

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Names of Claimants

John Valdrighi, Carol Valdrighi, and Clifford S. Hayes
and Meredith Hayes, Trustees for
Meredith Hayes Institutional Asset Account

vs.

Case Number: 05-02897
Hearing Site: Omaha, Nebraska

Name of Respondent

Citigroup Global Markets, Inc.

NATURE OF THE DISPUTE

Customers vs. Member

REPRESENTATION OF PARTIES

John Valdrighi, Carol Valdrighi, and Clifford S. Hayes and Meredith Hayes, Trustees for Meredith Hayes Institutional Asset Account, ("Claimants") were represented by James M. Bausch, Esq., and Andrew Barry, Esq., Cline, Williams, Wright, Johnson & Oldfather, LLP, Lincoln, Nebraska.

Citigroup Global Markets, Inc. ("Respondent") was represented by Christopher M. Burky, Esq., and Patrick King, Esq., Neal, Gerber & Eisenberg, LLP, Chicago, Illinois.

CASE INFORMATION

The Statement of Claim was filed on or about June 1, 2005. The Submission Agreement of Claimant, John Valdrighi, was signed on or about May 18, 2005. The Submission Agreement of Claimant, Carol Valdrighi, was signed on or about May 20, 2005. The Submission Agreement of Claimants, John Clifford S. Hayes and Meredith Hayes, Trustees for Meredith Hayes Institutional Asset Account, was signed on or about May 26, 2005.

The Statement of Answer was filed by Respondent, Citigroup Global Markets, Inc., on or about September 2, 2005.

CASE SUMMARY

Claimants asserted the following causes of action: breach of fiduciary duty; common law

negligence; violation of the Securities Exchange Act of 1934; breach of contract; and control person liability. The causes of action related to Claimants' holdings in RCN Corporation's Senior Note Bonds. Claimants alleged that after RCN filed for bankruptcy protection, all holders of RCN Bonds had an option to exchange the bonds for RCN stock or take a cash payout. Claimants alleged that they informed Respondent, and its employees, that they would like to exchange the RCN bonds for RCN stocks, but instead were advised to take the cash election in anticipation that it would include both cash and RCN stock. When the cash election resulted only in cash, Claimants did not receive the RCN stock that they had requested. As a result, according to Claimants, they were not able to realize the gains that would have incurred in their account had they received the RCN stock.

Unless specifically admitted in its Answer, Respondent, Citigroup Global Markets, Inc., 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; 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 Respondent; to the extent that Claimants did suffer any of the damages alleged in the Statement of Claim, Claimants failed to mitigate their damages; Claimants are legally and equitably estopped from asserting their claims; Claimants' claims are barred under the doctrines of waiver, laches, and/or ratification; and Claimants' claims at issue are not eligible for arbitration in the event Claimants failed to opt out of a class action covering their claims.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	Unspecified
Attorneys' Fees	Unspecified
Costs	Unspecified
Non-Monetary Relief (Valdrighis)	Delivery of 102,145 shares of RCN stock, plus any as yet undistributed RCN stock from Respondent
Non-Monetary Relief (Hayes)	Delivery of 16,678 shares of RCN stock, plus any as yet undistributed RCN stock from Respondent
Other Monetary Relief	Unspecified

Respondent requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

At the Arbitration hearing, Claimant made a specific demand for damages reflecting the following:

Compensatory Damages - Valdrighis (92,721 Shares of RCN stock)	\$ 2,773,743.90
Compensatory Damages - Hayes (15,139 Shares of RCN stock)	\$ 458,382.42
Attorneys' Fees	Unspecified
Costs	Unspecified
Other Monetary Relief	Unspecified

OTHER ISSUES CONSIDERED & DECIDED

Respondent Citigroup Global Markets, Inc., did not file with the NASD Dispute Resolution a properly executed Uniform Submission Agreement but is required to submit to arbitration pursuant to the Code and, having answered the claim, appeared and testified through counsel at the hearing, is bound by the determination of the Panel on all issues submitted.

At the hearing, the Panel granted Claimant's Request to Amend the Statement of Claim to reflect the damages sought.

At the conclusion of Claimants' case-in-chief, Respondent made an oral Motion to Dismiss. After deliberation, the Panel denied Respondent's Motion.

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.) Respondent, Citigroup Global Markets, Inc., is liable for and shall pay to Claimants, John Valdrighi and Carol Valdrighi, the sum of \$ 154,000.00 in compensatory damages;
- 2.) Respondent, Citigroup Global Markets, Inc., is liable for and shall pay to Claimants, Clifford S. Hayes and Meredith Hayes, Trustees for Meredith Hayes Institutional Asset Account, the sum of \$ 66,000.00 in compensatory damages
- 3.) Other than Forum Fees which are specified below, the parties shall each

bear their own costs and expenses incurred in this matter; and

- 4.) Any relief not specifically enumerated, including 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 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	= \$ 2,800.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,000.00

Adjournment Fees

Adjournments granted during these proceedings:

November 7-9, 2006, Adjournment requested by Respondent = \$ 1,200.00

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 last four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with a single arbitrator x \$ 450.00	= \$ 450.00
Pre-hearing conference: October 6, 2006 1 session	

One (1) Pre-hearing session with Panel x \$ 1,200.00	= \$ 1,200.00
Pre-hearing conference: December 27, 2005 1 session	

Four (4) Hearing sessions x \$ 1,200.00 = \$ 4,800.00

Hearing Dates: January 29, 2007 2 sessions

January 30, 2007 2 sessions

Total Forum Fees = \$ 6,450.00

The Panel has assessed \$ 2,257.50 of the forum fees jointly and severally to John Valdrighi and Carol Valdrighi.

The Panel has assessed \$ 967.50 of the forum fees jointly and severally to Clifford S. Hayes and Meredith Hayes, Trustees for Meredith Hayes Institutional Asset Account.

The Panel has assessed \$ 3,225.00 of the forum fees to Citigroup Global Markets, Inc.

FEE SUMMARY

Claimants, John Valdrighi, Carol Valdrighi, and Clifford S. Hayes and Meredith Hayes, Trustees for Meredith Hayes Institutional Asset Account, are jointly and severally liable for:

<u>Initial Filing Fee</u>	= \$ 500.00
<u>Total Fees</u>	= \$ 500.00
<u>Less payments</u>	= \$ 500.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 0.00

Claimants, John Valdrighi and Carol Valdrighi, are jointly and severally liable for:

<u>Forum Fees</u>	= \$ 2,257.50
<u>Total Fees</u>	= \$ 2,257.50
<u>Less payments</u>	= \$ 750.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 1,507.50

Claimants, Clifford S. Hayes and Meredith Hayes, Trustees for Meredith Hayes Institutional Asset Account, are jointly and severally liable for:

<u>Forum Fees</u>	= \$ 967.50
<u>Total Fees</u>	= \$ 967.50
<u>Less payments</u>	= \$ 0.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 967.50

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

<u>Member Fees</u>	= \$ 8,550.00
<u>Adjournment Fee</u>	= \$ 1,200.00
<u>Forum Fees</u>	= \$ 3,225.00
<u>Total Fees</u>	= \$ 12,975.00
<u>Less payments</u>	= \$ 5,450.00
<u>Balance Due NASD Dispute Resolution</u>	= \$ 7,525.00

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

ARBITRATION PANEL

Larry R. Trussell - Public Arbitrator, Presiding Chair
Verne R. Gray - Public Arbitrator
Joel D. Worsfold - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Larry R. Trussell
Public Arbitrator, Presiding Chair

Signature Date

Verne R. Gray
Public Arbitrator

Signature Date

Joel D. Worsfold
Non-Public Arbitrator

Signature Date


2/8/07
Date of Service (For NASD office use only)

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Verne R. Gray - Public Arbitrator
Joel D. Worsfold - Non-Public Arbitrator

Concurring Arbitrators' Signatures:



Larry R. Trussell
Public Arbitrator, Presiding Chair

2-7-2007
Signature Date

Verne R. Gray
Public Arbitrator

Signature Date

Joel D. Worsfold
Non-Public Arbitrator

Signature Date

2/2/07
Date of Service (For NASD office use only)

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Larry R. Trussell
Public Arbitrator, Presiding Chair

Signature Date

L.R. Gray

Vern R. Gray
Public Arbitrator

2-8-07

Signature Date

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