

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

National Association of
Securities Dealers, Inc.
Suite 1680
Three First National Plaza
Chicago, IL 60602
(312) 899-4440

In the Matter of the Arbitration Between

Name of Claimant(s)

Lloyd A. Sauer

89-00723

Name of Respondent(s)

PaineWebber, Inc.

SEP 13 1990

CASE SUMMARY

In a Statement of Claim filed with the NASD on March 13th, 1989, Claimant Lloyd A. Sauer alleges that because of the recommendations and advice of an agent of Respondent PaineWebber, Incorporated, he purchased convertible debentures and common stock of Calgroup Graphics Corporation, Ltd. and advanced large sums of money to the company. Claimant alleges that Respondent and its agents possessed information which showed that: 1) Calgroup was insolvent, thinly capitalized and engaged in fraudulent securities transactions; 2) Respondent and its agents knew or should have known, through the exercise of due diligence, that its recommendations and advice to Claimant were false and misleading; and, 3) Respondent and its agent breached a fiduciary duty owed to Claimant. For these reasons, Claimant alleges that Respondent and its agents violated federal and state securities laws by fraudulently and/or negligently misrepresenting and/or omitting relevant facts pertinent to this investment and breached the common law duty to use reasonable care and due diligence in investigating the underlying transactions in which Claimant was involved.

In an answer filed with the NASD on May 23rd, 1989, Respondent denies the allegations made in the Statement of Claim and any liability to Claimant for damages. Specifically, Respondent alleges that: 1) claimant was fully informed that Calgroup was a start-up company with no money, no revenue and was a speculative investment; 2) full disclosure of all risk factors was made to Claimant prior to his advancing funds to Calgroup; 3) the advancement of funds was done directly with Calgroup and not through Claimant's PaineWebber account; 4) the purchases of common stock made through Claimant's account were done in anticipation of substantial profits and not because of misleading information from Respondent; and, 5) Claimant passed up an opportunity to sell his holdings in Calgroup at a profit and that this decision and the losses resulting therefrom are Claimant's sole responsibility and not the fault of Respondent.

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RELIEF REQUESTED

Claimant requests that an award be entered against Respondent for \$354,050.20, or in the alternative, a finding for rescission of the sale and the payment to Claimant from Respondent of \$354,050 in exchange for the shares, plus interest, costs and attorneys' fees.

Respondent requests that the Statement of Claim be denied and the costs of these proceedings be assessed against Claimant.

AWARD

On April 25th, 1990; July 5th, 1990 and July 6th, 1990, in Milwaukee, Wisconsin during a hearing lasting 6 sessions, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed on March 2nd, 1989 by Claimant, Lloyd A. Sauer and on May 15th, 1989 by John Borgese on behalf of Respondent, PaineWebber, Inc.

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

1. The Statement of Claim is hereby dismissed and denied in its entirety;
2. The parties shall each bear their own respective costs including attorneys' fees; and,
3. Pursuant to Section 43(c) of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain as forum fees, the \$750.00 filing fee previously deposited with the NASD by the Claimant Lloyd A. Sauer. Claimant shall be further assessed \$3750.00 as additional forum fees which shall be paid to the NASD.

By the Panel

Dated: Sept. 10, 1990

/s/ Roger R. Hall
Roger R. Hall, Esq.

Dated: _____

/s/ Stanley H. Michelstetter II, Esq.

Dated: _____

/s/ Richard P. Franz