

NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimants

Eric H. Heydemann
Christine Heydemann
L.T.D., LTD

Case Number: 00-04573

Name of the Respondents

Merrill Lynch, Pierce, Fenner & Smith, Inc.
Edward W. Blatz
Neil J. Surgenor

Hearing Site: Baltimore, MD

REPRESENTATION OF PARTIES

Claimants Eric Heydemann, Christine Heydemann and L.T.D., LTD ("LTD") hereinafter collectively referred to as "Claimants": Howard S. Meyers, Esq., Meyers & Heim LLP, New York, NY.

Respondents Merrill Lynch, Pierce, Fenner & Smith, Inc. ("Merrill Lynch") and Edward W. Blatz ("Blatz"): G. Jeffrey Boujoukos, Esq., Morgan, Lewis & Bockius LLP, Philadelphia, PA.

Respondent Neil J. Surgenor ("Surgenor"): Frank A. Doddato, Esq., Capetola & Doddato, Esqs., Williston Park, NY.

CASE INFORMATION

Statement of Claim filed on: October 12, 2000

Claimant Eric Heydemann signed the Uniform Submission Agreement: October 9, 2000

Claimant Christine Heydemann signed the Uniform Submission Agreement: October 9, 2000

A representative of Claimant LTD signed the Uniform Submission Agreement: October 9, 2000

Statement of Answer filed by Respondents Merrill Lynch and Blatz on: January 2, 2001

Statement of Answer filed by Respondent Surgenor on: January 3, 2001

Respondent Blatz signed the Uniform Submission Agreement: December 21, 2000

A representative of Respondent Merrill Lynch signed the Uniform Submission Agreement: December 28, 2000

Respondent Blatz signed the Uniform Submission Agreement: January 2, 2001

CASE SUMMARY

Claimants asserted the following causes of action: unauthorized trading; unfair dealing; breach of fiduciary duty; negligence; breach of contract; violation of federal securities laws; fraud; failure to supervise; negligent misrepresentation; control person liability; and intentional infliction of emotional distress.

Unless specifically admitted in its Answer, Respondents Merrill Lynch and Blatz denied the allegations made in the Statement of Claim and asserted the following defenses: failure to state a claim upon which relief can be granted; estoppel; waiver; ratification; Respondents acted in good faith; assumption of risk; statute of limitations; unclean hands doctrine; and failure to mitigate damages.

Unless specifically admitted in its Answer, Respondent Surgenor denied the allegations made in the Statement of Claim and asserted the following defenses: claims of Claimant, Christine Heydemann, not subject to arbitration; authorization; ratification; estoppel; failure to mitigate damages; failure to state a cause of action; statute of limitations

RELIEF REQUESTED

Claimants requested:

Compensatory Damages	\$ 1,030,000.00
Punitive Damages	\$ 3,000,000.00
Mental and Emotional Distress Damages	\$ 3,000,000.00
Interest	9% per annum from August 1999
Attorneys' Fees	unspecified
Other Costs	unspecified
Reimbursement for Commissions	\$ 50,000.00
Other Monetary/Non-Monetary Relief if any:	
Disgorgement of margin interest and management fees	
Reasonable Rate of Return from Properly Managed Account	
Referral for Investigation and Prosecution	

Respondents Merrill Lynch and Blatz requested that the Panel dismiss Claimants' claims in their entirety and order all references to this matter be expunged from Respondent Blatz's Central Registration Depository ("CRD") records.

Respondent Surgenor requested that the Panel dismiss Claimants' claims in their entirety and order all references to this matter be expunged from Respondent Surgenor's CRD records.

OTHER ISSUES CONSIDERED AND DECIDED

Respondents' Motion to Dismiss Claims of Christine Heydemann was granted.

At the hearing, Respondent Surgenor moved to dismiss Eric Heydemann's claim for intentional infliction of emotional distress on the ground of a lack of jurisdiction. This motion was denied.

At the hearing, Respondent Surgenor moved to dismiss Eric Heydemann's claim for intentional infliction of emotional distress for failure to state a claim. This motion was granted.

At the conclusion of Claimants' case, Respondents Merrill Lynch, Blatz and Surgenor moved for dismissal of all claims on basis that the facts presented did not adequately support the claims. All claims against Respondents Merrill Lynch and Blatz were dismissed. All claims against Respondent Surgenor related to securities transactions were dismissed. The motion to dismiss claims against Respondent Surgenor flowing from the financial arrangements between Claimant and Respondent Surgenor was denied.

On May 21, 2002, the hearings were recessed to a future date to allow the parties an opportunity to resolve this matter.

On June 5, 2002, NASD Dispute Resolution was notified that Claimants and Respondent Surgenor settled this matter and that the remaining hearing sessions would be cancelled.

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 evidence presented at the hearing, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Upon Respondent Blatz's request for exoneration and expungement of his record, the Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Blatz's registration records maintained by the NASD CRD, with the understanding that pursuant to NASD Notices to Members 99-09 and 99-54, Respondent Blatz must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive;
2. The parties shall bear their respective costs, including attorneys' fees, except as to Fees -specifically addressed below; and
3. Any and all matters not specifically addressed herein have been resolved by the parties or dismissed by the Panel.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$ 600.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, Merrill Lynch is a party.

Member surcharge = \$ 3,000.00

Pre-hearing process fee = \$ 600.00

Hearing process fee = \$ 5,000.00

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. Fees associated with these proceedings are:

Three (3) Pre-hearing sessions with Panel @ \$ 1,200.00 = \$ 3,600.00

Pre-hearing conferences:	September 7, 2001	1 session
	December 4, 2001	1 session
	December 21, 2001	1 session

Fourteen (14) Hearing sessions @ \$ 1,200.00 = \$ 16,800.00

Hearing Dates:	February 27, 2002	2 sessions
	February 28, 2002	2 sessions
	March 1, 2002	2 sessions
	April 8, 2002	2 sessions
	April 9, 2002	2 sessions
	April 10, 2002	2 sessions
	May 21, 2002	2 sessions

Total Forum Fees = \$ 20,400.00

1. The Panel has assessed \$ 10,200.00 of the forum fees to Claimant Eric Heydemann.
2. The Panel has assessed \$ 10,200.00 of the forum fees to Respondent Merrill Lynch.

Fee Summary

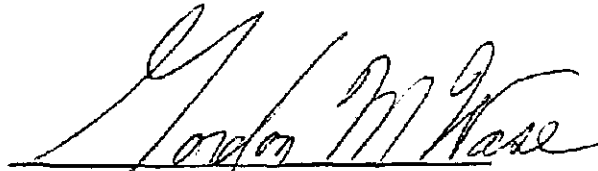
1. Claimant Eric Heydemann is solely responsible for:	
Forum Fees	= \$ 10,200.00
<hr/>	
Total Fees	= \$ 10,200.00
Less payments	= \$ 1,200.00
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Balance Due NASD Dispute Resolution	= \$ 9,000.00
2. Claimants are jointly and severally liable for:	
Initial Filing Fee	= \$ 600.00
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Total Fees	= \$ 600.00
Less payments	= \$ 600.00
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Balance Due NASD Dispute Resolution	= \$ 0.00
3. Respondent, Merrill Lynch, is solely liable for:	
Member Fees	= \$ 8,600.00
Forum Fees	= \$ 10,200.00
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Total Fees	= \$ 18,800.00
Less payments	= \$ 8,100.00
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Balance Due NASD Dispute Resolution	= \$ 10,700.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

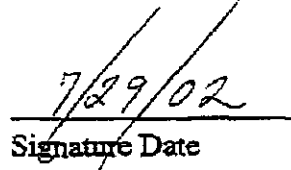
ARBITRATION PANEL

Gordon Wase, Esq	-	Public Arbitrator, Presiding Chairperson
Mark S. Klock, JD, PhD	-	Public Arbitrator, Panelist
N. Clark Moran	-	Non-Public Arbitrator, Panelist

Concurring Arbitrators' Signatures



Gordon Wase, Esq
Public Arbitrator, Presiding Chairperson



Signature Date

Mark S. Klock, JD, PhD
Public Arbitrator

Signature Date

N. Clark Moran
Non-Public Arbitrator

Signature Date

August 6, 2002

Date of Service (For NASD Dispute Resolution office use only)

JUL-29-02 13:17 FROM:

NASD Dispute Resolution

Arbitration No. 00-4573

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Concurring Arbitrators' Signatures

Gordon Wase, Esq
Public Arbitrator, Presiding Chairperson

Signature Date

Mark S. Klock
Mark S. Klock, JD, PhD
Public Arbitrator

8/3/02
Signature Date

N. Clark Moran
Non-Public Arbitrator

Signature Date

August 6, 2002
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Concurring Arbitrators' Signatures

Gordon Wase, Esq
Public Arbitrator, Presiding Chairperson

Signature Date

Mark S. Klock, JD, PhD
Public Arbitrator

Signature Date

N. Clark Moran
N. Clark Moran
Non-Public Arbitrator

7/30/02
Signature Date

August 6, 2002

Date of Service (For NASD Dispute Resolution office use only)