

**Award
NASD Dispute Resolution**

In the Matter of the Arbitration Between:

Citigroup Global Markets Inc., Claimant v. Jeffrey A. Mascio and Brett W. Pieratt,
Respondents

Jeffrey A. Mascio and Brett W. Pieratt, Counter-Claimants v. Citigroup Global Markets
Inc., Counter-Respondent

Jeffrey A. Mascio and Brett W. Pieratt, Third Party Claimants v. Theodore Scott
Fleming, Third Party Respondent

Case Number: 05-05286

Hearing Site: Denver, Colorado

Nature of the Dispute: Member v. Associated Persons
Nature of the Dispute: Associated Persons v. Member
Nature of the Dispute: Associated Persons v. Associated Person

REPRESENTATION OF PARTIES

For Claimant/Counter-Respondent Citigroup Global Markets
Inc. and Third Party Respondent Theodore Scott Fleming:

Christopher M. Burky, Esq.
Jerry Santangelo, Esq.
Neal, Gerber & Eisenberg
LLP
Chicago, Illinois

For Respondents/Counter-Claimants/Third Party Claimants
Jeffrey A. Mascio and Brett W. Pieratt:

Mark J. Astarita, Esq.
Beam & Astarita
Bloomfield, New Jersey

CASE INFORMATION

Temporary Restraining Order issued by the court: October 7, 2005 and filed with NASD
Dispute Resolution: October 13, 2005

Initial Statement of Claim filed: October 7, 2005

Amended Statement of Claim filed: February 15, 2006

Claimant Citigroup Global Markets Inc.'s Uniform Submission Agreement signed:
October 12, 2005

Joint Statement of Answer to Amended Statement of Claim filed by Respondents Jeffrey A. Mascio and Brett W. Pieratt: February 15, 2006
Joint Counterclaim filed by Counterclaimants Jeffrey A. Mascio and Brett W. Pieratt: February 15, 2006

Joint Third Party Claim filed by Third Party Claimants Jeffrey A. Mascio and Brett W. Pieratt: February 15, 2006

Joint Statement of Answer to Counterclaim and Third Party Claim filed by Counter-Respondent Citigroup Global Markets Inc. and Third Party Respondent Theodore Scott Fleming: March 10, 2006

CASE SUMMARY

Initial and Amended Statement of Claim

Claimant asserted the following causes of action in its initial Statement of Claim: replevin, conversion, misappropriation of business value, breach of contract, breach of fiduciary duty, misappropriation of trade secrets, specific performance, and injunctive relief. The causes of action relate to Respondents' alleged failure to provide Claimant with laptops, which Respondents had been using at Claimant's office, for inspection as part of an investigation.

Claimant asserted the following causes of action in its Amended Statement of Claim: breach of contract with respect to agreements, breach of contract with respect to promissory notes, fraudulent inducement, violation of the Uniform Fraudulent Transfer Act as adopted in Colorado, and breach of fiduciary duty. The causes of action relate to Respondents' alleged failure to provide Claimant with laptops, which Respondents had been using at Claimant's office, for inspection as part of an investigation and Respondents' alleged failure to repay balances due on promissory notes that were executed by Claimant and Respondents.

Unless specifically admitted in their Answer, Respondents denied the allegations of wrongdoing set forth in Claimant's Statement of Claim and asserted various affirmative defenses.

Counterclaim and Third Party Claim

Counter-Claimants/Third Party Claimants asserted the following causes of action in their Counterclaim/Third Party Claim: wrongful termination, misrepresentation, hostile work environment, defamation, prima facie tort, and intentional infliction of emotional distress. The causes of action relate to Counter-Respondent and Third Party Respondent's alleged retaliation against Counter-Claimants for their support of their sales assistant's

sexual harassment claim.

Unless specifically admitted in their Answer, Counter-Respondent and Third Party Respondent denied the allegations of wrongdoing set forth in Counter-Claimants/Third Party Claimants' Counterclaim and Third Party Claim and asserted various affirmative defenses.

RELIEF REQUESTED

Initial and Amended Statements of Claim

In its initial Statement of Claim, Claimant requested injunctive relief, unspecified compensatory damages, and costs.

In its Amended Statement of Claim, Claimant requested injunctive and declaratory relief, \$1,617,763.00 in compensatory damages, unspecified punitive damages, interest, and costs, including attorney's fees.

Respondents requested dismissal of Claimant's Statement of Claim in its entirety, interest, and costs, including attorney's fees.

Counterclaim and Third Party Claim

In their Counterclaim and Third Party Claim, Counter-Claimants/Third Party Claimants requested more than \$11,000,000.00 in compensatory damages, unspecified punitive damages, interest, and costs, including attorney's fees.

Counter-Respondent and Third Party Respondent requested dismissal of Counter-Claimants/Third Party Claimants' Counterclaim and Third Party Claim in its entirety and costs, including attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

On October 24, 2005, the parties executed a Stipulated Order and Agreement that was signed by a majority of the Panel on October 27, 2005 and by the Chair on October 31, 2005. The Stipulated Order and Agreement addressed the issues that would otherwise have been adjudicated by the Panel at an injunctive hearing.

Jeffrey A. Mascio, Brett W. Pieratt, and Theodore Scott Fleming did not file with NASD Dispute Resolution properly executed submission agreements in advance of the hearing. However, said parties are required to submit to arbitration, and, having answered the claim and appeared and testified at the hearing, said parties are bound by the determination of the Panel on all issues submitted. Respondents and Third Party

Respondent did execute submission agreements at the hearing.

On December 5, 2005, Claimant filed a Motion for Consent to File an Amended Statement of Claim pursuant to NASD Code of Arbitration Procedure Rule 10328(c). Claimant had previously filed a [proposed] Amended Statement of Claim on November 23, 2005. On December 21, 2005, Respondents filed a response to Claimant's motion. On January 11, 2006, Respondents filed an Answer, Counterclaim, and Third Party Claim. In an Order dated February 15, 2006, the Panel approved the filing of Claimant's Amended Statement of Claim and Respondents' Answer, Counterclaim, and Third Party Claim.

On June 26, 2006, the parties and the Chair participated in a pre-hearing conference during which the Chair proposed that the matter be bifurcated so that most of the claims would be heard during one set of hearing sessions and the fraudulent conveyance claim would be heard during another set of hearing sessions. The parties verbally agreed to this proposal and were asked to notify NASD in writing on or before June 30, 2006 if they had any objection to bifurcating this proceeding. No such written objection was received by NASD within the specified timeframe. The parties and the Chair agreed that if there were to be no award to Claimants, then the Award that would be issued after the July 2006 evidentiary hearings would be a final and binding Award. If there were to be an award to Claimants, then the Award that would be issued would be an interim Award, and Respondents would have thirty days from issuance of the Award to either pay Claimant the amounts owed to it pursuant to the Award or enter into other mutually satisfactory agreements with Claimant. If neither of these scenarios took place within the specified time frame, then: (a) the Chair would entertain motions for reconsideration regarding discovery rulings on the fraudulent conveyance claims that had been issued by a prior Chair; and (b) the parties and the Panel would also schedule another set of evidentiary hearing dates so that the Panel could consider the fraudulent conveyance claim. The Chair also obtained the consent of the other Panel members to this proposed course of action.

On July 14, 2006, Claimant moved to dismiss without prejudice its fraudulent conveyance claims so that it might pursue these claims in court. Respondents objected and requested that if the Panel were to dismiss the fraudulent conveyance claim that it do so with prejudice. Claimants then presented the Panel with an Order that had been entered by the Douglas County District Court stating that the alleged fraudulent conveyances should be litigated in court rather than arbitrated. Accordingly, the Panel determined that Claimant's motion to dismiss the fraudulent conveyance claims without prejudice and Respondents' motion to dismiss the fraudulent conveyance claims with prejudice are rendered moot by the court's Order.

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) Respondent Jeffrey A. Mascio is liable to and shall pay Claimant Citigroup Global Markets Inc. the sum of \$400,000.00 in compensatory damages.
- 2) Respondent Brett W. Pieratt is liable to and shall pay Claimant Citigroup Global Markets Inc. the sum of \$400,000.00 in compensatory damages.
- 3) Third Party Respondent Theodore Scott Fleming's request for expungement is denied.
- 4) Respondent Jeffrey A. Mascio is liable to and shall pay Claimant Citigroup Global Markets Inc. interest at the prime interest rate plus 6% per annum on \$400,000.00 from the date of service of this Award until payment of this Award is made in full.
- 5) Respondent Brett W. Pieratt is liable to and shall pay Claimant Citigroup Global Markets Inc. interest at the prime interest rate plus 6% per annum on \$400,000.00 from the date of service of this Award until payment of this Award is made in full.
- 6) The Panel recommends the expungement of certain information from Respondents Jeffrey A. Mascio and Brett W. Pieratt's Forms U-5 based on the defamatory nature of the information in CRD. In Section 3, the termination explanation "[d]id not fully cooperate with the firm in its internal investigation" shall be expunged and replaced with "[a]t will termination." The "Yes" answer to the Internal Review question, Section 7(b), shall be expunged and changed to "No," and the Internal Review Disclosure Reporting Page shall be expunged in its entirety.
- 7) The parties shall bear their respective costs, including attorney's fees.
- 8) Any and all relief not specifically addressed herein, including punitive damages, 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	= \$2,000.00
Respondents' Counterclaim/Third-Party Claim	= \$ 600.00

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	= \$2,800.00
Pre-Hearing Process Fee	= \$ 750.00
Hearing Process Fee	= \$5,000.00
Total Member Fees	= \$8,550.00

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:	May 15, 2006	1 session	
	June 12, 2006	1 session	
	June 16, 2006	1 session	
One (1) pre-hearing conference session with the Panel @ \$1,200.00/session			= \$ 1,200.00
Pre-hearing conferences:	February 9, 2006	1 session	
Nine (9) hearing sessions @ \$1,200.00/session			= \$10,800.00
Hearings:	July 11, 2006	2 sessions	
	July 12, 2006	2 sessions	
	July 13, 2006	3 sessions	
	July 14, 2006	2 sessions	
Total Forum Fees			= \$13,350.00

1. The Panel assessed \$6,675.00 of the forum fees jointly and severally to Claimant Citigroup Global Markets Inc. and Third Party Respondent Theodore Scott Fleming.
2. The Panel assessed \$6,675.00 of the forum fees jointly and severally to Respondents Jeffrey A. Mascio and Brett W. Pieratt.

Fee Summary

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

Initial Filing Fee	= \$ 2,000.00
Injunctive Surcharge	= \$ 2,500.00
Member Fees	= \$ 8,550.00
Total Fees	= \$ 13,050.00
Less payments	= \$(13,050.00)
Balance Due NASD Dispute Resolution	= \$ 0.00
2. Respondents Jeffrey A. Mascio and Brett W. Pieratt are charged jointly and severally with the following fees and costs:

Counterclaim/Third Party Claim Filing Fee	= \$ 600.00
Forum Fees	= \$ 6,675.00
Total Fees	= \$ 7,275.00
Less payments	= \$ (0.00)
Balance Due NASD Dispute Resolution	= \$ 7,275.00
3. Claimant Citigroup Global Markets Inc. and Third Party Respondent Theodore Scott Fleming are charged jointly and severally with the following fees and costs:

Forum Fees	= \$6,675.00
Less Payments by Citigroup Global Markets Inc.	=(\$5,300.00)
Balance Due NASD Dispute Resolution	= \$1,375.00

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

Michelle D. Conklin

-

Public Arbitrator, Presiding Chair

Carl G. Mohr

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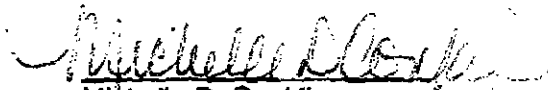
Public Arbitrator

Jonathan H. Larson

-

Non-Public Arbitrator

Concurring Arbitrators' Signatures



Michelle D. Conklin
Chair, Public Arbitrator

July 21, 2006
Signature Date

Carl G. Mohr
Public Arbitrator

Signature Date

Jonathan H. Larson
Non-Public Arbitrator

Signature Date

7/24/06
Date of Service

ARBITRATION PANEL

Michelle D. Conklin	-	Public Arbitrator, Presiding Chair
Carl G. Mohr	-	Public Arbitrator
Jonathan H. Larson	-	Non-Public Arbitrator

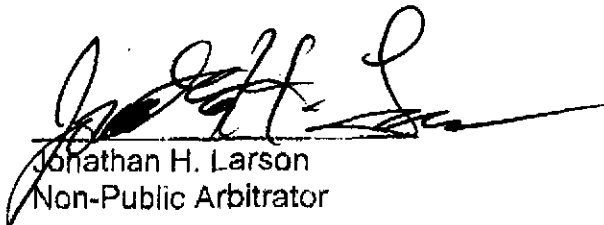
Concurring Arbitrators' Signatures

Michelle D. Conklin
Chair, Public Arbitrator

Signature Date

Carl G. Mohr
Public Arbitrator

Signature Date


Jonathan H. Larson
Non-Public Arbitrator

July 21, 2006
Signature Date

7/24/06
Date of Service

ARBITRATION PANEL

Michelle D. Conklin	-	Public Arbitrator, Presiding Chair
Carl G. Mohr	-	Public Arbitrator
Jonathan H. Larson	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Michelle D. Conklin
Chair, Public Arbitrator



Carl G. Mohr
Public Arbitrator

Signature Date

7/24/06

Signature Date

Jonathan H. Larson
Non-Public Arbitrator

Signature Date

July 26, 2006

Date of Service