

AWARD
FINRA Dispute Resolution

In the Matter of the Arbitration Between:

Name of Claimant / Counter-Respondent

Morgan Stanley & Co., Incorporated

vs.

Case Number: 09-00906
Hearing Site: Dallas, Texas

Name of Respondent / Counter-Claimant

Steven Scott Williams

NATURE OF THE DISPUTE

Member vs. Associated Person

REPRESENTATION OF PARTIES

Morgan Stanley & Co., Incorporated ("Claimant" or "Morgan Stanley") was represented by Ronald P. Kane, Esq., Kane & Fischer, Ltd., Chicago, Illinois.

Steven Scott Williams ("Respondent" or "Williams") was represented by William C. Morfey, Esq. and Leonard J. Meyer, Esq., Zimmerman, Axelrad, Meyer, Stern & Wise, Houston, Texas.

CASE INFORMATION

The Statement of Claim was filed on or about February 19, 2009. The Submission Agreement of Claimant, Morgan Stanley & Co., Incorporated, was signed on or about February 12, 2009. On or about July 13, 2009, Claimant filed an Answer to the Counterclaim.

The Statement of Answer was filed by Respondent, Steven Scott Williams, on or about May 28, 2009. The Submission Agreement of Respondent, Steven Scott Williams, was signed on or about May 14, 2009. On or about June 22, 2009, Respondent filed a Counterclaim.

CASE SUMMARY

Claimant asserted the following cause of action: failure to repay promissory notes ("Notes"). The cause of action related Claimant's allegation that at the time of Respondent's termination on or about August 27, 2007, the remaining balance and interest

became due an owing on the Notes.

Unless specifically admitted in his Answer, Respondent denied the allegations made in the Statement of Claim and asserted affirmative defenses.

Respondent asserted the following causes of action in the Counterclaim: defamation; fraudulent inducement of his employment; fraudulent misrepresentations; and violations of the Texas Deceptive Trade Practices Act. The causes of action related to Respondent's allegations of Claimant's defamation of him published both to the regulatory authorities and as a result to the brokerage industry as a whole, including brokerage firms with whom Williams sought employment immediately after leaving Claimant's employ.

Unless specifically admitted in its Answer, Claimant denied the allegations made in the Counterclaim and asserted affirmative defenses.

RELIEF REQUESTED

Claimant requested an award in the amount of:

Actual/Compensatory Damages	\$204,572.80
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Williams requested that the claims asserted against him be denied in their entirety and that he be awarded his costs and attorneys' fees.

In the Counterclaim, Respondent requested an award in the amount of:

Actual/Compensatory Damages	\$1,973,000.00
Exemplary/Punitive Damages	Unspecified
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Morgan Stanley requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

The Arbitrators acknowledge that they have each read the pleadings and other materials filed by the parties.

At the hearing on April 16, 2011, the parties agreed to a Stipulated Order settling Claimant's claims in the amount of \$241,066.09.

At the hearing, Respondent, Steven Scott Williams, made a Motion for Expungement. The Panel allowed the parties to submit post-hearing submissions.

On or about April 21, 2011, Respondent submitted a Post-Hearing Brief to Correct the U5 and an Affidavit in Support of Attorneys' Fees. On or about April 29, 2011, Claimant filed an Affidavit in Support of Attorneys' Fees and a Response to Respondent's Post-Hearing Brief to Correct the U5.

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, the evidence presented at the hearing, and the post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

- 1.) Respondent, Steven Scott Williams, is liable for and shall pay to Claimant, Morgan Stanley & Co., Incorporated, the sum of \$50,560.00 in compensatory damages for Note #1 pursuant to the parties' Stipulated Order;
- 2.) Respondent, Steven Scott Williams, is liable for and shall pay to Claimant, Morgan Stanley & Co., Incorporated, interest on the above-stated sum at the rate of 4% per annum from and including May 29, 2007 through and including August 27, 2007 totaling \$504.14 for Note #1 pursuant to the parties' Stipulated Order;
- 3.) Respondent, Steven Scott Williams, is liable for and shall pay to Claimant, Morgan Stanley & Co., Incorporated, interest on the above-stated sum at the rate of 4% per annum from and including August 27, 2007 through and including December 22, 2010 totaling \$6,725.56 for Note #1 pursuant to the parties' Stipulated Order;
- 4.) Respondent, Steven Scott Williams, is liable for and shall pay to

Claimant, Morgan Stanley & Co., Incorporated, the sum of \$154,012.80 in compensatory damages for Note #2 pursuant to the parties' Stipulated Order;

- 5.) Respondent, Steven Scott Williams, is liable for and shall pay to Claimant, Morgan Stanley & Co., Incorporated, interest on the above-stated sum at the rate of 4.5% per annum from and including October 5, 2006 through and including August 27, 2007 totaling \$6,209.73 for Note #2 pursuant to the parties' Stipulated Order;
- 6.) Respondent, Steven Scott Williams, is liable for and shall pay to Claimant, Morgan Stanley & Co., Incorporated, interest on the above-stated sum at the rate of 4.5% per annum from and including August 27, 2007 through and including December 22, 2010 totaling \$23,053.86 for Note #2 pursuant to the parties' Stipulated Order;
- 7.) Claimant, Morgan Stanley & Co., Incorporated, is liable for and shall pay to Respondent, Steven Scott Williams, the sum of \$40,000.00 in compensatory damages;
- 8.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter;
- 9.) The Panel recommends the expungement of the Reasons for Termination and termination comment in Steven Scott Williams (CRD 1834331), Form U5 Section 3 filed by Morgan Stanley & Co., Incorporated (BD 8209) on September 10, 2007, and maintained by the Central Registry Depository ("CRD"). The Panel recommends that the reason for termination be changed to "Other" and that the termination comment be changed to "Differences of opinion regarding operational matters." The Panel makes the above recommendation based on the defamatory nature of the information.

Steven Scott Williams' registration records are not automatically amended to include the changes indicated above. Steven Scott Williams must forward a copy of this Award to FINRA's Registration and Disclosure Department for the amendments to be incorporated into his registration records; and

- 10.) 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

FINRA Dispute Resolution will retain the non-refundable filing fee* for each claim:

Initial Claim filing fee	= \$ 2,125.00
Counterclaim filing fee	= \$ 1,800.00

**The filing fee is made up of a non-refundable and a refundable portion.*

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 person at the time of the events giving rise to the dispute. Accordingly, as a party, Morgan Stanley & Co., Incorporated is assessed the following:

Member surcharge	= \$ 1,700.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,000.00

Adjournment Fees

Adjournments granted during these proceedings:

April 6-8, 2010, adjournment requested jointly	= \$ 1,200.00
September 1-3, 2010, adjournment requested jointly to mediate	Waived
<u>February 4-5, 2011, adjournment requested jointly</u>	<u>Waived</u>
Total Adjournment Fees	= \$ 1,200.00

The Panel has assessed \$600.00 of the adjournment fees to Morgan Stanley & Co., Incorporated.

The Panel has assessed \$600.00 of the adjournment fees to Steven Scott Williams.

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:

February 4-5, 2011, adjournment requested jointly	Waived
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Contested Motion for Issuance of a Subpoena Fees

Fees apply for each decision on a contested motion for the issuance of a subpoena.

One (1) Decision on a contested motion for the issuance of a subpoena
One (1) arbitrator @ \$200.00 (maximum of \$600) = \$ 200.00
Total Contested Motion for Issuance of Subpoenas Fees = \$ 200.00

The Panel has assessed \$200.00 of the contested motion for issuance of subpoenas fees to Morgan Stanley & Co., Incorporated.

Hearing Session Fees and Assessments

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

Four (4) Pre-hearing sessions with a single arbitrator x \$450.00 = \$ 1,800.00
Pre-hearing conferences: March 17, 2010 1 session
June 11, 2010 1 session
August 12, 2010 1 session
December 16, 2010 1 session

Seven (7) Pre-hearing sessions with Panel x \$1,200.00 = \$ 8,400.00
Pre-hearing conferences: June 24, 2009 1 session
July 20, 2010 1 session
November 22, 2010 1 session
December 17, 2010 1 session
December 30, 2010 1 session
December 31, 2010 1 session
February 8, 2011 1 session

Eleven (11) Hearing sessions x \$1,200.00 = \$13,200.00
Hearing Dates: December 20, 2010 3 sessions
December 21, 2010 2 sessions
December 22, 2010 2 sessions
April 15, 2011 3 sessions
April 16, 2011 1 session

Total Hearing Session Fees = \$23,400.00

The Panel has assessed \$10,725.00 of the hearing session fees to Morgan Stanley & Co., Incorporated.

The Panel has assessed \$12,675.00 of the hearing session fees to Steven Scott Williams.

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

ARBITRATION PANEL

William Cavalier - Non-Public Arbitrator, Presiding Chair
Patricia J. Branco - Non-Public Arbitrator
Henry Hermann - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

/s/ William Cavalier
William Cavalier
Non-Public Arbitrator, Presiding Chair

July 23, 2011
Signature Date

/s/ Henry Hermann
Henry Hermann
Non-Public Arbitrator

July 22, 2011
Signature Date

Dissenting Arbitrator's Signature:

Arbitrator Branco dissents regarding the amount of the Award to Counter-Claimant Williams. She is in agreement with all other aspects of the Award.

/s/ Patricia J. Branco
Patricia J. Branco
Non-Public Arbitrator

July 22, 2011
Signature Date

July 25, 2011
Date of Service (For FINRA office use only)

ARBITRATION PANEL

William Cavalier - Non-Public Arbitrator, Presiding Chair
Patricia J. Branco - Non-Public Arbitrator
Henry Hermann - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

William S. Cavalier (Digitally signed by William S. Cavalier
Date: 2011.07.23 08:54:51 -05'00')

William Cavalier
Non-Public Arbitrator, Presiding Chair

7/23/11
Signature Date

Henry Hermann
Non-Public Arbitrator

Signature Date

Dissenting Arbitrator's Signature:

Arbitrator Branco dissents regarding the amount of the Award to Counter-Claimant Williams. She is in agreement with all other aspects of the Award.

Patricia J. Branco
Non-Public Arbitrator

Signature Date

Date of Service (For FINRA office use only)

ARBITRATION PANEL

William Cavalier - Non-Public Arbitrator, Presiding Chair
Patricia J. Branco - Non-Public Arbitrator
Henry Hermann - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

William Cavalier
Non-Public Arbitrator, Presiding Chair

Signature Date



Henry Hermann
Non-Public Arbitrator

7-22-11

Signature Date

Dissenting Arbitrator's Signature:

Arbitrator Branco dissents regarding the amount of the Award to Counter-Claimant Williams. She is in agreement with all other aspects of the Award.

Patricia J. Branco
Non-Public Arbitrator

Signature Date

Date of Service (For FINRA office use only)

ARBITRATION PANEL

William Cavalier - Non-Public Arbitrator, Presiding Chair
Patricia J. Branco - Non-Public Arbitrator
Henry Hermann - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

William Cavalier
Non-Public Arbitrator, Presiding Chair

Signature Date

Henry Hermann
Non-Public Arbitrator

Signature Date

Dissenting Arbitrator's Signature:

Arbitrator Branco dissents regarding the amount of the Award to Counter-Claimant Williams. She is in agreement with all other aspects of the Award.



Patricia J. Branco
Non-Public Arbitrator

07/22/2011
Signature Date

Date of Service (For FINRA office use only)