

**STIPULATED AWARD
NASD Dispute Resolution**

In the Matter of the Arbitration Between

Names of Claimants

Earl R. Ehlers and Susan Ehlers

and

Case Number: 03-03535
Hearing Site: Houston, Texas

Names of Respondents

Merrill Lynch, Pierce, Fenner & Smith, Inc.,
John Desenberg, Julius Desenberg,
The Desenberg Group, and
J. Michael Woodlock

NATURE OF CASE

Customers v. Member Firm and Associated Persons

REPRESENTATION OF PARTIES

Earl R. Ehlers and Susan Ehlers, ("Claimants") were represented by Brian E. Bro, Law Offices of Brian E. Bro, Houston, Texas.

Merrill Lynch, Pierce, Fenner & Smith, Inc., ("Merrill Lynch"), Julius Desenberg, ("Julius Desenberg"), The Desenberg Group, ("Desenberg Group"), and J. Michael Woodlock ("Woodlock") hereinafter collectively referred to as "Respondents" were represented by Jack D. Ballard, The Ballard Law Firm, Houston, Texas.

John Desenberg ("John Desenberg"), was represented by Geoffrey Bracken, Gardere Wynne Sewell LLP, Houston, TX 77002.

CASE INFORMATION

The Statement of Claim was filed on or about: May 14, 2003. The Uniform Submission Agreement of Claimants, Earl R. Ehlers and Susan Ehlers, was signed on or about March 26, 2003.

The Joint Statement of Answer was filed by Respondents, Merrill Lynch, Pierce, Fenner & Smith, Inc., Julius Desenberg and J. Michael Woodlock on or about September 22, 2003. The Uniform Submission Agreement of Respondent Merrill Lynch, Pierce, Fenner & Smith, Inc., was signed on or about June 9, 2003. The Uniform Submission Agreement of Respondent Julius Desenberg was signed on September 22, 2003. The Uniform Submission Agreement of Respondent J. Michael Woodlock was signed on September 12, 2003.

The Statement of Answer was filed by Respondent John Desenberg on or about September 22,

2003. The Uniform Submission Agreement of Respondent John Desenberg was signed on or about September 12, 2003.

Respondent, John Desenberg, filed a Motion for Leave to File a Third-Party Claim on or about October 1, 2004. Claimants filed a response on or about October 8, 2004

CASE SUMMARY

Claimants asserted the following causes of action: unsuitability, misrepresentations, omissions, failure to supervise, negligence, fraud and breach of fiduciary duty. The causes of action related to various unspecified transactions in Claimants' accounts at Merrill Lynch.

Respondents, Merrill Lynch, Pierce, Fenner & Smith, Inc., Julius Desenberg, The Desenberg Group and J. Michael Woodlock, denied the allegations made in the Statement of Claim and asserted defenses including the following: to the extent Claimants incurred any damages, such damages were attributable to market conditions and not to any acts or omissions of Respondents; estoppel; waiver; ratification; commercial reasonableness; assumption of risks; limitations; compliance with Exchange rules and regulations; laches; failure to mitigate; and contributory negligence.

Respondent, John Desenberg, incorporated and adopted the Statement of Answer of Respondents, Merrill Lynch, Pierce, Fenner & Smith, Inc., Julius Desenberg, The Desenberg Group and J. Michael Woodlock.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$ 757,936.00
Punitive/Exemplary Damages	\$1,516,000.00
Interest	Unspecified
Attorney's Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondents requested that the claims asserted against them be denied in their entirety and that an award recommending an expungement of the claims asserted against Julius Desenberg and J. Michael Woodlock.

OTHER ISSUES CONSIDERED AND DECIDED

On or about October 20, 2004, Claimants and Respondents reached an agreement to settle the claims asserted in the arbitration proceeding, and Claimants and Respondents have executed a General Release and Settlement Agreement that releases Respondents and Desenberg from all claims asserted against them.

Claimants dismissed Julius Desenberg from the case by written notification on or about September 28, 2004.

The Panel denied Respondent Desenberg's Motion for Leave to File a Third Party Claim on or about October 13, 2004.

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

After considering the parties' submissions and representations, but without making any findings of fact or conclusions of law, the undersigned arbitrators orders as follows:

1. Claimants' claims against Respondents, Merrill Lynch, Pierce, Fenner & Smith, Inc., Julius Desenberg, The Desenberg Group, John Desenberg and J. Michael Woodlock are dismissed with prejudice;
2. The panel recommends the expungement of all references to the above-captioned arbitration from Respondents Julius Desenberg's and J. Michael Woodlock's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to the NASD Notice to Members 99-09, Respondents Julius Desenberg and J. Michael Woodlock must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
3. Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses in this matter; and
4. Any and all relief not specifically addressed herein, including attorneys' fees and costs is denied and all claims are dismissed 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 Inc.

Member Surcharge	= \$ 2,800.00
Pre-Hearing Process Fee	= \$ 750.00
Hearing Process Fee	= \$ 5,000.00

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. Forum fees associated with these proceedings are:

One (1) Pre-hearing conference session with the Panel @ \$1,200.00	= \$1,200.00
Pre-hearing conference: February 2, 2004 1 session	

One (1) Hearing sessions @ \$1,200.00	= \$1,200.00
Hearing: October 27, 2004 1 session	

Total Forum Fees	= \$2,400.00
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1. The Arbitration Panel has assessed \$ 600.00 of the forum fees jointly and severally against Claimants Earl R. Ehlers and Susan Ehlers.
2. The Arbitration Panel has assessed \$ 600.00 of the forum fees jointly and severally against Respondents, Merrill Lynch, Pierce, Fenner & Smith, Inc., Julius Desenberg, The Desenberg Group, John Desenberg and J. Michael Woodlock.
3. The Arbitration Panel has assessed \$1,200.00 of the forum fees against Respondent, Merrill Lynch, Pierce, Fenner & Smith, Inc.

Pursuant to Rule 10332(f) of NASD Code of Arbitration Procedures: *The Association shall retain the total initial amount deposited as hearing session deposits by all the parties in any matter submitted and settled or withdrawn within eight business days of the first scheduled hearing session other than a pre-hearing conference.* As NASD Dispute Resolution received notice of the settlement within eight business days of the first scheduled hearing, \$ 600 of the Claimant's remaining hearing session deposit is retained.

Fee Summary

Claimants, Earl R. Ehlers and Susan Ehler, are jointly and severally liable for:

Initial Filing Fee	= \$ 500.00
Forum Fee	= \$ 600.00
<u>Retention of Hearing Session Deposit</u>	<u>= \$ 600.00</u>
Total Fees	= \$1,700.00
<u>Less payments</u>	<u>= \$1,700.00</u>
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents, Merrill Lynch, Pierce, Fenner & Smith Inc., Julius Desenberg, John Desenberg, The Desenberg Group, and J. Michael Woodlock, are jointly and severally liable for:

<u>Forum Fees</u>	<u>= \$ 600.00</u>
Total Fees	= \$ 600.00
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution	= \$ 600.00

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

Member Fees	= \$8,550.00
Forum Fees	= \$1,200.00
Total Fees	= \$9,750.00
Less Payments	= \$8,550.00
Balance Due NASD Dispute Resolution, Inc.	= \$1,200.00

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
Frank Romano - Public Arbitrator, Public Arbitrator
Ann I. Miller - Non-Public Arbitrator

Concurring Arbitrators:

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

October 29, 2004
Signature Date

/s/ Frank Romano
Frank Romano
Public Arbitrator

October 29, 2004
Signature Date

/s/ Ann I. Miller
Ann I. Miller
Non-Public Arbitrator

October 29, 2004
Signature Date

October 29, 2004
Date of Service (For NASD office use only)

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Frank Romano - Public Arbitrator, Public Arbitrator
Ann I. Miller - Non-Public Arbitrator

Concurring Arbitrators:


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Public Arbitrator, Presiding Chair

OCTOBER 29, 2004
Signature Date

Frank Romano
Public Arbitrator

Signature Date

Ann I. Miller
Non-Public Arbitrator

Signature Date

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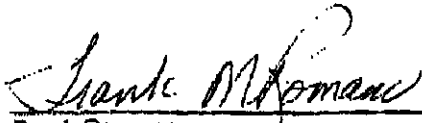
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Concurring Arbitrators:

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Public Arbitrator, Presiding Chair

Signature Date


Frank Romano
Public Arbitrator

10/29/04
Signature Date

Ann I. Miller
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

NASD Dispute Resolution
Arbitration No. 05-0336
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Concurring Arbitrators:

Thomas D. Nagle
Public Arbitrator, Presiding Chair

Signature Date

Frank Romano
Public Arbitrator

Signature Date

Ann I. Miller
Non-Public Arbitrator

OCT. 29, 2004

Signature Date

Date of Service (For NASD office use only)