

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

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In the Matter of the Arbitration Between:

Names of the Claimants

Larry R. Johnson and Pamela H. Johnson

Case Number: 05-01762

Names of the Respondents

Citigroup Global Markets, Inc. (f/k/a  
Salomon Smith Barney),  
Michael J. Grace  
David Hobby  
Jack B. Grubman

Hearing Site: Orlando, Florida

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Nature of the Dispute: Customer vs. Member and Associated Person.

**REPRESENTATION OF PARTIES**

For Larry R. Johnson and Pamela H. Johnson, hereinafter collectively referred to as "Claimants": Michael J. Willner, Esq. and Tim Fraser, Esq., Miller Faucher and Cafferty, LLP, Philadelphia, Pennsylvania.

For Citigroup Global Markets, Inc. f/k/a Salomon Smith Barney ("Citigroup"), Michael J. Grace ("Grace"), David Hobby ("Hobby") and Jack B. Grubman ("Grubman"), hereinafter collectively referred to as "Respondents": Tucker H. Byrd, Esq., Greenberg Traurig, P.A. Orlando, Florida.

**CASE INFORMATION**

Statement of Claim filed on or about: April 4, 2005.

Claimants signed but did not date the Uniform Submission Agreement.

Statement of Answer filed by Respondents on or about: August 11, 2005.

Respondent Citigroup signed the Uniform Submission Agreement: July 15, 2005.

Respondent Grubman signed the Uniform Submission Agreement: July 20, 2005.

Respondent Grace did not file an executed Uniform Submission agreement.

Respondent Hobby did not file an executed Uniform Submission agreement.

**CASE SUMMARY**

Claimants asserted the following causes of action: 1) respondeat superior; 2) negligence; 3) breach of Rule 2110 Standards of Commercial Honor and Principles of Trade; 4) breach of contract; 5) breach of fiduciary duty; 6) fraudulent misrepresentations; 7) omission; 8) violation of the state securities law and/or the consumer protection provisions of Virginia, Florida and Georgia. The causes of action relate to Claimants' investments in, including but not limited to, WorldCom and Sprint 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: 1) unspecified compensatory damages for losses, including margin interest; 2) prejudgment interest at the legal rate; 3) punitive damages; 4) treble damages; 5) disgorgement of fees and profits; 6) costs; 7) attorneys' fees, expert fees and other disbursements; 8) such other relief as determined by the Panel.

Respondents requested: 1) that Claimants' Claim be dismissed in its entirety with prejudice; 2) attorneys' fees; and, 3) costs.

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

Respondents Grace and Hobby did not file with NASD Dispute Resolution properly executed Uniform Submission Agreements but are required to submit to arbitration pursuant to the NASD Code of Arbitration Procedure (the "Code"), and, having answered the claim, appeared and testified at the hearing, are bound by the determination of the Panel on all issues submitted.

During the evidentiary hearings, Claimants dismissed their claims against Respondents Grace, Hobby and Grubman, with prejudice.

The parties 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:

All claims against Respondent Citigroup are denied.

Any and all claims for relief not specifically addressed herein, including Claimants' request for punitive damages and for attorneys' fees, are 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	= \$ 250.00
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#### **Member Fees**

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, Respondent Citigroup is a party and a member firm.

Member surcharge	= \$1,500.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$2,200.00
Total Member Fees	= \$4,450.00

**Adjournment Fees**

Adjournments granted during these proceedings for which fees were assessed:  
There were no adjournment fees assessed during these proceedings.

**Three-Day Cancellation Fees**

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

There were no three-day cancellation fees assessed during these proceedings.

**Injunctive Relief Fees**

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the Panel.

There were no injunctive relief fees assessed during these proceedings.

**Forum Fees and Assessments**

The Panel has assessed forum fees for each session conducted. A session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with a single arbitrator @ \$450.00/session = \$ 450.00  
Pre-hearing conference: April 3, 2006 1 session

One (1) Pre-hearing session with the Panel @ \$1,000.00/ session = \$ 1,000.00  
Pre-hearing conference: October 18, 2005 1 session

Thirteen (13) Hearing Sessions @ \$1,000.00 per session	= \$ 14,000.00
Hearing sessions:	
May 31, 2006	3 sessions
June 1, 2006	3 sessions
June 2, 2006	2 sessions
July 14, 2006	3 sessions
July 15, 2006	3 sessions

Total Forum Fees	= \$15,450.00
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The Panel assessed forum fees in the amount of \$7725.00 to Claimants, jointly and severally.

The Panel assessed forum fees in the amount of \$7725.00 to Respondent Citigroup.

**Administrative Costs**

Administrative costs are expenses incurred due to a request by a party for special services beyond the normal administrative services. These include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

There were no administrative costs incurred during these proceedings.

**Fee Summary**

Claimants are jointly and severally liable for:

Initial Filing Fee	= \$ 250.00
Forum Fees	= \$ 7,725.00
Total Fees	= \$ 7,975.00
Less Payments	= \$ 1,250.00
Balance Due NASD Dispute Resolution	= \$ 6,725.00

Respondent Citigroup is solely liable for:

Member Fees	= \$ 4,450.00
Forum Fees	= \$ 7,725.00
Total Fees	= \$12,175.00
Less payments	= \$ 4,450.00
Balance Due NASD Dispute Resolution	= \$ 7,725.00

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

**ARBITRATION PANEL**

Joseph John Mantione, M.S.  
Gary E. Marcus  
Archibald L. Watkins

Public Arbitrator, Presiding Chairperson  
Public Arbitrator  
Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

\_\_\_\_\_/s/  
Joseph John Mantione, M.S.  
Public Arbitrator, Presiding Chairperson

July 20, 2006  
Signature Date

\_\_\_\_\_/s/  
Gary E. Marcus  
Public Arbitrator

July 20, 2006  
Signature Date

\_\_\_\_\_/s/

July 20, 2006

NASD Dispute Resolution

Arbitration No. 05-01762

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Archibald L. Watkins  
Non-Public Arbitrator

Signature Date

July 20, 2006

Date of Service (For NASD Dispute Resolution office use only)

**NASD Dispute Resolution**

Arbitration No. 05-01762

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**Administrative Costs**

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There were no administrative costs incurred during these proceedings.

**Fee Summary**

Claimants are jointly and severally liable for:

Initial Filing Fee	= \$ 250.00
Forum Fees	= \$ 7,225.00
Total Fees	= \$ 7,475.00
Less Payments	= \$ 1,250.00
Balance Due NASD Dispute Resolution	= \$ 6,225.00

Respondent Citigroup is solely liable for:

Member Fees	= \$ 4,450.00
Forum Fees	= \$ 7,225.00
Total Fees	= \$ 11,675.00
Less payments	= \$ 4,450.00
Balance Due NASD Dispute Resolution	= \$ 7,225.00


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Public Arbitrator, Presiding Chairperson

  
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Gary E. Marcus  
Public Arbitrator

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Archibald L. Watkins  
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Jul. 18, 2006 3:11 PM Resolution

No. 2200 P. 5/6

Arbitration No. 05-01762

Award Page 4**Administrative Costs**

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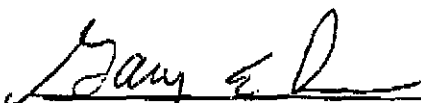
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Non-Public Arbitrator

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Public Arbitrator, Presiding Chairperson

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Public Arbitrator

7/19/06  
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Signature Date

**NASD Dispute Resolution****Arbitration No. 05-01762****Award Page 4****Administrative Costs**

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7-19-06