

**Award
NASD Dispute Resolution**

In the Matter of the Arbitration Between:

Names of the Claimants

Case Number: 05-02292

Dolores Theresa Hanna TTEE U/A DTD
8/30/2002 by Frank Charles Hanna FL INT
TAX TRUST PLEDGED COLLATERAL ACCT –
MLL
Frank Charles Hanna TTEE U/A DTD 5/18/1995 by
Frank Charles Hanna Revocable Trust
Dolores Theresa Hanna TTEE U/A DTD
5/18/1995 by Dolores Theresa Hanna
Revocable Trust
Dolores Theresa Hanna TTEE U/A DTD 5/18/95 by
Frank Charles Hanna Florida IAT

Name of the Respondent

Hearing Site: Boca Raton, Florida

Merrill Lynch Pierce Fenner Smith, Inc.

Nature of the Dispute: Customer v. Member.

REPRESENTATION OF PARTIES

For Dolores Theresa Hanna TTEE U/A DTD 8/30/2002 by Frank Charles Hanna FL INT TAX TRUST PLEDGED COLLATERAL ACCT – MLL, Frank Charles Hanna TTEE U/A DTD 5/18/1995 by Frank Charles Hanna Revocable Trust, Dolores Theresa Hanna TTEE U/A DTD 5/18/1995 by Dolores Theresa Hanna Revocable Trust, Delores Theresa Hanna TTEE U/A DTD 5/18/95 by Frank Charles Hanna Florida IAT, hereinafter collectively referred to as "Claimants": Seth E. Lipner, Esq., Deutsch & Lipner, Garden City, New York.

For Merrill Lynch Pierce Fenner Smith, Inc., hereinafter referred to as "Respondent": Nicholas P. Crowell, Esq., Sidley Austin Brown & Wood, LLP, New York, New York.

CASE INFORMATION

Statement of Claim filed on or about: April 27, 2005.

Claimants signed Uniform Submission Agreements on: April 28, 2005.

Statement of Answer filed on or about: July 29, 2005.

Respondent signed the Uniform Submission Agreement on: June 8, 2005.

Claimants' Motion to Preclude Respondent From Making Claims of "Bad Faith" and Claims for Attorneys' Fees Against Claimants filed on or about: July 19, 2006.

Opposition to Claimants' Motion to Preclude filed by Respondent on or about: August 3, 2006.

Motion in Limine filed by Respondent on or about: August 9, 2006.

Claimants' Answer to Respondent's Motion in Limine filed on or about: August 15, 2006:

CASE SUMMARY

Claimants asserted the following causes of action: 1) respondeat superior; 2) negligence; 3) violation of industry rules, including, but not limited to, NYSE's "Know Your Customer" (Rule 405) and NASD's customer suitability standard (Rule 2130); 3) failure to supervise in violation of NASD options rules; 4) breach of contract; 5) breach of fiduciary duty; and, 6) violation of Section 517.301 of the Florida Statutes. The causes of action relate to Claimants' investment in UPS stock, specifically, the operation of the covered call options writing and the calling away of Claimants' UPS stock.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

Claimants requested: 1) compensatory damages in the amount of \$451,308.29; 2) compensatory damages based upon an alternative computation of the replacement cost of the shares of UPS stock; 3) compensatory damages based upon the adverse tax consequences suffered; 4) compensatory damages based upon the losses, not yet calculated, on the prepaid put and/or other outstanding derivative position; 5) interest up to the date of the Arbitration Award; 6) costs of the proceeding; 7) attorneys' fees; 8) an unspecified amount of punitive damages; and, 9) such other relief as the undersigned arbitrators ("the Panel") deem just and equitable.

Respondent requested: 1) a dismissal of the Statement of Claim in its entirety; 2) attorneys' fees; 3) costs; 4) disbursements; and, 5) forum fees.

OTHER ISSUES CONSIDERED AND DECIDED

On or about August 22, 2006, the Panel issued an Order which denied Claimants' Motion to Preclude Respondent From Making Claims of "Bad Faith" and Claims for Attorneys' Fees Against Claimants and also denied Respondent's Motion in Limine.

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. Claimants' claims are denied in their entirety.
2. Respondent shall pay to Claimants \$300.00 representing reimbursement of the claim filing fee previously paid by Claimants to NASD Dispute Resolution.

3. Each party shall pay their own costs and expert witness fees.
4. Any and all claims for relief not specifically addressed herein, including Claimants' requests for punitive damages, Claimants' claims for relief pursuant to Section 517.301, Florida Statutes, and the parties' respective requests for attorneys' fees, are denied.

FEES

Pursuant to the NASD Code of Arbitration Procedure ("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	= \$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. Accordingly, Respondent is a party and a member firm.

Member surcharge	= \$1,700.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$2,750.00
Total Member Fees	= \$5,200.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

There were no adjournments requested during these proceedings for which fees were assessed.

Three-Day Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

There were no three-day cancellation fees assessed during these proceedings.

Injunctive Relief Fees

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the Panel.

There were no injunctive relief fees assessed during these proceedings.

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted or each decision rendered on a discovery-related motion on the papers. A 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:

Two (2) Pre-hearing sessions with the Panel @ \$1,125.00/session = \$2,250.00
Pre-hearing conferences: November 15, 2005 1 session
August 22, 2006 1 session

Six (6) Hearing sessions @ \$1,125.00 per session = \$6,750.00
Hearing Dates: August 28, 2006 2 sessions
August 29, 2006 2 sessions
August 31, 2006 2 sessions

Total Forum Fees = \$9,000.00

The Panel has assessed the total forum fees of \$9,000.00 to the Respondent.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services beyond the normal administrative services. These include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

There were no administrative costs incurred during these proceedings.

Fee Summary

Claimants are jointly and severally liable for:

<u>Initial Filing Fee</u>	= \$ 300.00
<u>Total Fees</u>	= \$ 300.00
<u>Less payments</u>	= \$ 300.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondent is solely liable for:

Member Fees	= \$ 5,200.00
<u>Forum Fees</u>	= \$ 9,000.00
<u>Total Fees</u>	= \$14,200.00
<u>Less payments</u>	= \$ 5,200.00
Balance Due NASD Dispute Resolution	= \$ 9,000.00

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

ARBITRATION PANEL

<i>Paul W. Stermann, CPA</i>	-	<i>Public Arbitrator, Presiding Chairperson</i>
<i>Melvin Jarolem</i>	-	<i>Public Arbitrator</i>
<i>Alexander Joseph Sikora, III</i>	-	<i>Non-Public Arbitrator</i>

Concurring Arbitrators' Signatures

/s/	09/01/2006
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_____ Paul W. Stermann, CPA Public Arbitrator, Presiding Chairperson	_____ Signature Date
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/s/	09/04/2006
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_____ Melvin Jarolem Public Arbitrator	_____ Signature Date
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/s/	09/01/2006
_____ Alexander Joseph Sikora, III Non-Public Arbitrator	_____ Signature Date

September 5, 2006

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

Arbitration No. 05-02292

Award Page 5 of 5**ARBITRATION PANEL***Paul W. Sterman, CPA*

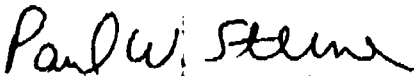
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*Public Arbitrator, Presiding Chairperson**Melvin Jarolem*

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*Public Arbitrator**Alexander Joseph Sikora, III*

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*Non-Public Arbitrator***Concurring Arbitrators' Signatures**

Paul W. Sterman, CPA

Public Arbitrator, Presiding Chairperson

*Sept. 7, 2006*Signature Date

Melvin Jarolem
Public Arbitrator

Signature Date

Alexander Joseph Sikora, III
Non-Public Arbitrator

Signature Date

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Arbitration No. 05-02292
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ARBITRATION PANEL

Paul W. Sterman, CPA	-	Public Arbitrator, Presiding Chairperson
Melvin Jarolem	-	Public Arbitrator
Alexander Joseph Sikora, III	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Paul W. Sterman, CPA
Public Arbitrator, Presiding Chairperson

Signature Date



Melvin Jarolem
Public Arbitrator

9-4-06

Signature Date

Alexander Joseph Sikora, III
Non-Public Arbitrator

Signature Date

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

ARBITRATION PANEL

<i>Paul W. Stermann, CPA</i>	-	<i>Public Arbitrator, Presiding Chairperson</i>
<i>Melvin Jarolem</i>	-	<i>Public Arbitrator</i>
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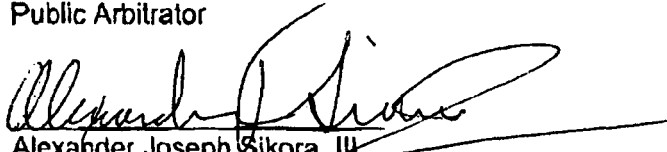
Concurring Arbitrators' Signatures

Paul W. Stermann, CPA
Public Arbitrator, Presiding Chairperson

Signature Date

Melvin Jarolem
Public Arbitrator

Signature Date



Alexander Joseph Sikora, III
Non-Public Arbitrator

9/1/06

Signature Date

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