

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Dorothy Gay, (Claimant) vs. Morgan Stanley Dean Witter, PaineWebber, Inc., First Madison Securities, Inc., Frank R. Kelly, Stephen F. Peel, and Ray Vahab, (Respondents) vs. Arthur W. Wilsdorf, Jr. (Third-Party Respondent)

Case Number: 99-03194

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimant, Dorothy Gay, hereinafter referred to as "Claimant": Lloyd D. Feld, Esq., a sole practitioner, Armonk, NY. Previously represented by: Benedict L. Sliney, Esq., a sole practitioner, Mineola, NY.

Respondents, Morgan Stanley Dean Witter ("MSDW") and Frank Kelly ("Kelly"), did not appear at the hearing in this matter. Previously represented by: Alan S. Brodherson, Esq., Vice President and Senior Attorney, Morgan Stanley Dean Witter, New York, NY and Paul G. Thomas, Esq., First Vice President and Senior Attorney, Morgan Stanley Dean Witter, New York, NY, respectively.

Respondents, PaineWebber, Inc. ("PaineWebber") and Stephen F. Peel ("Peel"), did not appear at the hearing in this matter. Previously represented by: Amy Bard, Esq., Corporate Vice President and Associate General Counsel, PaineWebber, Inc., Weehawken, NJ.

Respondents, First Madison Securities, Inc. ("First Madison") and Ray Vahab ("Vahab"), did not appear at the hearing in this matter. Previously represented by: Ray Vahab, President, First Madison Securities, Inc., New York, NY.

Third-Party Respondent, Arthur W. Wilsdorf, Jr. ("Wilsdorf"), did not make an appearance in this matter.

CASE INFORMATION

Statement of Claim filed on or about: July 7, 1999.

Response to MSDW and Kelly's Motion to Dismiss filed by Claimant on or about: December 14, 1999.

Claimant signed the Uniform Submission Agreement: June 8, 1999.

Statement of Answer and Motion to Dismiss filed by MSDW and Kelly on or about:
November 22, 1999.

Memorandum in Further Support of their Motion to Dismiss filed by MSDW and Kelly on or
about: November 2, 2000.

MSDW signed the Uniform Submission Agreement: November 22, 1999.

Kelly did not sign a Uniform Submission Agreement.

Statement of Answer and Third-Party Claim against Wilsdorf filed by PaineWebber and Peel,
on or about: November 8, 1999.

PaineWebber signed the Uniform Submission Agreement: November 8, 1999.

Peel signed the Uniform Submission Agreement: November 15, 1999.

Statement of Answer filed by First Madison and Vahab on or about: October 29, 1999.

First Madison signed the Uniform Submission Agreement: November 8, 1999.

Vahab signed the Uniform Submission Agreement: November 8, 1999.

Wilsdorf did not file a Statement of Answer or sign a Uniform Submission Agreement.

CASE SUMMARY

Claimant asserted the following causes of action: unauthorized transactions; unsuitability; violations of the rules of the National Association of Securities Dealers, Inc. and the New York Stock Exchange; breach of fiduciary duty; breach of contract; negligence; violation of the duty to exercise reasonable care; excessive trading; gross mismanagement of Claimant's accounts; common law fraud; misrepresentations and omissions; and failure to supervise. Claimant's claims involved the initial public offering of Knightsbridge Capital Inc. and other unspecified financial products.

Unless specifically admitted in their Answer, First Madison and Vahab denied the allegations made in the Statement of Claim and asserted the following defenses: all trades and investments in Claimant's account were done under the direction of Wilsdorf, Claimant's nephew as well as her designated agent and representative; First Madison and Vahab had no control or authorization over Claimant's accounts during the entire period that they were maintained with First Madison; First Madison and/or Vahab never received any complaint from Claimant about her account balance or the activity in her accounts during the entire period that said accounts were maintained at First Madison; First Madison and/or Vahab never received any statement from Claimant advising that she wished to terminate Wilsdorf as her sole agent; and First Madison and/or Vahab never breached their contract with Claimant and at all times followed their customer's instructions.

RELIEF REQUESTED

Claimant requested:

1. Compensatory damages as against MSDW and Kelly, jointly and severally, in a sum of not less than \$57,000.00; against PaineWebber and Peel, jointly and severally in a sum of not less than \$11,500.00; and against First Madison and Vahab, jointly and severally, in a sum of not less than \$132,000.00;
2. Punitive damages as against all Respondents jointly and severally, in an amount to be determined;
3. Legal interest, the cost of this proceeding, reasonable attorneys' fees; and
4. Such other and further relief that the Panel deems necessary and proper.

First Madison and Vahab requested an Award in their favor as follows:

1. Dismissing all claims for relief in Claimant's Statement of Claim with prejudice;
2. Awarding them costs of suit;
3. Awarding them attorneys' fees; and
4. Awarding them such other and further relief as the Panel deems equitable and just.

OTHER ISSUES CONSIDERED AND DECIDED

By letter dated March 22, 2001, Claimant informed NASD Dispute Resolution, Inc. that she had settled her claims against MSDW, Kelly, PaineWebber, and Peel.

PaineWebber and Peel were unable to effect service of their Third-Party Claim upon Wilsdorf. Accordingly, Wilsdorf was removed as a party to this arbitration proceeding.

Upon review of the file and the representations made on behalf of the Claimant, the undersigned arbitrators (the "Panel") determined that First Madison and Vahab have been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without First Madison and Vahab present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

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

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

1. First Madison and Vahab be and hereby are jointly and severally liable for and shall pay to Claimant the sum of \$105,445.85 as compensatory damages.
2. Claimant's request for punitive damages is hereby denied.
3. All other requests for relief are hereby denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$ 300.00
Third-Party Claim filing fee	= \$ 750.00

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 persons at the time of the events giving rise to the dispute. In this matter, Morgan Stanley Dean Witter, PaineWebber, Inc., and First Madison Securities, Inc. are parties.

Morgan Stanley Dean Witter

Member surcharge	= \$1,000.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$1,500.00

PaineWebber, Inc.

Member surcharge	= \$ 400.00
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First Madison Securities, Inc.

Member surcharge	= \$1,500.00
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Forum Fees and Assessments

The 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:

Two (2) Pre-hearing sessions with Panel x \$1,125.00	= \$2,250.00
Pre-hearing conferences: October 2, 2000 1 session	
December 14, 2000 1 session	
Two (2) Hearing sessions x \$1,125.00	= \$2,250.00
Hearing Date: April 2, 2001 2 sessions	
Total Forum Fees	= \$4,500.00

The Panel has assessed all of the forum fees against Claimant.

Fee Summary

1. Claimant be and hereby is solely liable for:	
Initial Filing Fee	= \$ 300.00
<u>Forum Fees</u>	= <u>\$4,500.00</u>
Total Fees	= \$4,800.00
<u>Less payments</u>	= <u>\$1,425.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$3,375.00
2. MSDW be and hereby is solely liable for:	
<u>Member Fees</u>	= <u>\$3,100.00</u>
Total Fees	= \$3,100.00
<u>Less payments</u>	= <u>\$4,200.00</u>
Refund Due MSDW	= \$1,100.00
3. PaineWebber be and hereby is solely liable for:	
<u>Member Fees</u>	= <u>\$ 400.00</u>
Total Fees	= \$ 400.00
<u>Less payments</u>	= <u>\$2,550.00</u>
Refund Due PaineWebber	= \$2,150.00

4. First Madison be and hereby is solely liable for:

<u>Member Fees</u>	= \$1,500.00
Total Fees	= \$1,500.00
<u>Less payments</u>	= \$1,500.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

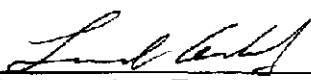
5. PaineWebber and Peel be and hereby are jointly and severally liable for:

<u>Third-Party Claim Filing Fee</u>	= \$ 750.00
Total Fees	= \$ 750.00
<u>Less payments</u>	= \$ 750.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

All balances are due and payable to NASD Dispute Resolution, Inc.

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Linda Ashley, Esq.
Public Arbitrator, Presiding Chair

4/17/01

Signature Date

Allen Kilik, Esq.
Public Arbitrator

Signature Date

Philip J. Guilford
Industry Arbitrator

Signature Date

April 20, 2001
Date of Service (For NASD office use only)

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

Linda Ashley, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Allen Kilik
Allen Kilik, Esq.
Public Arbitrator

4-16-01
Signature Date

Philip J. Guilford
Industry Arbitrator

Signature Date

April 20, 2001
Date of Service (For NASD office use only)