

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimants

L. Clyde Groover, Jr. & Ida A. Groover

96-02218

Name of Respondents

Adam Jagoda
Raul Rabenga

REPRESENTATION

Claimants L. Clyde Groover, Jr. and Ida A. Groover ("Claimants") were represented by John F. Rodgers, Esq., Redmon, Boykin & Braswell, Alexandria, VA.

Respondents Adam Jagoda ("Jagoda") and Raul Rabenga ("Rabenga") did not appear.

CASE INFORMATION

The Statement of Claim was filed May 23, 1996.
Claimants' Submission Agreement was signed on May 21, 1996.

Neither Respondent Jagoda nor Respondent Rabenga (collectively "Respondents") filed a Statement of Answer.

Neither Respondent Jagoda nor Respondent Rabenga filed an agreement to arbitrate.

HEARING INFORMATION

Hearing Date/Sessions: April 1, 1997/one session

Hearing Location: NASD Regulation Headquarters
Washington, D.C.

CASE SUMMARY

Claimants alleged, among other things, that Respondents, employed by Stratton Oakmont, churned their account and induced them to authorize unsuitable transactions through the use of misrepresentations and the omission of material facts. Claimants alleged that Respondents persuaded Claimants to authorize the purchase of Ventura Entertainment Group ("VEG"). Claimants alleged that on May 31, 1990, Respondents, in an unsolicited call, persuaded Claimants to purchase \$15,760.00 additional shares of VEG by stating that the stock had increased \$3.00 per share and was still climbing. Claimants alleged that Respondents called again on July 27, 1990 and said that VEG was still going up and induced Claimants to purchase an additional \$23,812.50 in shares of VEG. Claimants alleged that Respondents failed to inform Claimants that the June 30, 1990 year end figures showed a \$.38 per share loss.

Claimants alleged that Respondents failed to inform Claimants that VEG had never been profitable, that due to a lack of capital, VEG would have to relinquish substantial ownership of its projects and that in a highly competitive market, an independent music producer would find it difficult to compete with other labels. In fact, Claimants alleged that Respondents informed Claimants that the analysts at Stratton Oakmont had done extensive research on VEG and were confident of VEG's financial health.

Claimants alleged that on June 27, 1990 Respondents induced Claimants to sell Eastman Kodak stock and purchase 1,000 shares of a new offering, Ventura Motion Picture Group ("VMPG"). Claimants alleged that VMPG, a subsidiary of VEG which VEG took public in June 1990. Claimants alleged that Respondents failed to inform them that VMPG's Form 10-K, filed June 30, 1990, showed that VMPG had generated no revenues and the ability of the company to survive was dependent on it obtaining revenues and additional capital. Claimants alleged that Respondents also failed to inform them that VEG owned 59% of VMPG and that the officers and directors were identical for VEG and VMPG. Claimants alleged that in September 1990 Respondents induced them to sell VEG and invest the proceeds in VMPG.

Claimants alleged that Respondents persuaded Claimants to buy and sell other securities, such as DVI Financial Corporation, IPS Health Care, Inc., SMT Health Services, Inc. without informing Claimants that these securities were interrelated financially and that the future of those securities were tenuous. Claimants alleged that Respondents induced these purchases and sales for the purpose of generating commissions for Respondents.

Claimants alleged that Respondents actions violated Sections 17(a) and 10(b) of the Securities Act of 1933 and Rule 10(b)-5 of the SEC Rules and regulations as well as the NASD Rules of Fair Practice. Claimants alleged that Respondents failed to ever present Claimants with a prospectus prior to the transactions at issue. Claimants alleged that Respondents' actions were fraudulent and resulted in financial losses to Claimants.

Respondents did not file an Answer to the Statement of Claim.

RELIEF REQUESTED

Claimants requested damages in the amount of \$105,688.00 plus pre-award interest, the costs of the arbitration and attorney's fees.

Respondents did not request any relief.

OTHER ISSUES CONSIDERED & DECIDED

The parties in attendance 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.

Pursuant to the by-laws of the NASD, the panel determined that Respondents were required to submit to this arbitration, notwithstanding their failure to submit executed agreements to arbitrate. Therefore, Respondents Jagoda and Rabenga are bound by the rulings of the panel.

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. That Respondents Jagoda and Rabenga are jointly and severally liable to and shall reimburse Claimants for the \$1,000.00 hearing session deposit previously submitted to the NASD Regulation.
2. That the statement of claim is denied. The panel found that the acts and conduct of Jogoda and Rabenga constituted fraud, however, Claimants' delay in asserting their rights was unreasonable and thus the Claimants did not make their case for the award of damages.
3. That each party shall bear its own costs and expenses with the exception of the forum fees as addressed in this award and in the forum fees section below.
4. That any and all relief not specifically addressed herein is denied.

FORUM FEES

Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed:

1 session x \$1,000.00

Forum Fees are assessed against Respondents Jagoda and Rabenga, jointly and severally. As Respondents have been ordered to reimburse Claimants for the \$1,000.00 hearing session deposit previously submitted to the NASD Regulation, there would be no additional fee due to the NASD Regulation.

DATE

CONCURRING ARBITRATORS' SIGNATURES

4/9/97

Barton B. Skeen, Jr.

Barton B. Skeen, Jr., Presiding
Public Arbitrator

Robert L. Dennis
Public Arbitrator

Arthur J. Salzberg
Industry Arbitrator

Date Decision Served by NASD Regulation:

April 21, 1997

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. That Respondents Jagoda and Rabenga are jointly and severally liable to and shall reimburse Claimants for the \$1,000.00 hearing session deposit previously submitted to the NASD Regulation.
2. That the statement of claim is denied. The panel found that the acts and conduct of Jogoda and Rabenga constituted fraud, however, Claimants' delay in asserting their rights was unreasonable and thus the Claimants did not make their case for the award of damages.
3. That each party shall bear its own costs and expenses with the exception of the forum fees as addressed in this award and in the forum fees section below.
4. That any and all relief not specifically addressed herein is denied.

FORUM FEES

Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed:

1 session x \$1,000.00

Forum Fees are assessed against Respondents Jagoda and Rabenga, jointly and severally. As Respondents have been ordered to reimburse Claimants for the \$1,000.00 hearing session deposit previously submitted to the NASD Regulation, there would be no additional fee due to the NASD Regulation.

DATE

CONCURRING ARBITRATORS' SIGNATURES

Barton B. Skeen, Jr., Presiding
Public Arbitrator

4-10-97

Robert L. Dennis
Robert L. Dennis
Public Arbitrator

Arthur J. Salzberg
Industry Arbitrator

Date Decision Served by NASD Regulation:

April 21, 1997

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. That Respondents Jagoda and Rabenga are jointly and severally liable to and shall reimburse Claimants for the \$1,000.00 hearing session deposit previously submitted to the NASD Regulation.
2. That the statement of claim is denied. The panel found that the acts and conduct of Jogoda and Rabenga constituted fraud, however, Claimants' delay in asserting their rights was unreasonable and thus the Claimants did not make their case for the award of damages.
3. That each party shall bear its own costs and expenses with the exception of the forum fees as addressed in this award and in the forum fees section below.
4. That any and all relief not specifically addressed herein is denied.

FORUM FEES

Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed:

1 session x \$1,000.00

Forum Fees are assessed against Respondents Jagoda and Rabenga, jointly and severally. As Respondents have been ordered to reimburse Claimants for the \$1,000.00 hearing session deposit previously submitted to the NASD Regulation, there would be no additional fee due to the NASD Regulation.

DATE

CONCURRING ARBITRATORS' SIGNATURES

Barton B. Skeen, Jr., Presiding
Public Arbitrator

Robert L. Dennis
Public Arbitrator

4-14-97

Arthur J. Salzberg
Industry Arbitrator

Date Decision Served by NASD Regulation: April 21, 1997