

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Name of the Claimant
Alton T. Davis, Jr.

Case Number: 01-03028

Name of the Respondents
Salomon Smith Barney, Inc. and William Lee

Hearing Site: Chicago, Illinois

REPRESENTATION OF PARTIES

Claimant Alton T. Davis, Jr. ("Davis"), hereinafter referred to as "Claimant," was represented Bradley P. Nelson, Esq. of the firm Schopf & Weiss located in Chicago, Illinois.

Respondents Salomon Smith Barney, Inc. ("Salomon Smith Barney") and William Lee ("Lee"), hereinafter collectively referred to as "Respondents," were represented by Jerry M. Santangelo, Esq. of the firm Neal, Gerber & Eisenberg located in Chicago, Illinois.

CASE INFORMATION

Statement of Claim filed on or about: June 07, 2001

Claimant, Davis, signed the Uniform Submission Agreement: July 27, 2001

Claimant's Response to Respondents' Motion to Consolidate filed on or about: July 05, 2002

Claimant's Trial Brief and Request for Partial Summary Judgment filed on or about: August 26, 2002

Claimant's Post-Hearing Brief was filed on or about: October 03, 2002

Statement of Answer filed by Respondents Salomon Smith Barney, on or about: August 13, 2001

Respondent Salomon Smith Barney, signed the Uniform Submission Agreement: August 08, 2001

Respondent Lee signed the Uniform Submission Agreement: August 08, 2001

Respondents' Motion to Consolidate filed on or about: June 19, 2002

Respondents' Pre-Hearing Brief was filed on or about: August 29, 2002

Respondents' Post-Hearing Brief was filed on or about: October 04, 2002

CASE SUMMARY

Claimant Davis asserted the following causes of action:

- Violation of the Illinois Wage Payment and Collection Act
- Violation of the Delaware Wage Payment and Collection Act
- Unenforceable Forfeiture

- Unenforceable Penalty
- Unjust Enrichment
- Unlawful Restraint of Employment
- Breach of Contract, Constructive Termination
- Breach of Contract, Bonus

The causes of action relate to the termination of employment of Claimant Davis and his participation in the Travelers Inc. Capital Accumulation Plan.

Unless specifically admitted in their Answer Respondents Salomon Smith Barney and Lee denied the allegations made in the Statement of Claim and asserted the following defenses:

- To the extent that it is determined that the Illinois or Delaware labor laws apply, then the deductions in question are authorized, proper, and lawful;
- Respondents are entitled to a credit and/or offset of the gains Davis enjoyed by his participation in CAP;
- To the extent that it is determined that the deductions in question are unauthorized, improper or unlawful, then Davis is entitled only to a recovery equal to the sum that otherwise would have been paid in cash had there been no participation in CAP;
- The Statement of Claim should be dismissed for failure to state a claim upon which relief can be granted;
- All claims are barred by the applicable statutes of limitation and, as such, fail to state a claim upon which relief can be granted;
- All actions taken by Respondents with respect to Claimant were undertaken in good faith, for legitimate business reasons and hence, the claims should be dismissed;
- Claimant has not been damaged. Alternatively, any relief that could be granted or that could be due to Claimant should be denied and/or reduced due to his failure to make diligent efforts to mitigate his alleged damages;
- At all times mentioned in the Statement of Claim, Respondents acted in good faith toward Davis and did not at any time, directly or indirectly, act or induce any acts constituting a cause of action;
- The alleged losses of Davis, if any, are caused by his own conduct;
- Davis is barred as a matter of law from receiving punitive damages;
- Davis' allegations are barred by the Statute of Fraud and must be dismissed; and
- Davis' constructive discharge claim is barred by the doctrine of judicial estoppel.

RELIEF REQUESTED

Claimant Davis requested:

- an accounting of and an award of damages for all compensation earned by Davis that Smith Barney declared forfeited by reason of the termination of Davis' employment at Smith Barney, including all appreciation, interest, and dividends;
- immediate transfer to Davis of all shares (valued at \$610,848.77 on November 05, 2000) and payment to him of all amounts held in Davis' CAP and other

compensation plans, and all such shares and amounts withheld or retained by Smith Barney, including all appreciation, interest, and dividends thereon through the date of judgment, and such other amounts as are necessary to compensate Davis fully for all improper forfeitures, withholdings, and retentions by Smith Barney;

- an order directing Smith Barney to allow Davis to exercise all options awarded to him and/or declaring that all such options are vested;
- payment of Davis' year 2000 longevity bonus in the approximate amount of \$75,000.00,
- liquidated damages pursuant to the Delaware Wage Payment and Collection Act;
- a declaration that the forfeiture provisions of the Travelers Inc. Capital Accumulation Plan and the other compensation plans are illegal, invalid, and unenforceable;
- an award of attorneys' fees and costs; and
- any other relief the Panel deems just and appropriate.

Respondents Salomon Smith Barney and Lee requested:

- The dismissal of claims with prejudice and all costs, expenses and attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

In an order dated September 09, 2002, the panel reserved ruling on Claimant's request for Partial Summary Judgment. At hearing the panel denied the motion.

The panel denied Respondents' Motion to Consolidate.

AWARD

After considering the pleadings, the testimony and evidence presented at the hearing, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Any and all claims asserted by Claimant Alton T. Davis, Jr. against Salomon Smith Barney, Inc. and William Lee are denied in their entirety.
2. Parties shall bear their own costs, including attorney's fees.
3. Any and all relief not specifically addressed herein, including punitive damages, is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee = \$375.00

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 person at the time of the events giving rise to the dispute. Salomon Smith Barney, Inc. is a party.

Member surcharge = \$2,000.00

Pre-hearing process fee = \$ 600.00

Hearing process fee = \$3,500.00

Total = \$6,100.00

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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 a single arbitrator at \$450.00 = \$ 450.00

Pre-hearing conference: July 31, 2002 1 session

Two (2) Pre-hearing sessions with Panel at \$1,200.00 = \$ 2,400.00

Pre-hearing conferences: May 10, 2002 1 session

September 06, 2002 1 session

Six (6) Hearing sessions at \$1,200.00 = \$ 7,200.00

Hearing Dates: September 10, 2002 2 sessions

September 11, 2002 2 sessions

September 12, 2002 2 sessions

Total Forum Fees = \$10,050.00

1. The Panel has assessed \$3,350.00 of the forum fees to Alton T. Davis, Jr..
2. The Panel has assessed \$3,350.00 of the forum fees to Salomon Smith Barney, Inc.
3. The Panel has assessed \$3,350.00 of the forum fees to William Lee.

FEE SUMMARY

1. Claimant Alton T. Davis, Jr. is solely liable for:

Initial Filing Fee = \$ 375.00

Forum Fees = \$ 3,350.00

Total Fees = \$ 3,725.00

Less payments = \$ 1,660.00

Balance Due NASD Dispute Resolution, Inc. = \$ 2,065.00

2. Respondent Salomon Smith Barney, Inc. is solely liable for:	
Member Fees	= \$ 6,100.00
Forum Fees	= \$ 3,350.00
Total Fees	= \$ 9,450.00
Less payments	= \$ 6,100.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 3,350.00

3. Respondent William Lee is solely liable for:	
Forum Fees	= \$ 3,350.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 3,350.00

All balances are payable to NASD Dispute Resolution, Inc. and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Daniel R. Formeller, Esq.	-	Public Arbitrator, Presiding Chairperson
Alan E. Case, Esq.	-	Public Arbitrator
Marian Margaret Head	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

/s/ Daniel R. Formeller	11/25/02
<u>Daniel R. Formeller, Esq.</u> Public Arbitrator, Presiding Chairperson	<u>Signature Date</u>
/s/ Alan E. Case	11/25/02
<u>Alan E. Case, Esq.</u> Public Arbitrator	<u>Signature Date</u>
/s/ M. Margaret Head	11/26/02
<u>Marian Margaret Head</u> Non-Public Arbitrator	<u>Signature Date</u>

11/26/02

Date of Service (For NASD Dispute Resolution office use only)

NASD Dispute Resolution, Inc.

Arbitration No. 01-03028

Award Page 5 of 5

2. Respondent Salomon Smith Barney, Inc. is solely liable for:

Member Fees	== \$ 6,100.00
Forum Fees	== \$ 3,350.00
Total Fees	== \$ 9,450.00
Less payments	== \$ 6,100.00
Balance Due NASD Dispute Resolution, Inc.	== \$ 3,350.00

3. Respondent William Lee is solely liable for:

Forum Fees	== \$ 3,350.00
Balance Due NASD Dispute Resolution, Inc.	== \$ 3,350.00

All balances are payable to NASD Dispute Resolution, Inc. and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Daniel R. Formeller, Esq.	-	Public Arbitrator, Presiding Chairperson
Alan E. Case, Esq.	-	Public Arbitrator
Marian Margaret Head	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Daniel R. Formeller, Esq.
Public Arbitrator, Presiding Chairperson

11/25/02
Signature Date

Alan E. Case, Esq.
Public Arbitrator

Signature Date

Marian Margaret Head
Non-Public Arbitrator

Signature Date

Date of Service (For NASD Dispute Resolution office use only)

NASD Dispute Resolution, Inc.
Arbitration No. 01-03028
Award Page 5 of 5

2. Respondent Salomon Smith Barney, Inc. is solely liable for:
- | | |
|---|---------------|
| Member Fees | = \$ 6,100.00 |
| Forum Fees | = \$ 3,350.00 |
| Total Fees | = \$ 9,450.00 |
| Less payments | = \$ 6,100.00 |
| Balance Due NASD Dispute Resolution, Inc. | = \$ 3,350.00 |
3. Respondent William Lee is solely liable for:
- | | |
|---|---------------|
| Forum Fees | = \$ 3,350.00 |
| Balance Due NASD Dispute Resolution, Inc. | = \$ 3,350.00 |

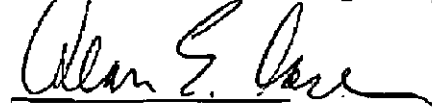
All balances are payable to NASD Dispute Resolution, Inc. and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Daniel R. Formeller, Esq.	-	Public Arbitrator, Presiding Chairperson
Alan E. Case, Esq.	-	Public Arbitrator
Marian Margaret Head	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Daniel R. Formeller, Esq.
Public Arbitrator, Presiding Chairperson



Alan E. Case, Esq.
Public Arbitrator

Signature Date

11/25/02

Signature Date

Marian Margaret Head
Non-Public Arbitrator

Signature Date

Date of Service (For NASD Dispute Resolution office use only)

NASD Dispute Resolution, Inc.

Arbitration No. 01-03028

Award Page 5 of 5

2. Respondent Salomon Smith Barney, Inc. is solely liable for:

Member Fees	= \$ 6,100.00
Forum Fees	= \$ 3,350.00
Total Fees	= \$ 9,450.00
Less payments	= \$ 6,100.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 3,350.00

3. Respondent William Lee is solely liable for:

Forum Fees	= \$ 3,350.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 3,350.00

All balances are payable to NASD Dispute Resolution, Inc. and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Daniel R. Formeller, Esq.	-	Public Arbitrator, Presiding Chairperson
Alan E. Case, Esq.	-	Public Arbitrator
Marian Margaret Head	-	Non-Public Arbitrator


Concurring Arbitrators' Signatures

Daniel R. Formeller, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Alan E. Case, Esq.
Public Arbitrator

Signature Date



Marian Margaret Head
Non-Public Arbitrator

26 November 2002

Signature Date

Date of Service (For NASD Dispute Resolution office use only)