

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Name of Claimants

Ray Carter IRA, Hamilton Seven Limited Partnership, Hamilton Development Partnership, Carter Electric Corp, Selena McCollum, Wendy Croxton, and Gretchen Tice

and

03-00523
Phoenix, Arizona

Name of Respondents

Morgan Stanley DW Inc.
Christopher S. Stocks

Nature of the Dispute: Customers vs. Member and Associated Person.

REPRESENTATION OF PARTIES

Ray Carter IRA, Hamilton Seven Limited Partnership, Hamilton Development Partnership, Carter Electric Corp, Selena McCollum, Wendy Croxton, and Gretchen Tice ("**Claimants**") were represented by Kimball J. Corson, Esq., Kimball Corson, P.L.L.C., Phoenix, Arizona.

Morgan Stanley DW Inc. ("**Respondent MSDW**") and Christopher S. Stocks ("**Respondent**") (collectively a "**Respondents**") were represented by Joseph E. Mais, Esq., Perkins Coie Brown & Bain, P.A., Phoenix, Arizona.

CASE INFORMATION

The Statement of Claim was filed on or about January 23, 2003. Motion to Strike Certain Materials From Response to Statement of Claim was filed on or about June 25, 2003. Motion For Leave to Depose Respondent Christopher Stocks was filed on or about June 25, 2003. Motion For Leave to File First Amended Statement of Claim was filed on or about July 9, 2003. First Amended Statement of Claim was filed on or about July 9, 2003. Claimants' Reply in Support of Motion to Strike Certain Materials From Response to Statement of Claim and Reply in Support of Motion For Leave to Depose Respondent Christopher Stocks and Reply in Support of Motion For Leave to File First Amended Statement of Claim was filed on August 11, 2003. Submission Agreement of Claimant Ray Carter IRA was signed on January 14, 2003 by E. Ray Carter. Submission Agreement of Claimant Hamilton Seven Limited Partnership was signed on January 14, 2003 by E. Ray Carter. Submission Agreement of Claimant Hamilton Development Partnership was signed on January 14, 2003 by E. Ray Carter. Submission Agreement of Carter Electric Corp. was signed on January 14,

2003 by E. Ray Carter. Submission Agreement of Claimant Selena McCollum was signed on January 14, 2003. Submission Agreement of Claimant Wendy Croxton, was signed on January 15, 2003. Submission Agreement of Claimant Gretchen Tice was signed on January 14, 2003.

Response to Statement of Claim by Respondents Christopher Stocks and Morgan Stanley was filed on or about April 21, 2003. Respondents' Response to Claimants' Motion to Strike Certain Materials From Response to Statement of Claim and Response to Claimants' Motion For Leave to Depose Respondent Christopher Stocks and Response to Claimants' Motion For Leave to File First Amended Statement of Claim was filed on or about July 22, 2003. Response to First Amended Statement of Claim by Respondents Christopher Stocks and Morgan Stanley was filed on or about September 3, 2003. Submission Agreement of Respondent Morgan Stanley DW Inc. was signed by Christine A. Kendrick and undated. Submission Agreement of Respondent Christopher S. Stocks was undated.

CASE SUMMARY

Claimants asserted the following causes of action: unsuitable investments, failure to supervise, breach of fiduciary duties, fraud under the state and federal securities laws, negligence, and fraudulent misrepresentation. The causes of action relate to transactions in a number of stocks in the technology sector.

Respondents denied the allegations set forth in the Statement of Claim. Respondents specifically stated:

Ray Carter is an experienced investor and a savvy businessman. He has been an active investor for nearly twenty years and knows well that the market goes up and down, sometimes abruptly. The assertions in the Amended Statement of Claim are an act of desperation to blame others for losses caused by the bear market of 2000-2002, and his own investment choices. Chris Stocks and Morgan Stanley are not responsible for these losses; to the contrary, Mr. Stocks repeatedly tried to restrain Carter's most aggressive investment tendencies.

RELIEF REQUESTED

Claimants requested a joint and several award against Respondents as follows:

- A. Compensatory damages in an amount to be determined at the arbitration hearing when adequate documentation is expected to be available, but in a sum presently understood to be not less than \$890,000.
- B. For an award of punitive damages in an amount to [be] determined, but requested in an amount equal to 50 percent [\$445,000] of actual damages.
- C. For attorney's fees and an amount to be determined after such hearing.

- D. For pre-award and post-award interest at the maximum rate allowed by law on each component of compensatory damages.
- E. For the cost of arbitration and expenses including reasonable consulting fees, expert witness fees and any other costs deemed reasonable and appropriate.
- F. For such other and further relief as the Panel or Claimants believe is appropriate.

Respondents requested that the claims asserted against them be denied in its entirety and the Complaint be expunged from the record of Chris Stocks, and the Panel should award to respondents all costs and attorneys' fees they incur in responding to these claims.

OTHER ISSUES CONSIDERED & DECIDED

On August 6, 2003 the parties were advised of the Arbitration Panel's decision on outstanding motions as follows:

The following is the Arbitration Panel's ruling on the following three motions filed by the Claimants herein.

1. Deny Claimants' Motion to Strike Certain Material From Response to Statement of Claim.
2. Deny Claimants' Motion for Leave to Depose Respondent Christopher Stocks.
3. Grant Claimants' Motion for Leave to File First Amended Statement of Claim.
4. Advise both Claimants and Respondents that they must treat all parties to this dispute civilly and with courtesy, and that the use of hostile, demeaning or humiliating words in written or oral communications will not be tolerated.

At the conclusion of Claimants' case in chief, Respondents asserted a Motion for Directed Verdict. After considering the evidence presented, the arguments of the parties, the Arbitration Panel granted the Motion for Directed Verdict. The parties were notified by NASD staff via telephone on Saturday, September 11, 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(s) remain on file with the NASD Dispute Resolution (the "NASD").

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents' Motion for Directed Verdict dismissing Claimants' claims against Respondents is granted.
2. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
3. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees, not specifically awarded or otherwise provided for above.

FEES

Pursuant to 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 = \$500.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firm(s) is Morgan Stanley DW Inc.

Member surcharge	\$	2,800.00
Pre-hearing process fee	\$	750.00
Hearing process fee	\$	5,000.00
Total Member Fees	\$	8,550.00

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 arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

1	Pre-hearing session(s) with Panel	x	1,200.00	\$	1,200.00
	September 29, 2003	1	session		
8	Hearing sessions	x	1,200.00	\$	9,600.00
	September 7, 2004	2	sessions		
	September 8, 2004	2	sessions		
	September 9, 2004	2	sessions		
	September 10, 2004	2	sessions		
	Total Forum Fees			\$	10,800.00

The Arbitration Panel has assessed \$5,400.00 of the forum fees to Ray Carter IRA, Hamilton Seven Limited Partnership, Hamilton Development Partnership, Carter Electric Corp, Selena McCollum, Wendy Croxton, and Gretchen Tice.

The Arbitration Panel has assessed \$5,400.00 of the forum fees jointly and severally to Morgan Stanley DW Inc. and Christopher S. Stocks.

Fee Summary

Claimants, Ray Carter IRA, Hamilton Seven Limited Partnership, Hamilton Development Partnership, Carter Electric Corp, Selena McCollum, Wendy Croxton, and Gretchen Tice shall be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$	300.00
<u>Forum Fees</u>	= \$	5,400.00
Total Fees	= \$	5,700.00
<u>Less payments</u>	= \$	-1,700.00
Balance Due NASD Dispute Resolution	= \$	4,000.00

Respondent, Morgan Stanley DW Inc., shall be and hereby is liable for:

Member Fees	= \$	8,550.00
Total Fees	= \$	8,550.00
<u>Less payments</u>	= \$	-8,550.00
Balance Due NASD Dispute Resolution	= \$	0.00

Respondents, Morgan Stanley DW Inc. and Christopher S. Stocks, shall be and hereby are jointly and severally liable for:

<u>Forum Fees</u>	= \$	5,400.00
<u>Total Fees</u>	= \$	5,400.00
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	5,400.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

J. Noland Franz, Esq. - Public Arbitrator, Presiding Chair
Henry L. Dahl, Jr. - Public Arbitrator
Jeffrey Charles Evanello - Non-Public Arbitrator

Concurring Arbitrators:

/s/ J. Noland Franz
J. Noland Franz, Esq.
Public Arbitrator, Presiding Chair

September 13, 2004
Signature Date

/s/ Henry L. Dahl, Jr.
Henry L. Dahl, Jr.
Public Arbitrator

September 13, 2004
Signature Date

/s/ Jeffrey Charles Evanello
Jeffrey Charles Evanello
Non-Public Arbitrator

September 15, 2004
Signature Date

Date of Service (For NASD office use only)

NASD Dispute Resolution
Arbitration No. 03-00523
Award Page 6 of 6

Respondents, Morgan Stanley DW Inc, and Christopher S. Stocks, shall be and hereby are jointly and severally liable for:


<u>Forum Fees</u>	= \$	5,400.00
<u>Total Fees</u>	= \$	5,400.00
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	5,400.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

J. Noland Franz, Esq. - Public Arbitrator, Presiding Chair
Henry L. Dahl, Jr. - Public Arbitrator
Jeffrey Charles Evanello - Non-Public Arbitrator

Concurring Arbitrators:


J. Noland Franz, Esq.
Public Arbitrator, Presiding Chair

9/13/04
Signature/Date

Henry L. Dahl, Jr.
Public Arbitrator

Signature Date

Jeffrey Charles Evanello
Non-Public Arbitrator

Signature Date

9/15/04
Date of Service (For NASD office use only)

NASD Dispute Resolution
Arbitration No. 03-00523
Award Page 6 of 6

Respondents, Morgan Stanley DW Inc. and Christopher S. Stocks, shall be and hereby are jointly and severally liable for:

Forum Fees	= \$	5,400.00
Total Fees	= \$	5,400.00
Less payments	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	5,400.00

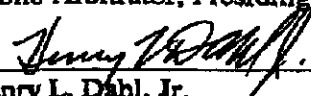
All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

J. Noland Franz, Esq. - Public Arbitrator, Presiding Chair
Henry L. Dahl, Jr. - Public Arbitrator
Jeffrey Charles Evanello - Non-Public Arbitrator

Concurring Arbitrators:

J. Noland Franz, Esq.
Public Arbitrator, Presiding Chair


Henry L. Dahl, Jr.
Public Arbitrator

Signature Date

Sept 13, 2004
Signature Date

Jeffrey Charles Evanello
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

NASD Dispute Resolution
Arbitration No. 03-00523
Award Page 6 of 6

Respondents, Morgan Stanley DW Inc. and Christopher S. Stocks, shall be and hereby are jointly and severally liable for:

<u>Forum Fees</u>	= \$	5,400.00
<u>Total Fees</u>	= \$	5,400.00
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	5,400.00

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

J. Noland Franz, Esq. - Public Arbitrator, Presiding Chair
Henry L. Dahl, Jr. - Public Arbitrator
Jeffrey Charles Evanello - Non-Public Arbitrator

Concurring Arbitrators:

J. Noland Franz, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Henry L. Dahl, Jr.
Public Arbitrator

Signature Date



Jeffrey Charles Evanello
Non-Public Arbitrator

9-15-04

Signature Date

Date of Service (For NASD office use only)