

**AWARD**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between:

Names of Claimants

Guy Anderson, Yolanda C. Bailey, Anna M. Flores,  
Mildred Murach, Melvin Perry Runyan,  
Theresa W. Anderson, Sherri Wippert,  
James Shanks, Sandra Behnke,  
Clifford A. Douglas, Mick Patkowski,  
Vicki L. Douglas, and R. Hampton Wolfe

vs.

Case Number: 05-00914  
Hearing Site: Houston, Texas

Names of Respondents

Citigroup Global Markets, Inc.  
f/k/a Salomon Smith Barney, Inc. and  
Jack B. Grubman

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**NATURE OF THE DISPUTE**

Customers vs. Member and Associated Person

**REPRESENTATION OF PARTIES**

Guy Anderson ("G. Anderson"), Yolanda C. Bailey ("Bailey"), Anna M. Flores ("Flores"), Mildred Murach ("Murach"), Melvin Perry Runyan ("Runyan"), Theresa W. Anderson ("T. Anderson"), Sherri Wippert ("Wippert"), James Shanks ("Shanks"), Sandra Behnke ("Behnke"), Clifford A. Douglas ("C. Douglas"), Mick Patkowski ("Patkowski"), Vicki L. Douglas ("V. Douglas"), and R. Hampton Wolfe ("Wolfe"), hereinafter collectively referred to as "Claimants," were represented by Randall A. Pulman, Esq. and Lance H. "Luke" Beshara, Esq., Pulman, Bresnahan & Pullen, LLP, San Antonio, Texas.

Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. ("Citigroup" or "Smith Barney") and Jack B. Grubman ("Grubman"), hereinafter collectively referred to as "Respondents," were represented by Terry D. Weissman, Esq. and Scott A. Browdy, Esq., Neal, Gerber & Eisenberg, Esq., Chicago, Illinois

**CASE INFORMATION**

The Statement of Claim was filed on or about February 22, 2005. The Submission Agreement of Claimants, Guy Anderson, Clifford A. Douglas, and Vicki L. Douglas, was

signed on or about February 1, 2005. The Submission Agreement of Claimant, Mick Patkowski, was signed on or about February 2, 2005. The Submission Agreement of Claimants, Yolanda C. Bailey, Melvin Perry Runyan, and Sandra Behnke, was signed on or about February 3, 2005. The Submission Agreement of Claimants, Anna M. Flores and R. Hampton Wolfe, was signed on or about February 4, 2005. The Submission Agreement of Claimants, Mildred Murach, Theresa W. Anderson, and James Shanks, was signed on or about February 7, 2005. The Submission Agreement of Claimant, Sherri Wippert, was signed on or about February 8, 2005. Claimants filed a Response to the Motion to Dismiss on or about July 28, 2006. Claimants filed a Sur-Reply to the Motion to Dismiss on or about August 15, 2006.

The Statement of Answer was filed jointly by Respondents, Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney, Inc. and Jack B. Grubman, on or about April 28, 2005. The Submission Agreement of Respondent, Citigroup Global Markets, Inc., was signed on or about March 16, 2005. The Submission Agreement of Respondent, Jack B. Grubman, was signed on or about March 16, 2005. Respondent filed a Motion to Dismiss on or about June 26, 2006. Respondents filed a Reply in Support of the Motion to Dismiss on or about August 8, 2006.

### **CASE SUMMARY**

Claimants asserted the following causes of action: failure to supervise; breach of fiduciary duty; misrepresentations; fraud; violations of the Texas Securities Act; common law fraud; negligent misrepresentation; conspiracy; omissions; and suitability. The causes of action related to non-qualified stock options of former of WorldCom, Inc. employees. Claimants alleged that they either never exercised or never fully exercised their options because they relied on analyst reports prepared by Grubman. Claimants alleged that Smith Barney and Grubman violated the Securities and Exchange Act by recommending securities without a reasonable basis. Claimants alleged that the failure of Smith Barney and Grubman to disclose the quid pro quo nature of their relationship with WorldCom makes Grubman's analyst reports not only merely false and misleading, but also rather intentionally deceptive and fraudulent.

Unless specifically admitted in their Answer, Respondents, Citigroup and Grubman, denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: the Statement of Claim failed to state a claim upon which relief can be granted; Claimants did not incur and legally cognizable damages; to the extent that Claimants did suffer any of the damages alleged in the Statement of Claim, such damages were not proximately caused by any act, representation, or omission of Smith Barney; Claimants' claims are barred by the applicable statute of limitations; Claimants failed to mitigate their damages; Claimants are legally and equitable estopped from asserting their claims; Claimants' claims are barred under the doctrines of waiver and/or ratification; and Claimants cannot recover attorneys' fees and/or punitive damages under applicable law.

### **RELIEF REQUESTED**

Claimants requested an award in the amount of:

Actual/Compensatory Damages	Unspecified
Exemplary/Punitive Damages	Unspecified
Interest	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**

On or about August 25, 2006, the Panel denied Respondents' Motion to Dismiss.

On or about September 8, 2006, Claimants, Yolanda C. Bailey, Melvin Perry Runyan, Theresa W. Anderson, James Shanks, Vicki L. Douglas, and R. Hampton Wolfe, filed a Notice of Dismissal of the Claims and withdrew from this arbitration.

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

- 1.) Claimants' claims, each and all, are hereby denied and dismissed with prejudice;
- 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 damages, 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 = \$ 250.00

### **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 persons at the time of the events giving rise to the dispute. In this matter, the member firm is Citigroup Global Markets, Inc.

Member surcharge = \$ 1,500.00  
Pre-hearing process fee = \$ 750.00  
Hearing process fee = \$ 2,200.00

### **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:

Two (2) Decisions on discovery-related motions on the papers  
with one (1) arbitrator @ \$200.00 = \$ 400.00  
Respondents submitted two (2) discovery-related motions

One (1) Decision on discovery-related motions on the papers  
with three (3) arbitrators @ \$600.00 = \$ 600.00  
Respondents submitted one (1) discovery-related motion

One (1) Pre-hearing session with a single arbitrator x \$450.00 = \$ 450.00  
Pre-hearing conference: June 28, 2006 1 session

Two (2) Pre-hearing sessions with Panel x \$1,000.00 = \$ 2,000.00  
Pre-hearing conferences: June 28, 2005 1 session  
August 24, 2006 1 session

Eight (8) Hearing sessions x \$1,000.00 = \$ 8,000.00  
Hearing Dates: September 11, 2006 2 sessions  
September 12, 2006 2 sessions  
September 13, 2006 2 sessions  
September 14, 2006 2 sessions

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Total Forum Fees = \$ 11,450.00

The Panel has assessed \$1,725.00 of the forum fees jointly and severally to Guy Anderson, Yolanda C. Bailey, Anna M. Flores, Mildred Murach, Melvin Perry Runyan, Theresa W. Anderson, Sherri Wippert, James Shanks, Sandra Behnke, Clifford A. Douglas, Mick Patkowski, Vicki L. Douglas, and R. Hampton Wolfe.

The Panel has assessed \$4,000.00 of the forum fees jointly and severally to Guy Anderson, Anna M. Flores, Mildred Murach, Sherri Wippert, Sandra Behnke, Clifford A. Douglas, and Mick Patkowski.

The Panel has assessed \$5,725.00 of the forum fees jointly and severally to Citigroup Global Markets, Inc. and Jack B. Grubman.

### **FEE SUMMARY**

Claimants, Guy Anderson, Yolanda C. Bailey, Anna M. Flores, Mildred Murach, Melvin Perry Runyan, Theresa W. Anderson, Sherri Wippert, James Shanks, Sandra Behnke, Clifford A. Douglas, Mick Patkowski, Vicki L. Douglas, and R. Hampton Wolfe, are jointly and severally liable for:

Initial Filing Fee	= \$ 250.00
Forum Fees	= \$ 1,725.00
Total Fees	= \$ 1,975.00
Less payments	= \$ 1,575.00
Balance Due NASD Dispute Resolution	= \$ 400.00

Claimants, Guy Anderson, Anna M. Flores, Mildred Murach, Sherri Wippert, Sandra Behnke, Clifford A. Douglas, and Mick Patkowski, are jointly and severally liable for:

Forum Fees	= \$ 4,000.00
Total Fees	= \$ 4,000.00
Less Payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 4,000.00

Respondent, Citigroup Global Markets, Inc., is liable for:

Member Fees	= \$ 4,450.00
Total Fees	= \$ 4,450.00
Less payments	= \$ 4,450.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents, Citigroup Global Markets, Inc. and Jack B. Grubman, are jointly and severally liable for:

Forum Fees	= \$ 5,725.00
Total Fees	= \$ 5,725.00
Less payments	= \$ 0.00

Balance Due NASD Dispute Resolution = \$ 5,725.00

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

**ARBITRATION PANEL**

Michael S. Wilk - Public Arbitrator, Presiding Chair  
Walton L. Huff - Public Arbitrator  
Gregory E. Cater - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

/s/ Michael S. Wilk  
Michael S. Wilk  
Public Arbitrator, Presiding Chair

September 29, 2006  
Signature Date

/s/ Walton L. Huff  
Walton L. Huff  
Public Arbitrator

September 29, 2006  
Signature Date

Gregory E. Cater  
Gregory E. Cater  
Non-Public Arbitrator

September 29, 2006  
Signature Date

September 29, 2006  
Date of Service (For NASD office use only)

Balance Due NASD Dispute Resolution

= \$ 5,725.00

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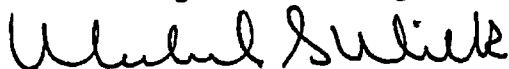
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Michael S. Wilk - Public Arbitrator, Presiding Chair

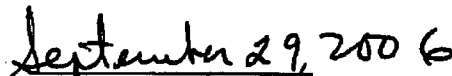
Walton L. Huff - Public Arbitrator

Gregory E. Cater - Non-Public Arbitrator

Concurring Arbitrators' Signatures:



Michael S. Wilk  
Public Arbitrator, Presiding Chair



Signature Date

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Walton L. Huff  
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Non-Public Arbitrator

9/29/06  
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Signature Date

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Date of Service (For NASD office use only)