

**NASD DISPUTE RESOLUTION AWARD**  
**NASD DISPUTE RESOLUTION**

---

**CASE: 04-01453**

Rosalie Shevan Aronoff, Claimant v. Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc., and Jack B. Grubman, Respondents

---

**ATTORNEYS:**

For Claimant, Rosalie Shevan Aronoff, ("Claimant"), Joel S. Finkelstein, Esq., of the firm Finkelstein & Partners, Newburgh, NY.

For Respondents, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. and Jack B. Grubman, ("Respondents"), appeared Bradford D. Kaufman, Esq., of the firm Greenberg Traurig, P.A., West Palm Beach, FL.

---

**NATURE OF DISPUTE:** Customer v. Member and Associated Person.

---

**DATE FILED:** March 3, 2004.

---

**CASE SUMMARY:** Claimant alleged that Respondents violated each of the following: Section 17(a) of the Securities Act of 1933, Chapter 517.301 of the Florida Securities and Investor Protection Act, NASD Rule 2210(d)(1), and the New York Stock Exchange Rule 202.02. Claimant additionally alleged that Respondents breached their fiduciary duty, and omitted to state material facts in connection with the offer and sale of WorldCom stock. Claimant further alleged that Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. is liable for the unlawful and negligent acts of its representative, Respondent Jack B. Grubman, under the doctrine of respondeat superior. Claimant maintained that due to Respondents' actions, her account suffered financial losses.

---

**ARBITRATOR'S REPORT:** (see Exhibit A)

---

**Claim Data**

Claim: \$6,117.51  
Punitive: \$3,800.00  
Interest: Unspecified  
Attorney Fees: Unspecified  
Filing Fees: Unspecified  
Other: Unspecified

**Award Data**

Award: \$.00  
Punitive: \$.00  
Interest: \$.00  
Attorney Fees: \$.00  
Filing Fees: \$.00  
Other: \$.00

---

**AWARD:** The undersigned arbitrator has decided and determined in full and final resolution of the issues submitted for determination as follows: 1) The claims of Claimant are dismissed in their entirety. 2) All requests for punitive damages are denied. 3) All requests for interest are denied. 4) All requests for attorney fees are denied. 5) All other relief requests are denied. 6) NASD Dispute Resolution shall retain the \$325.00 filing fee that the Claimant deposited previously.

---

**OTHER FEES:** Pursuant to Rule 10333 of the Code, Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. has paid to NASD Dispute Resolution the \$325.00 Member Surcharge previously invoiced.

Page Two  
Award 04-01453

**ARBITRATOR**

Marie G. Peterson - Sole Public Arbitrator

**AFFIRMATION**

I, Marie G. Peterson, do hereby affirm, upon my oath as arbitrator that I am the individual described herein who executed this instrument, which is my oath and award.

  
Marie G. Peterson

9/17/04  
Signature Date

September 21, 2004  
Date of Service (For NASD-DR office use only)

**Exhibit A**

In the Matter of NASD Dispute Resolution Arbitration Number 04-01453

Although it is not required and has not been requested, I am providing a record award because of the volume of material presented, including Respondents' motion to strike certain of the exhibits filed by Claimant and Claimant's response to that motion.

Claimant: Rosalie Shevan Aronoff

Representative: Joel S. Finkelstein  
Finkelstein & Partners  
Hooper & Weiss, LLC of counsel

Respondents: Citigroup Global Markets, Inc.  
f/k/a Salomon Smith Barney,  
Inc. And  
Jack B. Grubman

Representative: Bradford D. Kaufman  
Greenberg Traurig, PA

I have reviewed the following submissions in this case:

Filing(s)	Date Filed	Notes
Statement of Claim	2/27/04	Accompanied by Exhibits A-F
Respondents' Answer to Statement of Claim	5/3/04	Accompanied by Exhibits 1-83 (2 volumes) Respondents Answer includes as Part III an argument that Exhibits C, D and E of the Statement of Claim should be stricken
Claimant's Preliminary Response to Respondents' Motion to Strike	5/20/04	Accompanied by Exhibits A-F
Respondents' Supplement and Reply	6/21/04	Accompanied by Exhibit A

Claimant asserted in her Statement of Claim that Respondents' failed to make certain material disclosures to Claimant and that as a result of these omissions, Claimant relied on Respondents' 1-Buy recommendation of WorldCom stock and purchased stock in this company in June 1999 through December 2000 (Statement of Claim Exhibit A.) Claimant seeks rescission of these transactions.

Numerous causes of action were argued by Claimant and responded to by Respondent, including but not limited to, violations of Section 17(a) of the 1933 Securities act, Chapter 517.301 of the Florida Securities and Investor Protection Act, and NASD Rule 2210(d)(1). Breach of fiduciary duty and the Doctrine of Respondent Superior were also submitted as basis for recovery. Claimant requested rescissory damages of \$6,117.51, punitive damages of \$3,800.00 and interest, costs, and attorneys' fees.

Claimant's Exhibits A, B and F to the Statement of Claim are admitted into the record without comment.

Exhibits C and D to Claimant's Statement of Claim are copies of New York Attorney General Assurances of Discontinuance in the Matter of Citigroup Global Markets, Inc. and Jack Benjamin Grubman, respectively. Exhibit E to Claimant's Statement of Claim is a copy of the First Interim Report of Dick Thornburgh,

Bankruptcy Court Examiner, November 3, 2002. Respondents' objected to the submission of these documents as irrelevant and inadmissible and requested they be stricken. Claimant opposed Respondents' motion to strike and requested an oral hearing on this matter.

An oral hearing to argue this matter is not necessary. Although I find Respondents' arguments against admitting these documents persuasive, Claimant has asserted they are NOT evidence but rather "source material for various allegations", representative of Claimant's position in support of her allegations. I am therefore admitting them with that caveat. This is a simplified arbitration case to be determined based on the filings and these documents represent a substantial portion of Claimant's submission.

As to Exhibits C and D, I find there are no important references to the company in this case and have discounted these exhibits as largely irrelevant. I do find the negative curious, however. Although extensive work was done by the NYAG investigating the Respondents in this case, there was nothing in the two settlements that support Claimant's allegation(s) of wrongdoing on the part of Respondents as to WorldCom. As Respondents' assert, however, little can be inferred from these settlements as they are the result of negotiations to resolve issues without litigation and there has not been, nor will there ever be, an adjudication of the allegations contained in those documents.

Exhibit E, The First Interim Report of Dick Thornburgh, Bankruptcy Court Examiner, is NOT an official finding of any court, but rather a summary of where the Court Examiner stood in his examination at the time the report was issued. Mr. Thornburgh does state some facts Claimant recited in the Statement of Claim. However, the relevant facts listed in the document are referenced in Claimant's Statement of Claim and do not add additional support to Claimant's causes of action.

After carefully reviewing all the documents filed in this case, I find no evidence that Claimant relied on Respondents' "I-Buy" recommendation before purchasing WorldCom stock, other than her assertion in her claim. No affidavit was included in the submission. If I assume that assertion as fact, however, I find no evidence that the "I-Buy" recommendation and the underlying research reports were knowingly false or misleading because of omissions of material fact(s). Evidence submitted by Respondents' support their position that the recommendation and related research reports were based on information provided to Respondents and others by WorldCom.

Claimant cited four omissions as material:

- 1- The terms and amount of Grubman's compensation package and the amount of investment banking fees earned by Respondent SSB
- 2- Special IPO share allocations to Worldcom directors and CEO
- 3- Grubman's relationship to WorldCom
- 4- Conflicts of interest created by loans to WorldCom's CEO and related parties

As to alleged omissions 1 and 3 above, as evidenced in several of Respondents' exhibits, Respondents' clearly and properly made disclosures as required by then existing regulations (albeit generally in small print).

As to alleged omission 2 - it is based on statements in Claimant's Exhibits C and E, discussed above. Those documents allege (acknowledging that Respondents have had no opportunity to dispute or defend the allegations) that certain profits from special IPO share allocations were made by WorldCom executives. However, per that Exhibit C, page 54, these profits were made between 1996 and 1997, over 18 months before Claimant's decision to purchase (June 1999). Putting aside that I do not give assertions in this document the full weight given other evidence, I find it highly unlikely that this omitted disclosure is material, as that term is defined by Claimant.

Omission 4 above, as alleged by Claimant, is that Respondents failed to disclose that Respondent Citigroup, through related companies, made "gargantuan" loans to Bernie Ebbers and/or related business ventures, collateralized by WorldCom stock. Claimant asserts that the terms of these loans created a conflict of interest, implying pressure on analysts to over-rate the stock held as collateral. The loan documents are not submitted as evidence. If I accept Claimant's statements for argument's sake, the most significant loan referenced was a \$1 billion dollar loan made in February 2000. However, Claimant made her first purchase of WorldCom in June 1999, before this loan was made. It appears the Statement of Claim missed this discrepancy. Claimant did not make any assertion as to how disclosure of this loan would have affected her existing position in Worldcom and it certainly could not have affected the original decision to purchase the stock - it was not a material fact at that time.

I find there is no evidence that the recommendation, research reports and/or alleged omissions had any causal relationship to any losses, realized or unrealized, that claimant may have suffered as a result of purchasing WorldCom stock.

In conclusion, after considering all evidence submitted in this case, this Arbitrator finds in favor of the Respondents. All Claimant's claims are dismissed in their entirety; all requests for interest, punitive damages, attorneys' fees and costs are denied.

Respectfully submitted,



Marie G. Peterson, CPA  
Arbitrator