

9711034

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

Gary Ilgenfritz

96-05659

Name of Respondents

Questron Securities, Inc.
Sam E. Harris

REPRESENTATION

Claimant Gary Ilgenfritz ("Claimant") was represented by Jonathan H. Colman, Esq., Paoli, PA.

Respondents Questron Securities, Inc. ("Questron") and Sam E. Harris ("Harris") did not appear.

CASE INFORMATION

The Statement of Claim was filed December 20, 1996.

Claimant's Uniform Submission Agreement was signed December 12, 1996.

A Joint Statement of Answer by Questron and Harris (collectively "Respondents") was filed January 24, 1997.

Neither Questron nor Harris submitted an executed agreement to arbitrate.

HEARING INFORMATION

Hearing Date and Sessions: October 7, 1997/one session

Hearing Location: NASD Regulation District Office
Philadelphia, PA

CASE SUMMARY

Claimant alleged that he had been fraudulently induced to purchase four units of the Woodland Energy Partnership #3 ("Woodland 3") for \$20,000.00 by means of misrepresentations and material omissions. Claimant alleged that he was induced to authorize the transaction based on Respondents' misrepresentation that two wells had already been drilled and proved successful, and that the investment would be producing a return of \$700.00 per month on a \$25,000.00 investment. Claimant further alleged that the financial projections on page 12(c) of the sales brochure, showing returns ranging from approximately 50% to 150% annually were fraudulent or reckless in that they were prepared without any reasonable basis and in violation of Section 609.010 of the Pennsylvania Code. In addition, Claimant alleged that Respondents failed to disclose in the Woodland 3 Private Placement Memorandum ("PPM") that Questron and its president and principal owner, Harris, were the subject of a cease and desist order and other disciplinary orders; which was determined to be an unlawful material omission in the Woodland 3 PPM by the

9411084

Pennsylvania Securities Commission order dated November 4, 1994, revoking the sales exemption of Woodland 3. In addition, Claimant alleged that Respondents failed to disclose in the Woodland 3 PPM, the performance of the prior drilling partnerships in which the principals of the general partner, including Harris, had been involved; the long-term government obligations that were supposed to be purchased to assure the return of the investor's capital would not do so until approximately the year 2030, and that investors might not realize any return on their investment for half a lifetime; and that Harris and his partner Max Becker were the principal owners of not only the brokerage firm selling the units (Questron), but also the general partner, Sterling Energy Partners, Ltd., and the driller and well operator, Petro Energy, Inc., and that those entities owned by Harris and his partner would receive more than 85% of the investors' funds and would profit handsomely, even if all the wells proved to be dry.

The Claimant further contended that Respondents were responsible under the doctrine of respondeat superior and that Harris was responsible personally for the loss because he was the President and principal owner of all the entities involved in the transaction. In addition, Claimant asserted that Harris' signature was on the subscription documents as well as on the PPM and that he was therefore responsible for the false and misleading representations and omissions of fact in the sales brochures and PPM.

Respondents Questron and Harris, in their Joint statement of Answer, denied allegations of wrong-doing as asserted in the Statement of Claim. Respondents maintained that Questron did its job selling the units and the general partner did its job in having the wells drilled and there was no guarantee to any investors. Harris denied selling any individual units and therefore, he was not liable for any loss suffered by Claimant. Respondents maintained that the case had no merit.

RELIEF REQUESTED

Claimant requested relief of \$19,353.00 plus preaward interest from January 1, 1993 through September 1997 at 6% for a total of \$24,868.60 inclusive of interest, or in the alternative, \$42,076.45 being the amount which Claimant's net investment of \$19,353.00 would have been worth if it had been invested in the S&P Index between December 31, 1992 and September 30, 1997; as well as treble damages and reasonable attorney's fees under the Pennsylvania Consumer Protection Law.

Respondents requested that the Statement of Claim be dismissed.

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 the NASD.

The panel determined that although Respondents Questron Securities, Inc. and Sam E. Harris did not submit properly executed agreements to arbitrate, they are required to submit to arbitration pursuant to Rule 10301 of the NASD Regulation Code of Arbitration Procedure ("Code"). Therefore, Respondents are bound by the rulings of the panel.

9711084

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 Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall pay to Claimant damages of \$24,868.60, inclusive of interest.
2. That Respondents Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall pay to Claimant treble damages of \$38,059.00.
3. That Respondents Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall reimburse to Claimant the Forum Fee deposit of \$400.00 previously submitted to the NASD Regulation.
4. That any and all relief not specifically addressed herein is denied.

OTHER COSTS

Pursuant to Rule 10333 Respondent Questron Securities, Inc. is assessed a member surcharge of \$200.00.

FORUM FEES

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

1 session x \$400.00 = \$400.00

Forum fees are assessed to Respondents Questron Securities Inc and Sam E. Harris, jointly and severally. Respondents Questron Securities Inc and Sam E. Harris will receive credit for the \$400.00 hearing session deposit submitted by Claimant and reimbursed directly to Claimant by the Respondents as ordered above, leaving no further Forum Fees assessment due.

DATE

CONCURRING ARBITRATORS' SIGNATURES

10-21-97

James A. Jennings
James A. Jennings, Presiding
Public Arbitrator

Michael E. Scullin
Public Arbitrator

Vernon C. Walker
Industry Arbitrator

Date Decision Served by NASD Regulation:

November 11, 1997

951108A

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 Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall pay to Claimant damages of \$24,868.60, inclusive of interest.
2. That Respondents Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall pay to Claimant treble damages of \$58,059.00.
3. That Respondents Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall reimburse to Claimant the Forum Fee deposit of \$400.00 previously submitted to the NASD Regulation.
4. That any and all relief not specifically addressed herein is denied.

OTHER COSTS

Pursuant to Rule 10333 Respondent Questron Securities, Inc. is assessed a member surcharge of \$200.00.

FORUM FEES

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

1 session x \$400.00 = \$400.00

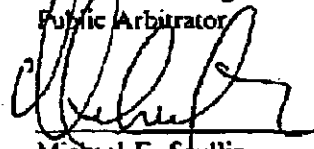
Forum Fees are assessed to Respondents Questron Securities Inc. and Sam E. Harris, jointly and severally. Respondents Questron Securities Inc. and Sam E. Harris will receive credit for the \$400.00 hearing session deposit submitted by Claimant and reimbursed directly to Claimant by the Respondents as ordered above, leaving no further Forum Fees assessment due.

DATE

CONCURRING ARBITRATORS' SIGNATURES

11/4/97

James A. Jennings, Presiding
Public Arbitrator



Michael E. Scullin
Public Arbitrator

Vernon C. Watker
Industry Arbitrator

Date Decision Served by NASD Regulation: November 11, 1997

9711084

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 Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall pay to Claimant damages of \$34,868.60 inclusive of interest.
2. That Respondents Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall pay to Claimant treble damages of \$58,059.00.
3. That Respondents Questron Securities, Inc. and Sam E. Harris are jointly and severally liable to and shall reimburse to Claimant the Forum Fee deposit of \$400.00 previously submitted to the NASD Regulation.
4. That any and all relief not specifically addressed herein is denied.

OTHER COSTS

Pursuant to Rule 10333 Respondent Questron Securities, Inc. is assessed a member surcharge of \$200.00.

FORUM FEES

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

1 session x \$400.00 = \$400.00

Forum Fees are assessed to Respondents Questron Securities Inc. and Sam E. Harris, jointly and severally. Respondents Questron Securities Inc. and Sam E. Harris will receive credit for the \$400.00 hearing session deposit submitted by Claimant and reimbursed directly to Claimant by the Respondents as ordered above, leaving no further Forum Fees assessment due.

DATE

CONCURRING ARBITRATORS' SIGNATURES

James A. Jennings, Presiding
Public Arbitrator

Michael E. Scullin
Public Arbitrator

10-20-97

Vernon C. Walker
Vernon C. Walker
Industry Arbitrator

Date Decision Served by NASD Regulation: November 11/1997