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Correction:

Merrill Lynch fires broker after probing theft allegations
 Sorrells, colleague already faced arbitration claims

Greg Andrews

New York-based Merrill Lynch confirmed last week that it fired Shawn Sorrells, a stockbroker in its Carmel office, after investigating allegations he had taken money from clients.

Sorrells had been with Merrill Lynch seven years. It was not clear late last week how widespread the alleged thefts might have been. Mark Herr, a spokesman for the New York-based investments giant, declined to discuss what the firm's investigation found. But he said Merrill Lynch was contacting securities and law-enforcement authorities and would be making restitution to clients.

The firing occurred two weeks ago, people familiar with the situation said. Reached at his home, Sorrells referred questions to defense attorney Richard Kammen, who could not be reached late last week.

Even before the theft allegations surfaced this month, Sorrells was mired in controversy. He was one of two brokers in the Carmel office accused by a Florida attorney of giving reckless advice to more than 80 former employees of a Robinson, Ill., Marathon refinery.

During the late 1990s, attorney Peter Mougey alleges, Sorrells and fellow broker Jason Murdock encouraged workers in their mid-50s and older to quit their jobs and transfer their nest eggs to Merrill Lynch. The brokers allegedly told the workers they could withdraw 10 percent of their money each year for living expenses and still grow their nest eggs.

In total, according to Mougey, the former workers invested more than \$20 million through Merrill Lynch, generating more than \$1 million in commissions.

But after the stock market slumped, the strategy had calamitous consequences, Mougey alleges in arbitration claims filed against Merrill Lynch this year. Running out of money, many of the early retirees have had to return to work, accepting low-paying and menial jobs, he said.

Mougey said he brought the theft allegations to Merrill Lynch's attention. He said he became aware of the problem when refinery workers recounted that Sorrells had asked them to provide personal checks with the payee field left blank—a request that would violate established brokerage-industry practices.

The clients provided the checks to buy certificates of deposit, but Sorrells deposited them into his personal account, Mougey said. In at least one case, according to the attorney, Sorrells withdrew money straight from the client's Merrill Lynch account.

Mougey said he was aware of four cases since 2000 in which he believes Sorrells had taken clients' money. Amounts ranged from \$2,000 to \$5,000. In at least some of those cases, clients later discovered the discrepancy and contacted Sorrells, who told them there had been a mixup and refunded their money.

"We have no idea how many times this happened. Right now, we have just stumbled on these four," Mougey said. He criticized Merrill Lynch for refusing to provide documents that would help him investigate the extent of the problem.

Herr, the Merrill spokesman, declined to comment on Mougey's complaint.

Mougey said he believes the theft allegations will add muscle to the arbitration claims he's been filing this year on behalf of the former refinery workers. Arbitration is the forum to resolve most disputes between brokers and customers, who typically waive their right to sue in court when they open their accounts. A three-person panel hears the arbitration claims.

In the refinery-worker claims, Mougey is seeking total compensatory damages of almost \$25 million—representing investment losses and workers' diminished earnings capacity—plus unspecified punitive damages.

"Our position becomes significantly stronger given Mr. Sorrells' thefts," Mougey wrote in a Sept. 3 letter to an attorney representing Merrill Lynch. "It will be a difficult, if not impossible, task to convince a panel that Merrill Lynch had our clients' best interests in mind when they recommended retirement in order to generate commissions and then stole from their life savings."

None of the theft allegations involve Murdock, who remains with Merrill Lynch. The firm has said Mougey's arbitration claims have no merit. "Neither Merrill Lynch nor its financial advisers guaranteed these clients a rate of return," the firm said in a statement this summer, when IBJ first reported on the dispute.

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