

NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between :  
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Worldwide Corporate Managers, Inc. : AWARD  
: :  
Claimant : #88-02261  
vs. :  
: :  
Paul Olson :  
Engler-Budd & Company, Inc. :  
Oberweis Securities, Inc. :  
Respondents :  
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Case Summary

Claimant Worldwide Corporate Managers, Inc. ("Worldwide") initially filed on July 15, 1988 a Statement of Claim against Engler-Budd & Company, Inc. ("Engler-Budd"), its successor firm Oberweis Securities, Inc. ("Oberweis"), and the former registered representative of Engler-Budd, Paul Olson ("Olson"). Claimant alleged that Engler-Budd and Oberweis are liable for participating in a fraudulent scheme in connection with the sale through Engler-Budd of 166,700 shares of Trivest International, Inc. to Worldwide. Claimant asserted that representatives of Worldwide were informed by Mr. Olson, in his capacity as a registered representative of Engler-Budd, that his investment of Trivest stock at a price of \$3.00 per share would be purchased, due to a pre-arranged "take-out", by European investors for \$5.00 a share within approximately six weeks of the purchase date.

Claimant alleged that certain material misrepresentations were made by Olson to induce Worldwide to buy Trivest shares through Engler-Budd. These included the following misrepresentations:

- (1) Falsely stating that a European group of investors had agreed to purchase Claimants' 166,700 shares of Trivest Stock;
- (2) Falsely stating that Trivest stock had been trading for several months at a price exceeding \$5 per share;
- (3) Falsely stating that Trivest was in sound financial condition, had contracts in place to acquire valuable real estate and had assets worth in excess of \$28 million; and
- (4) Falsely stating that Trivest had excellent and experienced management.

The Claimant additionally alleged that in connection with the sale of Trivest stock to the Claimant, Olson omitted to state to Worldwide certain material facts known to him. These material omissions included the following:

- (1) That Trivest was, in fact, virtually insolvent;
- (2) That filings made by Trivest with the Security and Exchange Commission in the fall of 1987 contained numerous misrepresentations of fact;
- (3) That although certain firms were listing themselves as market makers and issuing bid and ask quotations for Trivest stock, no stock purchases or sales had ever been made through these market makers;
- (4) That the purchase price by Claimant did not represent anything close to the alleged market value of the Trivest stock.

Relief Request

The Claimant asserted that they sustained out-of-pocket losses of \$406,926.00 pre-judgement interest and post-judgement interest.

Award

On September 14, 1989 in Atlanta, Georgia, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration. The Respondents Engler-Budd, Oberweis and Olson did not submit a Statement of Answer and failed to appear at the arbitration hearing. The NASD served Engler-Budd with the Statement of Claim on September 6, 1988. Engler-Budd declined service and advised the NASD on September 12, 1988 that the firm had sold its assets and that its broker dealer license had been withdrawn. Oberweis responded to the Statement of Claim by filing a Motion to Dismiss on August 19, 1988. Subsequently, on January 24, 1989, the Director of Arbitration denied Oberweis' Motion and advised Oberweis that it was required to submit an Answer by February 7, 1989. Oberweis did not submit an Answer. On February 1, 1989 the NASD was advised that counsel for Oberweis withdrew its representation of the firm. With respect to Respondent Olson, the NASD served Olson at his last known business address. Respondent Olson did not respond to service and subsequently the Claimant dismissed its claim against him without prejudice.

The arbitrators, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. That Respondent Engler-Budd shall be liable and shall pay to the Claimant the sum of \$406,926.00 as principal and the sum of \$65,291.05 as pre-award interest at seven percent (7%) annual interest for two years and 104 days.
2. The claim against Respondent Oberweis is denied.
3. The principal sum awarded above shall bear interest at the legal rate applicable to judgments entered in Georgia until said award shall be paid.
4. Pursuant to Section 43 of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the \$1,000.00 filing fee previously deposited by the Claimant.

This day November \_\_, 1989

Ellwood F. Oakley, III

Martin H. Peabody

J. Coleman Budd