. At the same time, Holdings acquired an Option Agreement (the "Option Agreement")

from Xia whereby she granted Holdings the option to purchase her remaining 80% of voting stock in Fletcher. A copy of the Option Agreement is attached hereto as Exhibit B.

9. On or about March 1, 2001, upon the execution of the Stock Acquisition Agreement and the Option Agreement, Lockwood became President of Fletcher and has continuously held that position to the date hereof.

10. Upon Lockwood becoming President of Fletcher, Xia, who had been President and Chief Executive Officer of Fletcher, became the Chairman of the Board of Directors of Fletcher. Xia remained the Chairman of the Board of Directors of Fletcher through May 3, 2001, when she resigned all positions with Fletcher.

11. On May 24, 2001 Holdings notified Xia that it would exercise the option to purchase the 80% balance of the voting stock of Fletcher on May 31, 2001. The closing took place and was completed on May 31, 2001.

12. Following execution of the Stock Acquisition Agreement, Xia continued in direct control of the operations of Fletcher and attended all management meetings, interviewed all prospective employees, participated in corporate finance meetings in Fletcher's offices and at the locations of prospective corporate clients' offices, participated in the maintenance of Fletcher's books and records, designed Fletcher's brochures and business cards, and in general was active in the daily operations of Fletcher's business. Xia was also Fletcher's designee for filing Forms BD, U-4, U-5 and other forms with CRD. Xia was the sole signatory on the bank account of Fletcher. Fletcher offered Xia a long-term employment contract and, provided she continued her employment and performed her duties in a satisfactory manner, she would continue to be paid at the rate of \$5,416.66 a month.

13. In the course of Xia's employment with Fletcher, Xia accompanied Lockwood and participated in a due diligence review of the business Eyecare International, Inc., a prospective corporate finance client of Fletcher, which has its principal offices in Tampa, Florida.

14. Xia made all of the travel and hotel arrangement for the April 17, 2001 trip to Tampa, Florida. She reserved a two-bedroom suite with two (2) separate, private bedrooms (with doors and locks), as well as two (2) bathrooms, a living room, a dining area and kitchen. Each of the bedrooms in the suite had a door with a lock which made each bedroom completely private. Xia occupied the larger bedroom with a private bathroom within the private bedroom. A diagram of the two-bedroom suite provided by the hotel is annexed hereto as Exhibit C.

15. Shortly after their arrival at the hotel, Xia entered Lockwood's private bedroom and suggested to Lockwood that they shower together and engage in sexual activity. Lockwood rejected those sexual advances, explaining to her that (a) Xia was married; (b) that Xia was more than twenty (20) years younger than he; (c) he and Xia were in a business, not a personal relationship, and it would be inappropriate to enter into a sexual relationship; (d) that he had a long term, exclusive, monogamous relationship, for more than ten (10) years and such conduct as suggested by Xia would be inappropriate for him; and (e) finally, that Lockwood is an extremely devout and practicing Roman Catholic who attends church regularly and such activity as suggested by Xia was totally inappropriate and morally unacceptable to him. Xia appeared to accept Lockwood's position.

16. The following morning, while Lockwood was in his bathroom having completed his shower and had a towel wrapped around him, Xia entered Lockwood's bathroom unclothed and asked to borrow his hair dryer. Lockwood told her to take the hair dryer, which she took and left

Lockwood's bathroom.

17. At no time during their stay in Tampa, Florida did Lockwood engage in any sexual activity with Xia. Xia and Lockwood stayed in the hotel for one additional night to complete the business with Eyecare International, Inc. and returned to New York on April 19, 2001, a Thursday.

18. The following Monday, Xia began a week long insurance course away from the Fletcher office.

19. Xia did not thereafter return to the Fletcher office. On or about May 3, 2001, Xia wrote a letter to Lockwood and delivered copies thereof to Roman Thaker and Sergei Voronchenko, one of the owners of Holdings, stating among other things, that she quit her "job" at Fletcher and requested that she be immediately removed from the Form BD. The May 3, 2001 letter is annexed hereto as Exhibit D.

20. In conformance with Xia's request, on or about May 15, 2001, Lockwood filed Xia's Form U-5 with the Central Registration Depository ("CRD"), thereby fully terminating Xia's association and registration with Fletcher.

21. On or about May 7, 2001, Xia wrote, delivered and published a letter to Lockwood and delivered copies thereof to Holdings' and Fletcher's lawyer Charles Snow, Esq. and to Roman Thaker and Sergei Voronchenko, two current owners of Holdings. A copy of the May 7, 2001 letter is annexed hereto as Exhibit E.

22. On or about May 8, 2001, Xia composed, delivered and published letters to Natalia Salygina, the President of 3W Corp., Inc., a major corporate customer of Fletcher, and to Mikhail Kofman also of 3W Corp., Inc. The May 8, 2001 letter from Xia to Natalia Salygina is annexed hereto as Exhibit F. The May 8, 2001 letter from Xia to Mikhail Kofman is annexed hereto as

Exhibit G.

23. Copies of Exhibits F and G, the two May 8, 2001 letters to Natalia Salygina and Mikhail Kofman were delivered and published to Lockwood, Charles Snow, Roman Thaker and Sergei Voronchenko.

24. Upon information and belief all three letters, Exhibits E, F and G were composed, written, prepared, delivered and published by Xia with the assistance and participation of her husband, Pan and, upon information and belief were delivered and published as transmitted to the Securities and Exchange Commission ("SEC"), NASDR and CRD.

25. The letters of May 7, 2001 and May 8, 2001, annexed hereto as Exhibits E, F and G, contain numerous, false and defamatory statements about and concerning Lockwood. These false and defamatory statements include:

- a. That Lockwood improperly kissed Xia several times and told her that he would like to bring her to his home.
- b. That Lockwood acknowledged that he made improper advances to Xia and promised that he would not do so again.
- c. That Lockwood took hold of Xia's hand and said that if he were ten (10) years younger, Xia's husband would be in trouble.
- d. That Lockwood asked Xia to book a two-bedroom suite with an "access door" to each bedroom for the Tampa trip.
- e. That on or about April 17, 2001, Lockwood sexually assaulted Xia.
- f. That Lockwood transmitted a "popular sexual disease" to Xia which Xia describes as, "painful and incurable sexually transmitted disease which will plague me for the rest

of my life..."

g. Xia wrote that Lockwood "is a liar, cheated his partners, he acted like rascal and ruined my personal and family life."

h. That Lockwood sexually harassed Xia.

26. The foregoing statements, and other statements concerning Lockwood made by Xia and upon information and belief, by Pan, were false and known to be false when they were made by Xia and Pan.

27. The foregoing statements made to Natalia Salygina, Mikhail Kofman, Charles Snow, Roman Thaker, Sergei Voronchenko, the NASDR, CRD, and the SEC were malicious and intended to harm Lockwood, Holdings and Fletcher and did harm them. These statements were made for the express purpose of damaging the reputation of Lockwood and extorting money from Lockwood.

28. There is no legitimate reason for Xia and Pan to transmit the May 8, 2001 letters to Natalia Salygina and Mikhail Kofman, or the NASDR, CRD or SEC, other than to damage the business and reputation of Holdings, Fletcher and Lockwood.

29. In or about May 2001, Pan advised a corporate recruiter, Peter Stamm, that Lockwood sexually harassed his wife Xia. Pan knew the statement he made to Peter Stamm concerning Lockwood was false, was intended to damage Lockwood's reputation and did so.

30. On or about May 25, 2001, Xia wrote, delivered and published a letter to Lockwood and delivered copies thereof to Jon Blizzard, Arthur Carmel and David A. Liebowitz of the New York NASDR offices, Steve Siman and Gary K. Liebowitz of the New Jersey NASDR offices, Robert Glauber of the Washington NASDR offices, the SEC Complaint Center, Roman Thaker, Sergei Voronchenko, and to Natalia Salygina, the President of 3W Corp., Inc., a major corporate

customer of Fletcher. The May 25, 2001 letter is annexed hereto as Exhibit H.

31. The letter of May 25, 2001 contains numerous, false and defamatory statements about and concerning Lockwood. These false and defamatory statements include, but are not limited to, the following:

- a. That Lockwood is "dishonest and unethical" and terminated Xia's registration with Fletcher without notifying Xia or receiving consent from her.
- b. That Xia exercised her right for payment of \$57,000 which Lockwood and Roman Thaker refused to honor.
- c. That on or about April 17, 2001, Lockwood sexually assaulted Xia.
- d. That Lockwood violated "NASD rules and regulations" as well as "cheated [the] NASD."
- e. That Lockwood made "intentional material statements" in a BD filing within the NASDR.

32. The foregoing statements, and other statements concerning Lockwood made by Xia and upon information and belief, Pan, were false and known to be false when they were made by Xia and Pan.

33. The foregoing statements made to representatives of the NASDR and SEC, Natalia Salygina, Charles Snow, Roman Thaker and Sergei Voronchenko were malicious and intended to harm Lockwood, Holdings and Fletcher and did harm them. These statements were made for the express purpose of damaging the reputation of Lockwood and extorting money from Lockwood.

34. Thereafter, on or about May 25, 2001, Xia filed an intentionally false and misleading Broker-Dealer Withdrawal ("Form BDW") of Fletcher's broker-dealer registration with CRD,

notwithstanding the absence of authority to do so, and a covenant in the Stock Acquisition Agreement and the Option Agreement not to do so. Xia had no authority to file the Form BDW since she had resigned from Fletcher on or about May 3, 2001. Furthermore, Xia knew that Fletcher had no intention of withdrawing its registration with CRD, and that there was neither misconduct nor wrongful activity on the part of Fletcher.

35. The firm filed a Continuing Membership Application in March 2001 with NASDR to expand its business. The firm has an overhead of approximately \$125,000 to maintain its offices. The actions of Xia were intended to and had the effect of interfering with the approval of the application with the result that the application for expansion to the firm is still not approved and NASDR continues to consider the false and fraudulent statements by Xia in the approval process. Damages include the overhead amount for operations, the lost profit from the firm's inability to expand its business, as well as damage to the firm's business reputation.

**AS AND FOR A FIRST CLAIM ON BEHALF OF LOCKWOOD  
DEFAMATION**

36. Claimants repeat and reallege each and every allegation of paragraphs "1" through "35" of the claim as if fully set forth herein.

37. Xia and Pan composed, prepared, delivered and published Exhibits F and G to Natalia Salygina and Mikhail Kofman, the controlling and senior officers of 3W Corp., Inc., major corporate customers of Holdings, Fletcher and Lockwood.

38. Pan made the statements to Peter Stamm for no other purpose other than to damage the reputation of Fletcher, Holdings and Lockwood.

39. Upon information and belief, Xia and Pan transmitted the letters, Exhibits F and G,

to Natalia Salygina and Mikhail Kofman and made the statement to Peter Stamm and others in order to damage the business of Fletcher, Holdings and Lockwood and in order to extort money from Fletcher, Holdings and Lockwood. Further, Xia and Pan implicitly threatened to further disseminate letters and statements to individuals known to be customers of Fletcher and Holdings unless payment was received.

40. Xia and Pan transmitted and published Exhibits F and G to Natalia Salygina and Mikhail Kofman, and such publications constitutes tortious interference with the business relationship between Fletcher, Holdings and Lockwood, on the one hand, and its major corporate customer 3W Corp., Inc., and others on the other hand.

41. The publication by Xia and Pan of Exhibits F and G and Pan's false statements to Peter Stamm and others were malicious, reckless and intentionally published to cause harm to the business of Fletcher, Holdings and Lockwood.

42. Fletcher, Holdings and Lockwood were all damaged by the defamatory statements made by Xia and Pan to Natalia Salygina, Mikhail Kofman and 3W Corp., Inc. As a result of the defamatory statements described above, Fletcher, Holdings and Lockwood were damaged by Xia and Pan and are entitled to compensatory damages and punitive damages in the approximate amount of five million dollars (\$5,000,000).

**AS AND FOR A SECOND CLAIM ON BEHALF OF HOLDINGS**  
**BREACH OF CONTRACT**

43. Claimants repeat and reallege each and every allegation of paragraphs "1" through "42" of the claim as if fully set forth herein.

44. Xia entered into the Option Agreement and the Stock Acquisition Agreement with

Holdings

45. Holdings has performed all of its obligations to Xia under the Options Agreement and Stock Acquisition Agreement.
46. Xia has breached the Option Agreement, particularly but not limited to, Sections 7 (d)(iii) and 7 (d)(iv).
47. Sections 7(d)(iii) and 7(d)(iv) of the Option Agreement provide the following:
7. Covenants. Xia covenants and agrees as follows: (d) Conduct of Business. Except as otherwise contemplated or permitted by this Agreement, from and after the execution and delivery of this Agreement and until the Expiration Time, Xia shall use his [sic] best efforts to cause (iii) the Company to preserve its existing licenses, franchises, rights, and privileges pertinent to its business and credit arrangements with banks and other financial institutions and (iv) the Company to preserve intact its business organization and keep available its present employees, and to preserve its goodwill and relationships with suppliers, customers, and others with whom they deal and to continue to develop their business, each except with the prior written consent of Fletcher [Holdings].
48. Xia breached the foregoing sections of the Option Agreement in the following manner:
- a. by knowingly and fraudulently making misrepresentations and omissions to the NASDR for the principal purpose of revoking Fletcher's licenses, rights and privileges pertinent to its business;
  - b. by making false and known to be false statements concerning Lockwood to Natalia Salygina, Mikhail Kofman, Charles Snow, Roman Thaker, Sergei Voronchenko, Peter Stamm, the NASDR, CRD and SEC for the express purpose of damaging the business and reputation of Lockwood, Fletcher and Holdings;

c. by breaching the fiduciary duty owed to Holdings by reason of the contractual relationship and the duties, laws, rules and regulations thereby incorporated that govern the Option Agreement;

d. by knowingly violating state and federal securities laws.

49. Xia breached the Stock Acquisition Agreement, particularly but not limited to, Sections 7.1 (iii), 7.1 (iv), 7.4, 10.3 and 13.10.

50. Sections 7.1 (iii), 7.1 (iv), 7.4, 10.3 and 13.1 of the Stock Acquisition Agreement provide as follows:

The Company and Seller covenant and agree as follows:

7.1. Conduct of Business. Except as otherwise contemplated or permitted by this Agreement, from and after the execution and delivery of this Agreement and until December 31, 2001 (the "Option Termination Date"), (iii) the Company will use its best efforts to preserve its existing licenses, franchises, rights, and privileges pertinent to its business and credit arrangements with banks and other financial institutions, and (iv) the Company will use its best efforts to preserve intact its business organization and keep available its present employees, and to preserve its goodwill and relationships with the suppliers, customers, and others with whom they deal and to continue to develop their business.

7.4. Implementation of Representations and Warranties. The Company and Seller will take all action to render accurate as of the Closing Date and as of the Option Termination Date the Company's and Seller's representations and warranties contained in this Agreement, and the Company and Seller will refrain from taking any action which would render inaccurate as of the Closing Date any such representation or warranties.

10.3. No Litigation. There shall be no action, proceeding or pending or actual litigation the purpose of which is to enjoin or may be to enjoin the transactions contemplated by this Agreement or which would have the effect, if successful, of imposing a material liability upon Seller or the Company, or any of the officers or

directors thereof, because of or due to, in many respects, the consummation of the transactions contemplated by this Agreement. There shall be no action, proceeding, investigation or pending or actual litigation against or with respect to the Company, Buyer, outstanding shares of Common Stock or the Shares which could, in any way, invalidate or damage this Agreement or value of the consideration.

13.10. Good Faith. Each of the parties hereto agrees that it shall in good faith in an attempt to cause all the conditions precedent and subsequent to their respective obligations to be satisfied.

51. Xia breached the foregoing sections of the Stock Acquisition Agreement in the following manner:

a. by knowingly and fraudulently making misrepresentations and omissions to the NASDR for the principal purpose of revoking Fletcher's licenses, rights and privileges pertinent to its business;

b. by making false and known to be false statements concerning Lockwood to Natalia Salygina, Mikhail Kofman, Charles Snow, Roman Thaker, Sergei Voronchenko, Peter Stamm, the NASDR, CRD and SEC for the express purpose of damaging the business and reputation of Lockwood, Fletcher and Holdings;

c. by breaching the fiduciary duty owed to Holdings by reason of the contractual relationship and the duties, laws, rules and regulations thereby incorporated that govern the Stock Acquisition Agreement;

d. by knowingly violating state and federal securities laws.

52. As a result of Xia's breach of the Option Agreement and the Stock Acquisition Agreement, Claimants have been damaged.

AS AND FOR A THIRD CLAIM ON BEHALF OF FLETCHER  
TORTIOUS INTERFERENCE OF CONTRACT

53. Claimants repeat and reallege each and every allegation of paragraphs "1" through "52" of the claim as if fully set forth herein.

54. Xia and Pan composed, prepared, delivered and published Exhibits F and G to Natalia Salygina and Mikhail Kofman, the controlling and senior officers of 3W Corp., Inc., major corporate customers of Holdings, Fletcher, and Lockwood.

55. Upon information and belief, Xia and Pan transmitted the letters, Exhibits F and G, to Natalia Salygina and Mikhail Kofman and made the statement to Peter Stamm and others in order to damage the business of Fletcher, Holdings and Lockwood, and in order to extort money from Fletcher, Holdings and Lockwood. Further, Xia and Pan implicitly threatened to further disseminate letters and statements to individuals known to be customers of Fletcher and Holdings unless payment was received.

56. Xia and Pan transmitted and published Exhibits F and G to Natalia Salygina and Mikhail Kofman, and such publications constitutes tortious interference with the business relationship between Fletcher, Holdings and Lockwood, on the one hand, and its major corporate customer 3W Corp., Inc., and others on the other hand.

57. The publications of Exhibits F and G by Xia and Pan and Pan's statements to Peter Stamm and others were malicious, reckless and intentionally published to cause harm to the business of Fletcher, Holdings and Lockwood.

58. Fletcher, Holdings and Lockwood were damaged by the tortious interference of their business relationship with Natalia Salygina, Mikhail Kofman and 3W Corp., Inc.

59. As a result of Respondents' tortious interference with Claimants' contractual and economic relations, Claimants have been damaged.

**AS AND FOR A FOURTH CLAIM ON BEHALF OF FLETCHER**  
**TORTIOUS INTERFERENCE OF CONTRACT**

60. Claimants repeat and reallege each and every allegation of paragraphs "1" through "59" of the claim as if fully set forth herein.

61. Holdings entered into an Option Agreement and Stock Acquisition Agreement with Xia.

62. Xia had knowledge that Holdings was the holding company of Fletcher, a registered broker-dealer with the United States Securities and Exchange Commission and a member of the NASDR.

63. Xia knew that Fletcher would be unable to maintain clients, or solicit potential clients, without the appropriate state and federal registration.

64. In an effort to tortiously interfere with Claimants' contractual and economic relations, Xia engaged in a course of conduct designed to prevent Claimants from successfully remaining in the securities industry and soliciting customer business.

65. In filing a false, inaccurate and misleading Broker-Dealer Withdrawal with the NASDR, Xia knew that Fletcher would face significant difficulty maintaining registration with the NASDR.

66. By engaging in such conduct, Xia intentionally and unjustifiably attempted to induce the NASDR to withdraw Fletcher's registration.

67. As a result of Respondents' tortious interference with Claimants' contractual and

economic relations, Claimants have been damaged.

**AS AND FOR A FIFTH CLAIM ON BEHALF OF FLETCHER**  
**BREACH OF FIDUCIARY DUTY**

68. Claimants repeat and reallege each and every allegation of paragraphs "1" through "67" of the claim as if fully set forth herein.

69. At all relevant times, Xia was the majority shareholder of Fletcher. She was an officer and director of Fletcher. As a majority shareholder, officer and director of Fletcher, Xia had a fiduciary duty to protect the interests of Fletcher.

70. Xia breached her fiduciary duty to Fletcher by making false and defamatory statements about and concerning Fletcher's President, Lockwood, and publishing the same to Fletcher's customers Natalia Salygina and Mikhail Kofman at 3W Corp., Inc.

71. As a result of the breach of Xia's fiduciary duty to Fletcher and Holdings, Claimants have been damaged.

**AS AND FOR A SIXTH CLAIM ON BEHALF OF ALL CLAIMANTS**  
**VIOLATION OF NASD RULES**

72. Claimants repeat and reallege each and every allegation of paragraphs "1" through "71" of the claim as if fully set forth herein.

73. Respondents violated NASD Rules 2110 and IM-1000-1 which provide the following:

2110. Standards of Commercial Honor and Principles of Trade: A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.

IM-1000-1. Filing of Misleading Information as to Membership or Registration: The filing with the Association of information with respect to membership or registration as a Registered Representative which is incomplete or inaccurate so as to be misleading, or which in any way tend to mislead, or the failure to correct such filing after

notice thereof, may be deemed to be conduct inconsistent with just and equitable principles of trade and when discovered may be sufficient cause for appropriate disciplinary action.

74. Respondents, with total disregard for the needs of Claimants, and with full knowledge that Fletcher had no intention of withdrawing its registration with the NASDR, made representations to the NASDR with knowledge of the falsity of the statements and with full knowledge that the NASDR would rely on those statements.

75. By engaging in such conduct, Xia intentionally and unjustifiably attempted to induce the NASDR to withdraw Fletcher's registration.

76. The firm filed a Continuing Membership Application in March 2001 with NASDR to expand its business. The firm has an overhead of approximately \$125,000 to maintain its offices. The actions of Xia were intended to and had the effect of interfering with the approval of the application with the result that the application for expansion to the firm is still not approved and NASDR continues to consider the false and fraudulent statements by Xia in the approval process. Damages include the overhead amount for operations, the lost profit from the firm's inability to expand its business, as well as damage to the firm's business reputation.

**AS AND FOR A SEVENTH CLAIM ON BEHALF OF LOCKWOOD  
INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS**

77. Claimants repeat and reallege each and every allegation of paragraphs "1" through "76" of the claim as if fully set forth herein.

78. Xia and Pan intentionally inflicted emotional distress and harm upon Lockwood by the publication of the false and defamatory letters annexed hereto as Exhibits E, F and G, as well as false statements made to Peter Stamm and others.

79. The purpose of the publication by Xia and Pan of the Exhibits E, F and G as well as false statements made to Peter Stamm and others, was to inflict emotional distress and harm upon Lockwood.

80. As a result of the publication of Exhibits E, F and G as well as false statements made to Peter Stamm and others, Lockwood suffered emotional distress and harm and was damaged thereby.

81. As a result of the damage caused by Xia and Pan by the publication of Exhibits E, F and G, as well as false statements made to Peter Stamm and others, Lockwood is entitled to a judgment for compensatory and punitive damages in the approximate amount of five million dollars (\$5,000,000).

**WHEREFORE**, Claimants request the following relief:

- a. Compensatory damages in the approximate amount of five million dollars (\$5,000,000);
- b. Pre-and post judgment interest on the compensatory damages;
- c. Costs of this action, including costs and expenses of expert witnesses;
- d. Reasonable attorneys' fees;
- e. Punitive damages in the sound discretion of the arbitrators;
- f. An Order enjoining Respondents from holding themselves out as having any connection or association with Claimants to the general public or to the SEC, NASDR, CRD, CFTC, NFA, NYSE, or any self-regulatory organization.

g. Such other relief as the arbitrators deem appropriate under the circumstances.

Dated: July 31, 2001  
New York, New York

Respectfully submitted,

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