

Stipulated Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Glenn T. Klupsak, individually and on behalf of his IRA, Claimant v. Peter W. Maloney, Keith M. Shepherd, Jack B. Grubman, Salomon Smith Barney, Inc. n.k.a. Citigroup Global Markets, Inc., Olivier Khalil, and Merrill Lynch, Pierce, Fenner & Smith, Inc., Respondents

Case Number: 01-05564

Hearing Site: San Francisco, California

Nature of the Dispute: Customer v. Members and Associated Persons

REPRESENTATION OF PARTIES

For Claimant:

James Jay Seltzer, Esq.
The Law Offices of James Jay Seltzer
Emeryville, California

Alan W. Sparer, Esq.
Law Offices of Alan W. Sparer
San Francisco, California

For Respondents Peter W. Maloney,
Keith M. Shepherd, Jack B. Grubman,
and Salomon Smith Barney, Inc. n.k.a.
Citigroup Global Markets, Inc.

Benjamin W. White, Esq.
Peter R. Boutin, Esq.
Keesal, Young, & Logan
San Francisco, California

For Respondents Merrill Lynch, Pierce,
Fenner & Smith, Inc., Peter W. Maloney,
and Olivier Khalil

Ted Poretz, Esq.
Bingham McCutchen
New York, New York

CASE INFORMATION

Statement of Claim filed: October 17, 2001

Claimant's Uniform Submission Agreement signed: October 16, 2001

Joint Statement of Answer filed by Respondents Peter W. Maloney, Keith M. Shepherd, Jack B. Grubman, and Salomon Smith Barney, Inc.: February 7, 2002

Joint Statement of Answer filed by Respondents Merrill Lynch, Pierce, Fenner & Smith, Inc., Peter W. Maloney, and Olivier Khalil: February 6, 2002

Respondent Salomon Smith Barney, Inc.'s Uniform Submission Agreement signed: August 22, 2002

Respondent Keith M. Shepherd's Uniform Submission Agreement signed: August 26, 2002

Respondent Peter W. Maloney's Uniform Submission Agreement signed: June 4, 2004

Respondent Jack B. Grubman's Uniform Submission Agreement signed: June 4, 2004

CASE SUMMARY

Claimant alleged breach of contract, breach of fiduciary duty, breach of the covenant of good faith and fair dealing, negligence, misrepresentations and omission of facts, fraud, unsuitable recommendations, violations of state and federal laws, including violations of margin requirements, and failure to supervise. Claimant's allegations were in connection with his employee stock option plan and involved transactions in MCI WorldCom, Inc. stock and stock options.

Respondents Peter W. Maloney, Keith M. Shepherd, Jack B. Grubman, and Salomon Smith Barney, Inc. denied the allegations of wrongdoing set forth in the Claimant's Statement of Claim and asserted various affirmative defenses.

Respondents Merrill Lynch, Pierce, Fenner & Smith, Inc., Peter W. Maloney, and Olivier Khalil denied the allegations of wrongdoing set forth in the Claimant's Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

Claimant requested unspecified actual damages, punitive damages, prejudgment interest, and costs, including attorney's fees.

Respondents Peter W. Maloney, Keith M. Shepherd, Jack B. Grubman, and Salomon Smith Barney, Inc. requested dismissal of the Claimant's Statement of Claim in its entirety, and costs, including attorney's fees.

Respondents Merrill Lynch, Pierce, Fenner & Smith, Inc., Peter W. Maloney, and Olivier Khalil requested dismissal of the Claimant's Statement of Claim in its entirety, and expungement of all reference to the Claim from Peter W. Maloney's and Olivier Khalil's individual Central Registration Depository (CRD) records.

OTHER ISSUES CONSIDERED AND DECIDED

Respondent Merrill Lynch, Pierce, Fenner & Smith, Inc. did not file with the NASD Dispute Resolution a properly executed submission agreement but is required to submit to arbitration pursuant to the Code and, having answered the Claim, is bound by the determination of the Panel on all issues submitted.

Respondent Olivier Khalil did not file with the NASD Dispute Resolution a properly executed submission agreement but is required to submit to arbitration pursuant to the Code and, having answered the Claim, is bound by the determination of the Panel on all issues submitted.

The parties agreed that the Stipulated Award in this matter may be executed in counterpart copies or that a handwritten, signed Stipulated Award may be entered.

STIPULATION

Pursuant to the settlement (the terms of which are confidential) voluntarily negotiated by the Parties, it is hereby stipulated by Claimant and Respondents, through their undersigned attorneys, that:

1. All of Claimant's claims asserted against the Respondents are hereby dismissed with prejudice; and
2. Claimant does not object to the Panel rendering the following award:

The Panel recommends the expungement of all reference to the above captioned arbitration from Respondents Peter W. Maloney's, Keith M. Shepherd's, and Olivier Khalil's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09, Respondents Peter W. Maloney, Keith M. Shepherd, and Olivier Khalil must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

AWARD

After considering the pleadings, testimony, and the Parties' request for this Stipulated Award, the Panel decided in full and final resolution of the issues submitted for determination as follows:

1. Claimant and Respondents have entered into a confidential settlement agreement.
2. Claimant's claims are dismissed with prejudice in their entirety as to all Respondents.
3. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Peter W. Maloney's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09, Respondent Peter W. Maloney must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
4. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Keith M. Shepherd's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09, Respondent Keith M. Shepherd must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
5. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Olivier Khalil's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09, Respondent Olivier Khalil must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
6. The parties shall each bear their own 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.
7. All other relief requested and not expressly granted is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 250.00
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Member Fees

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events which gave rise to the dispute, claim, or controversy. Accordingly, the member firm Salomon Smith Barney, Inc. n.k.a. Citigroup Global Markets, Inc. is a party and the following fees are assessed:

Member Surcharge	= \$ 1,200.00
Pre-Hearing Process Fee	= \$ 600.00
<u>Hearing Process Fee</u>	<u>= \$ 2,000.00</u>
Total Member Fees	= \$ 3,800.00

Member firm Merrill Lynch, Pierce, Fenner & Smith, Inc. is a party and the following fees are assessed:

Member Surcharge	= \$ 1,200.00
Pre-Hearing Process Fee	= \$ 600.00
<u>Hearing Process Fee</u>	<u>= \$ 2,000.00</u>
Total Member Fees	= \$ 3,800.00

Forum Fees and Assessments

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Chair or the parties and the Panel. The following fees are assessed:

1 Pre-hearing conference session with a single arbitrator @ \$450.00/session	= \$ 450.00
Pre-hearing conference: May 23, 2003 1 session	
3 Pre-hearing conference sessions with the Panel @ \$1,000.00/session	= \$ 3,000.00
Pre-hearing conferences: July 26, 2002 1 session	
May 21, 2003 1 session	
July 10, 2003 1 session	

Total Forum Fees	= \$ 3,450.00
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The parties agreed to split the forum fees as follows:

1. \$1,150.00 is assessed to Claimant.
2. \$1,150.00 is assessed to Respondent Salomon Smith Barney, Inc. n.k.a. Citigroup Global Markets, Inc.
3. \$1,150.00 is assessed to Respondent Merrill Lynch, Pierce, Fenner & Smith, Inc.

Fee Summary

1. Claimant is charged with the following fees and costs:

Initial Filing Fee	= \$ 250.00
Forum Fees	= \$ 1,150.00
Total Fees	= \$ 1,400.00
Less payments	= \$ (1,250.00)
Balance Due NASD Dispute Resolution	= \$ 150.00

2. Respondent Salomon Smith Barney, Inc. n.k.a. Citigroup Global Markets, Inc. is charged with the following fees and costs:

Member Fees	= \$ 3,800.00
Forum Fees	= \$ 1,150.00
Total Fees	= \$ 4,950.00
Less payments	= \$ (3,800.00)
Balance Due NASD Dispute Resolution	= \$ 1,150.00

3. Respondent Merrill Lynch, Pierce, Fenner & Smith, Inc. is charged with the following fees and costs:

Member Fees	= \$ 3,800.00
Forum Fees	= \$ 1,150.00
Total Fees	= \$ 4,950.00
Less payments	= \$ (3,800.00)
Balance Due NASD Dispute Resolution	= \$ 1,150.00

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

ARBITRATION PANEL

James D. Hadfield, Esq.	-	Public Arbitrator, Presiding Chair
Edwin C. Shiver, Esq.	-	Public Arbitrator
Edgar N. Stone	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures:

James D. Hadfield, Esq.
Chair, Public Arbitrator

Signature Date

Edwin C. Shiver, Esq.
Public Arbitrator

Signature Date

Edgar N. Stone
Non-Public Arbitrator

Signature Date

Date of Service

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Edwin C. Shiver, Esq.	-	Public Arbitrator
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Signature Date

Edwin C. Shiver, Esq.
Public Arbitrator

Signature Date

Edgar N. Stone
Non-Public Arbitrator

Signature Date

7/23/04

8/2/04

Date of Service

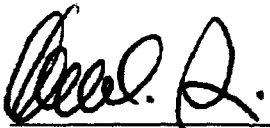
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Chair, Public Arbitrator

Signature Date



Edwin C. Shiver, Esq.
Public Arbitrator

07/23/2004
Signature Date

Edgar N. Stone
Non-Public Arbitrator

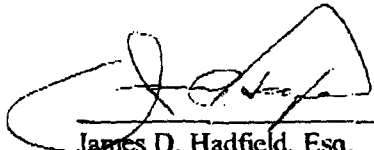
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Chair, Public Arbitrator

8/2/04

Signature Date

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Signature Date

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