

**STIPULATED AWARD
NASD Dispute Resolution**

In the Matter of the Arbitration Between

Names of Claimants

Alton and Leila Graves

and

Case Number: 03-05860

Hearing Site: Houston, Texas

Names of Respondents

Merrill Lynch, Pierce, Fenner & Smith, Inc.
and John S. Kloss, Jr.

NATURE OF CASE

Customers v. Member Firm and Associated Person

REPRESENTATION OF PARTIES

Alton and Leila Graves ("Claimants") were represented by Sean Greenwood, Esq. and Brian Turner, Esq., Heard, Robins, Cloud, Lubel & Greenwood, LLP, Austin, Texas.

Merrill Lynch, Pierce, Fenner & Smith, Inc. ("Merrill Lynch") and John S. Kloss, Jr. ("Kloss"), hereinafter collectively referred to as "Respondents," were represented by Judith A. Meyer, Esq., Ogden, Gibson, White, Broocks & Longoria, L.L.P., Houston, Texas.

CASE INFORMATION

The Statement of Claim was filed on or about August 12, 2003. The Submission Agreement of Claimants was signed on or about July 25, 2003.

The Statement of Answer and Motion for More Definite Statement was filed by jointly by Respondents, Merrill Lynch and Kloss, on or about October 12, 2003. The Submission Agreement of Respondent Merrill Lynch was filed on or about October 12, 2003. The Submission Agreement of Respondent Kloss was filed on or about January 30, 2004.

CASE SUMMARY

Claimants asserted the following causes of action: violation of the federal securities laws, violation of SEC and NASD rules, securities fraud, willful or reckless disregard, unsuitability, unauthorized purchases, breach of contract, common law fraud, breach of fiduciary duty, negligence and gross negligence, failure to supervise, and vicarious liability

of Merrill Lynch. The causes of action related to the recommendation and purchase of various unspecified securities.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following affirmative defenses: ratification; waiver, estoppel; failure to mitigate; failure to state a claim upon which relief can be granted; assumption of the risk; good faith and commercial reasonableness; conduct in accordance with all Exchange and SRO rules and regulations.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$317,597.00
Punitive/Exemplary Damages	Unspecified
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded their costs, attorneys' fees and to expunge this claim from the CRD record of Respondent Kloss.

OTHER ISSUES CONSIDERED & DECIDED

Claimants and Respondents settled all claims and agreed that the CRD records of John S. Kloss, should be expunged of all references to his claim and this proceeding. Claimant executed a General Release.

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 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 order as follows:

- 1.) Claimants' claims, each and all are dismissed with prejudice pursuant to the parties' settlement agreement;

- 2.) The panel recommends the expungement of all reference to the above captioned arbitration from Respondent, John S. Kloss, Jr.'s, registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09, Respondent, John S. Kloss, Jr., 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 incurred in this matter; and
- 4.) 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 will retain the non-refundable filing fee for each claim:

Initial claim filing fee	= \$ 300.00
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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	= \$ 1,700.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 2,750.00

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:

One (1) Pre-hearing session with Panel x \$1,125.00 = \$1,125.00
Pre-hearing conference: February 25, 2004 1 session

Total Forum Fees = \$ 1,125.00

The Arbitration Panel has assessed \$562.50 of the forum fees jointly and severally to Claimants.

The Arbitration Panel has assessed \$562.50 of the forum fees jointly and severally to Merrill Lynch and John Kloss.

FEE SUMMARY

Claimants, Alton and Lela Graves, are jointly and severally liable for:

Initial Filing Fee	= \$ 300.00
Forum Fees	= \$ 562.50
Total Fees	= \$ 862.50
Less payments	= \$ 1,425.00
Refund Paid to Claimants	= \$ 562.50

Respondent, Merrill Lynch, is liable for:

Member Fees	= \$ 5,200.00
Total Fees	= \$ 5,200.00
Less payments	= \$ 5,200.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents, Merrill Lynch and John Kloss, are jointly and severally liable for:

Forum Fees	= \$ 562.50
Total Fees	= \$ 562.50
Less payments	= \$ 562.50
Balance Due NASD Dispute Resolution	= \$ 0.00

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

ARBITRATION PANEL

Michael S. Wilk - Public Arbitrator, Presiding Chair
Steven R. Neuman - Public Arbitrator
Larry J. Sklar - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Michael S. Wilk
Michael S. Wilk
Public Arbitrator, Presiding Chair

October 20, 2005
Signature Date

/s/ Steve R. Neuman
Steven R. Neuman
Public Arbitrator

October 20, 2005
Signature Date

/s/ Larry J. Sklar
Larry J. Sklar
Non-Public Arbitrator

October 19, 2005
Signature Date

October 20, 2005
Date of Service (For NASD office use only)

ARBITRATION PANEL

Michael S. Wilk - Public Arbitrator, Presiding Chair
Steven R. Neuman - Public Arbitrator
Larry J. Sklar - Non-Public Arbitrator

Concurring Arbitrators:

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Michael S. Wilk
Public Arbitrator, Presiding Chair

Steven R. Neuman
Steven R. Neuman
Public Arbitrator

Larry J. Sklar
Larry J. Sklar
Non-Public Arbitrator

Date of Service (For NASD office use only)

October 20, 2005
Signature Date

Signature Date

Signature Date

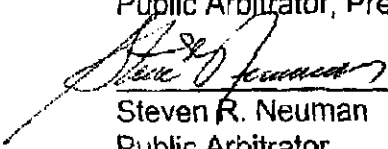
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Steven R. Neuman - Public Arbitrator
Larry J. Sklar - Non-Public Arbitrator

Concurring Arbitrators:

Michael S. Wilk
Public Arbitrator, Presiding Chair

Signature Date



Steven R. Neuman
Public Arbitrator

10-20-05

Signature Date

Larry J. Sklar
Non-Public Arbitrator

Signature Date

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ARBITRATION PANEL

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Steven R. Neuman - Public Arbitrator
Larry J. Sklar - Non-Public Arbitrator

Concurring Arbitrators:

Michael S. Wilk
Public Arbitrator, Presiding Chair

Signature Date

Steven R. Neuman
Public Arbitrator

Signature Date



Larry J. Sklar
Non-Public Arbitrator

10/19/05

Signature Date

Date of Service (For NASD office use only)