

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Citigroup Global Markets Inc., Claimant v. Jeffrey S. Kuest, Respondent

Jeffrey S. Kuest, Counter-Claimant v. Citigroup Global Markets Inc., Counter-Respondent

Case Number: 05-04628

Hearing Site: Seattle, Washington

Nature of the Dispute: Member v. Associated Person

Nature of the Dispute: Associated Person v. Member

REPRESENTATION OF PARTIES

For Claimant/Counter-Respondent
Citigroup Global Markets Inc.:

Brian C. Free, Esq.
Hillis Clark Martin &
Peterson
Seattle, Washington

For Respondent/Counter-Claimant
Jeffrey S. Kuest:

Frank S. Wesson, Esq.
Wesson & Anderson
Portland, Oregon

CASE INFORMATION

Statement of Claim filed: September 2, 2005

Citigroup Global Markets Inc.'s ("Citigroup") Uniform Submission Agreement signed:
August 31, 2005

Statement of Answer filed by Jeffrey S. Kuest: October 26, 2005

Jeffrey S. Kuest's ("Kuest") Uniform Submission Agreement signed: October 24, 2005

Counterclaim filed by Kuest: October 26, 2005

Reply to Kuest's Counterclaim filed by Citigroup: November 9, 2005

CASE SUMMARY

Claim

Citigroup asserted a claim for breach of contract in connection with Kuest's alleged failure to pay certain amounts allegedly due to Citigroup pursuant to the terms of a promissory note/forgiveable loan agreement that had been entered into by Citigroup and Kuest.

Unless specifically admitted in his Answer, Kuest denied the allegations of wrongdoing set forth in Citigroup's Statement of Claim and asserted various affirmative defenses.

Counterclaim

Kuest asserted the following causes of action: fraud, promissory estoppel, and breach of contract. The causes of action relate to promises that were allegedly made to Kuest in order to induce him to leave his former employer and move to Bellevue, Washington to work for Citigroup.

Unless specifically admitted in its Reply, Citigroup denied the allegations of wrongdoing set forth in the Counterclaim and asserted various affirmative defenses.

Amended Counterclaim

Kuest asserted the following causes of action: fraud, promissory estoppel, breach of contract, defamation, and falsification of records.

Unless specifically admitted in its Reply, Citigroup denied the allegations of wrongdoing set forth in the Amended Counterclaim and asserted various affirmative defenses.

RELIEF REQUESTED

Claim

Citigroup requested \$119,606.94 in compensatory damages, pre-judgment interest at the rate of prime plus 6% per annum, post-judgment interest at the highest legal rate, and costs, including attorney's fees.

Kuest requested dismissal of Citigroup's Statement of Claim in its entirety.

Counterclaim

Kuest requested unspecified compensatory damages, lost income, and general

economic damages.

Citigroup requested dismissal of Kuest's Counterclaim in its entirety and costs, including attorney's fees.

Amended Counterclaim

Kuest requested unspecified compensatory damages, lost income, and general economic and non-economic damages.

Citigroup requested dismissal of Kuest's Amended Counterclaim in its entirety and costs, including attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

On December 30, 2005, Kuest filed an Answer, Amended Affirmative Defenses, and Amended Counterclaims. On January 18, 2006, Citigroup filed a Reply to Kuest's Amended Counterclaims. On February 9, 2006, the Panel issued a ruling stating that the Amended Counterclaims and the Reply to the Amended Counterclaims had been deemed filed and that the Panel considered the various claims to be fully at issue for the arbitration hearing.

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

- 1) Jeffrey S. Kuest is liable to and shall pay Citigroup Global Markets Inc. the sum of \$119,606.94 in compensatory damages.
- 2) Jeffrey S. Kuest is liable to and shall pay Citigroup Global Markets Inc. simple interest in the amount of 6% per annum on \$119,606.94 from March 23, 2005 until the date that payment of this Award is made in full.
- 3) Jeffrey S. Kuest is liable to and shall pay Citigroup Global Markets Inc. the sum of \$1,000.00 as reimbursement for NASD filing fees.
- 4) Jeffrey S. Kuest is liable to and shall pay Citigroup Global Markets Inc. the sum of \$800.00 as reimbursement for postage, photocopying charges, and phone calls.

- 5) Jeffrey S. Kuest is liable to and shall pay Citigroup Global Markets Inc. the sum of \$8,600.00 in attorney's fees, pursuant to the terms of the promissory note that had been entered into by the parties.
- 6) Jeffrey S. Kuest's counterclaims are dismissed with prejudice.
- 7) With the exception of paragraphs 2-5, the parties shall bear their respective costs, including attorney's fees.
- 8) Any and all relief not specifically addressed herein is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution received or will collect the non-refundable filing fees for each claim as follows:

| | |
|--------------------------|--------------|
| Initial claim filing fee | = \$1,000.00 |
| Kuest's Counterclaim | = \$ 250.00 |

Member Fees

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events that gave rise to the dispute, claim, or controversy. Accordingly, the member firm Citigroup Global Markets Inc. is a party, and the following fees are assessed:

| | |
|--------------------------|---------------------|
| Member Surcharge | = \$1,700.00 |
| Pre-Hearing Process Fee | = \$ 750.00 |
| Hearing Process Fee | = \$2,750.00 |
| Total Member Fees | = \$5,200.00 |

Adjournment Fees

The following adjournment fees are assessed:

| | |
|--|--------------|
| May 9-10, 2006, adjournment requested by Kuest | = \$1,125.00 |
|--|--------------|

The Panel assessed \$562.50 of the adjournment fees to Kuest, and \$562.50 of the adjournment fees to Citigroup.

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. The following forum fees are assessed:

Three (3) pre-hearing conference sessions with a single arbitrator
@ \$450.00/session = \$1,350.00

Pre-hearing conferences: March 28, 2006 1 session
 April 13, 2006 1 session
 April 20, 2006 1 session

One (1) pre-hearing conference session with the Panel
@ \$1,125.00/session = \$1,125.00

Pre-hearing conference: December 22, 2005 1 session

Three (3) hearing sessions @ \$1,125.00/session = \$3,375.00

Hearings: August 14, 2006 2 sessions
 August 15, 2006 1 session

Total Forum Fees = \$5,850.00

1. The Panel assessed \$4,612.50 of the forum fees to Jeffrey S. Kuest.
2. The Panel assessed \$1,237.50 of the forum fees to Citigroup Global Markets Inc.

Fee Summary

1. Citigroup Global Markets Inc. is charged with the following fees and costs:

| | |
|--|-----------------------|
| Initial Filing Fee | = \$ 1,000.00 |
| Member Fees | = \$ 5,200.00 |
| Adjournment Fee | = \$ 562.50 |
| Forum Fees | = \$ 1,237.50 |
| Total Fees | = \$ 8,000.00 |
| Less payments | = \$(7,325.00) |
| Balance Due NASD Dispute Resolution | = \$ 675.00 |

2. Jeffrey S. Kuest is charged with the following fees and costs:

| | |
|--|----------------------|
| Counterclaim Filing Fee | = \$ 250.00 |
| Adjournment Fee | = \$ 562.50 |
| Forum Fees | = \$4,612.50 |
| Total Fees | = \$5,425.00 |
| Less payments | = \$ (975.00) |
| Balance Due NASD Dispute Resolution | = \$4,450.00 |

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

ARBITRATION PANEL

H. Yancey Reser
Lisa E. Schuchman
Jeanne C. Stilwell

Public Arbitrator, Presiding Chair
Public Arbitrator
Non-Public Arbitrator

Concurring Arbitrators' Signatures

H. Yancey Reser
H. Yancey Reser
Chair, Public Arbitrator

8/17/2006
Signature Date

Lisa E. Schuchman
Lisa E. Schuchman
Public Arbitrator

Signature Date

Jeanne C. Stilwell
Jeanne C. Stilwell
Non-Public Arbitrator

Signature Date

8/18/06
Date of Service

ARBITRATION PANEL

| | | |
|---------------------------|---|---|
| H. Yancey Reser | - | Public Arbitrator, Presiding Chair |
| Lisa E. Schuchman | - | Public Arbitrator |
| Jeanne C. Stilwell | - | Non-Public Arbitrator |

Concurring Arbitrators' Signatures

H. Yancey Reser
Chair, Public Arbitrator

Signature Date



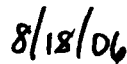
Lisa E. Schuchman
Public Arbitrator



Signature Date

Jeanne C. Stilwell
Non-Public Arbitrator

Signature Date



Date of Service

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| Jeanne C. Stilwell | - | Non-Public Arbitrator |


Concurring Arbitrators' Signatures

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Chair, Public Arbitrator

Signature Date

Lisa E. Schuchman
Public Arbitrator

Signature Date


Jeanne C. Stilwell
Non-Public Arbitrator

8/17/06
Signature Date

8/18/06
Date of Service