

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Kimberly Sabaugh

and

99-04819
Detroit, Michigan

Merrill Lynch Pierce Fenner & Smith, Inc.
UBS PaineWebber, Inc., and
Steven Haag Riga

REPRESENTATION OF PARTIES

Kimberly Sabaugh ("Claimant") was represented by William S. Bonnheim, Esq., Anderholt, Bonnheim & Casden LLP, Indian Wells, California. Claimant was formerly represented by Steven Snyder, Camp Meeker, California.

Merrill Lynch Pierce Fenner & Smith, Inc. ("MLPFS") was represented by Clarence L. Pozza, Jr., Esq., Miller Canfield, Detroit, Michigan. MLPFS was formerly represented by Michael E. Olney, Merrill Lynch Pierce Fenner & Smith, Inc., New York, New York.

UBS PaineWebber, Inc. ("PW") was represented by Sandra Grannum, Esq., UBS PaineWebber, Inc., Weehawken, New Jersey.

Steven Haag Riga ("Riga") was represented by Patrice Arend., Esq., Jaffe Raitt, Heuer & Weiss, Detroit, Michigan.

CASE INFORMATION

The Statement of Claim was filed on or about October 21, 1999. The Submission Agreement of Claimant was signed on or about October 20, 1999.

The Statement of Answer was filed by Respondent MLPFS on or about January 19, 2000. The Submission Agreement of MLPFS was signed on or about January 19, 2000, by Ralph Cursio.

The Statement of Answer and Motion to Dismiss was filed by Respondent PW on or about January 20, 2000. The Submission Agreement of PW was signed on or about January 20, 2000, by Sandra D. Grannum.

The Statement of Answer, Affirmative Defenses, Counterclaim and Motion to Dismiss was filed by Riga on or about January 19, 2000. The Submission Agreement of Riga was signed on or about January 17, 2000. Riga's Motion to Bar Claimant from Presenting any Matter, Arguments or Defenses to Riga's Counterclaim filed on or about March 14, 2000. Claimant's Opposition to Riga's Motion to Dismiss filed on or about March 29, 2000.

Respondent Riga filed a further Motion to Dismiss on or about September 11, 2000. Claimant filed an Opposition to Riga's Motion to Dismiss on or about September 29, 2000.

Respondent Riga filed a Motion for Summary Disposition on or about October 12, 2000. Claimant filed an Opposition to Riga's Motion for Summary Disposition on or about October 23, 2000. Respondent PW filed a Response and joined in Riga's Motion on or about October 23, 2000.

Claimant filed a Motion for Summary Disposition of Riga's Counterclaim on or about December 18, 2000. Respondent Riga responded on or about January 8, 2001.

MLPFS filed a Motion to Dismiss on or about July 26, 2001. Claimant filed an Opposition to the MLPFS Motion to Dismiss and Declaration of William S. Bonnheim in Support Thereof on or about April 9, 2002. A Reply Brief in Support of Motion to Dismiss was submitted by MLPFS on or about April 12, 2002.

CASE SUMMARY

Claimant asserted causes of action including the following: failure to supervise Riga by MLPFS and PW, relating to investment advice Riga provided to Claimant including purchase and sale of securities, suitability issues, margin choices, "churning" of the account, trading without written discretion, theft, tax advice, and Riga's fraudulently offering to deed a piece of real property to Claimant. Securities that Claimant purchased and alleged unsuitable include Detroit Diesel, Tamboril Cigar, National Techteam, Biotechnology General, Phymatrix, and Phillips Services.

Unless specifically admitted in its Answer, Respondent MLPFS denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: the Statement of Claim fails to state a claim against Respondent upon which relief can be granted, Claimant is estopped by her conduct from asserting against Respondent any and all claims alleged in the Statement of Claim, Claimant has, by her conduct waived any claims she might have had against Respondent which may be alleged in the Statement of Claim, and the Statement of Claim is barred by the applicable Statutes of Limitation.

Unless specifically admitted in its Answer, Respondent PW denied the allegations made in the Statement of Claim and asserted defenses including the following: Claimant fails to state a claim, Claimant lacks standing to bring the claims asserted, Claimant is estopped by her conduct from maintaining this action, Claimant, through her acts and deeds, waived her right to maintain this action against PW.

Unless specifically admitted in his Answer, Respondent Riga denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant has failed to state a claim upon which relief can be granted, Claimant's claims are barred by the doctrines of res judicata and/or collateral estoppel, Claimant's claims are not arbitrable, and Claimant's claims are barred by the doctrine of unclean hands. Respondent Riga asserted a counterclaim for defamation, tortious interference with business advantage, intentional infliction of emotional distress, and conversion.

RELIEF REQUESTED

Claimant requested an award in the amount of approximately \$50,000.00

Respondent MLPFS requested that the claims asserted against it be denied in their entirety and that they be awarded their costs and attorneys' fees.

Respondent PW requested that the claims asserted against it be denied in their entirety and that PW be awarded its costs and attorneys' fees.

Respondent Riga requested that the claims asserted against him be denied in their entirety and requested \$500,000.00, costs, attorneys fees, forum fees, expungement, and such other and further relief as the arbitrators deem just and equitable in his counterclaim

OTHER ISSUES CONSIDERED & DECIDED

The Panel denied Respondent PW's Motion to dismiss on or about October 16, 2001. On or about October 27, 2000, the Panel denied Respondent Riga's Motion to Dismiss contained in his Answer, Motion to Dismiss of on or about August 11, 2001, and Motion for Summary Judgment.

Claimant filed a Request for Dismissal of PaineWebber, Inc. on or about October 30, 2000. The Panel granted Claimant's Request and did not adjudicate any claims against PW.

Judge Harwood of the Wayne County Circuit Court temporarily and then permanently enjoined Claimant from proceeding with the NASD arbitration against Riga in the Order Reinstating Proceedings, Entering a Temporary Restraining Order, and to Show Cause entered on January 5, 2001, and the Order Holding Kimberly Sabaugh in Criminal and Civil Contempt of Court and Granting Permanent Injunction on March 9, 2001. Respondent Riga requested reconsideration of his two previous Motions to Dismiss and expungement on or about March 9, 2001. The Panel dismissed Riga and granted his request for expungement of any and all references to the arbitration matter from his CRD.

Claimant's appeal of the dismissal of her Circuit Court action was denied when the Michigan Court of Appeals denied her Delayed Application for Leave to Appeal for lack of merit in the grounds presented and her Request for Rehearing against Respondent Riga on or about October 31, 2001, and January 14, 2002, respectively.

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. In either case, the parties have agreed to receive conformed copies of the award while the originals remain on file with the NASD Dispute Resolution (the "NASD").

AWARD

After considering the pleadings, the evidence presented at the telephonic hearings, and the post-hearing submission, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Claimant's claims, each and all, are dismissed;
- 2.) Respondent Riga's Counterclaim is dismissed with prejudice;
- 3.) Pursuant to Claimant and MLPFS' stipulation, In the event that the appeal filed by Claimant, Kimberly Sabaugh, pending before the Michigan Supreme Court is not successful with respect to the securities claims previously dismissed by Order of the Wayne County Circuit Court, then the dismissal of this NASD case shall become permanent and shall be with prejudice;
- 4.) Pursuant to Claimant and MLPFS' stipulation, in the event that the appeal filed by Claimant, Kimberly Sabaugh, pending before the Michigan Supreme Court is successful and the securities claims against Steven Riga, previously dismissed by Order of the Wayne County Circuit Court, are reinstated in the Michigan Courts, this NASD case shall be re-opened and reinstated and the time period between this Order of Dismissal and the NASD reinstatement of this case shall not be deemed to have run for any statute of limitations purpose;
- 5.) The panel recommends the expungement of all reference to the above captioned arbitration from Respondent Steven Haag Riga's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09, Respondent Riga must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive;
- 6.) The panel recommends the expungement of all reference to the above captioned arbitration from Respondent Merrill Lynch Pierce Fenner and Smith, Inc.'s registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09, Respondent MLPFS must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive;
- 7.) That other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter;
- 8.) That any relief not specifically enumerated, including punitive damages is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 175.00
Counter claim	= \$ 300.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firms that employed the associated person at the time of the events giving rise to the dispute. In this matter, the member firms are Merrill Lynch Pierce Fenner & Smith, Inc. and UBS PaineWebber, Inc.

Member surcharge	= \$ 800.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$1,000.00

Adjournment Fees

Adjournments requested during these proceedings:

November 8-10, 2000 adjournment by Claimant	= \$1,125.00
January 10-12, 2001, adjournment by MLPFS (waived by Panel)	= \$1,125.00

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:

Five (5) Pre-hearing sessions with Panel x \$1,125.00	= \$5,625.00
Pre-hearing conferences:	
June 5, 2000	1 session
October 27, 2000	1 session
March 15, 2002	1 session
May 1, 2002	1 session
June 6, 2002	1 session
Total Forum Fees	= \$5,625.00

The Arbitration Panel has assessed \$5,625.00 of the forum fees to Kimberly Sabaugh.

Fee Summary

Claimant, Kimberly Sabaugh, is liable for:

Initial Filing Fee	= \$ 175.00
Adjournment Fee	= \$ 1,125.00
Forum Fees	= \$ 5,625.00
Total Fees	= \$ 6,925.00
Less payments	= \$ 775.00
Balance Due NASD Dispute Resolution	= \$ 6,150.00

Respondent, Merrill Lynch Pierce Fenner & Smith, Inc., is liable for:

Member Fees	= \$ 3,900.00
Total Fees	= \$ 3,900.00
Less payments	= \$ 2,400.00
Balance Due NASD Dispute Resolution	= \$ 1,500.00

Respondent, UBS PaineWebber, Inc., is liable for:

Member Fees	= \$ 3,900.00
Total Fees	= \$ 3,900.00
Less payments	= \$ 2,400.00
Balance Due NASD Dispute Resolution	= \$ 1,500.00

Respondent, Steven Riga, is liable for:

Filing Fee	= \$ 300.00
Total Fees	= \$ 300.00
Less payments	= \$ 1,425.00
Balance refunded by NASD Dispute Resolution	= \$ 1,125.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

Norman Bristol, Esq. - Public Arbitrator, Presiding Chair
Kendall B. Perry, M.A. - Public Arbitrator
Peter S. Viviano - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Norman Bristol, Esq.
Norman Bristol, Esq.
Public Arbitrator, Presiding Chair

07/15/02
Signature Date

/s/ Kendall B. Perry, M.A.
Kendall B. Perry, M.A.
Public Arbitrator

07/11/02
Signature Date

/s/ Peter S. Viviano
Peter S. Viviano
Non-Public Arbitrator

07/11/02
Signature Date

07/16/02
Date of Service (For NASD office use only)

Respondent, Merrill Lynch Pierce Fenner & Smith, Inc., is liable for:

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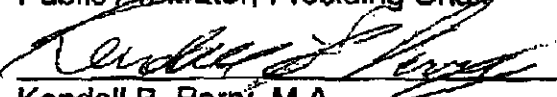
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Norman Bristol, Esq.
Public Arbitrator, Presiding Chair

Signature Date


Kendall B. Perry, M.A.
Public Arbitrator

7-11-02
Signature Date

Peter S. Viviano
Non-Public Arbitrator

Signature Date

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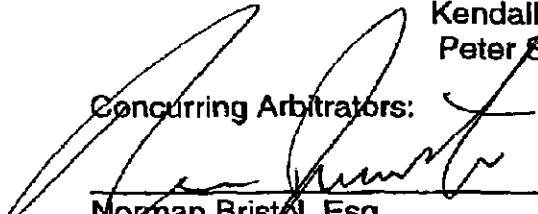
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Public Arbitrator, Presiding Chair

7/15/02
Signature Date

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Signature Date

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Concurring Arbitrators:

Norman Bristol, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Kendall B. Perry, M.A.
Public Arbitrator

Signature Date



Peter S. Viviano
Non-Public Arbitrator

11-July-2002
Signature Date

Date of Service (For NASD office use only)