

NASD DISPUTE RESOLUTION AWARD
NASD DISPUTE RESOLUTION

CASE: 04-05252

Ramallah Trading Co., Inc., Claimant v. Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc., and Jack B. Grubman, Respondents

ATTORNEYS:

For Claimant, Ramallah Trading Co., Inc., ("Claimant"), appeared Richard J. Lantinberg, Esq., of the firm Farah, Farah & Abbot, P.A., Jacksonville, FL.

Respondents, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. and Jack B. Grubman (collectively "Respondents"), appeared through in-house counsel Ann Parry, Esq., New York, NY.

NATURE OF DISPUTE: Customer v. Member and Associated Person.

DATE FILED: July 22, 2004.

CASE SUMMARY: Claimant alleged that Respondents violated each of the following: Section 17(a) of the Securities Act of 1933, NASD Rule 2210(d)(1), and the New York Stock Exchange Rule 202.02. Claimant additionally alleged that Respondents breached their fiduciary duty, and omitted to state material facts in connection with the offer and sale of WorldCom stock. Claimant further alleged that Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. is liable for the unlawful and negligent acts of its representative, Respondent Jack B. Grubman, under the doctrine of respondeat superior. Claimant maintained that due to Respondents' actions, their account suffered financial losses.

ARBITRATOR'S REPORT: (See Exhibit A)

Claim Data

Claim: \$5,093.56

Punitive: \$10,000

Interest: Unspecified

Attorney Fees: Unspecified

Filing Fees: Unspecified

Other: Unspecified

Award Data

Award: \$10,000 (inclusive of attorney's fees and filing fees.)

Punitive: \$.00

Interest: \$.00

Attorney Fees: (included in award)

Filing Fees: (included in award)

Other: \$.00

AWARD: The undersigned arbitrator has decided and determined in full and final resolution of the issues submitted for determination as follows: 1) Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc., is liable and shall pay to the Claimant \$10,000, including reimbursement for stock purchase, filing fees and attorney's fees. 2) All requests for punitive damages are denied. 3) All other relief requests are denied. 4) NASD Dispute Resolution shall retain the \$425.00 filing fee that the Claimant deposited previously.

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OTHER FEES: Pursuant to Rule 10333 of the Code, Respondent Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. has paid to NASD Dispute Resolution the \$425.00 Member Surcharge previously invoiced.

ARBITRATOR

Roberta Frost - Sole Public Arbitrator

AFFIRMATION

I, Roberta Frost, 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.

Roberta Frost

Roberta Frost

February 2, 2005

Signature Date

February 11, 2005

Date of Service (For NASD-DR office use only)

Exhibit A

AWARD Case No. NASD-DR. Arb. No. 04-5252

1/21/05

CASE NAME: Ramallah Trading Co. Inc. (James A. Batch, pres., and Essa M. Bateh, vice pres.) and Citigroup Global Markets, Inc. (f.k.a. Salomon Smith Barney, Inc.) and Jack B. Grubman

AWARD: \$10,000 total award, including reimbursement for stock purchase, costs and attorney's fees.

CLAIMS:

Citigroup Global Markets (f.k.a. Salomon Smith Barney, Inc.) and its research analyst Jack B. Grubman OMITTED TO STATE MATERIAL FACTS with the offer and sale of WorldCom stock at the time of its purchase by Ramallah in February 2000. These omissions were important to Claimant's decision to buy the stock. Included were CONFLICTS OF INTEREST between respondents and World Com that could be expected to affect the quality and integrity of the 1-Buy recommendation of SSB.

GRUBMAN'S CULPABILITY:

SSB protocols were inadequate for avoiding the intermingling of conflicting responsibilities when an imbalance occurred while analyzing research for its retail division and for its investment banking division. Failure of this process resulted in claimant making a decision to purchase the stock on incomplete information. Though recommendations at the time claimant purchased World Com were in line with industry evaluations, SSB research analyst Jack B. Grubman provided a favorable buy rating for WorldCom even as the stock approached bankruptcy. The extraordinary monetary rewards provided to Grubman during that period could well have indicated to him that he was functioning in a way SSB found satisfactory. While some of his alleged activities are clearly suspect, to what extent they affected claimant's decisionmaking regarding WorldCom cannot be determined. Also it is unclear how much Grubman knew about WorldCom dealings at the time of claimant's purchase to prompt him to make such a positive assessment.

It would seem that SSB had the greater responsibility to ensure that its employee was operating appropriately and thus should bear the costs of reimbursement, particularly in the absence of clearcut guidelines for handling the two types of research. No further damages are suggested here for Jack Grubman.

ON CITIGROUP (SSB)

Claimant had had a client-broker relationship with SSB for approximately four years before purchasing World Com. Thus a climate of trust had been generated between claimant and the company. What SSB failed to do was issue a timely warning indicating to customers that WorldCom needed to be reevaluated. It furthermore was slow to recognize concerns expressed by their retail staff regarding the effects of Grubman's analyses on their customers.

Citigroup Global Markets is asked to pay the total award of \$10,000 as reimbursement for claimant's purchase of WorldCom, including costs and attorney fees incurred by claimant in connection with pursuing this claim.

Arb. No. 04-5252-2

CAUSES OF ACTION:

1. OMISSION TO STATE MATERIAL FACTS AND CONFLICTS OF INTEREST IN VIOLATION OF SECTION 17(A) OF THE SECURITIES ACT OF 1933.

Whether or not the pursuit of restitution under this act is most appropriate, there is still enough evidence in terms of equity and the diminution of trust to warrant a reimbursement for cost of this stock and its corollary expenses.. SSB sale to Ramallah was not achieved by honest presentation. Omission of facts were misleading, a violation of NASD Rule 2210(d)(1), Communications with the Public-General Standards.

2. BREACH OF FIDUCIARY DUTY Duty to investor/client supersedes corporate interest.

There is a discrepancy regarding the description of the broker-client relationship in the statement of claim by Ramallah and the Citigroup affirmation. But the breach would not be attributed so strongly to the type of account claimant held but to the fact that claimant had a brokerage account with SSB for several years and had built up a trust in the advice offered. It is thus seen more as a breach of trust rather than a breach of fiduciary duty. Reimbursement is requested in terms of a return of funds paid out for the WorldCom stock, claimant filing fee, costs and attorney fees. No further damages suggested.

3. Award based first on fairness rather than on law or regulation since SSB had the greater responsibility for not having systems in place to guide Grubman when he was in a position to commit unlawful or negligent acts within the course and scope of his employment with SSB.

END