

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

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In the Matter of the Arbitration Between:

Warren Beck, Claimant v. Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. and  
Karen E. Mumford, Respondents

Case Number: 04-01797

Hearing Site: San Francisco, California

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

**REPRESENTATION OF PARTIES**

For Claimant:

Carl L. McConnell, Esq.  
Hoge, Fenton, Jones & Appel Inc.  
San Jose, California

For Respondents:

Peter R. Boutin, Esq.  
Keesal, Young & Logan  
San Francisco, California

**CASE INFORMATION**

Statement of Claim filed: March 15, 2004

Claimant's Arbitration Brief filed: August 23, 2005

Claimant's Uniform Submission Agreement signed: March 31, 2004

Joint Statement of Answer filed by Respondents Citigroup Global Markets, Inc., formerly known  
as Salomon Smith Barney, Inc. ("CGMI") and Karen E. Mumford: June 11, 2004

Respondents' Arbitration Brief filed: August 23, 2005

Respondent CGMI's Uniform Submission Agreement signed: May 7, 2004

**CASE SUMMARY**

Claimant alleged that in 2000, he decided to exercise a substantial portion of his Cisco stock options and buy a new residence for his family. Claimant further alleged that Respondents breached their contractual fiduciary duties to Claimant by, among other things: (1) advising Claimant to invest the purchase price for his new home with CGMI rather than using it to buy the

home outright as he had planned, (2) failing to advise Claimant that investing all or any substantial portion of the purchase price was unsuitable in light of his reliance on the invested funds to pay the mortgage necessitated by the investment, and (3) repeatedly telling Claimant to "stay the course" in response to his inquiries when other measures could have mitigated his losses. Claimant's claim involved investments in various unspecified securities.

Respondents denied Claimant's allegations of wrongdoing and denied any liability to Claimant. Respondents also asserted affirmative defenses.

### **RELIEF REQUESTED**

Claimant requested:

1. Damages of at least \$1,024,000.00; and
2. Punitive damages in the amount of \$1,000,000.00.

Respondents requested:

1. Dismissal of Claimant's claims;
2. Costs;
3. That the Panel recommend that all reference to this matter be expunged from Ms. Mumford's CRD record; and
4. Attorney's fees.

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

On March 31, 2004, Claimant and Claimant's counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

Pursuant to the Code of Arbitration Procedure IM-10100 the waiver of the Claimant shall constitute and operate as a waiver for all member firms and associated persons (including terminated or otherwise inactive member firms or associated persons) against whom the Claim has been filed.

Respondent Karen E. Mumford did not file with NASD Dispute Resolution ("NASD-DR") a properly executed submission to arbitration but is required to submit to arbitration pursuant to the NASD-DR Code of Arbitration Procedure ("the Code") and, having answered Claimant's Claim, appeared and testified at the hearing, is bound by the determination of the Panel on all issues submitted.

The parties 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, testimony, and evidence presented at the hearing, the Panel decided in full and final resolution of the issues submitted for determination as follows:

1. All claims by Claimant, including the claim for punitive damages, are dismissed.
2. Respondent Karen E. Mumford's request that the Panel recommend that all reference to this matter be expunged from Ms. Mumford's CRD record is denied.
3. Each party shall bear its own costs, including attorney's fees.
4. All other relief not expressly granted is denied.

### **FEEs**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD-DR received or will collect the non-refundable filing fees for each claim as follows:

Initial claim filing fee	= \$500.00
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#### **Member Fees**

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events that gave rise to the dispute, claim, or controversy. Accordingly, CGMI is a party and the following fees are assessed:

Member Surcharge	= \$2,800.00
Pre-Hearing Process Fee	= \$ 750.00
<u>Hearing Process Fee</u>	<u>= \$5,000.00</u>
Total Member Fees	= \$8,550.00

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

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Chair/Panel. The following fees are assessed:

(1) Pre-hearing conference session with the Panel @ \$1,200.00/session	= \$1,200.00
Pre-hearing conference:      October 15, 2004      1 session	

(9) Hearing sessions @ \$1,200.00/session = \$10,800.00

Hearings:	September 6, 2005	2 sessions
	September 7, 2005	2 sessions
	September 8, 2005	2 sessions
	September 9, 2005	2 sessions
	September 12, 2005	1 session

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**Total Forum Fees = \$12,000.00**

The Panel assessed \$6,000.00 of the forum fees to Claimant.

The Panel assessed \$6,000.00 of the forum fees jointly and severally to Respondents CGMI and Karen E. Mumford.

**Fee Summary**

1. Claimant is charged with the following fees and costs:

Initial Filing Fee	= \$ 500.00
Forum Fees	= \$ 6,000.00
Total Fees	= \$ 6,500.00
<u>Less Payments</u>	= \$( 1,700.00)
Balance Due NASD-DR	= \$ 4,800.00

2. Respondent CGMI is charged with the following fees and costs:

Member Fees	= \$ 8,550.00
<u>Less Payments</u>	= \$( 8,550.00)
Balance Due NASD-DR	= \$ 0.00

3. Respondents CGMI and Karen E. Mumford are charged jointly and severally with the following fees and costs:

Forum Fees	= \$ 6,000.00
<u>Less Payments by CGMI</u>	= \$( 2,200.00)
Balance Due NASD-DR	= \$ 3,800.00

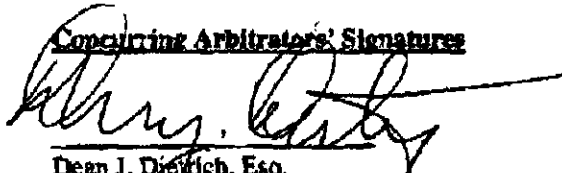
All balances are payable to NASD Dispute Resolution and are payable upon the receipt of the Award pursuant to Rule 10330(g) of the Code.

**ARBITRATION PANEL**

Dean J. Dietrich, Esq.  
Sterling N. Frost  
Jane F. Gundermann

Public Arbitrator, Presiding Chair  
Public Arbitrator  
Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

  
Dean J. Dietrich, Esq.  
Chair, Public Arbitrator

Sept. 19, 2005  
Signature Date

Sterling N. Frost  
Public Arbitrator

Signature Date

Jane F. Gundermann  
Non-Public Arbitrator

Signature Date

9/19/05  
Date of Service

**ARBITRATION PANEL**

Dean J. Dietrich, Esq.  
Sterling N. Frost  
Jane F. Gundermann

- Public Arbitrator, Presiding Chair  
- Public Arbitrator  
- Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

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Dean J. Dietrich, Esq.  
Chair, Public Arbitrator

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Signature Date

  
Sterling N. Frost  
Public Arbitrator

9/16/05  
Signature Date

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Jane F. Gundermann  
Non-Public Arbitrator

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Signature Date

9/19/05  
Date of Service

ARBITRATION PANEL

Dean J. Dietrich, Esq.	-	Public Arbitrator, Presiding Chair
Sterling N. Frost	-	Public Arbitrator
Jane F. Gundermann	-	Non-Public Arbitrator

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Non-Public Arbitrator

9/16/05  
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