

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

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CASE: 04-02691

Dixie Lee Dinsdale (Claimant) v. Citigroup Global Markets, Inc. (Respondent)

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**ATTORNEYS:**

For Claimant Dixie Lee Dinsdale ("Claimant") appeared Jan Graham, Esq., of the Jan Graham Law Offices, Salt Lake City, UT.

For Respondent Citigroup Global Markets, Inc. ("Respondent") appeared Stephen L. Saxl, Esq., of the firm Greenberg Traurig, LLP, New York, NY.

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**NATURE OF DISPUTE:** Customer vs. Member.

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**DATE FILED:** April 12, 2004.

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**ARBITRATOR'S REPORT:** See attached Exhibit "A".

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**CASE SUMMARY:** Claimant alleged that Respondent solicited an order from her to buy WorldCom common stock, and in doing so, intentionally and/or recklessly failed to disclose material facts about the value of said stock, in violation of Respondent's fiduciary duty and in violation of the Utah Securities Act, resulting in a monetary loss to Claimant. Claimant's claim involved shares of WorldCom common stock.

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**Claim Data**

Claim: \$7,270.58  
Treble: \$14,541.16  
Punitive: Unspecified  
Pre-Award Interest: Unspecified  
Post-Award Interest: Unspecified  
Attorney Fees: Unspecified  
Filing Fees: \$425.00  
Other: Unspecified

**Award Data**

Award: \$7,173.93  
Treble: \$14,347.86  
Punitive: \$0.00  
Pre-Award Interest: \$2,627.42  
Post-Award Interest: 12% till paid  
Attorney Fees: \$8,608.74  
Filing Fees: \$425.00  
Other: \$0.00

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**AWARD:** The undersigned arbitrator has decided and determined in full and final resolution of the issues submitted for determination as follows: 1) Respondent is liable for and shall pay Claimant \$7,173.93. 2) Respondent is liable for and shall pay Claimant treble damages in the amount of \$14,347.86. 3) Respondent is liable for and shall pay Claimant pre-award interest in the amount of \$2,627.42. (Interest is calculated as follows: 12% per year; date of loss was 4/16/02; three years @ \$860.87 per year \$2,582.61, plus 19 days to date of award @ \$44.81). 4) Respondent is liable for and shall pay Claimant post-award interest at the rate of 12% per annum through the date of payment of the award. 5) Respondent is liable for and shall pay Claimant attorney fees in the amount of \$8,608.74 pursuant to Utah Securities Act, Section 61-1-22(1)(a). 6) All requests for punitive damages are denied. 7) All other relief requests are denied. 8) NASD Dispute Resolution shall retain the \$425.00 filing fee that the Claimant deposited previously. 6) Respondent is liable and shall pay Claimant \$425.00 as reimbursement of the filing fee.

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OTHER FEES: Pursuant to Rule 10333 of the Code, Respondent has paid to NASD Dispute Resolution the \$425.00 Member Surcharge previously invoiced.

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Eugene R. Nielson

Sole Public Arbitrator

AFFIRMATION

I, Eugene R. Nielson, 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.

Eugene R. Nielson  
Eugene R. Nielson

5-17-05  
Signature Date

May 24, 2005  
Date of Service (For NASD-DR office use only)

## **EXHIBIT "A"**

### **DECISION**

In a prior Interlocutory Ruling the undersigned Arbitrator ruled that he would not accept as evidence facts contained in Exhibit H, of Claimant's Exhibits, being The First Interim Report of WordCom Bankruptcy Examiner Richard Thornburgh dated November 4, 2002 on the ground that it was inadmissible hearsay. I hereby reverse this prior holding and accept it as probative evidence of the fraudulent scheme, spearheaded by Respondent's telecommunications analyst Jack B. Grubman, of which the Respondent's highest managers were aware, to inflate in his analyst reports, the value of WordCom's common stock in order to win from WorldCom its extremely lucrative investment banking business. Respondent rewarded Grubman for his efforts by paying him gargantuan annual bonuses. Even if Claimant did not read or rely on Grubman's reports, she was damaged by them both on the fraud on the market theory and because her broker would not have solicited her to buy WorldCom had Grubman not omitted negative data on WorldCom's actual financial condition.

**NASD Code of Arbitration Procedure, 10323 Evidence, reads: The arbitrators shall determine the materiality and relevance of any evidence proffered and shall not be bound by rules governing the admissibility of evidence.**

In addition to the bankruptcy report, several of the Respondent's interoffice communications before the Arbitrator contain admissions that Grubman was offering bogus data in his reports on stocks such as WorldCom. One example is John Hoffmann's memo dated February 22, 2001 in which he describes the ratings and price targets as containing "...repeated occurrences of riding a stock down 50% or more, and then seemingly, capitulating at the very bottom".