

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

Abdelkarim K. and Carri L. Wallis-Khalil

and

Case Number: 02-05223
Hearing Site: Houston, Texas

Names of Respondents

Merrill Lynch, Pierce, Fenner & Smith, Inc.
Henry M. Blodget and
Merrill Lynch & Co.

NATURE OF DISPUTE

Customers v. Member Firm, Associated Person and Non-Member

REPRESENTATION OF PARTIES

Abdelkarim K. and Carri L. Wallis-Khalil ("**Claimants**") were represented by K.C. Allan, Esq., of Kirby, McInerney & Squire, LLP, in New York, New York.

Merrill Lynch, Pierce, Fenner & Smith, Inc. ("**Merrill Lynch**") was represented by Bruce W. Day, Esq., of Day, Edwards, Propester & Christensen, PC, in Oklahoma City, Oklahoma.

Henry M. Blodget ("**Blodget**") was represented by Joseph D. Edmondson, Jr., Esq., of Foley & Lardner, in Washington, DC.

Merrill Lynch & Co. did not appear.

CASE INFORMATION

The Statement of Claim was filed on or about September 4, 2002.

The Submission Agreements of Claimants Abdelkarim K. and Carri L. Wallis-Khalil were signed on or about August 8, 2002.

The Statement of Answer was filed by Respondent Merrill Lynch, Pierce, Fenner & Smith, Inc. on or about December 12, 2002.

The Submission Agreement of Respondent Merrill Lynch, Pierce, Fenner & Smith, Inc. was signed on or about September 30, 2002.

The Statement of Answer was filed by Respondent Henry M. Blodget on or about December 12, 2002.

The Submission Agreement of Respondent Henry M. Blodget was signed on or about October 9, 2002.

Merrill Lynch & Co. did not file a Statement of Answer or Uniform Submission Agreement.

CASE SUMMARY

Claimants asserted the following causes of action: breach of contract, negligence, failure to supervise and breach of fiduciary duty. Claimants asserted that they established several brokerage accounts at Merrill Lynch and invested in Internet and high technology related securities, including but not limited to Broadcom Corp., JDS Uniphase, and Sycamore Network, Inc., on the basis of Respondents' recommendations, ratings, or reports.

Unless specifically admitted in its Answer, Respondent Merrill Lynch denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants fail to state a claim upon which relief can be granted; Claimants' claims are barred because Merrill Lynch had a good faith basis for its research opinions; Claimants' claims are barred because the risks inherent in the investments at issue were fully disclosed or known to them and they assumed those risks; and Claimants are barred by the applicable statute of limitations.

Unless specifically admitted in his Answer, Respondent Blodgett denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants fail to state a claim upon which relief can be granted; Claimants' claims are barred because the risks inherent in the investments at issue were fully disclosed or known to Claimants and they assumed those risks; Claimants' claims are barred because their alleged injuries were not caused, legally, proximately, or otherwise, by Mr. Blodget; and Claimants' claims are barred because they failed to mitigate damages.

RELIEF REQUESTED

Claimant requested an award in the amount of:

Actual/Compensatory Damages	\$205,000.00
Punitive/Exemplary Damages	\$615,000.00
Interest	Unspecified

Attorney's Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondent Merrill Lynch requested that the claims asserted against it be denied in their entirety and that it be awarded their costs and attorneys' fees.

Respondent Blodgett requested that the claims asserted against him be denied in their entirety and that he be awarded his costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

Respondent Merrill Lynch & Co. is not an NASD member firm. Respondent Merrill Lynch & Co. did not voluntarily submit to NASD arbitration, nor was there a contract to arbitrate disputes with Merrill Lynch & Co. presented. Therefore, Merrill Lynch & Co. is not compelled by NASD rules to arbitrate disputes in this forum. In the absence of Merrill Lynch & Co.'s voluntary submission, NASD does not have jurisdiction over this party.

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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with NASD Dispute Resolution ("NASD").

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Claimants' claims, each and all, are hereby denied and dismissed with prejudice in their entirety;
- 2.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and
- 3.) Any relief not specifically enumerated, including punitive and exemplary damages and attorney fees, is hereby denied with prejudice.

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 = \$375.00

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. In this matter, the member firm is Merrill Lynch, Pierce, Fenner & Smith, Inc.

Member surcharge = \$2,250.00
Pre-hearing process fee = \$ 750.00
Hearing process fee = \$4,000.00

Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing 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:

Three (3) Pre-hearing sessions with a single arbitrator x \$450.00 = \$ 1,350.00
Pre-hearing conferences: September 9, 2003 1 session
March 16, 2004 1 session
March 31, 2004 1 session

Two (2) Pre-hearing sessions with Panel x \$1,200.00 = \$ 2,400.00
Pre-hearing conferences: February 17, 2003 1 session
February 25, 2003 1 session

Nine (9) Hearing sessions x \$1,200.00 = \$10,800.00
Hearing Dates: May 18, 2004 2 sessions
May 19, 2004 2 sessions
May 20, 2004 2 sessions
May 21, 2004 1 session
July 16, 2004 2 sessions

Total Forum Fees = \$14,550.00

The Arbitration Panel has assessed \$7,275.00 of the forum fees jointly and severally to Abdelkarim K. and Carri L. Wallis-Khalil.

The Arbitration Panel has assessed \$7,275.00 of the forum fees jointly and severally to Merrill Lynch, Pierce, Fenner & Smith, Inc., and Henry M. Blodget.

Fee Summary

Claimants, Abdelkarim K. and Carri L. Wallis-Khalil, are jointly and severally liable for:

Initial Filing Fee	= \$ 375.00
Forum Fees	= \$ 7,275.00
Total Fees	= \$ 7,650.00
Less payments	= \$ 1,575.00
Balance Due NASD Dispute Resolution	= \$ 6,075.00

Respondent, Merrill Lynch, Pierce, Fenner & Smith, Inc., is liable for:

Member Fees	= \$ 7,000.00
Total Fees	= \$ 7,000.00
Less payments	= \$ 7,000.00
Balance Due NASD Dispute Resolution	= \$.00

Respondents, Merrill Lynch, Pierce, Fenner & Smith, Inc., and Henry M. Blodget, are jointly and severally liable for:

Forum Fees	= \$ 7,275.00
Total Fees	= \$ 7,275.00
Less payments	= \$.00
Balance Due NASD Dispute Resolution	= \$ 7,275.00

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

ARBITRATION PANEL

William Edward Buck, JD - Public Arbitrator, Presiding Chair
Walter J. McCoy PhD - Public Arbitrator
Dolores Martin - Non-Public Arbitrator

Concurring Arbitrators:

/s/ William Edward Buck
William Edward Buck
Public Arbitrator, Presiding Chair

July 20, 2004
Signature Date

/s/ Walter J. McCoy
Walter J. McCoy
Public Arbitrator

July 20, 2004
Signature Date

/s/ Dolores Martin
Dolores Martin
Non-Public Arbitrator

July 20, 2004
Signature Date

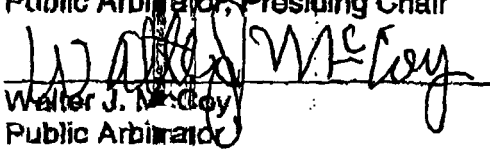
July 21, 2004
Date of Service (For NASD office use only)

ARBITRATION PANEL

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Walter J. McCoy PhD - Public Arbitrator
Dolores Martin - Non-Public Arbitrator

Concurring Arbitrators:

William Edward Buck
Public Arbitrator, Presiding Chair


Walter J. McCoy
Public Arbitrator

Signature Date


Signature Date

Dolores Martin
Non-Public Arbitrator

Signature Date

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William Edward Buck
Public Arbitrator, Presiding Chair

Signature Date

Walter J. McCoy
Public Arbitrator

Signature Date

Dolores Martin
Dolores Martin
Non-Public Arbitrator

7-20-04
Signature Date

Date of Service (For NASD office use only)

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Walter J. McCoy PhD - Public Arbitrator
Dolores Martin - Non-Public Arbitrator

Concurring Arbitrators:

William Edward Buck
William Edward Buck
Public Arbitrator, Presiding Chair

7/20/04
Signature Date

Walter J. McCoy
Walter J. McCoy
Public Arbitrator

Signature Date

Dolores Martin
Dolores Martin
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)