

**AWARD**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between

Name of Claimant

Securities Service Network, Inc.

and

01-01842  
Nashville, Tennessee.

Name of Respondents

MetLife Securities, Inc.  
Metropolitan Life Insurance Company

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Nature of the Dispute: Member vs. Member.

**REPRESENTATION OF PARTIES**

Securities Service Network, Inc. ("**Claimant**" or "**SSN**") was represented by David T. Bellaire, Esq. and Ron Klimas, Esq., Securities Service Network, Inc., Knoxville, Tennessee.

MetLife Securities, Inc. ("**Respondent MetLife**") and Metropolitan Life Insurance Company ("**Respondent MLIC**") hereinafter referred to as ("**Respondents**") were originally represented by Jeffrey S. Lichtman, Esq., Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York and Mitchell Elberg, Esq., Metropolitan Life Insurance Company, New York, New York. Respondents were subsequently represented by B. John Pendleton, Esq. and Raphael M. Rosenblatt, Esq., McCarter & English, LLP, Newark, New Jersey.

**CASE INFORMATION**

The Statement of Claim was filed on or about April 11, 2001. Immediate Injunction Request was filed on or about July 11, 2001. Response to Motion to Dismiss was filed on or about March 4, 2005. Submission Agreement of Claimant Securities Service Network, Inc. was signed on April 5, 2001.

Metropolitan Life Insurance Company and MetLife Securities, Inc.'s Statement of Answer to the Statement of Claim was filed on or about July 12, 2001. Metropolitan Life Insurance Company and MetLife Securities, Inc.'s Opposition to Claimant's Request for an Immediate Injunction was filed on or about July 23, 2001. Motion to Dismiss was filed by Respondents Metropolitan Life Insurance Company and MetLife Securities, Inc. on or about March 2, 2005. Submission Agreement of Respondent MetLife Securities, Inc. was signed on May 9, 2001. Submission Agreement of Respondent Metropolitan Life Insurance Company was signed on May 9, 2001.

The parties submitted a List of Stipulated Facts on June 3, 2005.

### CASE SUMMARY

Claimant specifically stated as follows:

SSN brings this Statement of Claim, with the causes of action set forth herein for MLIC's failure to supervise and failure and/or refusal to disclose material information regarding Mr. Steven Schaefer (hereinafter referred to as "Mr. Schaefer") and Mr. Dale Veitch (hereinafter referred to as "Mr. Veitch"), who were affiliated as registered representatives with MLIC. Mr. Schaefer was affiliated with MLIC during the period from October 14, 1985 through April 21, 1995. Mr. Veitch was affiliated with MLIC from September 6, 1993 to April 14, 1995. SSN contends that MLIC's acts, errors, omissions and non-disclosure of material information induced and caused SSN to accept Messrs. Schaefer and Veitch's request to transfer their broker-dealer affiliation to SSN in late 1995.

Despite SSN's diligent supervision of Messrs. Schaefer and Veitch during their affiliation with SSN, former customers of Messrs. Schaefer and Veitch, who allege that they engaged in the sale of sham investments and other fraudulent activity, have subjected SSN to a variety of claims and arbitration proceedings. SSN has learned that all such complained of activity and alleged bad acts, began and were actively pursued while Messrs. Schaefer and Veitch were affiliated with MLIC.

SSN contends that had MLIC fully disclosed all essential material information to the NASD through Form U-4 and/or U-5 filings, properly supervised Messrs. Schaefer and Veitch and/or properly investigated the activities of Messrs. Schaefer and Veitch, SSN would not have incurred the damage it has as a result of settlements with aggrieved investors, investigations by regulatory bodies, or attorney's fees and expenses incurred as a result of such activity. Since MLIC's gross negligence appears to be part of a pattern of conduct, SSN believes substantial punitive damages are in order.

In their Statement of Answer, Respondents stated as follows:

The gravamen of SSN's claim is that MetLife failed to report thirty customer complaints regarding Schaefer and Veitch on their U-4 and U-5's and, but for this failure, SSN would never have hired the two registered representatives or would have discovered their fraudulent activities sooner. SSN's Statement of Claim suffers from multiple fatal defects, each of which independently merits ruling for MetLife in this arbitration. These defects include:

1. SSN has no private right of action against MetLife for a violation of NASD rules regarding the submission of U-4 and U-5 forms. Accordingly, MetLife has no "duty" to SSN with respect to these forms, regardless of whether that "duty" is phrased in terms of

negligence, fraud or contract.

2. Most of the customer claims cited by SSN are irrelevant and not reportable. Although SSN's Statement of Claim refers to thirty alleged customer complaints MetLife received regarding Schaefer and Veitch, many can be quickly eliminated from consideration. MetLife did not receive seven of the complaints until after Schaefer and Veitch left SSN and those complaints are therefore irrelevant to SSN's hiring decisions. Sixteen complaints were received by MetLife more than six years prior to the filing of this arbitration and, therefore, any consideration of those claims is barred by NASD rules. Moreover, most of the claims are not reportable on U-4 and U-5 forms under the relevant standards applicable to those forms. Therefore, by not reporting those claims, MetLife acted properly.
3. SSN would likely have hired Schaefer and Veitch even assuming certain customer complaints had been reported. Therefore, SSN cannot demonstrate that MetLife caused any of SSN's alleged damages.
4. SSN cannot show that it suffered any recoverable damages in this matter. This is especially true with respect to punitive damages. Because the NASD is responsible for supervising and enforcing its rules and regulations regarding the submission of U-5 forms and has already taken action with respect to any deficiencies in MetLife's U-5 reporting at the relevant time, any assessment of punitive damages here is improper, unnecessary and duplicative.

#### **RELIEF REQUESTED**

Claimant requested the following relief:

- A. That judgment be entered against MLIC on the claims set forth above in an amount to be determined by the Arbitration Panel. Such judgment should cover SSN's cost of defense (including those costs already incurred and those that shall be paid), settlements paid (or to be paid), judgments awarded (or to be awarded) and damages to SSN's business reputation and relationship with the many regulatory authorities that oversee the securities industry. SSN estimates these damages at approximately one million dollars (\$1,000,000.00). SSN reserves the right to amend this Statement of Claim to reflect any new claims or costs that may come to light prior to the conclusion of this matter;
- B. That such punitive damages be assessed against MLIC as the Arbitration Panel deems just and proper;
- C. That SSN be awarded its costs and attorney's fees incurred in prosecuting this claim and in defending all of the claims related to the activities of Messrs. Schaefer and Veitch; and

D. Such other and further relief as the Arbitration Panel deems just and proper.

Respondents requested that the claims asserted in this matter be dismissed and judgment entered in their favor. Respondents also requested an award of their attorneys' fees and costs in defending this action and any other relief that the Panel deems appropriate.

### **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 original(s) remain on file with the NASD Dispute Resolution (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:

1. All claims asserted in this matter are dismissed.
2. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
3. 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, including but not limited to attorneys fees, not specifically awarded or otherwise provided for above.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD Dispute Resolution will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$1,250.00

### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firm(s) are Securities Service Network, Inc., MetLife Securities, Inc. and Metropolitan Life Insurance Company.

Member surcharge	\$	2,000.00
Pre-hearing process fee	\$	600.00
Hearing process fee	\$	3,500.00
Total Member Fees	\$	6,100.00

### **Adjournment Fees**

Adjournments requested during these proceedings:

Hearing Date(s), July 14-18, 2003 adjournment jointly requested to mediate	= \$1,200.00
Fee waived	
Hearing Date(s), June 21-25, 2004 adjournment requested by Claimant	= \$1,200.00
Hearing Date(s), April 4-8, 2005 adjournment requested by Respondents	= \$1,200.00

### **Forum Fees and Assessments**

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

2	Pre-hearing session(s) with a single arbitrator	x	\$450.00	\$	900.00
	July 24, 2001	1	session		
	September 24, 2004	1	session		
7	Pre-hearing session(s) with Panel	x	1,200.00	\$	8,400.00
	October 17, 2002	1	session		
	September 17, 2003	1	session		
	March 31, 2004	1	session		
	March 24, 2005	2	sessions		
	March 31, 2005	1	session		
	August 16, 2005	1	session		
9	Hearing sessions	x	1,200.00	\$	10,800.00
	August 3, 2005	2	sessions		
	August 4, 2005	2	sessions		
	August 5, 2005	2	sessions		

November 9, 2005	2	sessions	
November 10, 2005	1	session	
Total Forum Fees			\$ 20,100.00

The Arbitration Panel has assessed \$20,100.00 of the forum fees jointly and severally to MetLife Securities, Inc. and Metropolitan Life Insurance Company.

**Fee Summary**

Claimant, Securities Service Network, Inc., is liable for:

Initial Filing Fee	= \$	1,250.00
Member Fees	= \$	6,100.00
Adjournment Fee	= \$	1,200.00
Total Fees	= \$	8,550.00
<u>Less payments</u>	= \$	-9,750.00
Balance to be refunded by NASD Dispute Resolution	= \$	-1,200.00

Respondent, MetLife Securities, Inc., is liable for:

Member Fees	= \$	6,100.00
Total Fees	= \$	6,100.00
<u>Less payments</u>	= \$	-6,100.00
Balance Due NASD Dispute Resolution	= \$	0.00

Respondent, Metropolitan Life Insurance Company, is liable for:

Member Fees	= \$	6,100.00
Total Fees	= \$	6,100.00
<u>Less payments</u>	= \$	-6,100.00
Balance Due NASD Dispute Resolution	= \$	0.00

Respondents, MetLife Securities, Inc. and Metropolitan Life Insurance Company, are jointly and severally liable for:

Adjournment Fee	= \$	1,200.00
<u>Forum Fees</u>	= \$	20,100.00
Total Fees	= \$	21,300.00
<u>Less payments</u>	= \$	-1,400.00
Balance Due NASD Dispute Resolution	= \$	19,900.00

**All balances are due to NASD Dispute Resolution**

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**ARBITRATION PANEL**

Jeffrey M. Bain, Esq. - Public Arbitrator, Presiding Chair  
Marion R. Allen - Public Arbitrator  
Claude O. Ramer, II - Non-Public Arbitrator

Concurring Arbitrators:

  
Jeffrey M. Bain, Esq.  
Public Arbitrator, Presiding Chair

Marion R. Allen  
Public Arbitrator

Claude O. Ramer, II  
Non-Public Arbitrator

*December 6, 2005*  
Signature Date

Signature Date

Signature Date

Date of Service (For NASD office use only)

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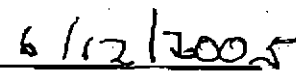
Jeffrey M. Bain, Esq. - Public Arbitrator, Presiding Chair  
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Jeffrey M. Bain, Esq.  
Public Arbitrator, Presiding Chair

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Signature Date

  
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Marion R. Allen  
Public Arbitrator

  
\_\_\_\_\_  
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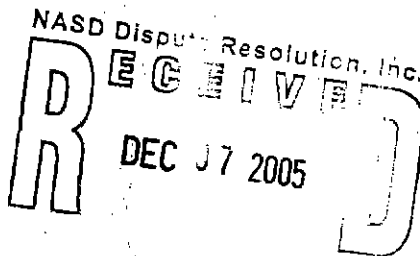
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Non-Public Arbitrator

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Signature Date

12/4/05

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