

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

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In the Matter of the Arbitration Between:

Joseph M. Salerno, Beverly T. Salerno and Joseph Salerno and Beverly T. Salerno, JTWROS (Claimants) v. Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc., and Jack B. Grubman (Respondents)

Case Number: 04-04920

Hearing Site: Boston, Massachusetts

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

**REPRESENTATION OF PARTIES**

Claimants Joseph M. Salerno, individually, Beverly T. Salerno, individually, and Joseph Salerno and Beverly T. Salerno, JTWROS, hereinafter collectively referred to as "Claimants": Robert Weiss, Esq., Hooper & Weiss, L.L.C., Orlando, FL.

Respondents Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc. ("Citigroup") and Jack B. Grubman ("Grubman"), hereinafter collectively referred to as "Respondents": John A. Sten, Esq., Greenberg Traurig, LLP, Boston, MA.

**CASE INFORMATION**

Statement of Claim filed on or about: June 29, 2004.

Claimants signed the Uniform Submission Agreement: August 27, 2003.

Respondents' Answer and Affirmative Defenses to Statement of Claim filed on or about: October 1, 2004.

Citigroup signed the Uniform Submission Agreement: September 29, 2004.

Grubman signed the Uniform Submission Agreement: September 29, 2004.

**CASE SUMMARY**

Claimants asserted the following causes of action: omission to state material facts and conflicts of interest in violation of §17(A) of the Securities Act of 1933, CH. 110A, § 101 of the Massachusetts Uniform Securities Act, and NASD Rule 2210(d)(1); breach of fiduciary duty; and *respondeat superior*. The causes of action relate to WorldCom common stock.

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

### **RELIEF REQUESTED**

Claimants requested rescissory damages in the amount of \$1,115,269.60; punitive damages in an amount to be determined from the evidence accumulated during discovery; plus interest; costs; attorneys' fees; and such other damages the arbitration panel deems appropriate.

Respondents requested that the Panel dismiss the Statement of Claim in its entirety with prejudice and with attorneys' fees and costs assessed against the Claimants.

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

At the hearing in this matter, Respondents filed a Motion to Strike the Global Settlement Agreements. After due deliberation, the Panel granted the Motion.

At the hearing in this matter, the Respondents filed a Motion to Exclude Time-Barred Claims. After due deliberation, the Panel denied the Motion.

At the hearing in this matter, the Claimant filed a Motion to Introduce the Thornburgh Report. After due deliberation, the Panel granted the Motion in part and allowed the Report in a distilled format.

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 are liable for and shall pay to Claimants compensatory damages in the amount of \$913,000.00.
2. Respondents are liable for and shall pay to Claimants punitive damages in the amount of \$1,500,000.00 pursuant to MGL-A-CH 110A § 410 (h) and NASD Rules 95-85 and 95-16.
3. Respondents are liable for and shall pay to Claimants interest at the rate of 6% per annum from September 15, 2005 until the award is paid in full.
4. Any and all relief not specifically addressed herein, 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 = \$ 500.00

#### **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. Accordingly, Citigroup Global Markets, Inc. is a party.

Member surcharge = \$ 2,800.00

Pre-hearing process fee = \$ 750.00

Hearing process fee = \$ 5,000.00

Total Member Fees = \$ 8,550.00

#### **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:

One (1) Pre-hearing session with Panel @ \$1,200.00 = \$ 1,200.00

Pre-hearing conference: December 20, 2004 1 session

Six (6) Hearing sessions @ \$1,200.00 = \$ 7,200.00

Hearing Dates: September 12, 2005 2 sessions

September 13, 2005 2 sessions

September 14, 2005 2 sessions

Total Forum Fees = \$ 8,400.00

1. The Panel has assessed \$4,200.00 of the forum fees to Claimants.
2. The Panel has assessed \$4,200.00 of the forum fees jointly and severally to Respondents.

### **Fee Summary**

1. Claimants are jointly and severally liable for:

Initial Filing Fee = \$ 500.00

Forum Fees = \$ 4,200.00

Total Fees = \$ 4,700.00

Less payments = \$ 1,700.00

Balance Due NASD Dispute Resolution = \$ 3,000.00

3. Respondent Citigroup is solely liable for:

<u>Member Fees</u>	= \$ 8,550.00
<u>Total Fees</u>	= \$ 8,550.00
<u>Less payments</u>	= \$ 8,550.00
Balance Due NASD Dispute Resolution	= \$ 0.00

4. Respondents Citigroup and Grubman are jointly and severally liable for:

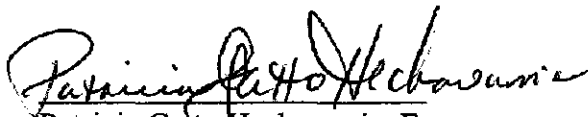
<u>Forum Fees</u>	= \$ 4,200.00
<u>Total Fees</u>	= \$ 4,200.00
<u>Less payments</u>	= \$ 4,200.00
Balance Due NASD Dispute Resolution	= \$ 0.00

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

**ARBITRATION PANEL**

Patricia Gatto Hechavarria, Esq.	-	Public Arbitrator, Presiding Chairperson
James A. Wills	-	Public Arbitrator
Joseph F. Meldon, Jr.	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

  
Patricia Gatto Hechavarria, Esq.  
Public Arbitrator, Presiding Chairperson

9/25/05  
Signature Date

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James A. Wills  
Public Arbitrator

\_\_\_\_\_  
Signature Date

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Joseph F. Meldon, Jr.  
Non-Public Arbitrator

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Signature Date

September 30, 2005  
Date of Service (For NASD Dispute Resolution use only)

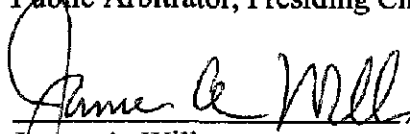
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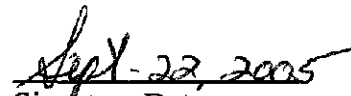
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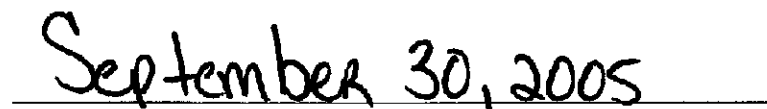
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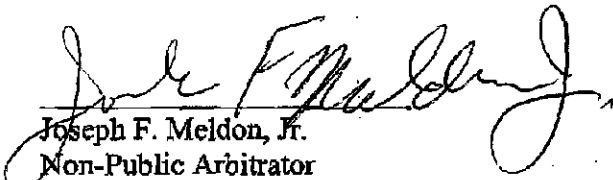
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