

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Shelly Waln (Claimant) v. Citigroup Global Markets, Inc, as successor to Salomon Smith Barney, William T. Lent and Michael Lent v. Merrill Lynch Pierce Fenner & Smith, Inc., Peter Bacanovic and Jake Bartlett

Case Number: 04-02050

Hearing Site: New York City, New York

Nature of the Dispute: Customer v. Member and Associated Persons vs. Member and Associated Persons.

REPRESENTATION OF PARTIES

Claimant Shelly Waln ("Waln") hereinafter referred to as "Claimant": J. Jeffrey Weisenfeld, Esq., New York, NY. Previously represented by J. Jeffrey Weisenfeld, Esq., Goldberger & Dubin, P.C., New York, NY.

Respondents Citigroup Global Markets, Inc., ("Citigroup"), William T. Lent ("W. Lent"), and Michael Lent ("M. Lent"): Jonathan C. Thau, Esq., Luboja & Thau, New York, NY. Previously represented by Ellen Slipp, Esq., Citigroup Global Markets, Inc., New York, NY. Previously represented by Andrew W. Sidman, Esq., Butler Fitzgerald & Potter, P.C., New York, NY.

Third-party Respondents Merrill Lynch Pierce Fenner & Smith, Inc. ("Merrill Lynch") and Jake Bartlett ("Bartlett"): Brenda F. Szydlo, Esq., Sidley Austin Brown & Wood LLP, New York, NY.

Third-party Respondent Peter Bacanovic ("Bacanovic"): J. Todd Hahn, Esq., Goodwin Procter LLP, New York, NY.

CASE INFORMATION

Statement of Claim filed on or about: March 26, 2004.

Claimant signed the Uniform Submission Agreement: March 16, 2004.

Joint Statement of Answer and Third-party Claim filed by Respondents Citigroup, W. Lent, and M. Lent on or about: June 7, 2004.

Respondent Citigroup signed the Uniform Submission Agreement: May 10, 2004.

Respondent W. Lent signed the Uniform Submission Agreement: June 4, 2004.

Respondent M. Lent signed the Uniform Submission Agreement: June 4, 2004

Joint Statement of Answer filed by Third-party Respondents Merrill Lynch and Bartlett on or about: August 13, 2004.

Joint Statement of Answer filed by Third-party Respondents Merrill Lynch and Bartlett to Amended Third-party claim on or about: August 8, 2005.

Third-party Respondent Merrill Lynch did not submit a signed Uniform Submission Agreement.

Third-party Respondent Bartlett did not submit a signed Uniform Submission Agreement.

Statement of Answer filed by Third-party Respondent Bacanovic on or about: August 27, 2004.

Motion to Dismiss filed by Third-party Respondent Bacanovic on or about: August 27, 2004.

Third-party Respondent Bacanovic did not submit a signed Uniform Submission Agreement.

CASE SUMMARY

Claimant asserted the following causes of action: breach of fiduciary duty, suitability, breach of contract, negligence, misrepresentation, breach of the covenant of good faith and fair dealing, breach of warranty, and respondeat superior. The causes of action relate to Martha Stewart Living Omnimedia Employee Stock Options

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

In their Third-party Claim, Respondents asserted the following causes of action: contribution.

Unless specifically admitted in their Answer, Third-party Respondents Merrill Lynch and Bartlett denied the allegations made in the Third-party Claim and asserted various affirmative defenses.

Unless specifically admitted in his Answer, Third-Party Respondent Bacanovic denied the allegations made in the Third-party Claim and asserted various affirmative defenses.

RELIEF REQUESTED

Claimant requested unspecified compensatory damages, attorneys' fees, costs and expenses of this arbitration, pre-judgment interest at the rate of nine percent per annum, forum fees, and such other and further relief that is just and equitable.

Respondents Citigroup, W. Lent, and M. Lent requested that the claims against them be dismissed in their entirety, that they be awarded costs, including reasonable attorneys'

fees. In the event Claimant's claims are not dismissed, Respondents/Third-party Claimants' claim for contribution should be granted in such amount as the Panel deems just and proper and Respondents/Third-party Claimants' should be awarded costs, including reasonable attorneys' fees.

Third-party Respondents Merrill and Bartlett requested that the Panel dismiss Third-party Claimants' claims for contribution with prejudice together with costs, direct Third-party Claimants' to pay all applicable forum costs and expenses in connection with this arbitration, and award Third-party Respondents such other and further relief as the Panel deems just and proper.

Third-party Respondent Bacanovic requested that the Panel enter a decision dismissing all claims against him, direct Third-party Claimant Citigroup to pay all applicable forum costs and expenses associated with the Third-party Claim, including Bacanovic's attorneys' fees, and award him such other and further relief as the Panel deems just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

Respondents Merrill Lynch, Bartlett, and Bacanovic 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 are bound by the determination of the Panel on all issues submitted

On or about July 6, 2005, a telephonic pre-hearing conference was held to hear arguments on Respondent Bacanovic's Motion to Dismiss and Claimant Citigroup's cross motion for indemnification against Third-party Respondents, Merrill, Bartlett, and Bacanovic. After due deliberation, the Panel denied Respondent's Motion to Dismiss and granted Claimant's Cross-Motion for Indemnification against Third-party Respondents.

On or about October 25, 2005, Respondents withdrew their claims against Third-party Respondents Merrill Lynch, Bartlett and Bacanovic.

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, 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. Respondents Citigroup, W. Lent and M. Lent are jointly and severally liable for and shall pay to Claimant compensatory damages in the amount of \$874,631.00 plus interest at the rate of nine percent per annum from March 31, 2001 until the award is

paid.

2. 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	= \$ 250.00
Third-party 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 firms that employed the associated persons at the time of the events giving rise to the dispute. Accordingly, Citigroup Global Markets, Inc. and Merrill Lynch Pierce Fenner and Smith, Inc. are parties.

Member surcharge	= \$ 1,500.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 2,200.00

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:

Two (2) Pre-hearing sessions with Panel @ \$1,000.00	= \$ 2,000.00
Pre-hearing conferences: January 27, 2005 1 session	
July 6, 2005 1 session	

Twenty Six (26) Hearing sessions @ \$1,000.00	= \$26,000.00
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Hearing Dates:	October 25, 2005	2 sessions
	October 26, 2005	2 sessions
	October 27, 2005	2 sessions
	December 13, 2005	2 sessions
	February 6, 2006	2 sessions
	February 7, 2006	2 sessions
	February 8, 2006	2 sessions
	March 20, 2006	2 sessions
	March 21, 2006	2 sessions
	March 22, 2006	2 sessions
	May 16, 2006	2 sessions
	May 17, 2006	2 sessions

May 31, 2006 2 sessions

Total Forum Fees = \$28,000.00

1. The Panel has assessed \$14,000.00 of the forum fees to Claimant.
2. The Panel has assessed \$14,000.00 of the forum fees to Respondent Citigroup.

Fee Summary

1. Claimant is solely liable for:

Initial Filing Fee	= \$ 250.00
Forum Fees	= \$14,000.00
Total Fees	= \$14,250.00
Less payments	= \$ 1,250.00
Balance Due NASD Dispute Resolution	= \$13,000.00

2. Respondents Citigroup, W. Lent and M. Lent are jointly and severally liable for:

Third-party Filing Fee	= \$ 500.00
Total Fees	= \$ 500.00
Less payments	= \$ 500.00
Balance Due NASD Dispute Resolution	= \$ 0.00

3. Respondent Citigroup is solely liable for:

Member Fees	= \$ 4,450.00
Forum Fees	= \$14,000.00
Total Fees	= \$18,450.00
Less payments	= \$ 6,700.00
Balance Due NASD Dispute Resolution	= \$11,750.00

4. Respondent Merrill is solely liable for:

Member Fees	= \$ 4,450.00
Total Fees	= \$ 4,450.00
Less payments	= \$ 4,450.00
Balance Due NASD Dispute Resolution	= \$ 0.00

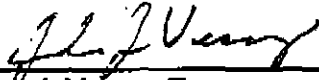
All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

John J. Vesey, Esq.	-	Public Arbitrator, Presiding Chairperson
Mia Scanga	-	Public Arbitrator
John Murray Carroll, Esq.	-	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.



John J. Vesey, Esq.
Public Arbitrator, Presiding Chairperson

6/1/06

Signature Date

Mia Scanga
Public Arbitrator

Signature Date

John Murray Carroll, Esq.
Non-Public Arbitrator

Signature Date

June 5, 2006

Date of Service (For NASD Dispute Resolution use only)

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Mia Scanga
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