

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

Billy F. and Judy Adams

and

Case Number: 04-05747
Hearing Site: Houston, Texas

Names of Respondents

Morgan Stanley DW, Inc., and
Constance Carpeno Paddock

NATURE OF DISPUTE

Customers v. Member Firm and Associated Person

REPRESENTATION OF PARTIES

Billy F. and Judy Adams ("Claimants") were represented by Donald M. Feferman, Esq., The Law Office of Donald M. Feferman, Corpus Christi, Texas.

Morgan Stanley DW, Inc. ("MSDW") and Constance Carpeno Paddock ("Carpeno Paddock") were represented by John Reilly, Esq., Holland & Knight, New York, New York. On or about September 1, 2005, Craig H. Clendenin, Esq., of The Ballard Law Firm, Houston, Texas filed a Notice of Appearance for Respondent Carpeno Paddock.

CASE INFORMATION

The Statement of Claim was filed on or about August 13, 2004. The Submission Agreement of Claimants, Billy F. and Judy Adams, was signed on or about August 11, 2004.

The Statement of Answer was filed jointly by Respondents, Morgan Stanley DW, Inc. and Constance Carpeno Paddock, on or about October 8, 2004.

CASE SUMMARY

Claimants asserted the following causes of action: breach of contract, negligence, failure to supervise, breach of fiduciary duty, suitability and misrepresentation. The causes of action related to recommendation and purchase of various unspecified securities. Claimants alleged that Respondents violated the "know your customer" rule. Specifically,

that Respondents either failed to obtain the information, which would have permitted them to properly allocate the investments of Claimants or they obtained the information, but ignored it. Claimant also alleged that Respondents failed to properly allocate the assets between equities and fixed income for their retirement investment objective.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Statement of Claim failed to state a claim upon which relief can be granted; any and all duties owed by Respondents to Claimants were fully and appropriately performed; all of the transactions that were effected for Claimants were suitable for Claimant's investment objectives and financial status; Claimants ratified all of the securities transactions at issue; Claimants' claims are barred by estoppel; and Claimants failed to mitigate their damages

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	Unspecified
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 and attorneys' fees. Respondent, Constance Carpeno Paddock, also asked that these claims be expunged from her CRD record.

OTHER ISSUES CONSIDERED & DECIDED

Respondents, Morgan Stanley DW, Inc. and Constance Carpeno Paddock, did not file with the NASD Dispute Resolution properly executed submissions to arbitration but are required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having answered the claim, appeared and testified at the hearing are bound by the determination of the arbitration panel on all issues submitted.

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 NASD Dispute Resolution ("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.) Claimants' claims, each and all, are hereby denied and dismissed with prejudice;
- 2.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and
- 3.) 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 = \$ 250.00

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 persons at the time of the events giving rise to the dispute. In this matter, the member firm is Morgan Stanley DW, Inc.

Member surcharge = \$ 1,500.00
Pre-hearing process fee = \$ 750.00
Hearing process fee = \$ 2,200.00

Adjournment Fees

Adjournments granted during these proceedings:

July 18-20, 2005, adjournment requested by Claimants and MSDW = \$ 1,000.00
(fee waived by the Panel)

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.

July 18-20, 2005 hearing dates, adjournment requested on = \$ 300.00
July 15, 2005 by Claimant and MSDW
(fee waived by the Panel)

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 \$1,000.00	= \$ 1,000.00
Pre-hearing conference: December 8, 2004	1 session
Four (4) Hearing sessions x \$1,000.00	= \$ 4,000.00
Hearing Dates: January 31, 2006	2 sessions
February 1, 2006	2 sessions
Total Forum Fees	= \$ 5,000.00

The Arbitration Panel has assessed \$5,000.00 of the forum fees to Morgan Stanley DW, Inc.

Fee Summary

Claimants, Billy F. and Judy Adams, are jointly and severally liable for:

Initial Filing Fee	= \$ 250.00
Total Fees	= \$ 250.00
Less payments	= \$ 1,250.00
Refund Due to Claimants	= \$ 1,000.00

Respondent, Morgan Stanley DW, Inc., is liable for:

Member Fees	= \$ 4,450.00
Forum Fees	= \$ 5,000.00
Total Fees	= \$ 9,450.00
Less payments	= \$ 4,450.00
Balance Due NASD Dispute Resolution	= \$ 5,000.00

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

ARBITRATION PANEL

Walton L. Huff - Public Arbitrator, Presiding Chair
David C. Redford, JD - Public Arbitrator
Joseph Herbert Storthz - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Walton L. Huff
Walton L. Huff
Public Arbitrator, Presiding Chair

February 2, 2006
Signature Date

/s/ David C. Redford, JD
David C. Redford, JD
Public Arbitrator

February 2, 2006
Signature Date

/s/ Joseph Herbert Storthz
Joseph Herbert Storthz
Non-Public Arbitrator

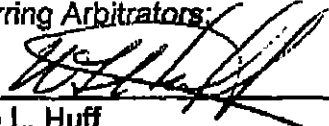
February 3, 2006
Signature Date

February 2, 2006
Date of Service (For NASD office use only)

ARBITRATION PANEL

Walton L. Huff - Public Arbitrator, Presiding Chair
David C. Redford, JD - Public Arbitrator
Joseph Herbert Storthz - Non-Public Arbitrator

Concurring Arbitrators:



Walton L. Huff
Public Arbitrator, Presiding Chair

2/2/06

Signature Date

David C. Redford, JD
Public Arbitrator

Signature Date

Joseph Herbert Storthz
Non-Public Arbitrator

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