

Orlando Sentinel

Orlando couple win \$3.1M award from Citigroup Global

By [Richard Burnett](#), Orlando Sentinel

5:42 PM EDT, September 17, 2013

Federal arbitrators have awarded \$3.1 million to an Orlando couple who accused Citigroup Global Markets Inc. and a former local broker of misconduct in steering them into ill-fated real-estate investments with a prominent politician, Lawton "Bud" Chiles III. advertisement

A panel of the Financial Industry Regulatory Authority concluded Citigroup Global, formerly Smith Barney, was responsible for its broker's actions when he advised Dr. Nasirdin H. Madhany and his wife, Zeenat, to invest in real-estate developments that eventually soured and drove Chiles' construction business into bankruptcy after the nation's housing market collapsed, according to documents released this week.

"Citigroup Global Markets Inc. is liable for breach of fiduciary duty as financial advisor to the couple as well as negligent supervision of the advisor," the FINRA panel said.

According to the arbitrators' decision, Citigroup must pay the Madhanys more than \$1 million for direct losses and \$2.1 million to cover a legal settlement of claims related to the real-estate projects. The panel also said Citigroup must be ready to pay as much as \$10 million to cover any future claims stemming from the related case.

It was a big win for the Madhanys, both of whom are in their 60s, said Jeffrey R. Sonn, the Fort Lauderdale securities lawyer who represented them.

"This definitely vindicates what they said all along, that the firm must take responsibility for the actions of its broker, who led clients into investments 'away' from the firm," he said. "We presented all the evidence to them, and I think the panel clearly understood what happened in this case."

Securities experts said the \$3.1 million was the largest Florida arbitration award in recent years.

"It is one of the larger awards in the country this year," said Howard B. Prossnitz, a Chicago securities lawyer who tracks FINRA's disciplinary actions. "This was not a surprising decision, but it was good to know the panelists were not afraid to award such damages against a big player if they found the evidence supported it."

Citigroup denied the couple's allegations and disputed the panel's decision. The company may file a lawsuit in federal court to fight the arbitrators' decision.

"We disagree with the award, which was not supported by the facts or law," a company spokeswoman told the Reuters news service.

According to Madhany, a veteran Orlando physician, and his wife, from 2004 to 2007 Citigroup Global Markets broker Scott Andrew King of Orlando advised them to invest millions of dollars in two real-estate

projects being developed by Chiles, a friend and business associate of King's.

The projects ran into problems in 2007 when the real-estate market collapsed, and the Madhanys lost their investment, their complaint stated. They accused King of directing them into inappropriate investments and of hiding a business arrangement that he had with Chiles: to acquire condo units in Chiles' developments at discount prices.

King denied any wrongdoing, according to FINRA records.

Citigroup argued that the broker had simply introduced the Madhanys to Chiles, and that it had no knowledge of the outside investments that the couple had made.

Sonn, the couple's lawyer, presented evidence indicating that King aggressively and openly promoted the real-estate deals to clients — something, he argued, that Citigroup knew or should have known about.

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