

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

James E. and Patricia B. Chapman

and

04-04720
Louisville, Kentucky

Names of Respondents

Citigroup Global Markets, Inc.
f/k/a Salomon Smith Barney, Inc.,
and Paul D. Babaz

NATURE OF THE DISPUTE

Customers vs. Member Firm and Associated Person

REPRESENTATION OF PARTIES

James E. and Patricia B. Chapman ("Chapmans"), hereinafter referred to as ("Claimants"), were represented by James P. McCrocklin, Esq., Louisville, Kentucky.

Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. ("Citigroup") and Paul D. Babaz ("Babaz"), hereinafter referred to as ("Respondents"), were represented by Sean J. Coughlin, Esq., Citigroup Global Markets, Inc., New York, New York.

CASE INFORMATION

The Statement of Claim was filed on or about July 1, 2004. The Submission Agreements of Claimants, James E. and Patricia B. Chapman, were signed on or about February 6, 2004.

The Joint Statement of Answer was filed by Respondents, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. and Paul D. Babaz, on or about August 27, 2004. The Submission Agreement of Respondent, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc., was signed on or about August 23, 2004. The Submission Agreement of Respondent, Paul D. Babaz, was filed on or about August 23, 2004.

CASE SUMMARY

Claimants asserted the following causes of action: unsuitable recommendations; misrepresentation

and omission of material facts; failure to reasonably supervise; common law breach of fiduciary duty breach of contract; common law fraud; common law negligent misrepresentation and concealment principal/agent liability; and control person liability. Claimants alleged that the excessively speculative trading strategy recommended by Respondents was not suitable to their investment objectives, financial situation, and needs. The causes of action relate to the recommendations and purchases of UPS stock.

Unless specifically admitted in their Joint Statement of Answer, Respondents, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. and Paul D. Babaz, denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Respondents stated that the Statement of Claim and each and every claim therein failed to state a claim upon which relief can be granted; Respondents stated that the damages for which Claimants seek to hold Respondents liable resulted in whole or in part from Claimants' own acts or omissions, and Respondents are not responsible for or liable to Claimants for their own negligent acts or omissions; and Respondents state that the damages for which Claimants seek to hold Respondents liable were proximately caused by Claimants' failure to use reasonable means to mitigate damages.

RELIEF REQUESTED

Claimants requested an award of \$636,613.24 in compensatory damages, interest, their costs and attorneys' fees and any and all other relief to which they may appear entitled.

Respondents requested that the claims asserted against them be denied in their entirety and all costs associated with the arbitration proceeding assessed against the Claimants.

OTHER ISSUES CONSIDERED & DECIDED

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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with the NASD Dispute Resolution (the "NASD").

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. Claimants' claims, each and all, are dismissed with prejudice;
2. Respondents' Motion for Expungement of these proceedings from Respondent, Babaz's, U-4 is denied;

3. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice; and
4. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain the non-refundable filing fees for each claim:

Initial claim filing fee = \$375.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, the member firm is Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc.

Member surcharge	\$	2,250.00
Pre-hearing process fee	\$	750.00
<u>Hearing process fee</u>	\$	<u>4,000.00</u>
Total Member Fees	\$	7,000.00

Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing 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:

1	Pre-hearing session with Panel	x	1,200.00	\$	1,200.00
	November 3, 2004	1	session		
2	Hearing sessions	x	1,200.00	\$	2,400.00
	March 30, 2005	2	sessions		
	Total Forum Fees			\$	<u>3,600.00</u>

The Arbitration Panel has assessed \$1,800.00 of the forum fees jointly and severally to James E. and Patricia B. Chapman.

The Arbitration Panel has assessed \$1,800.00 of the forum fees jointly and severally to Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. and Paul D. Babaz.

Fee Summary

Claimants, James E. and Patricia B. Chapman are jointly and severally liable for:

Initial Filing Fee	= \$	375.00
<u>Forum Fee</u>	= \$	<u>1,800.00</u>
Total Fees	= \$	2,175.00
<u>Less payments</u>	= \$	<u>-1,575.00</u>
Balance Due NASD Dispute Resolution	= \$	600.00

Respondent, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc., is liable for:

<u>Member Fees</u>	= \$	<u>7,000.00</u>
Total Fees	= \$	7,000.00
<u>Less payments</u>	= \$	<u>7,000.00</u>
Total Fees	= \$	0.00

Respondents, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc., Paul D. Babaz and Donald R. Dentinger, are jointly and severally liable for:

<u>Forum Fees</u>	= \$	<u>1,800.00</u>
Total Fees	= \$	1,800.00
<u>Less payments</u>	= \$	<u>-3,000.00</u>
Balance Due to Respondent, Citigroup Markets, Inc.	= \$	1,200.00

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

ARBITRATION PANEL

Hugh C. Durbin - Public Arbitrator, Presiding Chair
Robert P. Ross, Esq. - Public Arbitrator
Stuart S. Billington - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Hugh C. Durbin
Hugh C. Durbin
Public Arbitrator, Presiding Chair

05/05/05
Signature Date

/s/ Robert P. Ross, Esq.
Robert P. Ross, Esq.
Public Arbitrator

05/05/05
Signature Date

/s/ Stuart S. Billington
Stuart S. Billington
Non-Public Arbitrator

05/05/05
Signature Date

05/05/05
Date of service

ARBITRATION PANEL

Hugh C. Durbin - Public Arbitrator, Presiding Chair
Robert P. Ross, Esq. - Public Arbitrator
Stuart S. Billington - Non-Public Arbitrator

Concurring Arbitrators:

Hugh C. Durbin
Hugh C. Durbin
Public Arbitrator, Presiding Chair

5 May 2005
Signature Date

Robert P. Ross, Esq.
Public Arbitrator

Signature Date

Stuart S. Billington
Non-Public Arbitrator

Signature Date

Date of service

NASD Dispute Resolution, Inc.
Arbitration No. 04-04720
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Public Arbitrator, Presiding Chair


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Public Arbitrator

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Stuart S. Billington
Non-Public Arbitrator

Signature Date

Date of service

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Public Arbitrator, Presiding Chair

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Robert P. Ross, Esq.
Public Arbitrator

Signature Date



Stuart S. Billington
Non-Public Arbitrator

5-5-05

Signature Date

Date of service