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**MERRILL LYNCH FOUND GUILTY OF INTENTIONAL
MISCONDUCT WITH REGARD TO ANALYSTS' STOCK RATINGS**

*- Merrill Lynch ordered to pay more than \$1 million including punitive damages -
- Award on stocks not covered by New York Attorney General Elliott Spitzer's investigation -*

BOCA RATON, FL (February 28, 2005) – Merrill Lynch, Pierce, Fenner & Smith, Inc. (Merrill Lynch) has been ordered by an arbitration panel of the National Association of Securities Dealers, Inc. (NASD) to pay more than \$1 million to Gary and Lisa Friedman, including punitive damages, on the Friedmans' claim that Merrill Lynch hid conflicts of interest and issued fraudulent analyst reports and ratings in order to boost the firm's investment banking revenue.

According to the Award, the arbitration panel found "clear and convincing evidence" that Merrill Lynch was "guilty of intentional misconduct in that they had actual knowledge that many of the companies for which they were issuing and/or maintaining ratings of 1, 2 or 3 during the relevant period of time were, in reality, overvalued by this rating system." Further the panel found that Merrill Lynch managers, "knowingly condoned, ratified and consented to the conduct of its employees."

The Friedmans were represented by Boca Raton, Florida securities attorney Robert W. Pearce who argued that all of Merrill Lynch's research analysts were conflicted by the firm's flawed business model.

The Friedmans, who did not own any of the securities identified in New York Attorney General Elliott Spitzer's investigation or the global settlement reached with Wall Street firms in 2003 (*see endnote for list of securities in the Friedmans' portfolio*), received a seven-figure award with Mr. Pearce's assistance.

"The Merrill Lynch fraud was not limited to its Internet sector research analysts," said Pearce. "It was clear that Merrill Lynch used all of its analysts, securities reports and ratings as marketing vehicles to bolster its investment banking business."

This ruling also represents one of few cases in which punitive damages have been awarded in any analyst case and is one of the rare instances in which a \$1 million+ award has been issued.

"This is the largest punitive damage award we have seen in a research analyst case and has significant findings of fact," said Rick Ryder, publisher of Securities Arbitration Commentator, Maplewood, NJ, which tracks awards in the securities industry. "This case will provide encouragement to investors who have filed similar claims to pursue them. It also creates a path for others to follow regarding how to prepare and present a compelling research analyst case."

Pearce stipulated this was a pure Merrill Lynch research analyst conflict of interest case and that there were no other issues involved.

“The fact that part of Merrill Lynch analysts’ compensation was based upon the performance of the investment banking division is a blatant conflict of interest that was never disclosed to clients,” said Pearce. “Individual investors across the country lost billions of dollars because Merrill Lynch and other firms used analysts to pad their own pockets and benefit their investment banking clients instead of their retail clients.”

A complete copy of the NASD Award can be found www.secattty.com/FriedmanG-ArbAward.pdf.

About Robert W. Pearce

Robert Wayne Pearce of the Law Offices of Robert Wayne Pearce in Boca Raton, FL who has specialized in securities litigation and arbitration matters for 25 years. He represents investors, brokers and others in court, arbitration and administrative proceedings before the SEC, CFTC, NASD, NYSE and other government regulatory agencies.

For more information on Mr. Pearce, call (800) 732-2889 or visit www.secattty.com.

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Editor Resources:

Robert W. Pearce:	(800) 732-2889
Copy of NASD Dispute Resolution:	www.secattty.com/FriedmanG-ArbAward.pdf
Photo of Robert W. Pearce:	Available upon request

Endnote: Friedman Portfolio:

Agilent Technologies (A)
Agere Systems A (AGR.A)
Agere Systems B (AGR.B)
Alcatel (ALA)

AOL Time Warner (TWX)
America Online (AOL)
Ariba (ARBA)
Autonation (AN)
Avaya (AV)
AXA (AXA)
Bellsouth (BLS)
JP Morgan Chase (JPT)
Ciena (CIEN)
Cisco Systems (CSCO)
Commerce One (CMRCO)
Compaq Computer (HP)
Corning Inc (GLW)
Electronic Data Systems (EDS)
Ericsson LM (ERICY)
Genzyme Corp (GENZ)
Glaxosmithkline (GSK)
Inktomi (INKT)
Lockheed Martin (LMT)
Lucent (LU)
Mastec (MTZ)
Microsoft (MSFT)
Monsanto (MON)
Monsanto/Pharmacia (PHA)
Motorola (MOT)
National Beverage Corp (FIZ)
NCR (NCR)
Newbridge Networks (NBGC.PK)
Nokia (NOK)
Smithkline Beacham (GSK)
Sovreign Bancorp (SOV)
Sun Microsystems (SUNW)
Sycamore Networks (SCMR)
Texas Instruments (TXN)
Walt Disney (DIS)