

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

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AT RICHMOND, JUNE 25, 2004

COMMONWEALTH OF VIRGINIA, ex rel.

STATE CORPORATION COMMISSION

v.

CITIGROUP GLOBAL MARKETS, INC.,
F.K.A. SALOMON SMITH BARNEY, INC.¹,
and WILLIAM F. DODGE, II
Defendants

CASE NO. SEC-2003-00038

CASE NO. SEC-2003-00039

SETTLEMENT ORDER

The Commission's Division of Securities and Retail Franchising ("Division") has instituted an investigation of Defendants, Citigroup Global Markets, Inc. ("Citigroup" or the "Firm") and William F. Dodge, II ("Dodge"), pursuant to § 13.1-518 of the Virginia Securities Act ("Act"), § 13.1-501 et seq. of the Code of Virginia.

As a result of its investigation, the Division alleges that:

- (i) Citigroup employed agent Paul J. Abrams ("Abrams"), who solicited seven transactions with two Virginia residents as joint accountholders ("Accountholders") without being registered in the Commonwealth of Virginia, in violation of § 13.1-504 of the Act;
- (ii) Abrams marketed a plan to the Accountholders to invest their money, solicited transactions from the Accountholders and entered orders which

¹ On or about April 7, 2003, Salomon Smith Barney, Inc. ("SSB") changed its name to Citigroup Global Markets, Inc. Since the matters which were the subject of the investigation occurred prior to the name change, the allegations herein generally refer to SSB.

were rejected due to Abrams' lack of registration in Virginia, then amended that plan, in violation § 13.1-502 of the Act;

- (iii) Citigroup failed to exercise diligent supervision over the actions of Dodge and Abrams, in violation of Commission Rule 21 VAC 5-20-260 B;
- (iv) The Accountholders continued to contact Abrams regarding investments in their account and, at least once, authorized Abrams to have the Firm purchase securities for the account. Dodge reasonably should have known that the Accountholders continued to contact Abrams and therefore engaged in conduct that was in violation of the written policies and procedures of Citigroup, and therefore Dodge violated NASD Rule 2110 by failing to observe high standards or commercial honor and just and equitable principles of trade. Such conduct violates Rule 21 VAC 5-20-280 E 12, which prohibits licensed agents from engaging in conduct that would violate NASD Rules.

The Defendants neither admit nor deny these allegations, but Defendants admit to the Commission's jurisdiction and authority to enter this Settlement Order.

As a proposal to settle all matters arising from these allegations, the Defendants have offered, and agreed to comply with, the following terms and undertakings:

- (i) Pursuant to § 13.1-521, Citigroup agrees to pay a penalty in the amount of fifty thousand dollars (\$50,000) to the Treasurer of Virginia;
- (ii) Pursuant to § 13.1-518 of the Act, Citigroup agrees to pay to the Commission the sum of twenty-two thousand four hundred eighty-six dollars (\$22,486) to defray the costs of investigation;

- (iii) Pursuant to § 13.1-521, Dodge agrees to pay a penalty in the amount of fifteen thousand dollars (\$15,000) to the Treasurer of Virginia; and
- (iv) Pursuant to § 13.1-518, Dodge agrees to pay to the Commission the sum of five thousand dollars (\$5,000) to defray the costs of investigation.

The Division has recommended that Defendants' offer of settlement be accepted pursuant to authority granted to the Commission in § 12.1-15 of the Code of Virginia.

IT IS ORDERED THAT:

- (i) Pursuant to the authority granted to the Commission in § 12.1-15 of the Code of Virginia, the Defendants' offer of settlement is accepted;
- (ii) The Defendants shall fully comply with the aforesaid terms and undertakings of the settlement;
- (iii) Pursuant to § 13.1-521, Citigroup shall pay a penalty in the amount of fifty thousand dollars (\$50,000) to the Treasurer of Virginia;
- (iv) Pursuant to § 13.1-518 of the Act, Citigroup shall pay to the Commission the sum of twenty-two thousand four hundred eighty-six dollars (\$22,486) to defray the costs of investigation;
- (v) The sum of seventy-two thousand four hundred eighty-six dollars (\$72,486) tendered by Citigroup contemporaneously with the entry of this Settlement Order is accepted;
- (vi) Pursuant to § 13.1-521, Dodge shall pay a penalty in the amount of fifteen thousand dollars (\$15,000) to the Treasurer of Virginia;
- (vii) Pursuant to § 13.1-518, Dodge shall pay to the Commission the sum of five thousand dollars (\$5,000) to defray the costs of investigation;

- (viii) The sum of twenty thousand dollars (\$20,000) tendered by Dodge contemporaneously with the entry of this Settlement Order is accepted;
and
- (ix) This case is dismissed from the Commission's docket and the papers herein be placed in the file for ended causes.

AN ATTESTED copy hereof shall be sent, by CERTIFIED MAIL, RETURN RECEIPT REQUESTED, to: Mr. Neal E. Sullivan, Esquire, Bingham McCutchen, LLP, 1120 20th Street, NW, Suite 800, Washington, DC 20036-3406; Mr. John P. Weindler, Esquire, Citigroup Global Markets, Inc., 77 Water Street, New York, New York 10005; and Mr. William F. Dodge, II, Branch Office Manager, Citigroup Global Markets, Inc., 111 S.E. First Street, Boca Raton, Florida 33432.

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ADMISSION AND CONSENT

The Defendants, Citigroup Global Markets, Inc. and William F. Dodge, II, admit the jurisdiction of the State Corporation Commission of Virginia as to the party and the subject matter hereof and, without admitting or denying the allegations made herein by the Division of Securities and Retail Franchising, hereby consent to the form, substance and entry of the foregoing Settlement Order.

The Defendants further state that no offer, tender, threat or promise of any kind whatsoever has been made by the Commission or any member, subordinate, employee, agent or representative thereof in consideration of the foregoing Settlement Order.

Dated: 5/21/04

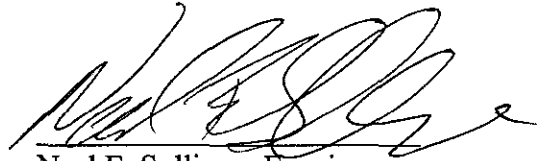

John Weindler – Citigroup Global Markets,
Inc.

Dated: 5/19/04


William F. Dodge, II

Seen and approved by:

Dated: 5/25/04



Neal E. Sullivan, Esquire
Bingham McCutchen, LLP
1120 20th Street, NW, Suite 800
Washington, DC 20036-3406

Dated: 5/25/04



Jeffrey O. Himstreet, Esquire
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