

AWARD
FINRA Dispute Resolution

In the Matter of the Arbitration Between:

Names of Claimants

Texas PGI, a Texas Corporation and
Paragon Reserve, a Texas Corporation

vs.

Case Number: 11-02947
Hearing Site: Dallas, Texas

Name of Respondent

Citigroup Global Markets, Inc.

NATURE OF THE DISPUTE

Customers vs. Member

The case proceeded under the Optional All Public Panel rule/ All Public Panel

REPRESENTATION OF PARTIES

Texas PGI, a Texas Corporation and Paragon Reserve, a Texas Corporation ("Claimants") were represented by Philip M. Aidikoff, Esq. and Ryan K. Bakhtiari, Esq., Aidikoff, Uhl & Bakhtiari, Beverly Hills, California.

Citigroup Global Markets, Inc. ("Respondent") was represented by H. Nicholas Berberian, Esq., Brody W. Weichbrodt, Esq., and Kyle Rettberg, Esq., Neal, Gerber & Eisenberg LLP, Chicago, Illinois.

CASE INFORMATION

The Statement of Claim was filed on or about July 27, 2011. The Submission Agreement of Texas PGI, a Texas Corporation was signed on or about July 22, 2011, by Ronald J. Johansson, Vice President and Treasurer. The Submission Agreement of Paragon Reserve, a Texas Corporation was signed on or about July 22, 2011, by Ronald J. Johansson, Vice President and Treasurer.

The Statement of Answer was filed by Respondent, Citigroup Global Markets, Inc., on or about October 28, 2011. The Submission Agreement of Respondent was signed on or about October 3, 2011.

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CASE SUMMARY

Claimants asserted the following causes of action: misrepresentation and omission to disclose material facts; breach of fiduciary duty; constructive fraud; unsuitability; failure to supervise; violation of Texas state securities law; and violation of Texas Deceptive Trade Practice Act. The causes of action related to the purchase of auction rate securities issued by student loan corporations, including Education Svcs Fndtn Student Loan Asset Bkd MBIA BIE, Education Fdg Cap TR II SR A-7, and College Ln Corp, Ser 2 A-11.

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

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$2,118,480.00
Exemplary/Punitive Damages	Unspecified
Treble Damages	\$4,236,960.00
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondent requested that the claims asserted against it be dismissed in their entirety and that all forum fees be assessed against Claimants.

OTHER ISSUES CONSIDERED & DECIDED

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

The Panel granted the parties' stipulation to designate the Court Reporter's transcript as the official record of the hearing.

At the in-person recorded hearing, Respondent requested that the Panel expunge the registration records maintained by the Central Registration Depository of non-parties Daniel Davis, Alice Neill, and Kenneth Kollar.

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, Texas PGI, a Texas Corporation and Paragon Reserve, a Texas Corporation, the sum of \$1,057,067.38 in compensatory damages;
- 2.) Respondent, Citigroup Global Markets, Inc., is liable for and shall pay to Claimants, Texas PGI, a Texas Corporation and Paragon Reserve, a Texas Corporation, interest on the above-stated sum pursuant to the Texas Finance Code, Title 4 §304.003(c)(2), currently at the rate of 5% per annum from and including the service date of this Award, through and including the date this Award is paid in full;
- 3.) Respondent, Citigroup Global Markets, Inc., is liable for and shall pay to Claimants, Texas PGI, a Texas Corporation and Paragon Reserve, a Texas Corporation, the sum of \$600.00 as reimbursement for the non-refundable portion of the FINRA Filing Fee;
- 4.) The Panel recommends the expungement of all references to the above captioned arbitration from the registration records of Daniel Davis (CRD #1649561), Alice Neill (CRD #2282992), and Kenneth Kollar (CRD #2585850) maintained by the Central Registration Depository ("CRD"), with the understanding that pursuant to Notice to Members 04-16, Daniel Davis, Alice Neill, and Kenneth Kollar must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 12805 of the Code, the Panel has made the following Rule 2080 affirmative finding of fact:

The registered persons were not involved in the alleged investment-related sales practice violation, forgery, theft, misappropriation, or conversion of funds;

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The Panel has made the above Rule 2080 finding based on the following reasons:

After consideration of all evidence and testimony presented by both parties at the hearing, the Panel determined that management failed to warn the sales staff so the staff could properly advise Claimants; and

- 5.) Any relief not specifically enumerated, including punitive and treble damages and attorneys' fees, is hereby denied and dismissed with prejudice.

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 persons 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	= \$ 3,350.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,500.00

Discovery-Related Motion Fees

Fees apply for each decision rendered on a discovery-related motion.

Two (2) Decisions on discovery-related motions on the papers with one (1) one arbitrator @ \$200.00	= \$ 400.00
Claimants submitted two (2) discovery-related motions	
<u>Total Discovery-Related Motion Fees</u>	<u>= \$ 400.00</u>

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The Panel has assessed \$200.00 of the discovery-related motion fees to Citigroup Global Markets, Inc.

Contested Motion for Issuance of a Subpoena Fees

Fees apply for each decision on a contested motion for the issuance of a subpoena.

One (1) Decision on a contested motion for the issuance of a subpoena		
One (1) arbitrator @ \$200.00 (maximum of \$600)	= \$	200.00
Total Contested Motion for Issuance of a Subpoena Fees	= \$	200.00

The Panel has assessed \$200.00 of the contested motion for issuance of a subpoena fees to Citigroup Global Markets, Inc.

Hearing Session Fees and Assessments

The Panel has assessed hearing session fees for each hearing session conducted. A session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts 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: January 24, 2013	1 session	
One (1) Pre-hearing session with Panel x \$1,200.00	= \$	1,200.00
Pre-hearing conference: February 22, 2012	1 session	
Ten (10) Hearing sessions x \$1,200.00	= \$	12,000.00
Hearing Dates:		
April 22, 2013	2 sessions	
April 23, 2013	2 sessions	
April 24, 2013	2 sessions	
April 25, 2013	2 sessions	
April 26, 2013	2 sessions	
Total Hearing Session Fees	= \$	13,650.00

The Panel has assessed \$13,650.00 of the hearing session fees to Citigroup Global Markets, Inc.

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

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ARBITRATION PANEL

Preston A. Trimble - Public Arbitrator, Presiding Chair
Andrea U. Calve, J.D. - Public Arbitrator
Joseph G. Werner - Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument which is my award.

Concurring Arbitrators' Signatures:

/s/ Preston A. Trimble
Preston A. Trimble
Public Arbitrator, Presiding Chair

05/16/13
Signature Date

/s/ Andrea U. Calve, J.D.
Andrea U. Calve, J.D.
Public Arbitrator

05/15/13
Signature Date

/s/ Joseph G. Werner
Joseph G. Werner
Public Arbitrator

05/17/13
Signature Date

05/17/13
Date of Service (For FINRA office use only)

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