
Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant
Stephen M. Coleman, IRA

Case Number: 03-06521

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 Stephen M. Coleman, IRA, hereinafter referred to as "Claimant": James Richard Hooper, 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": Michael D. Wallander, Esq., Greenberg Traurig, P.A., West Palm Beach, Florida.

CASE INFORMATION

Statement of Claim filed on or about: September 2, 2003.
Claimant signed the Uniform Submission Agreement: May 4, 2003.
Statement of Answer filed by Respondents on or about: November 3, 2003.
Respondent Citigroup signed the Uniform Submission Agreement: December 3, 2003.
Respondent Grubman signed the Uniform Submission Agreement: December 3, 2003.
Amended Statement of Claim filed by Claimant on or about: July 19, 2004.
Answer to Amended Statement of Claim filed by Respondents on or about: August 30, 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 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.

In their final briefs, the parties repeated their positions, as stated above.

RELIEF REQUESTED

Claimant requested rescissory damages in the amount of \$4,604.26 (without waiving the right to amend this amount prior to the close of evidence), 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 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 March 17, 2005, the parties requested that, in lieu of conducting an evidentiary hearing, the Arbitrator make a final determination of this matter on the papers following submission by the parties of final hearing briefs. On or about March 17, 2005, the Arbitrator issued an Order granting the parties' request.

AWARD

After considering the pleadings and final hearing briefs submitted by the parties, the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

In the absence of an evidentiary hearing, I must glean the facts from the pleadings, attachments and various documents submitted in the course of discovery, paying close attention to the possibility for a conflict in these alleged facts. In this case, Claimant has supplied virtually no facts about his specific commercial relationship and account details. Claimant prefers to concentrate entirely on the broader sweep of corporate behavior in the Salomon Smith Barney/Citigroup/WORLDCOM relationships. In their Answer and attachments, Respondents have provided a description of the specific facts, which has not been contradicted by Claimant.

Claimant began investing with Respondent Citigroup's predecessor in 1991. He

maintained control over his non-discretionary accounts. He said that he had an "aggressive" risk tolerance that included the possibility of "speculation." I have reviewed the account records with particular emphasis on the WORLDCOM trades:

July 29, 1998 BUY 200 shares @ 56.4375 total cost \$11,447.20
January 1, 2000 split, 100 shares into account
March 13, 2000 SELL 100 shares @46.25 total receipt \$4531.44
September 17, 2001 SELL 200 shares @ \$11.60 total receipt \$2234.69
September 17, 2001 SELL 8 shares @ \$12.88 total receipt \$76.82
July 5, 2002 BUY 500 shares @ \$0.29 total cost \$160.66

It appears that Claimant seeks recovery for the overall decline of his initial investment since 1998. It is notable that he decided to sell a third of his position at the top of the market in March 2000, at a time when Respondent Citigroup was yet maintaining a buy on the stock. He made an 18% profit on that trade. Later, he re-entered the market to buy 500 shares at a time when WORLDCOM had become a penny stock, confirming his own description as an aggressive investor willing to speculate.

There are no allegations of fact in the claim about actual reliance upon any specific document or oral communication from Respondent Citigroup as a possible predicate for the Claimant's decisions. As stated earlier, Claimant chooses to rely instead on a description of the behavior of Respondent Grubman, Respondent Citigroup's account analyst. He argues that Respondent Citigroup failed to disclose an alleged conflict of interest between its investment banking and retail brokerage functions, which, had it been disclosed, might have warned Claimant off the stock and or caused him to dispose of all of it more quickly.

Despite the vast amounts of material exchanged in pleading and discovery, stretching too long over two years since the initial claim and seven years since the alleged, initial offense, this remains a small case about an investor who lost @ \$4000 in a telecom stock between 1998 and 2001. There is nothing in these papers to suggest that the brokerage house put the Claimant in an inappropriate stock; or that the investor was unsophisticated. He sought precisely such investments and was even nimble enough to initiate sale of 1/3rd of his position for an 18% profit at the top of the market in March 2000. Like countless others, he suffered from a bear market decline in technology and telecommunications. Undaunted, he tried to recover by going back in after the facts about the WORLDCOM blow-up were in the public record.

To be short, there is no basis for finding that Respondent Citigroup caused Claimant to lose on his investment. This process does not guarantee sophisticated investors against negative market outcomes where the initial sale fits the investor's profile and desires. I am not persuaded that Claimant's recounting of the WORLDCOM affair at the global level is a basis for recovery of his initial investment loss at the retail level. The extensive

discovery drawing upon the bankruptcy and the NY AG investigation does not amount to any legal conviction or admission of fault by Respondent Citigroup. There is no showing in all of these papers that Respondents Citigroup or Grubman believed their reports about WORLDCOM to be false...to the contrary, everything shows that they relied in good faith upon the reports of growth published by WORLDCOM and recounted in some detail all of the analyses. Further, there was a general consensus in the broad market that accepted the idea that this was a legitimate growth stock that would be a successful survivor in the dynamic field of telecom. Only later did the market discover the massive fraud perpetrated by Messrs. Sullivan and Ebbers. If that had been known and concealed by someone recommending the stock, we might have a different case- but there is no allegation or evidence on this record that Respondent Citigroup was complicit in this fraud.

I also note that Respondent Citigroup has countered the "non-disclosure of conflict" argument with a citation to its contemporaneous publication of an existing and potentially greater investment banking and counseling relationship with WORLDCOM. Overall, it is unreasonable to conclude that an investor who does not demonstrate reading of such specific disclosure reports would have been warned away from his investment if they had been more explicit about the compensation details of the analyst. It is far more reasonable to conclude that the Claimant drew his own conclusions from the broader market views that were uniformly favorable about this stock as a legitimate growth vehicle at the time. The decline comes from the overall bear market and the subsequent revelations of fraud within WORLDCOM.

Nothing in this record requires a stretch by an individual case arbitrator to right the policy wrongs in the management and compensation of analysts, as well as the structural walls between banking and marketing. The compromise settlement in the public arena, coupled with renewed attention by the SEC, has effectuated the necessary reforms, without the need for individual arbitrators adding their own sting. In the absence of a causal link to the individual investor's case, I choose not to attempt any duplication. We do not need a myriad of private attorney generals trying to profit and punish what has been corrected so ably and voluntarily elsewhere.

Given my conclusions about the merits, I will note only briefly:

On the law, Respondents' authorities are persuasive that there is no private right of action under Sect. 17(a) of the Securities Act of 1933;

On the law, Claimant fails to establish all elements of a claim under the Florida Blue Sky Law;

On the law, Respondents' authorities are persuasive that there is no private cause of action arising from an alleged violation of the rules of the NASD and NYSE;

On the law, Respondent Citigroup is persuasive that it fulfilled its fiduciary duty to Claimant in the initial transaction and while Claimant held and made subsequent trades. This was a non-discretionary account and Respondent Citigroup had no continuing duty to cause Claimant to trade out of the stock. Indeed, he knew well enough to trade for profit while Respondent Citigroup continued a "buy" rating in March 2000.

Accordingly, Claimant's claim is dismissed in its entirety.

I do not award attorneys' fees for Respondents either, despite the showing throughout this case that the cause of action was thin and that Claimant was not coming to grips in the facts about his own case. It serves no purpose to punish an individual claimant for costs and I do not have sufficient basis to arrange for placing the costs of defense on counsel for the claim.

Any and all claims for relief not specifically addressed herein, including Claimant's 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	= \$ 50.00
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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, Citigroup is a party and a member firm.

Member surcharge	= \$200.00
Total Member Fees	= \$200.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

No adjournment fees were assessed.

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:

There were no three-day cancellation fees assessed during these proceedings.

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 panel.

There were no injunctive relief fees assessed during these proceedings.

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 @\$125.00/session	= \$125.00
Pre-hearing conference: October 4, 2004 1 session	

Total Forum Fees	= \$125.00
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The Arbitrator has assessed forum fees of \$62.50 to Claimant.

The Arbitrator has assessed forum fees of \$62.50 to Respondents, jointly and severally.

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.

There were no administrative costs incurred during these proceedings.

Fee Summary

Claimant is solely liable for:

Initial Filing Fee	= \$ 50.00
<u>Forum Fees</u>	= \$ 62.50
Total Fees	= \$112.50
<u>Less payments</u>	= \$112.50
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondent Citigroup is solely liable for:

<u>Member Fees</u>	= \$200.00
Total Fees	= \$200.00

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<u>Less payments</u>	= \$200.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents are jointly and severally liable for:

<u>Forum Fees</u>	= \$ 62.50
<u>Total Fees</u>	= \$ 62.50
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 62.50

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

ARBITRATION PANEL

Richard Charles Hotvedt, Esq.

- Public Arbitrator

Arbitrator's Signature

/s/
Richard Charles Hotvedt, Esq.
Public Arbitrator

June 20, 2005
Signature Date

June 21, 2005
Date of Service (For NASD Dispute Resolution use only)

Total Fees	= \$200.00
<u>Less payments</u>	<u>= \$200.00</u>
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents are jointly and severally liable for:

<u>Forum Fees</u>	<u>= \$ 62.50</u>
Total Fees	= \$ 62.50
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution	= \$ 62.50

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

ARBITRATION PANEL

Richard Charles Hotvedt, Esq.

Public Arbitrator

Arbitrator's Signature

Richard Charles Hotvedt, Esq.
Public Arbitrator

Signature Date



JUNE 20, 2005

Date of Service (For NASD Dispute Resolution use only)