

NASD REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimants

Nicholas & Catherine Rago

96-00958

Name of Respondents

David Lerner Associates
George Villasi

REPRESENTATION

For claimants Nicholas & Catherine Rago ("claimants") appeared Seth I. Ben-Ezra, Esq., of the Law Offices of Steven J. Goldstein, Esq. located in Jericho, New York.

For respondents David Lerner Associates ("Lerner") and George Villasi ("Villasi") appeared Ruthann G. Niosi, Esq. of the Law Offices of Ruthann G. Niosi, Esq., P.C. located in New York, New York.

CASE INFORMATION

Statement of Claim was filed on February 28, 1996. Claimants' Submission Agreement was signed on February 10, 1996.

Joint Statement of Answer was filed by respondents Lerner and Villasi on May 8, 1996. Lerner Associates's Submission Agreement was signed on June 26, 1996. Villasi's Submission Agreement was signed on June 6, 1996.

HEARING INFORMATION

Hearing Date/ Sessions: June 18, 1997 - Two Sessions

The hearings were conducted at the offices of NASD Regulation, Inc. located in New York, New York.

CASE SUMMARY

Claimants alleged that, in December of 1985, Villasi a registered representative of Lerner, approached them and suggested that they invest in certain limited partnerships. Claimants further alleged that Villasi was aware of the fact that they had recently sold their home and had planned to invest the money, for a period not to exceed five years, in a very safe investment which would provide some income. Claimants maintained that, despite this knowledge, Villasi recommended that the claimants purchase interests in certain limited partnerships. Claimants further maintained that they were told that the investment would yield thirteen percent and that the principal would be accessible.

Claimants contended that they had no prior experience or knowledge with respect to limited partnerships or with any other high risk, non-liquid securities and, therefore, they had no reason to know that their principle investment would erode over fifty percent in value and that their investment would yield less than fifty percent of what Villasi promised. Claimants further contended that they had no experience in and no need for tax sheltered investments such as the limited partnerships recommended by Villasi.

Claimants alleged that, in 1989, they contacted Lerner's office in an attempt to liquidate their investment and were informed that their investment would not be available to them for five years. Claimants further alleged that, in June of 1992, Villasi executed unauthorized trades in their account and that they contacted Robert Hume, who immediately canceled the trades. Claimants maintained that, in the last quarter of 1995, they determined that their investment was worth less than one half of its initial value and that no market existed for the many limited partnerships they owned.

Respondents denied each and every allegation of wrongdoing in this matter and maintained that claimants complained only about the portion of their diversified portfolio that may have declined in value based upon a confluence of market conditions and a change in the tax laws relating to real estate limited partnerships, both factors beyond the control and unrelated to either respondent. Respondents further maintained that, at the time of the investment, claimants represented that they wished to be more aggressive and desired to couple sheltering some of their income with a potential for income.

RELIEF REQUESTED

Claimants requested the following relief against Villasi and Lerner jointly and severally: the rescission of their investment in all of the limited partnerships, return of lost principle in the amount of \$34,000, return of income lost over the ten year period in the amount of \$75,000, interest from the date of the purchase at statutory rate of 9%, punitive damages in the amount of \$210,000, attorneys' fees and costs, such other or further relief as may be deemed just, proper and equitable in light of the circumstances.

Respondents requested that this complaint be dismissed in its entirety.

OTHER ISSUES CONSIDERED & DECIDED

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 NASD Regulation.

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. All claims against respondents Lerner and Villasi are dismissed in their entirety.
2. Claimants' request for attorneys' fees is hereby denied.
3. Claimants' request for punitive damages is hereby denied.
4. Each party shall bear their respective costs.
5. All other claims are denied.

FORUM FEES

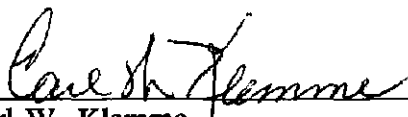
Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation, Inc. shall retain the \$200.00 filing fee paid by claimants and \$350.00 member surcharge paid by Lerner and have assessed the following forum fees:

2 hearing sessions x \$750.00	= \$1,500.00
postponement fee	= \$ 750.00

1. Claimants be and hereby are liable for the sum of \$750.00, representing one-half of the total amount of forum fees assessed for the hearings in this matter. Claimants previously deposited \$750.00 with NASD Regulation, Inc. and, therefore, claimants owe nothing by way of forum fees.
2. Respondent Lerner be and hereby is liable for and shall pay the sum of \$1500.00, representing one-half of the total amount of forum fees assessed for the hearings in this matter and the entire postponement fee.

Fees are payable to NASD Regulation, Inc.

Arbitrators' Signatures



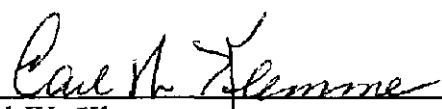
Carl W. Klemme
Chairperson-Public Arbitrator

Harry Weiss
Public Arbitrator

Gimson A. Yee
Industry Arbitrator

Date of Decision: August 6, 1997

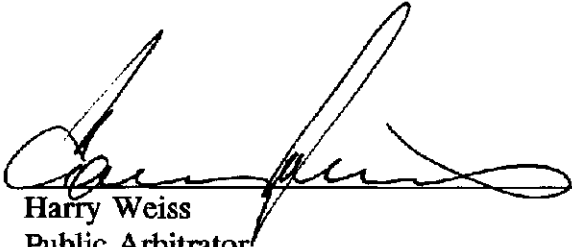
I, **Carl W. Klemme**, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Carl W. Klemme

Arbitrators' Signatures

Carl W. Klemme
Chairperson-Public Arbitrator

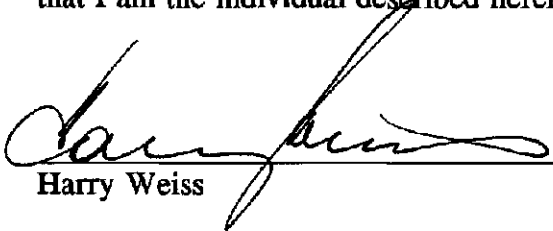


Harry Weiss
Public Arbitrator

Gimson A. Yee
Industry Arbitrator

Date of Decision: August 6, 1997

I, **Harry Weiss**, 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.

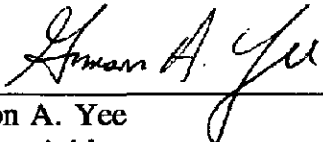


Harry Weiss

Arbitrators' Signatures

Carl W. Klemme
Chairperson-Public Arbitrator

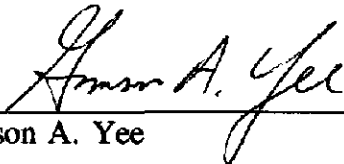
Harry Weiss
Public Arbitrator



Gimson A. Yee
Industry Arbitrator

Date of Decision: August 6, 1997

I, **Gimson A. Yee**, 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.



Gimson A. Yee