

**AWARD**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between

Name of Claimant

Charles V. Pattison

and

03-00372  
Phoenix, Arizona

Name of Respondents

Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc.  
Richard Scott Jacobson

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

**REPRESENTATION OF PARTIES**

Charles V. Pattison ("**Claimant**") was represented by James C. Frisch, Esq., King, Frisch & Allen, P.C., Tucson, Arizona.

Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc. ("**Respondent Citigroup**") was represented by Ed Hendricks, Jr., Esq., Meyer Hendricks & Bivens, P.A., Phoenix, Arizona.

Richard Scott Jacobson ("**Respondent Jacobson**") was represented by Lindsay Brew, Esq., Haralson, Miller, Pitt, Feldman & McNally, P.L.C., Tucson, Arizona.

**CASE INFORMATION**

The Statement of Claim was filed on or about January 15, 2003. Submission Agreement of Claimant Charles V. Pattison was signed on October 16, 2002.

Response to Statement of Claim was filed by Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc. on or about April 22, 2003. Submission Agreement of Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc. was signed on March 26, 2003.

Statement of Answer was filed by Respondent Richard Scott Jacobson on or about April 22, 2003. Submission Agreement of Respondent Richard Scott Jacobson was signed on April 18, 2003.

### CASE SUMMARY

In his Memorandum in Support of Statement of Claim, Claimant summarized the claims as follows:

Jacobson, a licensed securities broker employed by SSB, breached his fiduciary duty to Charles Pattison by trading in securities that were inappropriate, and exposing Mr. Pattison's irreplaceable assets to an undue level of risk. SSB breached their fiduciary duty by failing to properly supervise their employee. Jacobson's breach of the fiduciary duty and failure to recommend securities that were suitable to Mr. Pattison's financial situation and risk tolerance, along with SSB's failure to supervise his activities properly, caused the dismal performance of Mr. Pattison's account and the loss of over 40% of his assets.

Respondents denied the allegations set forth in the Statement of Claim. Respondent Citigroup specifically stated:

Claimant Pattison alleges that he did not seek speculative investments in the technology sector when he transferred his accounts to SSB. His actions, however, speak louder than his allegations in his Statement of Claim.

Claimant Pattison sold insurance for decades. Before he came to SSB, his portfolio at another brokerage house consisted of significant holdings in the tech industry. He came to SSB to invest even more of his holdings in this area and, based on his level of understanding of the market, understood the inherent risks of doing so. After about 2 years of receiving statements disclosing his holdings and some of the declines in his portfolio, he now asserts he did not understand the risks associated with his investments.

Respondent Citigroup further stated that Claimant "is a sophisticated investor who expressed a clear objective to invest in the tech sector. After making that decision, he watched as his investments decreased over time. He knowing [sic] accepted the risk of those investments and failed to mitigate his losses."

In his Statement of Answer, Mr. Jacobson stated as follows:

Mr. Pattison is an experienced, sophisticated and wealthy investor. In February of 2000, he sought out the services of Mr. Jacobson because Mr. Pattison's adult son, a customer of Mr. Jacobson, had been having significant success investing in technology stocks. Mr. Pattison's expressed desire was to invest in those same stocks.

Prior to moving his account to Salomon Smith Barney, Mr. Pattison had substantial investments in high-risk technology stocks.

After the initial repositioning there was insignificant trading in the account. The allegation in the Statement of Claim that there is a "pattern of short-term trading" is simply a fabrication. After March of 2000 there were no purchases at all for a period of seven months.

### **RELIEF REQUESTED**

Claimant requested an award as follows:

Actual damages requested:	\$399,794.00
Punitive damages requested:	\$600,000.00
Pre-Award Interest:	Legal Rate
Attorney's Fees:	Reasonable
Costs:	Including filing fees, arbitrator fees, expert witness fees and any other costs incurred.

Respondent Citigroup requested a complete dismissal of all of Claimant's claims, that Claimant be ordered to pay all of its' costs and attorney's fees, and for an order expunging this matter from the Central Registration Depository (CRD).

### **OTHER ISSUES CONSIDERED & 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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with the NASD Dispute Resolution (the "NASD").

### **AWARD**

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

1. Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc. shall be and hereby is liable for and shall pay to Claimant Charles V. Pattison the sum of \$54,000.00 (**Fifty Four Thousand Dollars and No Cents**) as compensatory damages.
2. Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc. shall be and hereby is liable for and shall pay to Claimant Charles V. Pattison the sum of \$25,000.00 (**Twenty Five Thousand Dollars and No Cents**) as attorneys' fees.
3. The claims asserted against Respondent Richard Scott Jacobson shall be and hereby are dismissed.

4. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
5. Other than the Forum Fees noted below, the parties shall each bear all other 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.

### **FEES**

Pursuant to 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 = \$375.00

#### **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. In this matter, the member firm(s) is Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc.

Member surcharge	\$	2,250.00
Pre-hearing process fee	\$	750.00
Hearing process fee	\$	4,000.00
Total Member Fees	\$	7,000.00

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

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing 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	Pre-hearing session(s) with Panel	x	1,200.00	\$	1,200.00
	October 8, 2003	1	session		
8	Hearing sessions	x	1,200.00	\$	9,600.00
	May 25, 2004	2	sessions		
	May 26, 2004	3	sessions		
	May 27, 2004	3	sessions		

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Total Forum Fees \$ 10,800.00

The Arbitration Panel has assessed \$2,700.00 of the forum fees to Charles V. Pattison.

The Arbitration Panel has assessed \$8,100.00 of the forum fees to Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc.

**Fee Summary**

Claimant, Charles V. Pattison, shall be and hereby is liable for:

Initial Filing Fee	= \$	375.00
<u>Forum Fees</u>	= \$	2,700.00
Total Fees	= \$	3,075.00
<u>Less payments</u>	= \$	-1,575.00
Balance Due NASD Dispute Resolution	= \$	1,500.00

Respondent, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney Inc., shall be and hereby is liable for:

Member Fees	= \$	7,000.00
<u>Forum Fees</u>	= \$	8,100.00
Total Fees	= \$	15,100.00
<u>Less payments</u>	= \$	-7,000.00
Balance Due NASD Dispute Resolution	= \$	8,100.00

All balances are due to NASD Dispute Resolution

**ARBITRATION PANEL**

Robert C. Hubbard - Public Arbitrator, Presiding Chair  
Albert Sterman - Public Arbitrator  
Susan C. Richards, CFP - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Robert C. Hubbard  
Robert C. Hubbard  
Public Arbitrator, Presiding Chair

July 10, 2004  
Signature Date

/s/ Albert Sterman  
Albert Sterman  
Public Arbitrator

July 7, 2004  
Signature Date

/s/ Susan C. Richards  
Susan C. Richards, CFP  
Non-Public Arbitrator

July 13, 2004  
Signature Date

Date of Service:

7/13/04

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Arbitration No: 03-00372  
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Concurring Arbitrators:

Robert C. Hubbard  
Robert C. Hubbard  
Public Arbitrator, Presiding Chair

7/10/04  
Signature Date

Albert Sternman  
Public Arbitrator

                      
Signature Date

Susan C. Richards, CFP  
Non-Public Arbitrator

                      
Signature Date

Date of Service:

NASD Dispute Resolution  
Arbitration No 03-00372  
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Robert C. Hubbard  
Public Arbitrator, Presiding Chair

*Albert Sterman*

Albert Sterman  
Public Arbitrator

Susan C. Richards, CFP  
Non-Public Arbitrator

Date of Service: \_\_\_\_\_

Signature Date

*7/7/04*

Signature Date

Signature Date

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Public Arbitrator, Presiding Chair

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Albert Sterman  
Public Arbitrator

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Signature Date

  
Susan C. Richards, CFP  
Non-Public Arbitrator

  
Signature Date

Date of Service: 