

**AWARD**  
**NASD Dispute Resolution**

---

In the Matter of the Arbitration Between

Names of Claimants

Derrick Clint Varney and Regina Gayle Varney

and

04-00865

Louisville, Kentucky

Names of Respondents

Prudential Equity Group, LLC, Jeffrey Daniel Holthouse  
and Donald R. Dentinger

---

**NATURE OF THE DISPUTE**

Customers vs. Member Firm and Associated Persons

**REPRESENTATION OF PARTIES**

Derrick Clint Varney and Regina Gayle Varney ("Varneys"), hereinafter referred to as ("Claimants"), were represented by Wesley A. Gersh, Esq., Morris, Garlove, Waterman & Johnson PLLC, Louisville, Kentucky.

Prudential Equity Group, LLC ("Prudential"), Jeffrey Daniel Holthouse ("Holthouse"), and Donald R. Dentinger ("Dentinger"), hereinafter referred to as ("Respondents"), were represented by Beth A. Black, Esq., of Morgan, Lewis & Bockius LLP, Chicago, Illinois.

**CASE INFORMATION**

The Statement of Claim was filed on or about February 11, 2004. The Submission Agreements of Claimants, Derrick Clint Varney and Regina Gayle Varney, were signed on or about February 6, 2004. Claimants' Motion to Amend was filed on or about October 7, 2004. Claimants' Reply to Respondents' Response to Motion to Amend was filed on or about November 4, 2004.

The Joint Statement of Answer was filed by Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger, on or about May 5, 2004. The Submission Agreement of Respondent, Prudential Equity Group, LLC, was signed on or about May 3, 2004. The Submission Agreement of Respondent, Jeffrey Daniel Holthouse, was filed on or about May 3, 2004. The Submission Agreement of Respondent, Donald R. Dentinger, was filed on or about April 30, 2004. Respondents' Response to Claimants' Motion to Amend and Alternatively to Allow Response to Stand as Answer to Amended Claim was filed on or about October 20, 2004.

**CASE SUMMARY**

Claimants asserted the following causes of action: breach of fiduciary duty; violation of KRS

292.320(1)(b); violation of T.C.A. §48-2-121; violation of KRS 292.320(2); violation of Rule 10b-5; violation of the NASD "Know Your Customer" Rule; Controlling Person Liability pursuant to KRS 292.480(1), (2), T.C.A. §48-2-122(g) and 15 U.S.C. 78t(a) and Agency; breach of contract; negligence; and sales of securities by unlicensed agent. Claimants alleged that Respondents placed Claimants in unsuitable investments and failed to conduct an adequate risk analysis. The causes of action relate to the recommendation and purchase primarily in tech stocks.

Unless specifically admitted in their Joint Statement of Answer, Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger, denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants had full knowledge of the overall frequency and nature of the transactions in their accounts and, by their words and conduct, expressly and impliedly ratified and affirmed each of those transactions; Respondents acted at all times pursuant to Claimants' directions with respect to each security bought and sold in their accounts, and Claimants regularly received trade confirmations and profit and loss statements apprising them of the frequency and nature of the transactions in their accounts and the value of their portfolio; and Claimants are therefore estopped from asserting that the trading in their accounts was unauthorized or excessive.

#### **RELIEF REQUESTED**

Claimants requested an award of \$500,000.00 in compensatory damages, plus \$500,000.00 in punitive damages, their costs and attorneys' fees and any and all other relief, both at all and in equity, to which the Claimants may appear entitled.

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded their costs, attorneys' fees, order that the record of this matter be expunged from the CRD records of Respondents, and further relief the as the panel deemed just and proper.

#### **OTHER ISSUES CONSIDERED & DECIDED**

On or about November 15, 2004, the Panel entered an order in regards to Claimants' Motion to Amend and Respondents' Motion to Allow Response to Stand as Answer to Amended Claim, which reflected the following:

The Chairperson, having considered the pleadings and exhibits submitted by counsel for the parties and being otherwise duly informed, hereby grants the Claimants' Motion to Amend the Statement of Claim, and further orders that the Respondents' Response to the Claimants' Motion shall stand as the Respondents' Answer to the Claimants' Amended Statement of Claim.

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 original(s) remain on file with the NASD Dispute Resolution (the "NASD").

### **AWARD**

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

1. Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger, are jointly and severally liable for and shall pay to Claimants, Derrick Clint Varney and Regina Gayle Varney, the sum of \$315,412.00 in compensatory damages;
2. Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger, are jointly and severally liable for and shall pay to Claimants, Derrick Clint Varney and Regina Gayle Varney, the sum of \$104,085.96 in attorneys' fees pursuant to KRS 292.480(1);
3. Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger; are jointly and severally liable for and shall pay to Claimants, Derrick Clint Varney and Regina Gayle Varney, the sum of \$2,537.00 for costs pursuant to Kentucky Law; and
4. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are 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 = \$375.00

#### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, the member firm is Prudential Equity Group, LLC.

Member surcharge \$ 2,250.00

Pre-hearing process fee	\$	750.00
<u>Hearing process fee</u>	\$	<u>4,000.00</u>
Total Member Fees	\$	7,000.00

### 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 arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

1	Pre-hearing session with Panel	x	1,200.00	\$	1,200.00
	August 9, 2004	1	session		
1	Pre-hearing session with one Arbitrator	x	450.00	\$	450.00
	January 14, 2005	1	session		
9	Hearing sessions	x	1,200.00	\$	10,800.00
	April 4, 2005	2	sessions		
	April 5, 2005	2	sessions		
	April 6, 2005	2	sessions		
	April 7, 2005	2	sessions		
	April 8, 2005	1	session		
	Total Forum Fees			\$	<u>12,450.00</u>

The Arbitration Panel has assessed \$3,735.00 of the forum fees jointly and severally to Derrick Clint Varney and Regina Gayle Varney.

The Arbitration Panel has assessed \$8,715.00 of the forum fees jointly and severally to Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger.

### Fee Summary

Claimants, Derrick Clint Varney and Regina Gayle Varney, are jointly and severally liable for:

Initial Filing Fee	= \$	375.00
<u>Forum Fee</u>	= \$	<u>3,735.00</u>
Total Fees	= \$	4,110.00
<u>Less payments</u>	= \$	<u>-1,575.00</u>
Balance Due NASD Dispute Resolution	= \$	2,535.00

Respondent, Prudential Equity Group, LLC, is liable for:

<u>Member Fees</u>	= \$	<u>7,000.00</u>
--------------------	------	-----------------

Total Fees	= \$	7,000.00
<u>Less payments</u>	= \$	<u>-8,250.00</u>
Balance credited to fees assessed below	= \$	1,250.00

Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger, are jointly and severally liable for:

<u>Forum Fees</u>	= \$	<u>8,715.00</u>
Total Fees	= \$	8,715.00
<u>Less payments</u>	= \$	<u>-1,250.00</u>
Balance Due NASD Dispute Resolution	= \$	7,465.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

**ARBITRATION PANEL**

Valerie J. Hamm, Esq. - Public Arbitrator, Presiding Chair  
Jane D. Lollis, Esq. - Public Arbitrator  
Rudy Vincenti - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Valerie J. Hamm, Esq.  
Valerie J. Hamm, Esq.  
Public Arbitrator, Presiding Chair

05/02/05  
Signature Date

/s/ Jane D. Lollis, Esq.  
Jane D. Lollis, Esq.  
Public Arbitrator

04/28/05  
Signature Date

/s/ Rudy Vincenti  
Rudy Vincenti  
Non-Public Arbitrator

04/29/05  
Signature Date

05/02/05  
Date of service

NASD Dispute Resolution, Inc.

Arbitration No. 04-00865

Award Page 5 of 5

Total Fees	= \$	7,000.00
<u>Less payments</u>	= \$	<u>-8,250.00</u>
Balance credited to fees assessed below	= \$	1,250.00

Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger, are jointly and severally liable for:

<u>Forum Fees</u>	= \$	<u>8,715.00</u>
Total Fees	= \$	8,715.00
<u>Less payments</u>	= \$	<u>-1,250.00</u>
Balance Due NASD Dispute Resolution	= \$	7,465.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

**ARBITRATION PANEL**

Valerie J. Hamm, Esq. - Public Arbitrator, Presiding Chair

Jane D. Lollis, Esq. - Public Arbitrator

Rudy Vincenti - Non-Public Arbitrator

Concurring Arbitrators:

Valerie J. Hamm  
Valerie J. Hamm, Esq.  
Public Arbitrator, Presiding Chair

5/2/05  
Signature Date

Jane D. Lollis  
Jane D. Lollis, Esq.  
Public Arbitrator

                      
Signature Date

Rudy Vincenti  
Rudy Vincenti  
Non-Public Arbitrator

                      
Signature Date

                      
Date of service

Total Fees	= \$	7,000.00
<u>Less payments</u>	= \$	<u>-8,250.00</u>
Balance credited to fees assessed below	= \$	1,250.00

Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger, are jointly and severally liable for:

<u>Forum Fees</u>	= \$	<u>8,715.00</u>
Total Fees	= \$	8,715.00
<u>Less payments</u>	= \$	<u>-1,250.00</u>
Balance Due NASD Dispute Resolution	= \$	7,465.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.


**ARBITRATION PANEL**

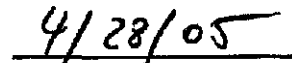
Valerie J. Hamm, Esq. - Public Arbitrator, Presiding Chair  
Jane D. Lollis, Esq. - Public Arbitrator  
Rudy Vincenti - Non-Public Arbitrator

Concurring Arbitrators:

\_\_\_\_\_  
Valerie J. Hamm, Esq.  
Public Arbitrator, Presiding Chair

\_\_\_\_\_  
Signature Date

  
\_\_\_\_\_  
Jane D. Lollis, Esq.  
Public Arbitrator

  
\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Rudy Vincenti  
Non-Public Arbitrator

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Date of service

Total Fees	= \$	7,000.00
<u>Less payments</u>	= \$	<u>-8,250.00</u>
Balance credited to fees assessed below	= \$	1,250.00

Respondents, Prudential Equity Group, LLC, Jeffrey Daniel Holthouse and Donald R. Dentinger, are jointly and severally liable for:

<u>Forum Fees</u>	= \$	<u>8,715.00</u>
Total Fees	= \$	8,715.00
<u>Less payments</u>	= \$	<u>-1,250.00</u>
Balance Due NASD Dispute Resolution	= \$	7,465.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

**ARBITRATION PANEL**

Valerie J. Hamm, Esq. - Public Arbitrator, Presiding Chair  
Jane D. Lollis, Esq. - Public Arbitrator  
Rudy Vincenti - Non-Public Arbitrator

Concurring Arbitrators:

---

Valerie J. Hamm, Esq.  
Public Arbitrator, Presiding Chair

---

Signature Date

---

Jane D. Lollis, Esq.  
Public Arbitrator

---

Signature Date

---

Rudy Vincenti  
Non-Public Arbitrator

---

Signature Date

---

Date of service