

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Robert S. & Patricia Davis

95-03601

Name of Respondents

The Wellington Group, Inc.
Vision Investment Group, Inc.
Alex Lemberg
Kevin Kading

REPRESENTATION

For claimants Robert S. and Patricia Davis ("claimants") appeared David Crystal, II, Esq., of Gilbride, Tulsa, Last & Spellane LLC, located in New York, New York.

Respondent Kevin Kading ("Kading") appeared on behalf of himself and The Wellington Group ("Wellington").

For respondent Vision Investment Group, Inc. ("Vision") appeared Paul Caruso, President of Vision Investment Group, Inc.

For respondent Alex Lemberg ("Lemberg") appeared John M. Weiss, Esq. of Mound, Cotton & Wollan, located in New York, New York.

CASE INFORMATION

Statement of Claim was filed on July 24, 1996. Claimants' Submission Agreement was signed on July 12, 1995.

Joint Statement of Answer was filed by Kading and Wellington on August 28, 1995. Kevin Kading's Submission Agreement was signed on August 28, 1995. Wellington's Submission Agreement was signed on August 28, 1995.

Statement of Answer was filed by Vision on October 5, 1995. Vision's Submission Agreement was signed on October 24, 1995.

Statement of Answer was filed by Lemberg on September 20, 1995. Lemberg's Submission

Agreement was signed on September 18, 1995.

HEARING INFORMATION

Hearing Dates/Sessions:	April 15, 1996	-	One Session
	July 1, 1996	-	Two Sessions
	July 3, 1996	-	Two Sessions

The hearings were held at the offices of the National Association of Securities Dealers, Inc. located in New York, New York.

CASE SUMMARY

Claimants alleged that Wellington, Vision, Lemberg and Kading gave them unsuitable investment advice and made unauthorized trades in their account. Claimant Robert Davis further alleged that, in December of 1994, he first came into contact with Lemberg, a Vice-President and investment advisor at Wellington. Allegedly, Mr. Davis told Lemberg that he was an inexperienced investor with no securities investments other than his holdings in AIG stock, and that he could not afford to lose his nest egg of over \$200,000.00 dollars as it had been set aside for his retirement and children's college education. Mr. Davis asserted that Lemberg assured him that he would construct a balanced, conservative portfolio that would meet his needs of safety of principal and that, based on these assurances, he opened an account with Lemberg at Wellington. Claimants further asserted that after the account was opened, Lemberg recommended selling a portion of the AIG holdings and purchasing positions in various firm recommended securities which included LoJack Corporation, Dole Food Company Inc., Long Island Lighting Company, RJR Nabisco Holdings Corporation, NTN Communications Inc., Consolidated Holding Corporation ("Consolidated"), and Prentice Capital Inc. ("Prentice").

Mr. Davis alleged that, in or about late February 1995, Lemberg phoned him and recommended selling virtually all of the stocks he had previously recommended (except for Prentice) and the balance of the AIG holdings and purchasing a concentrated short term position in Consolidated. Claimants further alleged that Lemberg explained that this would be a prudent course of action because Consolidated was going to be approved for national market listing on NASDAQ and such listing would increase the value of Consolidated significantly. Claimants asserted that Lemberg stated that, once Consolidated increased in value, they would take the short term profit and revert back to a balanced portfolio. Claimants further asserted that they agreed to this strategy and that Lemberg promised to closely monitor the stock and sell out if the price started to drop. Claimants alleged that Lemberg was instructed to sell the holdings in Prentice and Consolidated at any time to minimize losses and prevent downside risk to their principal. Claimants contended that, in pursuance of the above strategy, by the beginning of March, 1995, their account held 34,800 shares of Consolidated at a cost of approximately \$205,000.00, and 13,940 shares of Prentice at a cost of approximately \$90,000.00.

Claimants asserted that, in April 1995, Lemberg informed them that he had formed a new brokerage company called Vision and he told them to transfer their account to Vision so that Lemberg could sell the Consolidated stock if losses threatened. Claimants further asserted that their account was transferred to Vision in May, 1995.

Claimants alleged that in May of 1995, they received a trade confirmation indicating an unsolicited buy order of 900 shares of Prentice. Claimants further alleged that this trade was unauthorized. Claimants asserted that they were then contacted by Steven Toscano ("Toscano") of Rickel & Associates ("Rickel") who told them that they appeared to be victims of a scam to inflate the price of Prentice and Consolidated, that these companies were virtually worthless and that claimants should transfer their account and sell their positions in the stocks as soon as possible. Claimants asserted that they filled out the necessary forms to transfer the account to Rickel and instructed Toscano to liquidate their positions in the stock as soon as possible. Claimants further asserted that Toscano attempted to obtain from Vision an expedited transfer of the Consolidated position, but Vision denied the expedited transfer and, by the time the account position was transferred and received by Rickel, the value of the portfolio had been decimated. Claimants alleged that, as a result of respondents' wrongful conduct, their "nest egg" of approximately \$300,000.00 was destroyed.

Kading maintained that he was the CEO and Chairman of Wellington, but that he did not directly supervise Lemberg because of Lemberg's management position. Wellington and Kading contended that it was inappropriate for claimants to invest their "nest egg" in stocks that were inherently speculative as there is always a possibility that the principal may be lost. Wellington and Kading further maintained that claimants should have requested information prior to purchasing any investment.

Wellington and Kading denied that they ever gave claimants any warranties and that they breached any contractual relationship with claimants. Wellington and Kading maintained that they did not act in a negligent, grossly negligent, or in a wanton and reckless disregard for claimants' property and assets. Wellington and Kading further maintained that both Prentice and Consolidated were subject to blue sky laws in New Jersey and, therefore, claimants were not entitled to rescission of all or any transaction in either security.

Wellington and Kading maintained that they conducted themselves at all times in a lawful manner, adhered to NASD and NYSE requirements concerning broker-dealer conduct at all times, and exercised the degree of care that is exercised by other investment professionals in the conduct of similar affairs. Wellington and Kading further maintained that they committed no wrongdoing and requested that the claims against them be dismissed.

Vision maintained that Mr. Davis signed a new account and attested to the financial and personal information stated on the application. Vision further maintained that Mr. Davis also authorized the transfer of the account to Vision. Vision contended that the purchase of 900 shares of Prentice on May 12, 1995 appeared to be consistent with claimants' objectives.

Vision contended that it was never notified by claimants that there was a problem with the account and requested that the claims against it be dismissed.

Lemberg maintained that he and Mr. Davis had an excellent working relationship and that all trades in the account were authorized by Mr. Davis. Lemberg maintained that Mr. Davis was not an unsophisticated investor and that Mr. Davis never told him that he depended upon the money he was investing for his children's college education or that he wanted investments with no risk to principal. Lemberg also maintained that Mr. Davis expressly told him that one of his

investment goals was speculation and that he had previously made such high risk investments as options and commodities.

Lemberg maintained that pursuant to claimants' instructions, he purchased shares of Consolidated and Prentice securities and that, before recommending these securities, he conducted an appropriate due diligence investigation. Lemberg further maintained that, before executing these purchases, he fully apprised Mr. Davis of the risks of investing in these speculative securities.

Lemberg maintained that, when he left his employment with Wellington, a new group of brokers, which included Toscano, joined Wellington. Lemberg maintained that this group convinced many of Wellington's customers, including claimants, to sell their holdings in Consolidated and Prentice, knowing that such concerted selling would cause a disastrous decline in the stocks' value.

Lemberg maintained that the Statement of Claim failed to state a claim for which relief can be granted, that the claimants voluntarily assumed the risks associated with the purchases they authorized, that claimants' losses were not caused by any act or omission on his part, that claimants failed to properly mitigate their damages and that claimants ratified all transactions made in their account.

RELIEF REQUESTED

Claimants requested an award holding that respondents are jointly and severally liable for:

1. trading loss in Prentice and Consolidated in excess of \$270,000.00, the exact amount to be determined at hearing;
2. lost opportunity cost in an amount to be determined at hearing;
3. rescission damages in an amount to be determined at hearing;
4. punitive damages in the sum of at least \$540,000.00;
5. costs, disbursements, attorneys and forum fees related to bringing this action; and
6. such other and further relief that the panel deems appropriate.

Respondent Wellington and Kading requested that they be removed as parties from the arbitration.

Respondent Vision requested that it be removed as a party from the arbitration.

Respondent Lemberg requested that the Statement of Claim be dismissed and that he be awarded his costs and expenses, including attorneys' fees, incurred in this arbitration, and such other relief as the arbitrators deem appropriate.

OTHER ISSUES CONSIDERED & DECIDED

The arbitrators made the following rulings concerning Vision, which did not appear at the evidentiary hearing conducted in this matter without obtaining any adjournment/postponement thereof:

1. Pursuant to Section 1 of the Code of Arbitration Procedure (the "Code"), the panel found subject matter jurisdiction over this entire controversy.
2. The panel found that Vision was a member of the NASD at the time this controversy arose, and consequently, the panel found personal jurisdiction over Vision pursuant to Section 12 of the Code.
3. In accordance with Sections 21, 26 and 29 of the Code, the panel found that Vision had "due notice" of the hearing conducted in this matter by regular and certified mail. The panel determined to proceed with the hearing without Vision, whose absence was unexcused.

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.

AWARD

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

1. Respondent Vision be and hereby is liable and shall pay claimants the sum of \$2,212.00.
2. Respondent Lemberg be and hereby is liable and shall pay claimants the sum of \$67,107.00.
3. Respondent Wellington be and hereby is liable and shall pay claimants the sum of \$67,107.00.
4. All claims against respondent Kading are dismissed in their entirety.
5. Claimants' request for interest is hereby denied.
6. Claimants' request for attorneys' fees is hereby denied.
7. Claimants' request for punitive damages is hereby denied.
8. All other claims are denied.

FORUM FEES

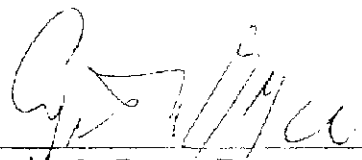
Pursuant to Section 43(c) of the Code of Arbitration Procedure, the arbitrators have determined that the NASD shall retain the \$250.00 filing fee previously paid by claimants and have assessed the following forum fees:

5 hearing sessions x \$1,000.00 = \$5,000.00

1. Claimants be and hereby are jointly and severally liable for the sum of \$1,250.00, representing 25 % of the forum fees assessed. Claimants previously deposited \$1,000.00 with the NASD. Therefore, claimants shall pay \$250.00 to the NASD.
2. Respondent Wellington is hereby liable for and shall pay to the NASD the sum of \$1,250.00, representing 25 % of the forum fees assessed.
3. Respondent Vision is hereby liable for and shall pay to the NASD the sum of \$1,250.00, representing 25 % of the forum fees assessed.
4. Respondent Lemberg is hereby liable for and shall pay to the NASD the sum of \$1,250.00, representing 25 % of the forum fees assessed.

Fees are payable to the National Association of Securities Dealers, Inc.

Arbitrators' Signatures



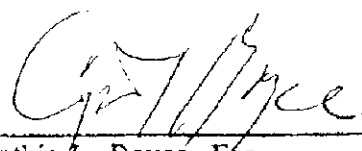
Cynthia L. Boyce, Esq.
Chairperson-Public Arbitrator

Karimu F. Hill-Harvey, Esq.
Public Arbitrator

John W. Thomas, Jr.
Industry Arbitrator

Date of decision: August 26, 1996

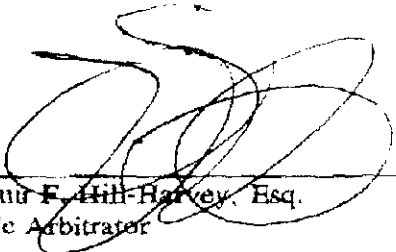
I, Cynthia L. Boyce, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Cynthia L. Boyce, Esq.

Arbitrators' Signatures

Cynthia L. Boyce, Esq.
Chairperson-Public Arbitrator

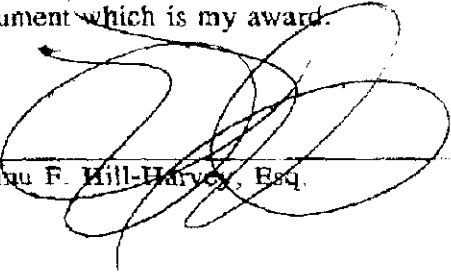


Karimu F. Hill-Harvey, Esq.
Public Arbitrator

John W. Thomas, Jr.
Industry Arbitrator

Date of decision: August 26, 1996

I, Karimu F. Hill-Harvey, Esq., 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.

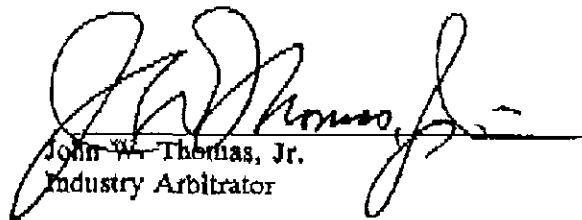


Karimu F. Hill-Harvey, Esq.

Arbitrators' Signatures

Cynthia L. Boyce, Esq.
Chairperson-Public Arbitrator

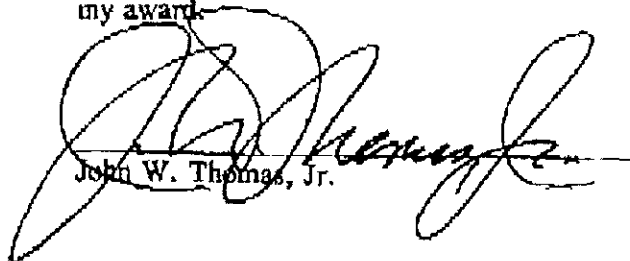
Karimu F. Hill-Harvey, Esq.
Public Arbitrator



John W. Thomas, Jr.
Industry Arbitrator

Date of decision: August 26, 1996

I, John W. Thomas, Jr., 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.



John W. Thomas, Jr.