

NASD REGULATION AWARD

NASD REGULATION

In the Matter of the Arbitration Between

Name of Claimant

Warren F. Spencer

96-01432

Name of Respondent

World Invest Corporation

REPRESENTATION

For Claimant Warren F. Spencer ("claimant") appeared Floyd R. Brown of the law firm Brown & Pearson located in Carlsbad, California.

For Respondent World Invest Corporation ("WIC") appeared William Sumner Scott, Esq., of the law firm The Scott Law Firm located in Hollywood, Florida.

CASE INFORMATION

The Statement of Claim was filed on April 1, 1996. Claimant's Submission Agreement was signed on April 3, 1996.

Respondent's Answer to the Statement of Claim was filed on June 6, 1996. Respondent WIC did not execute a Submission Agreement.

HEARING INFORMATION

Hearing Date/Sessions: January 30, 1997 - 2 Sessions

The hearings were held at the offices of the NASD Regulation, Inc. located in Atlanta, Georgia.

CASE SUMMARY

Claimant alleged that he was unsophisticated and inexperienced as to securities investments, and, in particular, as to natural gas partnerships. Claimant further alleged that on or about October 1991, he was contacted by David Robbins ("Robbins") and was told that he was acting on behalf of respondent WIC. Claimant also alleged that Robbins told him that his investment was investigated by WIC and that it was secured by a Principal Investment Guarantee from a major accredited California Corporate Surety. Claimant asserted Robbins also told him there was no significant risk in the use of a joint venture business form for the conduct of the business contemplated by the investment. Claimant further asserted

that as a result of the forgoing facts, he purchased one-half unit in Signal Natural Gas Partners 1991 in October 1991. Claimant also asserted that the investment was a direct participation program, a security in the form of a California joint venture which was to be converted into a California limited partnership. Claimant contended that the security is worthless and unregistered.

Claimant further contended that respondent breached its fiduciary duty to claimant by failing to perform "due diligence" with regard to the investment. Claimant argued that even a cursory "due diligence" review would have revealed that in the prior record of the promoters there was both a state securities regulatory procedure in which an injunction was ordered against the principal promoter and that there was a state injunction for civil fraud against the same promoter. Claimant alleged that such an effort would have also disclosed that the purported issuer performance guarantee did not exist in the State of California.

Respondent maintained that claimant on his account form submitted that he was an "accredited investor", by virtue of having a net worth in excess of \$1,000,000.00. Respondent further maintained that on or about June 1991, claimant discussed with Robbins an investment objective to find a "tax-shelter investment" to reduce his Federal tax due at the end of the year. According to respondent, Robbins delivered a Private Placement Memorandum ("PPM") for Signal Natural Gas Partners 1991 to claimant. Respondent contended that in response to Robbins delivery, claimant forwarded his subscription documents and his check dated June 20, 1991. Respondent further contended that claimant was not coerced by Robbins to make this transaction. Respondent alleged that claimant assured Robbins that he was an "accredited investor" who was independently capable of analyzing the risks and subscribed to the subject transaction with Signal, after reviewing the PPM. Respondent maintained that the reason for the failure of the investment to perform was an unforeseeable precipitous decline in market prices for natural gas.

Respondent further maintained that Robbins was an independent contractor responsible for his overhead and financial planning and was also a Registered Representative of WIC. Respondent asserted that no Register Representative is authorized by it to make any statements concerning the offering other than to deliver a copy of the PPM to qualified prospects. Respondent contended that it appeared reasonable to it that a \$12,500.00 investment was suitable for a person with a net worth over \$1,000,000.00. Respondent further contended that it had no direct contact with claimant regarding the Signal 91 investment other than to review claimant's account forms and subscription documents. Respondent also contended that the promise by the General Partner to purchase a guarantee at sometime in the future is not legally binding upon the Partnership and claimant had no right to rely upon this future promise at the time he made this investment. Respondent maintained that claimant was told, in the PPM, that the purchase of the assurance would not be a guarantee. Respondent further maintained that claimant was told to rely upon independent persons for financial and tax planning.

Respondent also maintained that it had no knowledge of the present value of claimant's investment in Signal 91 and demanded strict proof that it provided no past value to claimant and is presently worthless. Respondent contended that claimant took and received a tax benefit as a result of the purchase of Signal 91. Respondent denied claimant's allegation that it failed to perform due diligence and thereby failed to disclose the nature of the investment. Respondent further contended that it conducted an extensive due diligence into Signal, the proposed Partnership and its principal and promoters and on the proposed third-party issuer of the Principal Investment Guarantee, prior to engaging in any activity. Respondent denied that it or anyone on its behalf made fraudulent promises of investment return to claimant. Respondent denied that it knowingly participated in an offering which did not qualify or otherwise obtain an exemption from registration in the state of Georgia or any other jurisdiction requiring such exemption related to the sale offering to claimant. Respondent asserted that through the representation of the

General Partner made prior to the offering, the offering qualified for the private offering exemption in Section 4(2) of the Securities Act of 1933, as well as Florida's private offering exemption.

RELIEF REQUESTED

Claimant requested \$12,500.00, together with punitive damages in the sum of \$37,500.00, plus interest at the rate of ten percent per annum on said sum from the date of purchase until the date of the award, together with costs and attorneys' fees.

Respondent WIC requested that the claims of claimant be dismissed in their entirety, and that all costs be assessed against claimant, including reasonable attorneys' fees.

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 arbitrators made the following rulings concerning Respondent WIC who failed to submit a Submission Agreement in this matter:

1. Pursuant to Rule 10101 of the Code of Arbitration Procedure (the "Code"), the panel found subject matter jurisdiction over the entire controversy.
2. The panel found that World Investment Corporation was a member of the NASD at the time this controversy arose and consequently the panel found jurisdiction over World Investment Corporation.
3. In view of the above, the panel found that World Investment Corporation was required to file with NASD Regulation a properly executed Submission Agreement.

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. Respondent World Invest Corporation be and hereby is liable and shall pay claimant the sum of \$12,386.00.
2. Respondent World Invest Corporation be and hereby is liable and shall pay claimant the sum of \$10,000.00 representing attorneys' fees awarded pursuant to O.G.C.A. 13-6-11.
3. Respondent World Invest Corporation be and hereby is liable and shall pay claimant the sum of \$6,508.95, representing interest at the rate of 10% from October 1991 to February 1997.
4. Claimant's request for punitive damages is hereby denied.

5. Respondent's request for attorney's fees is hereby denied.
6. All other relief requests are denied.

FORUM FEES

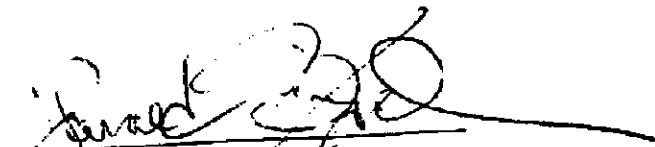
Pursuant to Rule 10332 of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation shall retain the \$120.00 filing fee previously deposited by claimant and have assessed the following Forum Fees:

2 Hearing Sessions X \$400.00	=	\$800.00
minus deposit	=	<u>\$400.00</u>
Total Outstanding	=	\$400.00.

The panel has determined to assess the entire cost of the arbitration against respondent World Invest Corporation. Therefore, respondent World Invest Corporation is liable to and shall pay NASD Regulation the sum of \$400.00, representing the outstanding forum fees. Respondent World Invest Corporation be and hereby is liable and shall pay claimant the sum of \$400.00 as reimbursement for the hearing session deposit.

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

ARBITRATORS' SIGNATURES

A handwritten signature in dark ink, appearing to read "Harold Siegel", written over a horizontal line.

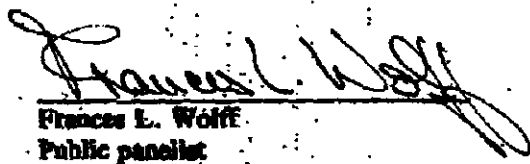
Harold Siegel
Public Chairperson

Frances L. Wolff
Public panelist

Steven P. Gregory, Esq.
Industry panelist

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