

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Names of Claimants

Michael K. Rainer and Lynn M. Rainier

vs.

Case Number: 05-00546
Hearing Site: Dallas, Texas

Names of Respondents

Citigroup Global Markets, Inc., f/k/a
Salomon Smith Barney, Inc. and
Thomas F. Macduff

NATURE OF THE DISPUTE

Customers vs. Member and Associated Person

REPRESENTATION OF PARTIES

Michael K. Rainer and Lynn M. Rainier ("Claimants") were represented by David A. MacDonald, Esq., Law Offices of Robert D. McTaggart, Dallas, Texas.

Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc. ("Citigroup") and Thomas F. Macduff ("Macduff"), hereinafter collectively referred to as "Respondents," were represented by Sean J. Couhglin, Esq., Citigroup Global Markets, Inc., New York, New York.

CASE INFORMATION

The Statement of Claim was filed on or about February 1, 2005. The Submission Agreement of Claimants was signed on or about January 26, 2005.

The Statement of Answer was filed jointly by Respondents on or about May 20, 2005. The Submission Agreement of Respondent, Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc., was signed on or about May 18, 2005. The Submission Agreement of Respondent, Thomas F. Macduff, was signed on or about May 16, 2005.

CASE SUMMARY

Claimants asserted the following causes of action: violation of the Federal and State securities laws; violation of the Texas Deceptive Trade Practices Act; negligence/breach of

industry standards; breach of contract; breach of fiduciary duty; promissory estoppel; churning; unauthorized trading; common law fraud – misrepresentation; omissions; respondeat superior and controlling person liability; and failure to supervise. The causes of action related to the Respondents recommendations and purchases of various unspecified “high tech” or “dot com” stocks. Claimants alleged that Respondents breached the Claimants’ instructions and their agreement with Claimants and engaged in a pattern of unauthorized trading in securities that were unsuitable in contravention of the requirements stated by Claimants and in such a manner that not only did they not achieve the return on their investment initially promised by Respondents, the Claimants lost more than half their investment.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant failed to state a cause of action upon which relief can be granted; Claimants’ claims are barred by application of the principles of waiver, laches, estoppel, and ratification; all actions that Respondents took were required by, authorized by, or consistent with applicable laws, statutes, regulations, procedures, standards, or guidelines; the damages claimed by Claimants were not caused by or related to any alleged conduct or activity attributable to Respondents; the damages claimed by Claimants are barred or limited by operation of the applicable statutes of limitations; the damages claimed by Claimants are barred or limited because Claimants failed to mitigate damages; the damages claimed by Claimants are barred or limited because Claimants were contributorily negligent and assumed the risks involved; the damages claimed by Claimants are barred because Respondents at all times acted in good faith and without any intent to harm Claimants; the damages claimed by Claimants are barred or limited by applicable provisions, restrictions, and limitations in the account agreements and documentation relating to Claimants’ account; Claimants are not entitled to recovery of any damages because the overall performance of their portfolio during the relevant time indicates that Claimants did not suffer any legally recognizable injury or damages; under applicable law and/or the facts and circumstances of this case, Claimants are not entitled to an award of punitive, statutory, or exemplary damages; and under applicable law and/or the facts and circumstances of this case, Claimants are not entitled to an award of attorneys’ fees, or costs or expenses.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$ 670,000.00
Exemplary/Punitive Damages	Unspecified
Treble Damages	\$ 1,340,000.00
Interest	Unspecified
Attorneys’ Fees	Unspecified
Other Costs	Unspecified

Other Monetary Relief

Unspecified

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

At the close of Claimants' case at hearing, the Respondents presented an oral Motion to Dismiss. The Panel, after considering the arguments presented by the parties, determined that the Motion was denied.

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 the evidence presented at the hearing, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Respondents, Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc. and Thomas F. Macduff, are jointly and severally liable for and shall pay to Claimants, Michael K. Rainier and Lynn M. Rainier, the sum of \$75,000.00 in compensatory damages;
- 2.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and,
- 3.) Any relief not specifically enumerated, including punitive and/or treble damages and attorneys' fees, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain the non-refundable filing fee 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. In this matter, the member firm is Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc.

Member surcharge	= \$ 2,800.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,000.00

Forum Fees and Assessments

The Panel has assessed forum fees for each hearing session conducted or each decision rendered on a discovery-related motion on the papers. 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 x \$1,200.00	= \$ 1,200.00
Pre-hearing conference: August 15, 2005	1 session
Five (5) Hearing sessions x \$1,200.00	= \$ 6,000.00
Hearing Dates: September 19, 2006	2 sessions
September 20, 2006	2 sessions
September 21, 2006	1 session
Total Forum Fees	= \$ 7,200.00

The Panel has assessed \$7,200.00 of the forum fees jointly and severally to Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc. and Thomas F. Macduff.

FEE SUMMARY

Claimants Michael K. Rainier and Lynn M. Rainier, are jointly and severally liable for:

<u>Initial Filing Fee</u>	= \$ 500.00
<u>Total Fees</u>	= \$ 500.00
<u>Less payments</u>	= \$ 1,700.00
Refund Due Michael K. Rainier and Lynn M. Rainier	= \$ 1,200.00

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

Respondents, Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc. and Thomas F. Macduff, are jointly and severally liable for:

Forum Fees	= \$ 7,200.00
Total Fees	= \$ 7,200.00
Less payments	= \$ 5,000.00
Balance Due NASD Dispute Resolution	= \$ 2,200.00

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

ARBITRATION PANEL

Edmund R. Yates, Esq. - Public Arbitrator, Presiding Chair
Karen Colleen Washington, Esq. - Public Arbitrator
William Richard Smith - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Edmund R. Yates, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Karen Colleen Washington, Esq.
Public Arbitrator

Signature Date

William Richard Smith
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

NASD Dispute Resolution
Arbitration No. 05-00546
Award Page 6 of 6

Balance Due NASD Dispute Resolution = \$ 0.00

Respondents, Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc. and Thomas F. Macduff, are jointly and severally liable for:


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Total Fees	= \$ 7,200.00
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William Richard Smith - Non-Public Arbitrator

Concurring Arbitrators' Signatures:


Edmund R. Yates, Esq.
Public Arbitrator, Presiding Chair

Oct 14, 2006
Signature Date

Karen Colleen Washington, Esq.
Public Arbitrator

Signature Date

William Richard Smith
Non-Public Arbitrator

Signature Date

10/24/06
Date of Service (For NASD office use only)

NASD Dispute Resolution
Arbitration No. 05-00546
Award Page 5 of 5

Balance Due NASD Dispute Resolution = \$ 0.00

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Forum Fees = \$ 7,200.00

Total Fees = \$ 7,200.00

Less payments = \$ 5,000.00

Balance Due NASD Dispute Resolution = \$ 2,200.00

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Public Arbitrator, Presiding Chair

Signature Date



Karen Colleen Washington, Esq.
Public Arbitrator

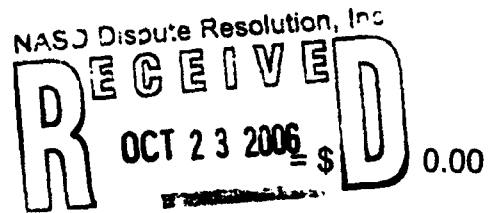
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Signature Date

William Richard Smith
Non-Public Arbitrator

Signature Date

10/24/06 R/W
Date of Service (For NASD office use only)



Balance Due NASD Dispute Resolution

Respondents, Citigroup Global Markets, Inc., f/k/a Salomon Smith Barney, Inc. and Thomas F. Macduff, are jointly and severally liable for:

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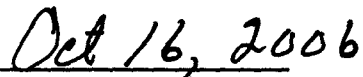
Signature Date

Karen Colleen Washington, Esq.
Public Arbitrator

Signature Date



William Richard Smith
Non-Public Arbitrator



Signature Date



Date of Service (For NASD office use only)