
Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant

Hope J. Katz

Case Number: 03-04851

Names of the Respondents

Citigroup Global Markets, Inc., f/k/a

Salomon Smith Barney, Inc.

Jack B. Grubman

Hearing Site: Boca Raton, Florida

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

REPRESENTATION OF PARTIES

For Hope J. Katz, hereinafter referred to as "Claimant": Michael B. Lynch, Esq., Hooper & Weiss, L.L.C., 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": Janna S. Nugent, Esq., Greenberg Traurig, P.A., West Palm Beach, Florida.

CASE INFORMATION

Statement of Claim filed on or about: July 2, 2003.

Claimant signed the Uniform Submission Agreement: July 17, 2003.

Statement of Answer filed by Respondents on or about: September 11, 2003.

Respondent Citigroup signed the Uniform Submission Agreement: March 2, 2005.

Respondent Grubman signed the Uniform Submission Agreement: January 6, 2005.

Amended Statement of Claim filed on or about: April 27, 2004.

Respondent's Answer to Amended Statement of Claim filed on or about: July 9, 2004.

CASE SUMMARY

Claimant asserted the following causes of action: omission to state material facts and conflicts of interest in violation of Section 17(a) of the Securities Act of 1933; omission to state material facts and conflicts of interest in violation of Chapter 517.301 of the Florida Securities and Investor Protection Act; omission to state material facts and conflicts of interest in violation of NASD Rule 2210(d)(1), Communications with the Public-General Standards; breach of fiduciary duty; and, respondeat superior. The causes of action relate to the Claimant's investment in WorldCom stock.

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

RELIEF REQUESTED

Claimant requested rescissory damages in the amount of \$10,370.91, an unspecified amount of punitive damages, interest, costs, attorneys' fees and such other relief as deemed appropriate by the undersigned arbitrator (the "Arbitrator").

Respondents requested that Claimant's Statement of Claim, as amended, 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*.

AWARD

After a thorough review of the information and claim brought forward by Claimant, and the answers to Claimant's claim by Respondent, I, as Arbitrator in this matter find the following:

1. I am convinced by the evidence that, while Jack Grubman's opinions may have been his "honest opinions" as stated by Respondent's attorneys, there is little doubt in this arbitrator's mind that those opinions were, in all likelihood, tainted by the enormous underwriting and investment banking revenues that were generated both to his firm, as well as to him personally through compensation and bonuses, as a result of such business dealings with WorldCom Inc. That being said, however, it is every investor's responsibility to abide by the theory of "caveat emptor" and to follow their investments wisely by seeking other research opinions and financial information through the various business publications as well as the media. I further do not see any where there would exist any contractual arrangement, fiduciary arrangement or any other relationship for that matter that would make the Respondent, Jack Grubman, liable to the Claimant and am therefore dismissing Claimant's claim as it would be against Jack Grubman.
2. In this case, the Claimant brings forth very little evidence other than an exhibit in which Claimant illustrates the purchase of WorldCom and MCI stock in 1998. The 341 WorldCom shares were purchased at a cost of \$29.23 per share totaling \$9,967.48. The only other evidence contained in the Exhibit outlining economic losses that is provided by the Claimant is a December 2002 brokerage statement from Salomon Smith Barney which shows the total value of her stock to be \$47.06. During the year following her purchase of this stock, however, WorldCom shares had increased in value dramatically, yet she decided to hold on to the shares and not sell at, what would have been, sizeable profits.
3. I question whether Claimant would have made a similar claim of "misrepresentation/omission" had the same set of facts and circumstances existed (i.e., non-disclosure of underwriting and investment banking revenues, preferred treatment of Mr. Ebberts with allotments in new IPO

shares, weighted compensation to Mr. Grubman resulting from Salomon Smith Barney's dealings with WorldCom, etc.), if the stock price would have continued to increase in value had there not been the internal fraud at WorldCom that resulted in it's demise. I would say most probably not.

4. There is little evidence provided that proves that any Salomon Smith Barney representative with whom Claimant dealt actually promoted, or continued to promote the purchase or the holding of WorldCom shares to Claimant other than the fact that Claimant may have reviewed certain research reports issued by Jack Grubman, and even this fact is unclear from the evidence.
5. It must be made clear that there has been no hearing in this matter and that the following ruling has been requested to be made solely from a review of the documentation provided by both Claimant and Respondents.
6. Finally, it is clear that Claimant is a knowledgeable and sophisticated investor with a sizeable portfolio and, as such, is clearly aware of the potential pitfalls of speculative investments.
7. Based on the above, it is the finding and ruling of this arbitrator that while the actions of Mr. Grubman and Salomon Smith Barney were, in all likelihood, largely influenced by the vast revenues earned, both personally and corporately, as a result of their dealings with WorldCom, Inc., and which further may carry the "odor" of less than ethical behavior on their parts, there is no real or clear evidence that adequately supports the claim by Claimant other than her own statements and opinions. Therefore, this claim is dismissed in its entirety.
8. Claimant's claims for relief pursuant to Florida Statutes Chapter 517 are denied.
9. Any and all claims for relief not specifically addressed herein, including Claimants' request for punitive damages, 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 = \$125.00

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 party and a member firm.

Member surcharge = \$425.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

No adjournment fees were assessed 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.

No injunctive relief fees were 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(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with a single Arbitrator @ \$450.00/session	= \$450.00
Pre-hearing conference: December 8, 2004 1 session	
<hr/> Total Forum Fees	<hr/> = \$450.00

The Arbitrator has assessed \$225.00 of the forum fees to Claimant.

The Arbitrator has assessed \$225.00 of the forum fees 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 not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

No administrative costs were incurred in this matter.

Fee Summary

Claimant is solely liable for:

Initial Filing Fee	= \$125.00
Forum Fees	= \$225.00
Total Fees	= \$350.00
Less payments	= \$350.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondent Citigroup is solely liable for:

<u>Member Fees</u>	= \$425.00
<u>Total Fees</u>	= \$425.00
<u>Less payments</u>	= \$425.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents are jointly and severally liable for:

<u>Forum Fees</u>	= \$225.00
<u>Total Fees</u>	= \$225.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$225.00

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

ARBITRATOR

Craig R. Weiner

Public Arbitrator

Arbitrator's Signature

/s/

Craig R. Weiner
Public Arbitrator

Signature Date

October 7, 2005

Date of Service (For NASD Dispute Resolution use only)

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Respondent Citigroup is solely liable for:

<u>Member Fees</u>	= \$425.00
<u>Total Fees</u>	= \$425.00
<u>Less payments</u>	= \$425.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 0.00

Respondents are jointly and severally liable for:

<u>Forum Fees</u>	= \$225.00
<u>Total Fees</u>	= \$225.00
<u>Less payments</u>	= \$ 0.00
<u>Balance Due NASD Dispute Resolution</u>	= \$225.00

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

ARBITRATOR

Craig R. Weiner

Public Arbitrator

Arbitrator's Signature

Craig R. Weiner
Public Arbitrator

10/7/05
Signature Date

Date of Service (For NASD Dispute Resolution use only)