

Award
FINRA Dispute Resolution

In the Matter of the Arbitration Between:

Claimants

Case Number: 09-03251

Larry Hagman, Individually
Larry Hagman & Maj I. Hagman Rev Trust, Larry Hagman & Maj I. Hagman, TTEE
Larry Hagman IRA CGM IRA Custodian
Larry Hagman Rollover IRA CGM
The Hagman Insurance Trust UAD 03/21/06

Respondent

Hearing Site: Los Angeles, California

Citigroup Global Markets, Inc.

Nature of the Dispute: Customers vs. Member

REPRESENTATION OF PARTIES

Claimants, Larry Hagman, Larry Hagman & Maj I. Hagman Rev Trust, Larry Hagman & Maj I. Hagman, TTEE, Larry Hagman IRA CGM IRA Custodian, Larry Hagman Rollover IRA CGM, and The Hagman Insurance Trust UAD 03/21/06, hereinafter referred to as "Claimants": Philip M. Aidikoff, Esq. and Katrina M. Boice, Esq., Aidikoff, Uhl & Bakhtiari, Beverly Hills, California.

Respondent, Citigroup Global Markets, Inc., hereinafter referred to as "Respondent": William A. Hohaus, Esq., Citigroup Global Markets, Inc., New York, New York.

CASE INFORMATION

Statement of Claim filed on or about: May 29, 2009.

Claimants signed the Submission Agreement: May 27, 2009.

Statement of Answer filed by Respondent on or about: September 14, 2009.

Respondent signed the Submission Agreement: September 11, 2009.

CASE SUMMARY

Claimants asserted the following causes of action: 1) breach of fiduciary duty; 2) breach of written contract; 3) fraud by misrepresentation and omission; 4) failure to supervise and control; 5) violation of federal and state securities laws, statutory and common law, and NASD rules of fair practice and NYSE rules. The causes of action relate to unspecified securities in Claimants' accounts held with Respondent and the purchase of a life insurance policy.

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Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

In the Statement of Claim, Claimants requested:

1. Compensatory damages in an amount according to proof but not less than \$1,533,596.00;
2. Rescission;
3. Lost opportunity costs;
4. Attorney's fees and costs;
5. Pre and post judgment interest at the legal rate;
6. Punitive damages in an amount according to proof; and
7. Such other and further relief as this Panel may deem just and proper.

At the close of the hearing, Claimants requested \$1,345,015.00 in compensatory damages.

Respondent requested that the Statement of Claim be dismissed in its entirety and that Respondent be awarded its costs.

At the close of the hearing on August 20, 2010, Respondent requested the expungement of all references to the above captioned arbitration from non-party Lisa De Tanna's registration records maintained by the Central Registration Depository ("CRD").

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrators acknowledge that they have each read the pleadings and other materials filed by the parties.

Respondent requested to waive the discovery deadline and the 20-day exchange rule by introducing documents into evidence on the fifth day of hearing. The Panel ruled to accept Respondent's documents into evidence.

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 is liable to and shall pay to Claimants compensatory damages in the amount of \$1,098,386.00.

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2. Respondent is liable to and shall pay punitive damages directly to the IRS Tax-Exempt 501c(3) charitable organization(s) of Claimants' choice in the amount of \$10,000,000.00 pursuant to the following authority:
 - a. Mastrobuono v. Shearson Lehman Hutton, Inc., 514 U.S. 52 (1995);
 - b. Hobbs v. Bateman, Eichler, Hill Richards, 164 Cal. App. 3d (Cal. App. 2d Dist. 1985);
 - c. California Welfare & Institutions Code § 15600, et seq.; and
 - d. FINRA Arbitrator's Manual, pg. 31 ("[a] party also might have requested punitive damages. Punitive damages are not intended to right a wrong but are intended to punish the wrongdoer and to deter future wrongdoing. Generally, you may award punitive damages if the claimant requests it, and the respondent has engaged in serious misconduct that meets the standards for such an award, as well as any arbitration forum rules on the subject.").
3. Respondent is liable to and shall pay Claimants' attorneys' fees in the amount of \$439,354.40 pursuant to the following authority:
 - a. FINRA Arbitrator's Manual, pg. 31 ("[a]ttorneys' fees are frequently requested in arbitration. Arbitrators have the authority to consider awarding attorneys' fees, but the procedure varies from state to state. It is appropriate for the arbitrators to request the parties to brief this issue.");
 - b. California Welfare & Institutions Code § 15600 et seq. ("...where it is proven by a preponderance of the evidence that a defendant is liable for financial abuse, as defined in Section 15610.30, in addition to compensatory damages and all other remedies otherwise provided by law, the court shall award to the plaintiff reasonable attorney's fees and costs."); and
 - c. Advanced Micro Devices v. Intel Corp., Cal. 4th 362 (Cal. 1994) ("the Supreme Court of California recognized that arbitrators are not bound to award only on principles of law, but may base their decisions upon broad principles of equity and justice as follows: 'The choice of remedy, then, may at all times call on any decision maker's flexibility, creativity and sense of fairness. In private arbitration, the parties have bargained for the relatively free exercise of those faculties. Arbitrators, unless specifically restricted by the agreement to following legal rules, "may base their decisions upon broad principles of justice and equity...[Citations.] As early as 1852, the court recognized that, 'The arbitrators are not bound to award on principles of dry law, but may decide on principles of equity and good conscience, and make their award ex aequo et bono [according to what is just and good]'").
4. Respondent is liable to and shall pay to Claimants all Claimants' costs in the amount of \$20,387.00, including fees of witnesses.
5. Respondent's request for the expungement of all references to the above captioned arbitration from non-party Lisa De Tanna's registration records maintained by the Central Registration Depository ("CRD") is denied.
6. Any and all relief not specifically addressed herein is denied.

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FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

FINRA Dispute Resolution assessed a filing fee* for each claim:

Initial claim filing fee = \$ 1,800.00

**The filing fee is made up of a non-refundable and a refundable portion.*

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 person at the time of the events giving rise to the dispute. Accordingly, as a party, Citigroup Global Markets, Inc. is assessed the following:

Member surcharge	= \$ 2,800.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,000.00

Hearing Session Fees and Assessments

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

Two (2) Pre-hearing sessions with Panel @ \$1,200.00/session	= \$ 2,400.00
Pre-hearing conferences: November 16, 2009	1 session
August 6, 2010	1 session
Fifteen (15) hearing sessions @ \$1,200.00/session	= \$18,000.00
Hearing Dates: August 16, 2010	2 sessions
August 17, 2010	2 sessions
August 18, 2010	2 sessions
August 19, 2010	3 sessions
August 20, 2010	3 sessions
September 17, 2010	3 sessions

Total Hearing Session Fees = \$20,400.00

1. The Panel has assessed \$10,200.00 of the hearing session fees jointly and severally to Claimants.
2. The Panel has assessed \$10,200.00 of the hearing session fees to Respondent.


All balances are payable to FINRA Dispute Resolution and are due upon receipt.

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ARBITRATION PANEL

Peter D. Steinbroner	-	Public Arbitrator, Presiding Chairperson
Michael W. Delaney	-	Public Arbitrator
Kenneth E. Kreh	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures


 Peter D. Steinbroner
 Public Arbitrator, Presiding Chairperson

October 5, 2010
 Signature Date

 Michael W. Delaney
 Public Arbitrator

 Signature Date

 Kenneth E. Kreh
 Non-Public Arbitrator

 Signature Date

October 6, 2010
 Date of Service (For FINRA Dispute Resolution use only)

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Public Arbitrator, Presiding Chairperson

Signature Date

Michael W. Delaney

Michael W. Delaney
Public Arbitrator

Oct 6, 2010

Signature Date

Kenneth E. Kreh
Non-Public Arbitrator

Signature Date

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Peter D. Steinbroner
Public Arbitrator, Presiding Chairperson

Signature Date

Michael W. Delaney
Public Arbitrator

Signature Date



Kenneth E. Kreh
Non-Public Arbitrator

10/06/10

Signature Date

October 6, 2010

Date of Service (For FINRA Dispute Resolution use only)