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**Award**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between:

Name of the Claimant  
Patricia Blackman

Case Number: 03-00333

Names of the Respondents  
Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc.  
Jack B. Grubman

Hearing Site: Orlando, Florida

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

**REPRESENTATION OF PARTIES**

For Patricia Blackman, hereinafter referred to as "Claimant": James Richard Hooper, Esq., Hooper & Weiss, LLC, Orlando, Florida.

For Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc. ("Citigroup") and Jack B. Grubman ("Grubman"), hereinafter collectively referred to as "Respondents": Tucker H. Byrd, Esq., Greenberg Traurig, P.A., Orlando, Florida.

**CASE INFORMATION**

Statement of Claim filed on or about: January 13, 2003.

Claimant signed the Uniform Submission Agreement: January 9, 2003.

Statement of Answer filed by Respondents on or about: March 14, 2003.

Respondent Citigroup signed Uniform Submission Agreements: March 27, 2003 and October 5, 2004.

Respondent Grubman signed Uniform Submission Agreements: March 31, 2003 and October 5, 2004.

**CASE SUMMARY**

Claimant asserted the following causes of action: 1) breach of contract; 2) breach of fiduciary duty; 3) violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5; 4) common law fraud; 5) constructive fraud; 6) violation of SRO Conduct Rules; 7) violation of Florida Blue Sky laws; 8) negligence; 9) failure to supervise; and 10) *respondeat superior*. The causes of action relate to Claimant's investment in WorldCom stock.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted various defenses.

**RELIEF REQUESTED**

Claimant requested rescissory damages in the amount of \$8,975.00, an unspecified amount of punitive damages, interest, costs, attorneys' fees and such other relief as deemed appropriate by the Arbitrator.

Respondents requested that Claimant's Statement of Claim be denied in its entirety, and dismissed with prejudice, with attorneys' fees and costs assessed against Claimant.

### **OTHER ISSUES CONSIDERED AND DECIDED**

On or about December 24, 2003, Claimant filed a notice with NASD Dispute Resolution representing that Claimant had complied with the procedure for opting out of the class action filed in court, entitled *In Re WorldCom Securities Litigation*.

On or about October 26, 2004, Claimant filed his Request to Convert Simplified Arbitration to Full Panel Hearing. On or about October 27, 2004, Respondents filed their Opposition to Claimant's Request. On or about December 15, 2004, the Arbitrator issued an Order denying Claimant's Request. The Arbitrator determined to rule on the parties' written submissions without conducting an in-person evidentiary hearing.

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 and the parties' written submissions, the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

Respondents are jointly and severally liable and shall pay to Claimant compensatory damages in the amount of \$8,975.00, plus interest at the Florida statutory rate that shall accrue from January 13, 2003 until payment of the Award.

Respondents are liable on the claims of breach of fiduciary duty, violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5, violation of Florida Blue Sky laws, failure to supervise, and *respondeat superior*. Respondents are not liable on the claims of breach of contract, common law fraud, constructive fraud, violation of SRO conduct rules, and negligence.

The Arbitrator determined that Respondents plainly violated their fiduciary duty to Claimant and that Salomon Smith Barney woefully failed to supervise Respondent Grubman. The Arbitrator determined that the highly touted wall of separation between WorldCom and the analyst, Respondent Grubman, was honored in the breach and that Claimant had a right to rely upon the integrity of the underwriting process of Salomon Smith Barney.

Respondents are jointly and severally liable and shall pay to Claimant \$5,000.00 as punitive damages pursuant to Sections 768.737 and 768.72, Florida Statutes. There is clear and convincing evidence in this voluminous record that Respondents conflicts of interest and their preoccupation with their own monetary gain resulted in the very high probability that injury and damage to the Claimant Patricia Blackman would result.

Respondent Grubman's buy ratings on WorldCom stock continued up to the eve of bankruptcy and while the stock price plummeted to nearly worthlessness. Punitive damages may in some meaningful measure help to restore market integrity in this instance. The undersigned Arbitrator rejects Respondents argument that the WorldCom bankruptcy and the accounting frauds were the proximate cause of Claimant's losses.

This Arbitrator has examined the factual findings of the bankruptcy examiner, The Honorable Dick Thornburgh (Claimant's Exhibit B, Pages 81 - 89), as well as the factual allegations of the class action brought by the Comptroller of the State of New York, especially pages 73 to 79 - "The Nefarious Relationship Between Salomon and WorldCom" (Claimant's Exhibit E, Pages 73 - 79).

The facts show that Respondent Smith Barney's fiduciary duty to Claimant was severely compromised by its pecuniary interest in the enormously profitable banking business. These conflicts make it highly likely that injury to the Claimant would result as it surely has.

Respondents are jointly and severally liable and shall pay to Claimant costs and attorneys' fees in an amount to be determined by a court of competent jurisdiction. Attorneys' fees are awarded pursuant to Florida Blue Sky laws, Chapter 517, Florida Statutes

Any and all claims for relief not specifically addressed herein are denied.

### **FEES**

Pursuant to the NASD Code of Arbitration Procedure (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 = \$ 75.00

#### **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. Accordingly, Respondent Citigroup is a member firm and a party.

Member surcharge = \$325.00

#### **Adjournment Fees**

No adjournments were requested in this matter.

#### **Three-Day Cancellation Fees**

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session.

No three-day cancellation fees were assessed in this matter.

#### **Injunctive Relief Fees**

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the Arbitrator.

Injunctive relief fees were not assessed in this matter.

#### **Forum Fees and Assessments**

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

One (1) Pre-hearing session with a single arbitrator @ \$250.00/session = \$250.00

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

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Pre-hearing conference: October 13, 2004 1 session

Total Forum Fees = \$250.00

The Arbitrator has assessed the total forum fees of \$250.00 jointly and severally to Respondents.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services beyond the normal administrative services. These include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

There were no administrative costs incurred in this matter.

Fee Summary

Claimant is solely liable for:

<u>Initial Filing Fee</u>	= \$ 75.00
<u>Total Fees</u>	= \$ 75.00
<u>Less Payments</u>	= \$ 75.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 0.00

Respondent Citigroup is solely liable for:

<u>Member Fees</u>	= \$325.00
<u>Total Fees</u>	= \$325.00
<u>Less Payments</u>	= \$325.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 0.00

Respondents are jointly and severally liable for:

<u>Forum Fees</u>	= \$250.00
<u>Total Fees</u>	= \$250.00
<u>Less Payments</u>	= \$250.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 0.00

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

ARBITRATION PANEL

Lawrence Paul McGauley, Esq.

Sole Public Arbitrator

Arbitrator's Signature



Lawrence Paul McGauley, Esq.  
Sole Public Arbitrator

2/28/05

Signature Date

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