

Stipulated Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Names of the Claimants

Timothy A. McCarthy and Sharon F. McCarthy

Case Number: 05-00574

Names of the Respondents

Morgan Stanley DW, Inc.
Mark McCaffrey
Nadia Adly

Hearing Site: Washington, DC

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

REPRESENTATION OF PARTIES

Claimants, Timothy A. McCarthy and Sharon F. McCarthy, hereinafter collectively referred to as "Claimants", were represented by Donald H. Mullins, Esq. and Mark J. Wilson, Esq., Badgley-Mullins Law Group, Seattle, Washington.

Respondents, Morgan Stanley DW, Inc. ("Morgan Stanley") and Nadia Adly ("Adly"), were represented by William D. Briendel Esq. and Joseph DaProcida, Esq., Greenberg Traurig, LLP, New York, New York.

Respondent Mark McCaffrey ("McCaffrey") did not appear.

CASE INFORMATION

Statement of Claim filed on or about February 10, 2005.

Amended Statement of Claim filed on April 27, 2005.

Claimants signed the Uniform Submission Agreement on February 1, 2005.

Statement of Answer filed by Respondent Morgan Stanley on May 4, 2005.

Respondent Morgan Stanley did not file signed Uniform Submission Agreements with NASD Dispute Resolution.

Respondent McCaffrey did not file a Statement of Answer or Uniform Submission Agreement with NASD Dispute Resolution.

CASE SUMMARY

Claimants asserted the following causes of action: breach of contract, negligence, fraud, negligent misrepresentation, violation of the Consumer Protection Act, violation of NASD Conduct Rules, conversion, violation of the Securities Exchange Act, failure to supervise, control-person liability, and *respondent superior*.

Unless specifically admitted in its Answer, Respondent Morgan Stanley denied the allegations made in the Statement of Claim and asserted the following defenses, among others: failure to

mitigate damages, waiver, laches, estoppel, and ratification.

RELIEF REQUESTED

Claimants in their Statement of Claim and Amended Statement of Claim requested:

Compensatory Damages	\$6,000,000.00
Punitive Damages	amount unspecified
Interest	amount unspecified
Attorneys' Fees	amount unspecified
Other Costs	amount unspecified

Respondent Morgan Stanley requested that the Arbitration Panel (the "Panel") dismiss the Statement of Claim in its entirety and that award Respondent its costs.

OTHER ISSUES CONSIDERED AND DECIDED

Upon review of the file and the representations made on behalf of the Claimants, the undersigned Panel determined that Respondent McCaffrey has been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without said Respondent present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

Respondent Adly did not file with NASD Dispute Resolution, a properly executed submission to arbitration but is required to submit to arbitration pursuant to the Code and is bound by the determination of the Panel on all issues submitted.

Respondent Morgan Stanley did not file with NASD Dispute Resolution, a properly executed submission to arbitration but is required to submit to arbitration pursuant to the Code and, having answered the Statement of Claim, is bound by the determination of the Panel on all issues submitted.

By letter dated May 3, 2005 Claimants informed the Panel that they had dismissed without prejudice all claims against Respondent Adly.

On or about March 9, 2006 Claimants and Respondent Morgan Stanley settled all claims by and between them.

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

Claimants and Respondent entered into an agreement to present to the Panel a Stipulated Award. Now, in lieu of a hearing and upon motion of Claimants and Respondents Morgan Stanley and Adly for entry of an award, the written stipulation thereto, the Panel grants the motion and enters

this Stipulated Award granting the following relief:

1. Pursuant to the General Release and Settlement Agreement between the parties, all claims against Respondents Morgan Stanley and McCaffrey are dismissed with prejudice;
2. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Adly's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to 04-16, Respondent Adly must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by the NASD, parties seeking judicial confirmation of an arbitration award containing expungement relief must name NASD as an additional party and serve NASD with all appropriate documents;

Pursuant to Rule 2130, the Panel has made the following affirmative finding of fact: the claim, allegation, or information is factually impossible or clearly erroneous;

3. All claims for punitive damages and attorneys' fees are denied in their entirety;
4. The parties shall bear their respective costs, including attorneys' fees, except as Fees are specifically addressed below; and
5. Any and all relief not specifically addressed herein is denied in its entirety.

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	= \$ 600.00
--------------------------	-------------

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firms that employed the associated person(s) at the time of the events giving rise to the dispute. Accordingly, Respondent Morgan Stanley is a party.

Member surcharge	= \$3,350.00
Pre-hearing process fee	= \$ 750.00
<u>Hearing process fee</u>	<u>= \$5,500.00</u>
Total Member Fees	= \$9,600.00

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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:

Two (2) Pre-hearing sessions with Panel @ \$1,200.00	= \$2,400.00
Pre-hearing conference: August 31, 2005 1 session	
September 8, 2006 1 session	
<hr/> Total Forum Fees	<hr/> = \$2,400.00

1. The Panel has assessed \$400.00 of the forum fees jointly and severally to Claimants.
2. The Panel has assessed \$1,600.00 of the forum fees to Respondent Morgan Stanley.
3. The Panel has assessed \$400.00 of the forum fees to Respondent McCaffrey.

FEE SUMMARY

1. Claimants are jointly and severally assessed and shall pay the following fees:

Initial Filing Fee	= \$ 600.00
Forum Fees	= \$ 400.00
<hr/> Total Fees	<hr/> = \$ 1,000.00
Less payments	= \$ 1,800.00
Refund Due Claimants	= \$ 800.00
2. Respondent Morgan Stanley is assessed and shall pay the following fees:

Member Fees	= \$ 9,600.00
Forum Fees	= \$ 1,600.00
<hr/> Total Fees	<hr/> = \$11,200.00
Less payments	= \$ 9,600.00
Balance Due NASD Dispute Resolution	= \$ 1,600.00
3. Respondent McCaffrey is assessed and shall pay the following fees:

Forum Fees	= \$ 400.00
<hr/> Total Fees	<hr/> = \$ 400.00
Less payments	= \$ 00.00
Balance Due NASD Dispute Resolution	= \$ 400.00

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

ARBITRATION PANEL

Joseph O'Donnell	-	Public Arbitrator, Presiding Chairperson
Jeanne E. Libit	-	Public Arbitrator, Panelist
Louis Nebel	-	Non-Public Arbitrator, Panelist

Concurring Arbitrators' Signatures

Joseph O'Donnell
Joseph O'Donnell
Public Arbitrator, Presiding Chairperson

9/12/06
Signature Date

Jeanne E. Libit
Jeanne E. Libit
Public Arbitrator, Panelist

Signature Date

Louis Nebel
Louis Nebel
Non-Public Arbitrator, Panelist

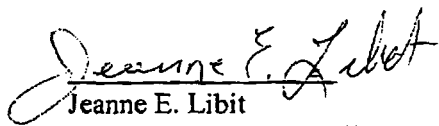
Signature Date

September 28, 2006
Date of Service (For NASD Dispute Resolution office use only)

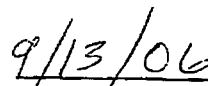
Concurring Arbitrators' Signatures

Joseph O'Donnell
Public Arbitrator, Presiding Chairperson

Signature Date



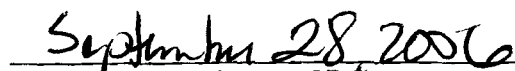
Jeanne E. Libit
Public Arbitrator, Panelist



Signature Date

Louis Nebel
Non-Public Arbitrator, Panelist

Signature Date



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

Arbitration No. 03-00574
Award Page 5

Concurring Arbitrators' Signatures

Joseph O'Donnell
Public Arbitrator, Presiding Chairperson

Signature Date

Jeanne E. Libit
Public Arbitrator, Panelist

Signature Date


Louis Nebel
Non-Public Arbitrator, Panelist

9/14/06
Signature Date

September 28 2006
Date of Service (For NASD Dispute Resolution office use only)