

**STIPULATED AWARD
NASD Dispute Resolution**

In the Matter of the Arbitration Between:

Name of Claimants

George Wallace Tilley, Jr.
Holly A. Tilley, and
J&J Family Partnership, Ltd.

vs.

Case Number: 03-03393

Name of Respondents

Merrill Lynch, Pierce, Fenner & Smith Incorporated
and Donna McKenzie Grimm,

Hearing Site: Houston, Texas

NATURE OF DISPUTE

Customers v. Member Firm and Associated Person

REPRESENTATION OF PARTIES

George Wallace Tilley, Jr., Holly A. Tilley and J&J Family Partnership, Ltd., ("Claimants") were represented by Kelly A. Greenwood, Esq., of Engelhart & Greenwood, in Houston, Texas.

Merrill Lynch, Pierce, Fenner & Smith Incorporated and Donna McKenzie Grimm ("Respondents") were represented by Jack D. Ballard, Esq., of The Ballard Law Firm, in Houston, Texas.

CASE INFORMATION

The Statement of Claim was filed on or about: May 8, 2003.

The Submission Agreement of Claimants was signed on or about: April 4, 2003.

Respondents' Answer was filed jointly on or about: July 17, 2003.

The Submission Agreement of Respondent Merrill Lynch, Pierce, Fenner & Smith Incorporated was signed on or about July 8, 2003.

The Submission Agreement of Respondent Donna McKenzie Grimm was signed on or about July 17, 2003.

CASE SUMMARY

Claimants asserted the following causes of action: unsuitability, misrepresentations and omissions, failure to supervise, fraud and breach of fiduciary duty. The causes of action relate to stocks held in Claimants' accounts at Merrill Lynch. Claimants opened a retirement and IRA account with Respondents in the 1990's. In 1998 Claimant received approximately 227,670 shares of Petroleum Geo-Services, Inc. ("PGO") and was advised by Respondents to deposit it into a brokerage account. In 1990, PGO stock climbed to \$22.00 a share and was advised by Respondents not to sell because Merrill Lynch was

tracking the stock to climb higher. Respondent Grimm recommended a margin account but allegedly failed to disclose the risks involved. In 2000, Claimants transferred their assets to the J&J Family Partnership Ltd. Claimants allege that due to Respondents' handling of their account, including their failure to advise to diversify their account, their unsuitable recommendations, and their omissions of material facts, Claimants lost more than \$500,000.

Unless specifically admitted in their Answer, Respondents denied the allegations of wrongdoing set forth in the Statement of Claim and asserted the following defenses: (i) to the extent Claimants incurred any damages, such damages were attributable to market conditions and not to any acts or omissions of Respondents; (ii) estoppel; (iii) ratification; (iv) failure to mitigate; and (v) that an award of punitive or exemplary damages would be in violation of the United States and Texas Constitutions.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory	\$ 500,000.00
Treble Damages	\$1,000,000.00
Interest	Unspecified
Attorney's Fees	Unspecified
Other Costs	Unspecified

In light of the settlement of the claims, Claimants and Respondents request that all claims in this case be dismissed with prejudice and Respondents request and Claimants have agreed to not oppose the expungement of Claimants' complaint from the CRD record of Donna McKenzie Grimm.

OTHER ISSUES CONSIDERED AND DECIDED

On or about June 10, 2004, Claimants and Respondents reached an agreement to settle the claims asserted in the arbitration proceeding, and each of the Respondents and Claimants have executed a General Release and Settlement Agreement.

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 remains on file with the NASD Dispute Resolution (the "NASD").

AWARD

Pursuant to the parties' agreement, and after considering the parties' submissions and representations, but without making any findings of fact or conclusions of law, the undersigned arbitrators order as follows:

1. All claims in this case are dismissed with prejudice pursuant to the parties' settlement agreement;
2. That other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses, including attorneys' fees, incurred in this matter;
3. The Panel recommends the expungement of all reference to the above-captioned arbitration from Respondent Donna McKenzie Grimm's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to the NASD Notice to Members 99-09, Respondent Donna McKenzie Grimm must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive; and

4. That any relief not specifically enumerated, including punitive damages and attorneys' fees, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 500.00
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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 Incorporated.

Member Surcharge	= \$ 2800.00
Pre-Hearing Process Fee	= \$ 750.00
Hearing Process Fee	= \$ 5000.00
<u>Total Member Fees</u>	<u>= \$ 8550.00</u>

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 arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Forum fees associated with these proceedings are:

One (1) Pre-hearing conference session with a single arbitrator @ \$ 450	= \$ 450.00
Pre-hearing conference: May 20, 2004	1 session
One (1) Pre-hearing conference session with the Panel @ \$1200	= \$ 1200.00
Pre-hearing conference: November 24, 2003	1 session
One (1) Hearing session @ \$1200	= \$ 1200.00
Hearing: June 18, 2004	1 session
<u>Total Forum Fees</u>	<u>= \$ 2850.00</u>

The Arbitration Panel has assessed \$ 1425.00 of the forum fees jointly and severally to George Wallace Tilley, Holly Tilley and J&J Family Partnership Ltd.

The Arbitration Panel has assessed \$ 1425.00 of the forum fees jointly and severally to Merrill Lynch, Pierce, Fenner & Smith, Inc. and Donna McKenzie.

Fee Summary

Claimants George Wallace Tilley, Jr., Holly A. Tilley and J&J Family Partnership, Ltd. be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$ 500.00
Forum Fee	= \$ 1425.00
<u>Total Fees</u>	<u>= \$ 1925.00</u>

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Less payments	= \$ 1700.00
Balance Due NASD Dispute Resolution	= \$ 225.00

Respondent Merrill Lynch, Pierce, Fenner & Smith Incorporated are hereby are solely liable for:

Member Fees	= \$ 8550.00
Total Fees	= \$ 8550.00
Less payments	= \$ 8550.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents Merrill Lynch, Pierce, Fenner & Smith Incorporated and Donna McKenzie Grimm are hereby jointly and severally liable for:

Forum Fee Type	= \$ 1425.00
Total Fees	= \$ 1425.00
Less Payments	= \$.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 1425.00

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

ARBITRATION PANEL

Thomas D. Nagle - Public Arbitrator, Presiding Chair
Dave Haigler - Public Arbitrator
Gregory Cater - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Thomas D. Nagle
Thomas D. Nagle
Public Arbitrator, Presiding Chair

June 18, 2004
Signature Date

/s/ Dave Haigler
Dave Haigler
Public Arbitrator

June 18, 2004
Signature Date

/s/ Greg Cater
Greg Cater
Non-Public Arbitrator

June 18, 2004
Signature Date

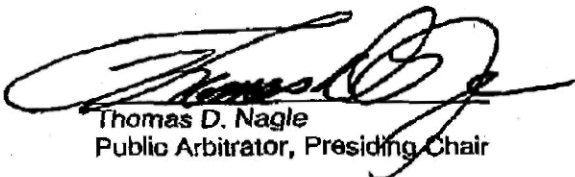
June 18, 2004
Date of Service (For NASD office use only)

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ARBITRATION PANEL

Thomas D. Nagle - Public Arbitrator, Presiding Chair
Dave Haigler - Public Arbitrator
Gregory Cater - Non-Public Arbitrator

Concurring Arbitrators:


Thomas D. Nagle
Public Arbitrator, Presiding Chair

6-18-04
Signature Date

Dave Haigler
Public Arbitrator

Signature Date

Greg Cater
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

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Public Arbitrator, Presiding Chair

Signature Date



Dave Haigler
Public Arbitrator



Signature Date

Greg Cater
Non-Public Arbitrator

Signature Date

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