

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Neil and Victoria Megson, Claimants v. Kelly Gunderson and Salomon Smith Barney Inc. n/k/a
Citigroup Global Markets Inc., Respondents

Case Number: 04-02795

Hearing Site: Seattle, Washington

Nature of the Dispute: Customers v. Member and Associated Person

REPRESENTATION OF PARTIES

For Claimants Neil and Victoria Megson:

Bernard W. McNallen, Esq.
Balsam McNallen LLP
Tacoma, Washington

For Respondents Kelly Gunderson and Citigroup Global
Markets Inc.:

Michael R. Scott, Esq.
Steven T. Masada, Jr., Esq.
Hillis Clark Martin &
Peterson
Seattle, Washington

CASE INFORMATION

Initial Statement of Claim filed: April 12, 2004

Amended Statement of Claim filed: July 15, 2004

Claimants Neil and Victoria Megson's Joint Uniform Submission Agreement signed: April 12, 2004

Joint Statement of Answer filed by Respondents Kelly Gunderson and Salomon Smith Barney Inc. n/k/a Citigroup Global Markets Inc. (hereinafter "Citigroup Global Markets Inc."): June 29, 2004

Respondent Citigroup Global Markets Inc.'s Uniform Submission Agreement signed: June 11, 2004

Respondent Kelly Gunderson's Uniform Submission Agreement signed: June 30, 2004

CASE SUMMARY

Claimants asserted the following causes of action in their initial Statement of Claim: unsuitability, violation of Revised Code of Washington sections 19.86.020, 21.20.430 and 21.20.702, breach of contract, failure to supervise, breach of fiduciary duty, negligence, negligent and material misrepresentations and omissions, and lulling Claimants into keeping certain securities in their portfolio. Claimants alleged that Respondent Kelly Gunderson paid Claimants \$15,000.00 in order to cover a margin call that had resulted from losses in their accounts. Claimants also alleged that Respondent Citigroup Global Markets Inc. exerted pressure on them to sign a release of all claims against Citigroup stemming from transactions that had taken place in Claimants' Citigroup accounts prior to 2001 in return for Citigroup making a payment to Claimants for its failure to execute a particular sale of Global Crossing shares.

Claimants asserted the following causes of action in their Amended Statement of Claim: unsuitability, violation of Revised Code of Washington sections 19.86.020, 21.20.010, 21.20.430 and 21.20.702, breach of contract, failure to supervise, breach of fiduciary duty, negligence, negligent and material misrepresentations and omissions, and lulling Claimants into keeping certain securities in their portfolio. Claimants repeated the allegations set forth in their initial Statement of Claim and stated that the behavior described in both Statements of Claim was indicative of Respondents' irresponsible investment practices and advice.

Unless specifically admitted in their Answer, Respondents denied the allegations of wrongdoing set forth in Claimants' Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

Claimants, in their initial and Amended Statements of Claim, requested unspecified compensatory damages, unspecified punitive damages, special damages including out of pocket expenses, rescission pursuant to Revised Code of Washington section 21.20.430, and costs, including attorney's fees.

Respondents requested dismissal of Claimants' initial Statement of Claim in its entirety, expungement of this matter from CRD records, and costs, including attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

On July 15, 2004, Claimants filed an Amended Statement of Claim pursuant to NASD Code of Arbitration Procedure Rule 10328(c).

On July 15, 2004, Claimants filed an Objection to Content/Motion to Exclude certain items from Respondents' Answer. On August 2, 2004, Respondents filed a Response to Claimants' Objection to Content/Motion to Exclude. In an Order dated September 27, 2004, the Panel denied Claimants' Objection to Content/Motion to Exclude.

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) Claimants' claims are denied in their entirety.
- 2) The parties shall bear their respective costs, including attorney's fees.
- 3) 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 received or will collect the non-refundable filing fees for each claim as follows:

Initial claim filing fee	= \$ 250.00
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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, the member firm Citigroup Global Markets Inc. is a party, and the following fees are assessed:

Member Surcharge	= \$1,500.00
Pre-Hearing Process Fee	= \$ 750.00
Hearing Process Fee	= \$2,200.00
Total Member Fees	= \$4,450.00

Adjournment Fees

The following adjournment fees are assessed:

July 19 – 22, 2005, adjournment requested by Claimants	= \$1,000.00
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The Panel assessed the adjournment fee 100% to Claimant Neil Megson.

Forum Fees and Assessments

The Panel assessed forum fees for each hearing session conducted or each decision rendered on a discovery-related motion on the papers. A hearing 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. Forum fees associated with these proceedings are:

One (1) pre-hearing conference session with a single arbitrator @ \$450.00/session	= \$ 450.00
Pre-hearing conference: April 18, 2006 1 session	
One (1) pre-hearing conference session with the Panel @ \$1,000.00/session	= \$1,000.00
Pre-hearing conference: September 27, 2004 1 session	
Eight (8) hearing sessions @ \$1,000.00/session	= \$8,000.00
Hearings: April 24, 2006 2 sessions	
April 25, 2006 2 sessions	
April 26, 2006 2 sessions	
April 27, 2006 2 sessions	
Total Forum Fees	= \$9,450.00

1. The Panel assessed \$4,950.00 of the forum fees jointly and severally to Claimants Neil and Victoria Megson.
2. The Panel assessed \$4,500.00 of the forum fees jointly and severally to Respondents Kelly Gunderson and Citigroup Global Markets Inc.

Fee Summary

1. Claimants are charged jointly and severally with the following fees and costs:

Initial Filing Fee	= \$ 250.00
Forum Fees	= \$ 4,950.00
Total Fees	= \$ 5,200.00
Less payments	= \$(5,250.00)
Refund Due Claimants	= \$ (50.00)
2. Claimant Neil Megson is charged with the following fees and costs:

Adjournment Fees	= \$ 1,000.00
Less Payments	= \$(1,000.00)
Balance Due NASD Dispute Resolution	= \$ 0.00
3. Respondent Citigroup Global Markets Inc. is charged with the following fees and costs:

Member Fees	= \$ 4,450.00
Less payments	= \$(4,450.00)
Balance Due NASD Dispute Resolution	= \$ 0.00
4. Respondents Kelly Gunderson and Citigroup Global Markets Inc. are charged jointly and severally with the following fees and costs:

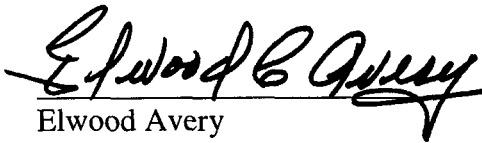
Forum Fees	= \$ 4,500.00
Less Payments by Citigroup Global Markets Inc.	= \$(4,000.00)
Balance Due NASD Dispute Resolution	= \$ 500.00

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

ARBITRATION PANEL

<i>Elwood Avery</i>	-	<i>Public Arbitrator, Presiding Chair</i>
<i>Michael J. Busch</i>	-	<i>Public Arbitrator</i>
<i>Michael W. Reinhardt</i>	-	<i>Non-Public Arbitrator</i>

Concurring Arbitrators' Signatures



Elwood Avery
Chair, Public Arbitrator

April 28, 2006
Signature Date

Michael J. Busch
Public Arbitrator

Signature Date

Michael W. Reinhardt
Non-Public Arbitrator

Signature Date

5/1/06
Date of Service

NASD Dispute Resolution
Arbitration No. 04-02795
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<i>Michael W. Reinhardt</i>	-	<i>Non-Public Arbitrator</i>

Concurring Arbitrators' Signatures

Elwood Avery
Chair, Public Arbitrator

Signature Date



Michael J. Busch
Public Arbitrator

4/11/06

Signature Date

Michael W. Reinhardt
Non-Public Arbitrator

Signature Date

5/1/06

Date of Service

NASD Dispute Resolution
Arbitration No. 04-02795
Award Page 5 of 5

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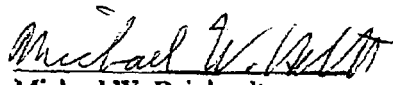
Concurring Arbitrators' Signatures

Elwood Avery
Chair, Public Arbitrator

Signature Date

Michael J. Busch
Public Arbitrator

Signature Date



Michael W. Reinhardt
Non-Public Arbitrator



Signature Date



Date of Service