

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

Robert E. & Peggy L. Muldrow

96-01306

Name of Respondent(s)

World Invest Corporation
Michael Hardman

REPRESENTATION

For Claimants Robert and Peggy Muldrow ("the Muldrows"): Floyd Brown, Esq. of Brown & Pearson, P. C., Carlsbad, CA.

For Respondent World Invest Corporation ("World Invest"): William Sumner Scott, Esq. of The Scott Law Firm, Hollywood, FL.

William Sumner Scott, Esq. of The Scott Law Firm, Hollywood, FL. appeared on behalf of Respondent Michael T. Hardman ("Hardman") only to request an extension of time to file a Statement of Answer. Thereafter, Respondent Hardman appeared pro se.

CASE INFORMATION

Statement of Claim filed: March 25, 1996. Claimants' Submission Agreement signed on: February 26, 1996.

Statement of Answer filed by Respondent World Invest on: May 28, 1996. Respondent World Invest's Submission Agreement signed on: May 24, 1996 by Michael Falken on behalf of World Invest.

Claimants dismissed their claim against Respondent Hardman prior to the time that his Statement of Answer was due. (see "Other Issues").

HEARING INFORMATION

On January 8, 1997 a telephonic prehearing conference was conducted with an arbitrator.

On January 27 and 28, 1997 in Ft. Lauderdale, Florida hearings lasting four sessions were conducted.

CASE SUMMARY

Claimants alleged that Respondent was liable for breach of fiduciary duty; negligence; common law fraud; violations of the NASD Rules of Fair Practice; and, violations of securities laws, securities rules and ethics rules.

Claimants alleged that, as a result of various misrepresentations, Claimants purchased one-half unit in Signal Natural Gas Partners. Claimants maintained that the investment was a direct participation program (as defined in NASD Rules of Fair Practice Art. III, Sec. 34(a)(2)), and was a security in the form of a California joint venture which was supposed to be converted into a California limited partnership. Claimants further alleged that the security was unregistered and Respondent failed to fully disclose the nature of the investment and failed to perform due diligence.

Respondent World Invest denied all allegations of wrongdoing and alleged that it did not breach any duty owed to Claimants; the claim is barred by statutes of limitation; and, Claimants received a tax benefit from the investment. Respondent World Invest maintained that Claimants received distributions on their investment; Claimants were suitable for the investment; Respondent performed extensive due diligence; and, the decline of the investment's value was caused by market conditions. Respondent World Invest asserted affirmative defenses including statute of limitations and absence of any fraud on the part of World Invest.

RELIEF REQUESTED

Claimants requested damages in the amount of \$12,500.00 plus interest at the rate of 10% per annum, punitive damages in the amount of \$37,500.00, costs and attorney's fees.

Respondent World Invest requested dismissal of the claim plus costs and attorney's fees.

OTHER ISSUES CONSIDERED & DECIDED

1. On May 29, 1996 Claimants dismissed Respondent Hardman with prejudice. Consequently, the panel has made no determinations with respect to Respondent Hardman.
2. 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.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and post hearing submissions (if any), the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent World Invest is found liable and shall pay to Claimants the amount of \$9,306.00.

2. Claimants' requests for pre-judgement interest, punitive damages, costs, and attorney's fees are denied.

3. Respondent's requests for costs and attorney's fees are denied.

4. Respondent is also found liable and shall pay to Claimants the further amount of \$400.00 representing a reimbursement to Claimants of the \$400.00 hearing session deposit previously paid by Claimants to the NASD.

OTHER COSTS

Other than the forum fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding.

FORUM FEES

Pursuant to Rule 10332(c) of the NASD Code of Arbitration Procedure, the panel has assessed forum fees in the amount of \$1,900.00 (four sessions x \$400.00 per session plus \$300.00 for the prehearing conference).

1. Respondent World Invest is hereby assessed \$1,900.00 for which the NASD shall retain the \$400.00 previously paid by Claimants to the NASD in partial satisfaction thereof, leaving a balance due to the NASD of \$1,500.00.

2. The NASD shall retain the \$120.00 non-refundable filing fee previously paid by Claimants to the NASD.

3. The NASD shall retain the \$200.00 member surcharge previously paid by Respondent to the NASD.

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

Concurring Arbitrators' Signatures
Name

Public/Industry

_____/s/_____
Jacob I. Levine

Public/Chairman

_____/s/_____
Kathy N. Novick

Industry

_____/s/_____
Stan West

Public

Date of Decision: February 26, 1997