

**Award**  
**NASD Regulation, Inc.**

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In the Matter of the Arbitration Between

Name of Claimant

Reinhard Hecht

Case No. 99-00430

Names of Respondents

GKN Securities Corp.  
Kerry L. Hoffman  
Matthew B. Schechner

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**REPRESENTATION OF PARTIES**

For Reinhard Hecht ("Hecht"), hereinafter referred to as "Claimant": Alan C. Kauffman, Esq. of Alan C. Kauffman & Associates, P.A., Boca Raton, Florida.

For GKN Securities Corp. ("GKN"), Kerry L. Hoffman ("Hoffman") and Matthew B. Schechner ("Schechner"), hereinafter referred to as "Respondents": Katherine Nathan, Esq. of GKN Securities Corp., New York, New York.

**CASE INFORMATION**

Statement of Claim filed on: February 23, 1999.

Claimant Hecht signed the Uniform Submission Agreement on: January 26, 1999.

Statement of Answer filed by Respondent GKN on: May 24, 1999.

Respondent GKN's Uniform Submission Agreement signed on: May 21, 1999 by Katherine Nathan, General Counsel, on behalf of the firm.

Joint Statement of Answer filed by Respondents Hoffman and Schechner on: May 27, 1999.

Respondent Hoffman signed the Uniform Submission Agreement on: May 24, 1999.

Respondent Schechner signed the Uniform Submission Agreement on: May 24, 1999.

**CASE SUMMARY**

Claimant alleged the following causes of action against Respondents: unsuitability of investments; unauthorized trading in Claimant's account; misrepresentation; failure of GKN to supervise its brokers Schechner and Hoffman; violation of "know-your-client rule"; and, failing to verify the financial information of Claimant listed on the new account form.

Respondents denied the allegations of wrongdoing contained in the Statement of Claim and alleged the following: It was not misconduct, but market conditions in the small cap market in late 1997 and 1998 that led to a decline in the value of Claimant's GKN portfolio. It is

unfortunate that the account was not more profitable but every transaction was fully discussed with Claimant and authorized by Claimant who was aware of the risk of loss and acknowledged his acceptance of that risk. Therefore, it is Claimant who is liable for the consequences of his investment decisions.

### **RELIEF REQUESTED**

Claimant requested compensatory damages in the amount of \$170,000.00 plus interest to the date of payment of the Award, costs, filing fees, attorney's fees, punitive damages and such other relief deemed appropriate by the panel.

Respondents requested that the Statement of Claim be dismissed in its entirety and that Claimant be assessed all the costs of this proceeding.

### **OTHER ISSUES CONSIDERED AND 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.

### **AWARD**

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

1. Respondents GKN, Hoffman and Schechner are found not liable, and, therefore, all claims against them are hereby denied.
2. Claimant's requests for interest, costs, filing fees, attorneys' fees and punitive damages are hereby denied.
3. All other requests for relief not specifically addressed herein are denied.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD Regulation, Inc. will retain or collect the non-refundable filing fees for each claim:  
Initial claim filing fee = \$ 200.00

### Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated persons at the time of the events giving rise to the dispute. In this matter, the member firm, GKN, is a party.

Member surcharge	= \$1,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$2,500.00

### Forum Fees and Assessments

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

One (1) Pre-hearing session with the Panel x \$750.00	= \$ 750.00
Pre-hearing conference date : September 29, 1999 1 session	
Four (4) Hearing sessions x \$750.00	= \$3,000.00
Hearing Dates:	March 21, 2000 2 sessions
	March 22, 2000 2 sessions
Total Forum Fees	= \$3,750.00

The Panel has assessed \$3,750.00 of the forum fees jointly and severally to Respondents GKN, Hoffman, and Schechner.

### Fee Summary

Claimant Hecht be and hereby is solely liable for:

Initial Filing Fee	= \$ 200.00
Total Fees	= \$ 200.00
<u>Less payments</u>	= \$ 200.00
Balance Due NASD Regulation, Inc.	= \$ 0.00

Respondent GKN be and hereby is solely liable for:

Member Fees	= \$4,600.00
Total Fees	= \$4,600.00
<u>Less payments</u>	= \$4,600.00
Balance Due NASD Regulation, Inc.	= \$ 0.00

Respondents GKN, Hoffman, and Schechner, be and hereby are jointly and severally liable for:

Forum Fees	= \$3,750.00
Total Fees	= \$3,750.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Regulation, Inc.	= \$3,750.00

All balances are due and payable to NASD Regulation, Inc.

**Concurring Arbitrators' Signatures**

\_\_\_\_\_/s/\_\_\_\_\_  
Steven Ainbinder, Esq.  
(Public, Presiding Chair)

\_\_\_\_\_  
Signature Date

\_\_\_\_\_/s/\_\_\_\_\_  
Lisa F. Mendelsohn, Esq.  
(Public Panelist)

\_\_\_\_\_  
Signature Date

\_\_\_\_\_/s/\_\_\_\_\_  
Douglas Delanoy  
(Industry Panelist)

\_\_\_\_\_  
Signature Date

May 11, 2000  
Date of Service (For NASD office use only)

All balances are due and payable to NASD Regulation, Inc.

Concurring Arbitrators' Signatures



Steven A. Binder, Esq.  
(Public, Presiding Chair)



Signature Date

\_\_\_\_\_  
Lisa F. Mendelsohn, Esq.  
(Public Panelist)

\_\_\_\_\_  
Signature Date

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Douglas Delaney  
(Industry Panelist)

\_\_\_\_\_  
Signature Date

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\_\_\_\_\_  
Steven Alnbinder, Esq.  
(Public, Presiding Chair)

\_\_\_\_\_  
Signature Date

Lisa F. Mendelsohn  
Lisa F. Mendelsohn, Esq.  
(Public Panelist)

5/10/00  
Signature/Date

\_\_\_\_\_  
Douglas Delaney  
(Industry Panelist)

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Date of Service (For NASD office use only)