

NASD AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

John Wong, and
Lillie A. Wong,

Claimants,

v.

No. 95-03557

Aragon Financial Services, Inc., and
Gail Gentry,

Respondents.

REPRESENTATION OF PARTIES

John Wong, and Lillie A. Wong ("**Claimants**") were represented by Paul A. Conant, Esq., and Brian I. Schulman, Esq., of Galbut and Associates, Phoenix, Arizona.

Aragon Financial Services, Inc. ("**Aragon**") was represented by Eugene W. Bell, Esq., of Jones, Bell, Simpson & Abbott, Los Angeles, California.

Gail Gentry ("**Gentry**") failed and refused to appear at the hearing to appear at the hearing.

CASE INFORMATION

Claimants' Statement of Claim was filed on or about July 21, 1995. Claimants' Submission Agreement was signed on July 21, 1995.

Aragon' Statement of Answer was filed on or about August 30, 1995. Aragon' Submission Agreement was signed on August 1, 1995.

Gentry has failed and refused to file an Answer to the Statement of Claim as well as a Submission Agreement in memoranda dated and/or received by the NASD on or about October 23, 1995, January 20, 1996, and February 19, 1996.

HEARING INFORMATION

The hearing was held on March 5, 6, and 7, 1996 for two (2) sessions each day, and on April 22, 1996 for two (2) sessions in Scottsdale, Arizona for a total of eight (8) sessions.

CASE SUMMARY

Claimants alleged that Respondents Aragon and Gentry: Engaged in unsuitable trading; committed securities fraud in violation of A.R.S. §44-1991; committed common law fraud through misrepresentations and omissions of material fact to the Claimants; violated Arizona's Organized Crime and Fraud Act; were negligent in recommending that the Claimants invest in limited partnerships; breached their fiduciary duty to the Claimants; and breached their contract with the Claimants. Claimants also alleged that Aragon failed to properly supervise Gentry. The allegations arose out of transactions in the following securities: St. Louis Leasing Corp.; Haystack Apartments, Ltd.; NAG Minnesota IX; and Continental Capital Income Fund II, Ltd. Partnership.

Unless otherwise admitted in its Answer, Aragon denied the allegations set forth in the Statement of Claim. Aragon also asserted the following affirmative defense: Claimants' claims should fail because of the fact that the investments, at the time recommended, were suitable and met the stated investment objectives of the Claimants and the Claimants assumed the risk of loss with respect to each of those investments.

RELIEF REQUESTED

In their Statement of Claim, Claimants requested an award against Aragon and Gentry, jointly and severally, as follows: For damages in an amount to be established at the arbitration, and/or rescission of the complained of investments, including also the disgorgement of commissions generated by Aragon's and Gentry's handling of their account; for treble damages; for punitive damages; for damages for illness, pain and suffering and emotional and mental distress, to be determined at the hearing; for pre-award and post-award interest at the legal rate of 10% per annum; for treble interest; for attorneys' fees, pursuant to A.R.S. §§ 12-341.01 and 44-2001 and RICO; for arbitration costs incurred herein plus accruing costs; and for such other and further relief as the arbitration panel deemed just and proper.

In its Answer, Aragon requested that the claims asserted against it be denied in their entirety and that it be awarded its' costs and attorneys' fees expended in defense of the Statement of Claim.

OTHER ISSUES CONSIDERED & DECIDED

Gentry did not appear at the hearing of this matter. Upon review of the file and the representations made by/on behalf of the Claimant, the undersigned arbitrators have determined that Respondent Gentry has been properly served with the Statement of Claim pursuant to §12 and §25 of the NASD Code of Arbitration Procedure (the "Code"). The undersigned arbitrators have also determined that Respondent Gentry had received due notice of the hearing as required under §26 of the Code and that arbitration of the matter would proceed pursuant to §29 of the Code.

At the hearing of this matter, Claimants made a Motion to Bar Respondent Gentry from presentation of any defenses and entry of Default Award. After hearing argument from the parties present at the hearing, and deliberation, the undersigned arbitrators denied Claimants' motion.

The parties present at the hearing have agreed that a handwritten, signed Award may be entered. The parties have agreed to receive conformed copies of the award while the original remains 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:

I. Jurisdiction

The arbitration panel is aware that the Respondent, Gail Gentry, a/k/a Gail Gentry Grisek ("Gentry") did not:

1. File any pleading answering or responding to the Claimants' claim; and
2. Did not file a submission agreement; and
3. Did not appear at the Arbitration Hearing; and
4. Did on several occasions write to the NASD letters (which are in evidence, and were considered by the panel) stating, "The NASD has no jurisdiction over me..."

Based upon all of the evidence presented at the hearings and the applicable law, the Arbitration Panel finds and concludes that the Respondent Gentry is subject to this Arbitration and the awards made herein. (See NASD Manual ¶ 1154; Claimant hearing memorandum p. 6)

The Arbitration Panel further finds that Gentry did receive adequate and due notice of all of the arbitration hearings held in this matter. (See Arbitration Manual, p. 29)

II. Damages

A. Rescission Damages and Trading Loss Damages

It is ordered that Aragon Financial Services, Inc. ("Aragon") and Gail Gentry are jointly and severally liable to John and Lillie Wong ("Claimants") in the amount of \$189,869.00, together with interest at the rate of 10% per annum from February 1, 1996. Upon payment in full of the foregoing amount, the Claimants shall assign and turn over to the Respondent who makes payment of the Award of Claimants' interest and title to the investments known as: St. Louis Leasing Corp.; Haystack Apartments, Ltd.; Continental Capital Income Fund II, Ltd. Partnership.; and NAG Minnesota IX. If Claimants receive payments from both Respondents, then the assignment shall name both payees as their interest may appear.

B. Punitive Damages

It is further ordered that, as and for punitive damages and over and above the foregoing amount, that Gail Gentry, alone, is individually liable to the Claimants in the sum of \$100,000.00, together with interest at the rate of 10% per annum from April 25, 1996. The authority for the award of punitive damages can be found in Claimants' hearing brief.

Respondents Aragon and Gentry are jointly and severally liable for, and shall pay to the Claimants the sum of \$850.00 as an Award of their filing fees and hearing session deposit paid to the NASD upon the filing of this arbitration.

All other claims for damages/requests for relief not specifically set forth in this Award are, and each of them, denied with prejudice.

Except as set forth in this Award, each party shall bear its own costs and expenses, including attorneys' fees, associated with this arbitration.

FORUM FEES

Forum fees are calculated at the rate of \$600 per hearing session and \$300 for each prehearing conference, if any. There were eight (8) sessions x \$600 = \$4,800 in forum fees. Pursuant to §43(b) of the NASD Code of Arbitration Procedure (the "Code"), a hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less.

Pursuant to §43(c) of the Code, the NASD shall **refund** the non-refundable filing fee in the amount of \$250 and shall **refund** the hearing session deposit in the amount of \$600 previously deposited with the NASD by the Claimants.

Pursuant to §45 of the Code, the NASD shall retain the member surcharge fee in the amount of \$300 previously paid by Aragon.

Additional forum fees in the amount of \$4,800 are assessed jointly and severally against Aragon and Gentry.

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

Dated:

Irving Lowe
Irving Lowe
Public Arbitrator, Presiding Chair

/s/

June 10, 1996

Ted R. Pickett
Ted R. Pickett
Public Arbitrator

/s/

June 10, 1996

Lehman W. Williams
Lehman W. Williams
Industry Arbitrator

/s/

June 10, 1996

N.A.S.D. DISCIPLINARY REFERRAL

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

John Wong, and
Lillie A. Wong,

Claimants.

v.

No. 95-03557

Aragon Financial Services, Inc., and
Gail Gentry,

Respondents.

Hearings were held on March 5, 6, and 7, 1996 and April 22, 1996 in Scottsdale, Arizona. During the course of the hearings, the undersigned arbitrators heard testimony and reviewed evidence that indicated that Aragon Financial Services, Inc., Douglas Lish, Karyn Weaver, and Gail Gentry may have committed misconduct in violation of NASD Rules. Therefore, the arbitrators are requesting that this matter be submitted for disciplinary review.

Dated:

Irving Lowe
Irving Lowe
Public Arbitrator, Presiding Chair

/s/

June 10, 1996

Ted R. Pickett
Ted R. Pickett
Public Arbitrator

/s/

June 10, 1996

Lehman W. Williams
Lehman W. Williams
Industry Arbitrator

/s/

June 10, 1996