

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

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In the Matter of the Arbitration Between:

Vladimir Bakhourov and Irina Bakhourova (Claimants) v. Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc., Citigroup, Inc., Nelson "Nick" Schiff, and Jack Grubman (Respondents)

Case Number: 03-02617

Hearing Site: New York, New York

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Nature of the Dispute: Customers vs. Member, Non-Member, and Associated Persons.

**REPRESENTATION OF PARTIES**

Claimants Vladimir Bakhourov ("V. Bakhourov") and Irina Bakhourova ("I. Bakhourova") hereinafter collectively referred to as "Claimants": Alexander Berkovich, Esq., Law Office of Alexander Berkovich, New York, NY.

Respondents Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. ("SSB"); Nelson "Nick" Schiff ("Schiff"), and Jack Grubman ("Grubman") hereinafter collectively referred to as "Respondents": David Campbell, Esq. and Brian D. Donnelly, Esq., Bressler, Amery & Ross, P.C., Morristown, NJ.

Respondent Citigroup, Inc. ("Citigroup") did not enter an appearance in this matter.

**CASE INFORMATION**

Statement of Claim filed on or about: April 9, 2003.

Claimants signed the Uniform Submission Agreement: March 23, 2003.

Joint Statement of Answer filed by Respondents SSB, Schiff, and Grubman on or about: June 18, 2003.

Respondent SSB did not sign the Uniform Submission Agreement.

Respondent Schiff did not sign the Uniform Submission Agreement.

Respondent Grubman did not sign the Uniform Submission Agreement.

Respondent Citigroup did not file a Statement of Answer or sign the Uniform Submission Agreement.

### **CASE SUMMARY**

Claimants asserted the following causes of action: breach of fiduciary duty; breach of contract; unsuitability; negligent misrepresentation; negligence; failure to supervise; violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder; and violation of Section 20(a) of the Exchange Act; and violation of Rules 10b-5 and 15c 1-7 under the Exchange Act. The causes of action relate to shares of Global Crossing Ltd., Asia Global Crossing, and AOL.

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

### **RELIEF REQUESTED**

Claimants requested compensatory damages in the amount of \$300,000.00; punitive damages in the amount of \$1,000,000.00; attorneys' fees; interest; and costs.

Respondents SSB, Schiff, and Grubman requested that Claimants' Statement of Claim be dismissed with prejudice in its entirety, that the costs of the arbitration be assessed against Claimants; and that the Panel award such other relief as it may deem appropriate.

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

Respondents SSB, Schiff, and Grubman did not file with NASD Dispute Resolution properly executed Uniform Submission Agreements but are required to submit to arbitration pursuant to the Code and, having answered the claim, and appeared and testified at the hearing, are bound by the determination of the Panel on all issues submitted.

Respondent Citigroup, Inc. is not an NASD member and, therefore, was not required to arbitrate in this forum and did not submit to NASD Dispute Resolution's jurisdiction.

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.

### **AWARD**

After considering the pleadings, and 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. The Claimants' claims against Respondents Schiff and Grubman are denied in their entirety.
2. Respondent SSB is solely liable for and shall pay to Claimants compensatory damages in the amount of \$25,000.00.

3. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Nelson Schiff's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notices to Members 99-09 and 99-54, Respondent Nelson Schiff 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 Jack Grubman's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notices to Members 99-09 and 99-54, Respondent Jack Grubman must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
5. 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 will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$500.00

#### **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 persons at the time of the events giving rise to the dispute. Accordingly, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. is a party.

Member surcharge	= \$2,800.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$5,000.00

#### **Adjournment Fees**

Adjournments granted during these proceedings for which fees were assessed:

June 28-30, 2004, adjournment by Claimants	= \$1,200.00
Respondents' share	= \$1,200.00

#### **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 @ \$450.00	= \$ 450.00
Pre-hearing conference: June 28, 2004 1 session	

One (1) Pre-hearing session with Panel @ \$1,200.00	= \$1,200.00
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Pre-hearing conference:	December 2, 2003	1 session	
Six (6) Hearing sessions @ \$1,200.00			= \$7,200.00
Hearing Dates:	February 2, 2005	2 sessions	
	February 3, 2005	2 sessions	
	February 4, 2005	2 sessions	
Total Forum Fees			= \$8,850.00

1. The Panel has assessed \$4,425.00 of the forum fees jointly and severally against Claimants.
2. The Panel has assessed \$4,425.00 of the forum fees jointly and severally against Respondents.

**Fee Summary**

1. Claimants are jointly and severally liable for:	
Initial Filing Fee	= \$ 500.00
Forum Fees	= \$4,425.00
Total Fees	= \$4,925.00
Less payments	= \$1,700.00
Balance Due NASD Dispute Resolution	= \$3,225.00
2. Respondent SSB is solely liable for:	
Member Fees	= \$8,550.00
Total Fees	= \$8,550.00
Less payments	= \$8,550.00
Balance Due NASD Dispute Resolution	= \$ 0.00
3. Respondents are jointly and severally liable for:	
Adjournment Fee	= \$1,200.00
Forum Fees	= \$4,425.00
Total Fees	= \$5,625.00
Less payments	= \$1,200.00
Balance Due NASD Dispute Resolution	= \$4,425.00

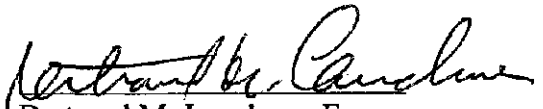
All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

**ARBITRATION PANEL**

Bertrand M. Lanchner, Esq.	-	Public Arbitrator, Presiding Chairperson
Fern Sue Reidman, Esq.	-	Public Arbitrator
Joseph N. Stineman	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

  
Bertrand M. Lanchner, Esq.  
Public Arbitrator, Presiding Chairperson

2/16/05  
Signature Date

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Fern Sue Reidman, Esq.  
Public Arbitrator

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Joseph N. Stineman  
Non-Public Arbitrator

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Signature Date

February 16, 2005  
Date of Service (For NASD Dispute Resolution use only)

**ARBITRATION PANEL**

Bertrand M. Lanchner, Esq.	-	Public Arbitrator, Presiding Chairperson
Fern Sue Reidman, Esq.	-	Public Arbitrator
Joseph N. Stineman	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

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Bertrand M. Lanchner, Esq.  
Public Arbitrator, Presiding Chairperson

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Fern Sue Reidman, Esq.  
Public Arbitrator

\_\_\_\_\_  
Signature Date

  
\_\_\_\_\_  
Joseph N. Stineman  
Non-Public Arbitrator

February 9, 2005  
\_\_\_\_\_  
Signature Date

February 16, 2005

\_\_\_\_\_  
Date of Service (For NASD Dispute Resolution use only)