

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Kelli Jones, Claimant v. Salomon Smith Barney, Inc. (now known as Citigroup Global Markets, Inc.) and Grant Lee, Respondents

Salomon Smith Barney, Inc. (now known as Citigroup Global Markets, Inc.), Third-Party
Claimant v. Vincent K. Jones, Third-Party Respondent

Case Number: 02-06428

Hearing Site: San Francisco, California

Nature of the Dispute: Customer v. Member and Associated Person
Member v. Customer

REPRESENTATION OF PARTIES

For Claimant Kelli Jones:

Gary R. Gleason, Esq.
Farbstein & Blackman
San Mateo, California

**For Respondent/Third-Party Claimant
Salomon Smith Barney Inc. ("SSB") and
Respondent Grant Lee ("Lee"):**

Paul R. Boutin, Esq.
Cara L. Meredith, Esq.
Keesal, Young & Logan
San Francisco, California

For Third-Party Respondent Vincent K. Jones:

Daniel J. Bergeson, Esq.
Mark G. van Niekerk, Esq.
Kristin H. Lee, Esq.
Bergeson, LLP
San Jose, California

CASE INFORMATION

Statement of Claim filed: October 23, 2002

Amendment to Statement of Claim filed: May 11, 2005

Kelli Jones' Uniform Submission Agreement signed: October 22, 2002

Joint Statement of Answer to Statement of Claim filed by SSB and Lee: January 23, 2003

Joint Statement of Answer to Amendment to Statement of Claim filed by SSB and Lee: June 22, 2005

SSB's Uniform Submission Agreement signed: January 6, 2003

Lee's Uniform Submission Agreement signed: December 18, 2002

Third-Party Claim filed by SSB: June 22, 2005

Answer to SSB's Third-Party Claim filed by Vincent K. Jones: August 22, 2005

CASE SUMMARY

In her Statement of Claim, Kelli Jones alleged unsuitability, negligence, negligent supervision, conflict of interest, and breach of fiduciary duty. Kelli Jones' allegations involved Cisco stock and the use of margin. In her Amendment to her Statement of Claim, Kelli Jones alleged that SSB and Lee facilitated the transfer of Cisco stock from her joint account with her then husband Vincent K. Jones without her authorization and without informing her (hereinafter referred to as the "wrongful transfer claim").

SSB and Lee denied the allegations of wrongdoing set forth in Kelli Jones' Statement of Claim and Amendment to the Statement of Claim, and asserted various affirmative defenses.

In its Third-Party Claim, SSB alleged that Vincent K. Jones is subject to contractual and equitable indemnification if the Panel were to render an award against SSB with respect to Kelli Jones' wrongful transfer claim alleged in her Amendment to the Statement of Claim.

Vincent K. Jones denied the allegations set forth in SSB's Third-Party Claim and asserted various affirmative defenses.

RELIEF REQUESTED

In her Statement of Claim, Kelli Jones requested no less than \$1,518,000.00 in compensatory damages, and costs, including attorney's fees.

SSB and Lee requested dismissal of Kelli Jones' Statement of Claim and Amendment to the Statement of Claim in their entirety with prejudice, expungement of all references to this matter from Lee's CRD record, and costs.

In its Third-Party Claim, SSB requested indemnification, and costs, including attorneys' fees.

Vincent K. Jones requested dismissal of SSB's Third-Party Claim in its entirety, and costs, including attorneys' fees.

OTHER ISSUES CONSIDERED AND DECIDED

Vincent K. Jones did not file with the NASD Dispute Resolution a properly executed submission agreement but is required to submit to arbitration pursuant to the NASD Code of Arbitration Procedure and having answered the claim, appeared and testified at the hearing, is bound by the determination of the Panel on all issues submitted.

Kelli Jones and Kelli Jones' counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

On July 3, 2003, SSB and Lee's counsel signed a Waiver Agreement on their behalf expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

On May 11, 2005, Kelli Jones submitted *Supplemental Information Filed Further to Statement of Claim* ("Supplement") wherein she alleged that SSB and Lee facilitated the transfer of Cisco stock from her joint account with her then husband without her authorization and without informing her. On May 20, 2005, SSB and Lee filed an opposition to the Supplement. On May 26, 2005, Kelli Jones filed a Reply in support of her Supplement wherein she requested that she be permitted to amend her claim. On May 31, 2005, SSB and Lee filed an Opposition to Kelli Jones' Motion to Amend the Statement of Claim. On June 1, 2005, the first day of the hearing on the merits, the Panel heard oral argument on the Supplement. After due deliberation, the Panel determined that the Supplement was an Amendment to the Statement of Claim ("Amendment"). The Panel decided to allow Kelli Jones' Amendment and to adjourn the hearings to a future date to allow SSB and Lee time to prepare defenses to the Amendment.

On November 2, 2005, SSB and Lee filed a Motion to Dismiss Kelli Jones' Amendment to the Statement of Claim. On November 9, 2005, Vincent K. Jones filed a Motion to Dismiss Kelli Jones' Amendment to the Statement of Claim, and a Request for Sanctions. On November 30, 2006, Kelli Jones filed an Opposition to both of the above-referenced Motions to Dismiss. On November 8, 2005, SSB and Lee filed a Reply in support of their Motion to Dismiss. On November 8, 2005, Vincent K. Jones filed a Reply in support of his Motion to Dismiss. On December 19, 2005, the Panel held a telephonic conference with the parties to hear oral argument on these motions. After due deliberation in executive session, the Panel denied the Motions to Dismiss and the Motion for Sanctions.

During the hearing, Vincent K. Jones moved to exclude Kelli Jones' expert witness testimony. Kelli Jones opposed. After due deliberation, the Panel denied the motion.

During the hearing, SSB, Lee, and Vincent K. Jones moved to dismiss Kelli Jones' wrongful transfer claim alleged in her Amendment to her Statement of Claim. Claimant deferred argument until closing. The panel then decided the wrongful transfer claim on the merits of the evidence thereby making the motion moot.

The parties 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, testimony, and evidence presented at the hearing, the Panel decided in full and final resolution of the issues submitted for determination as follows:

- 1) SSB and Lee are jointly and severally liable to and shall pay Kelli Jones the sum of \$51,446.00 in compensatory damages.
- 2) Kelli Jones' wrongful transfer claim alleged in her Amendment to the Statement of Claim is denied.
- 3) SSB's claims against Vincent K. Jones are denied in their entirety.
- 4) The parties shall bear their respective costs, including attorney's fees.
- 5) 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	= \$ 500.00
SSB's Third-Party Claim	= \$ 2,000.00

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 that gave rise to the dispute, claim, or controversy. Accordingly, the member firm SSB is a party and the following fees are assessed:

Member Surcharge	= \$ 2,800.00
Pre-Hearing Process Fee	= \$ 750.00
<u>Hearing Process Fee</u>	<u>= \$ 5,000.00</u>
Total Member Fees	= \$ 8,550.00

Forum Fees and Assessments

The Panel assessed forum fees for each session conducted or each decision rendered on a discovery-related motion decided on the papers. A 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:

(1) Decisions on discovery-related motions on the papers
with (1) one arbitrator @ \$200.00 = \$ 200.00
SSB and Lee submitted one discovery-related motion

(2) Pre-hearing conference sessions with a single arbitrator @ \$450.00/session = \$ 900.00
Pre-hearing conferences: November 23, 2004 1 session
March 23, 2006 1 session

(5) Pre-hearing conference sessions with the Panel @ \$1,200.00/session = \$ 6,000.00
Pre-hearing conferences: April 5, 2004 1 session
July 29, 2004 1 session
February 28, 2005 1 session
September 1, 2005 1 session
December 19, 2005 1 session

(14) Hearing sessions @ \$1,200.00/session = \$16,800.00

Hearings:	June 1, 2005	1 session
	April 17, 2006	2 sessions
	April 18, 2006	3 sessions
	April 19, 2006	3 sessions
	April 20, 2006	2 sessions
	April 21, 2006	3 sessions

Total Forum Fees = \$23,900.00

1. The Panel assessed \$4,525.00 of the forum fees to Kelli Jones.
2. The Panel assessed \$16,975.00 of the forum fees jointly and severally to SSB and Lee.
3. \$2,400.00 of the forum fees are waived.

Fee Summary

1. Kelli Jones is charged with the following fees and costs:

Initial Filing Fee	= \$ 500.00
<u>Forum Fees</u>	= \$ 4,525.00
<u>Total Fees</u>	= \$ 5,025.00
<u>Less payments</u>	= \$ (1,700.00)
Balance Due NASD Dispute Resolution	= \$ 3,325.00

2. SSB is charged with the following fees and costs:

Third-Party Claim Filing Fee	= \$ 2,000.00
<u>Member Fees</u>	= \$ 8,550.00
<u>Total Fees</u>	= \$ 10,550.00
<u>Less payments</u>	= \$(10,550.00)
Balance Due NASD Dispute Resolution	= \$ 0.00

3. SSB and Lee are charged jointly and severally with the following fees and costs:

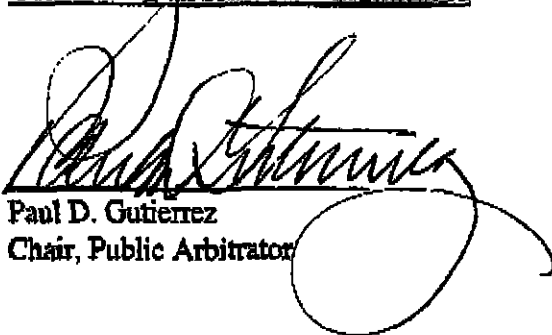
Forum Fees	= \$16,975.00
<u>Less Payment by SSB</u>	= \$ (1,200.00)
Balance Due NASD Dispute Resolution	= \$ 15,775.00

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

Paul D. Gutierrez	-	Public Arbitrator, Presiding Chair
John J. George	-	Public Arbitrator
Donald S. Duerson	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures


Paul D. Gutierrez
Chair, Public Arbitrator

May 2, 2006
Signature Date

John J. George
Public Arbitrator

Signature Date

Donald S. Duerson
Non-Public Arbitrator

Signature Date

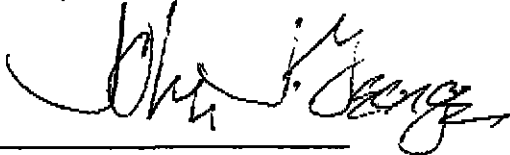
05/02/06
Date of Service
(NASD Use Only)

ARBITRATION PANEL

Paul D. Gutierrez	-	Public Arbitrator, Presiding Chair
John J. George	-	Public Arbitrator
Donald S. Duerson	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Paul D. Gutierrez
Chair, Public Arbitrator



John J. George
Public Arbitrator

Signature Date

MAY 02 2006

Signature Date

Donald S. Duerson
Non-Public Arbitrator

Signature Date

05/02/06

Date of Service
(NASD Use Only)