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July 1, 2003

BY HAND DELIVERY

Mr. George Friedman
Director of Arbitration
National Association of Securities Dealers, Inc.
One Liberty Plaza, 27th Floor
165 Broadway
New York, N.Y. 10006

Re: Matter of Arbitration of
Mr. Spencer C. Young III, Claimant
-- Against --
Morgan Stanley, Respondent

Dear Mr. Friedman:

Our law firm acts as legal counsel to Mr. Spencer C. Young III ("Spencer" "Mr. Young" or "Claimant"), who resides in Manhasset, NY, with his wife and family. We write pursuant to the Code of Arbitration Procedure of the National Association of Securities Dealers, Inc ("NASD") for the purpose of filing a Statement of Claim on behalf of Spencer against his former employer, Morgan Stanley ("Morgan Stanley" or "Respondent").

Spencer's Statement of Claim against Morgan Stanley arises out of his employment as a commercial real estate investment banker with that firm beginning March 1997 and ending November 2002, when Morgan Stanley terminated Spencer without cause. Spencer's claims arise out of Morgan Stanley's breach of its agreements with Spencer regarding (i) his 2002 bonus and (ii) his compensation for the successful creation and development of the Institutional Quality ("IQ®) Brand of Commercial Mortgage Backed Securities ("CMBS"), including, but not limited to, promotion to Managing Director of the firm and (iii) a claim for defamation.

During 2001 and 2002, Spencer and his superiors entered into agreements that provided that, should Spencer satisfy certain conditions, he would receive a certain 2002 bonus and be compensated for the creation and development of the IQ® brand of CMBS. By the end of 2002, Spencer had fulfilled the conditions set by Morgan Stanley in order for him to receive a 2002 bonus at "the next level" (i.e., "outsized") and be compensated for the development of the IQ® brand of CMBS, including promotion to Managing Director. However, Morgan Stanley did not pay Spencer a 2002 bonus and did not promote him to Managing Director. Instead, Morgan Stanley terminated Spencer, without notice, without cause and without fair compensation for services rendered and value created through 2002, including the development of the "IQ® brand of CMBS that now generates sustained, long term and substantial revenue for Morgan Stanley.

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4. *The Wall Street Journal* Article, dated July 19, 2000.

i. STATEMENT OF FACTS

A. Spencer's Employment Background

Spencer is a proven, successful investment banker in the field of Commercial Real Estate Finance and Securitization. He received a Bachelor of Science degree in Hotel Administration from Cornell University and a Master of Business Administration degree in Finance from Cornell University. When Spencer joined Morgan Stanley in March 1997, he already had an excellent reputation as a Commercial Real Estate Investment Banker with experience in creating and growing securitization and trading business that deliver strong bottom line results. Spencer was skilled on both sides of the CMBS business (i.e., origination and securitization). Spencer had also developed a reputation among institutional clients as a trusted advisor, and exceptionally creative, in structuring deals and capturing new business.

Prior to joining Morgan Stanley, Spencer had been Vice President, Commercial Mortgage Finance Group, J.P. Morgan Securities, Inc. At J.P. Morgan, Spencer had been the principal architect and Chief Operating Officer of their commercial mortgage conduit, which funded \$1.2 billion in commercial mortgages over 18 months, ranking third in conduit CMBS volume, and generated approximately \$30 million revenue in less than three years.

While at Morgan Stanley, Spencer continued to enhance his reputation as an exceptional Commercial Real Estate Investment Banker with a record of creating and growing bottom line results for Morgan Stanley. In 1998, Spencer was promoted to Principal/Executive Director. During his nearly six (6) year tenure at Morgan Stanley, Spencer co-headed the Morgan Stanley conduit for over three years, instituting substantial improvements that increased annual production five-fold to \$2.5 billion per year and then headed up new business development on the issuer side for more than two years, with particular emphasis on working with insurance companies as primary issuers. Spencer was a significant contributor toward Morgan Stanley's successes in CMBS, which included a #1 ranking as global issuer of CMBS for three years, 85% market share with insurance company CMBS issues and # 1 in client CMBS transactions for the past two years.

As an Executive Director in the Securitized Products Group ("SPG") of Morgan Stanley, Spencer earned an annual base salary of one hundred and sixty thousand dollars (\$160,000) and an average annual bonus of six hundred thousand dollars (\$600,000) for each of the previous five (5) years. More specifically, Spencer's compensation history at Morgan Stanley is as follows:

<u>Year</u>	<u>Base Salary</u>	<u>Bonus</u>	<u>Total Compensation</u>
1997	\$85,151 (starting 3/17/97)	\$634,099	\$719,250
1998	\$125,000	\$488,542	\$613,542
1999	\$140,000	\$706,417	\$846,417
2000	\$140,000	\$578,083	\$718,083
2001	\$160,000	\$595,417	\$755,417
2002	\$150,000 (through 11/20/02)	--- 0 ---	\$150,000

Spencer's performance for fiscal year 2002 was his strongest ever. Consistent with the meritocracy Morgan Stanley had long practiced, after five successful years, Spencer had earned (i) a 2002 bonus at "the next level," i.e., an "outsized" bonus, and (ii) compensation for the creation and development of the IQ[®] brand of CMBS, including promotion to Managing Director.

B. Morgan Stanley's Representations Regarding Spencer's 2002 Bonus

Morgan Stanley specifically and repeatedly represented and promised Spencer that he would receive a 2002 bonus at "the next level" if he met a certain condition. In particular, at the beginning of fiscal year 2002, Morgan Stanley, through Warren Friend, who was Spencer's immediate supervisor and in charge of CMBS Finance, promised and represented to Spencer that he would receive an "outsized bonus" at the next level for fiscal year 2002 if he were able to land the AXA Financial agribusiness transaction. An "outsized bonus" at "the next level" was specifically understood to mean at least a 50% premium of his previous highest bonus and therefore, a 2002 "outsized bonus" for Spencer would be at least one million fifty-nine thousand dollars (\$1.059 million). The 2002 bonus that was promised to Spencer was not discretionary, but guaranteed, subject to Spencer satisfying the condition that he close the AXA Financial agribusiness transaction.

Morgan Stanley, through Gail McDonnell, Head of SPG Finance (and Mr. Friend's immediate supervisor), also directly and repeatedly represented and promised Spencer that if he were able to convert new SPG clients and thereby help build franchise value, his bonus would be increased to "the next level", which was understood to mean the same as an "outsized bonus".

At the onset of 2002, Morgan Stanley and Spencer had a binding agreement whereby Spencer would receive a 2002 "outsized bonus" at "the next level" if he were able to close the AXA Financial agribusiness transaction and continue to convert new SPG clients.

C. Spencer Satisfied Morgan Stanley's Conditions And Therefore, Has Earned And Is Owed A 2002 "Outsized" Bonus Of At Least \$1.059 Million

In 2002 Spencer did close the agribusiness transaction for AXA Financial and did convert major financial institutions into SPG Clients. First, Spencer closed the \$519 million AXA Financial transaction of 1,109 farm loans in 2002. This was the largest agribusiness financial transaction of its kind in history and the client was so pleased with the advisory work and execution, that they paid a discretionary 25% increase in their fee to Morgan Stanley, resulting in one of the largest fees received by SPG Finance in 2002. AXA Financial is a global insurance and related financial services company with assets of \$496 billion. Due to the size and importance of this transaction, it was frequently featured as one of Morgan Stanley's key transaction success stories of 2002.

Second, Spencer also converted more new institutional clients than anyone else in SPG over the last 14 months of his employment, including, Aegon, Allmerica, AXA, MONY, Nationwide, State Farm and Union Central Life. Spencer was also instrumental in converting Lincoln National and Prudential into SPG clients, although not assigned direct client responsibility for these firms. They chose to work with Morgan Stanley because of their interest in participating in IQ® brand transactions.

Spencer satisfied the condition that he close the AXA Financial agribusiness transaction and, in addition, he continued to convert numerous major financial institutions into SPG Clients. As a result, Spencer has earned and Morgan Stanley is obligated to pay him a 2002 "outsized" bonus at "the next level" of at least \$1.059 million.

D. Morgan Stanley's Representations Regarding Spencer's Compensation For The Creation And Development Of The IQ® Brand Of CMBS, Including Promotion To Managing Director

During 2000 and 2001, Spencer spoke to his superiors at Morgan Stanley about a new business idea with great potential: the creation of a wholly-owned high quality, multi-seller brand of CMBS open to all financial institutions with a particular focus on insurance companies. This was the concept of the Institutional Quality or "IQ®" brand of CMBS. As an idea, or concept, only, Spencer was free to take this idea to other potential employers, but his superiors at Morgan Stanley recognized its potential and asked him to work on it at Morgan Stanley.

In order to induce Spencer to remain at Morgan Stanley and to create and develop the new IQ® brand of CMBS for Morgan Stanley, Morgan Stanley promised and represented to Spencer that he would be compensated for its creation and development and promoted to Managing Director when the IQ® brand of CMBS generated a revenue of at least \$25 million. Specifically, Warren Friend and other Morgan Stanley Managing Directors directly promised and represented to Spencer that he would be compensated at and promoted to "the next level" when he created a revenue platform of at least \$25 million or otherwise created substantial incremental value for Morgan Stanley. As discussed and illustrated in this Statement of Claim, Spencer's development of the IQ® brand meets either of these criteria.

E. Spencer Creates The IQ® Brand, Which Generates \$25 + Million In Revenue And Therefore, He Was Entitled To Fair Compensation, Including A Promotion To Managing Director

Relying on these express promises and representations regarding compensation for the creation and development of the IQ® brand, Spencer remained at Morgan Stanley and devoted himself to creating, developing and even trademarking the IQ® brand of CMBS. As a result of Spencer's efforts, the IQ® brand is now a magnet for new client conversions, a competitive advantage for Morgan Stanley's large loan originations and most importantly, generates SPG annual revenue in excess of \$25 million.

Spencer was the principal architect and driving force behind the IQ® brand's creation and success. His efforts in connection with the IQ® brand of CMBS included working with seven insurance companies, as first time CMBS insurers in three separate IQ® transactions totaling \$2.4 billion. These three IQ® transactions involved, among other efforts: (i) convincing large conservative institutions of the benefits of securitization and securing extensively negotiated mandates; (ii) careful selection and underwriting of portfolio loans; (iii) giving presentations to all three rating agencies to describe the attributes of this high-quality brand of CMBS; (iv) helping develop and participate in road show presentations to educate investors on this new CMBS brand; (v) closely advising issuer clients on how to address the plethora of loan-by-loan underwriting and credit inquiries from the rating agencies and subordinate bond investors; (vi) developing a detailed servicing standard with Nationwide, Lincoln National and six master servicers and (vii) providing overall extensive client support associated with each deal.

Through Spencer's extensive efforts, the IQ® brand is now positioned to generate \$30-\$40 million + in revenue a year including, underwriting fees and arbitrage gains. Based on the current level of interest in the IQ® brand, Morgan Stanley is positioned to complete at least 4 deals per year and generate \$10 million + per transaction. These statistics will likely grow in time

as more and more clients are drawn to this brand. The inaugural IQ® deal for \$719 million closed in October 2001 and generated revenue of approximately \$3 million for underwriting fees for Morgan Stanley. The IQ®2 deal for \$779 million closed in June 2002 and generated revenue of \$10 million for Morgan Stanley. The IQ®3 deal for \$910 million that Spencer formulated closed in December 2002 and was projected to generate revenue of over \$10 million for Morgan Stanley. The IQ®4 deal that Spencer was also formulating priced in late May 2003 and closed in early June 2003 (total transaction size was \$728 million) and included additional new clients, and upon information and belief generated revenue of over \$10 million for Morgan Stanley. As contemplated by Spencer, an IQ®5 transaction is being discussed with clients for the late summer/early fall, and IQ®6 would be completed before the end of the calendar year. IQ® deals would then follow an issuance frequency of at least a deal a quarter. Accordingly, the IQ® brand is now positioned to yield \$3 billion + in league table credit annually and it is common knowledge on Wall Street that a strong league table ranking leads to other business opportunities. While not precisely measurable, the added value of an enhanced league table ranking is substantial.

By the end of 2002, Spencer had established a high quality brand of CMBS that: (i) attracts new CMBS clients for Morgan Stanley and brings back former CMBS clients who were lost to competitors; (ii) derives additional revenue from existing Morgan Stanley CMBS clients; (iii) is a registered trademark asset of significant value for Morgan Stanley in the CMBS market; and (iv) serves as a platform to derive other business for Morgan Stanley.

As a result of Spencer's efforts in establishing the IQ® brand, the following major financial institutions became first-time CMBS clients for Morgan Stanley: (i) Aegon (a global insurance group with assets of \$256 billion); (ii) Allmerica (a holding company for a group of insurance and financial services companies with assets of \$25 billion); (iii) Nationwide (a holding company for Nationwide Life and other companies, with assets of \$96 billion); (iv) Lincoln (a holding company with multiple insurance and investment management businesses having assets of \$93 billion); (v) MONY (the financial services firm that manages a portfolio of member companies, including MONY Life, with assets of \$20 billion); (vi) Prudential (a financial services institution with assets of \$293 billion) (vii) State Farm (the largest property casualty insurance company in the world, with assets of \$66 billion); and (viii) Union Central Life (one of the 10 largest mutual life insurance companies in the nation with assets of \$6 billion).

Spencer also attracted existing Morgan Stanley CMBS clients to the IQ® brand. These existing Morgan Stanley CMBS clients have now participated in some of the IQ® transactions, and expect to participate in future IQ® deals. These existing clients include: (i) John Hancock (a financial services company that provides insurance and investment products and services with total assets of \$98 billion); (ii) Principal Financial (a diversified financial services organization with assets of \$90 billion); and (iii) T.I.A.A. (a nonprofit entity and insurance company with assets of \$261 billion).

Earlier this year, trade publications reported that CIGNA (a holding company, including its major insurance subsidiary, Connecticut General Life Insurance Company, with assets of \$89 billion) and CIBC (a leading North American financial institution, with \$153 billion in assets), had both been attracted to the IQ® brand, and agreed to participate in an upcoming IQ® transaction. (IQ® 4). This press serves as free advertising that attracts incremental business from financial institutions.

These new and existing clients collectively have over \$100 billion of seasoned commercial mortgages in portfolio, which is the ideal product for IQ® transactions, thereby

establishing a fertile client base for future IQ® brand CMBS deals.

In addition, as Spencer originally intended, the IQ® product is designed to prosper even in a difficult business environment experiencing credit deterioration. This is because of the attractive transaction attributes, including: (i) low leverage loans; (ii) high quality of the underlying collateral of well constructed properties with strong tenancy that are located in economically viable submarkets; and (iii) strong financial institution sponsorship with conservative underwriting credit cultures. These high-quality transactions are therefore positioned to experience better investment performance as compared with alternative CMBS investments. This should in turn become a significant competitive advantage for Morgan Stanley from a strategic standpoint, as there will be a proclivity for investors to pursue a "flight to quality" investment strategy. An attractive relative investment performance would result for the issued IQ® bonds, thereby attracting additional issuers and investors.

Furthermore, the IQ® brand serves as a particularly unique platform that provides Morgan Stanley with a competitive advantage in the origination of investment grade large loans that other investment banks have heretofore been unable to replicate. The timing for launching the IQ® brand was fortuitous for Morgan Stanley for a couple of reasons. First, the inaugural IQ® transaction was the deal that re-opened the CMBS markets in October 2001, after having been closed for over a month as a result of the terrorist attacks of September 11. Secondly, in the case of the IQ®2, it provided an effective exit strategy for the inclusion of pari passu promissory notes of large loan transactions at a time when the market for large loan CMBS securitizations was closed. "Pari passu" promissory notes ensure that financial risk and rewards are shared pro-rata among and between several pari passu promissory notes. Because of its high quality, the IQ® brand was well-suited for the inclusion of investment grade pari passu loans backed by the same real estate collateral. As a result, Morgan Stanley was able to originate investment grade large loans because it had a viable exit strategy, which its competitors did not possess.

In recognition of Spencer's highly successful launch of the IQ® brand, Morgan Stanley submitted the inaugural IQ® deal to the Institutional Investor magazine for consideration as Deal of the Year for all securitized products issued globally in 2001. The launching of the IQ® brand was headlined on the "Home Page" of Morgan Stanley's global Intranet web site, which was accessible by all 50,000+ employees. The first IQ® deal was also presented to all Morgan Stanley investment bankers worldwide via videoconference where it was described as a premier transaction for the following reasons: (i) it reopened the CMBS new issue market; (ii) it was the highest quality multi-seller CMBS transaction in history, as measured by the lowest subordination levels ever given by the rating agencies (86% of the IQ® bonds were rated AAA); and (iii) five of the six participants were first-time CMBS issuers, the most ever in any multi-seller CMBS transaction.

Finally, to protect and preserve the value of the IQ® brand of CMBS for Morgan Stanley, Spencer had registered the IQ® brand of CMBS as a service mark with the United States Patent and Trademark Office, an agency of the United States Department of Commerce.

As a result of Spencer's creation and development of the IQ® brand, the IQ® brand now has a conservatively derived and objectively determined intrinsic value of \$250.3 million. See Chart of Intrinsic Value of IQ® Brand & Fair Compensation For Its Creation, annexed hereto as Exhibit "1". Spencer's IQ® brand has obviously created a significant legacy of value at Morgan Stanley for which Spencer was promised compensation, including a promotion to and future as

Managing Director.

By the end of 2002, given Spencer's successful creation and development of the IQ® brand, Spencer had earned the promised compensation related thereto and promotion to Managing Director. Absent the promised promotion to Managing Director and compensation for his pivotal role in having created the IQ® brand, Spencer is now entitled to fair compensation related to the intrinsic value he created in the IQ® brand of CMBS, in an amount between \$5.605 million and \$12.236 million, as more fully set forth in the Chart of Intrinsic Value of IQ® Brand & Fair Compensation For Its Creation annexed hereto as Exhibit "1".

It is acknowledged that Spencer did not, by himself, accomplish all tasks relative to the creation, development and execution of the IQ® brand concept. That being said he was without question the concept originator and the "team quarterback" on every development and deal-directed IQ® effort of Morgan Stanley.

F. Instead Of A 2002 Bonus And Promotion, Spencer Was Terminated

By November 2002, the last month of fiscal year 2002, Spencer had completed his most successful year at Morgan Stanley and was already establishing business for a successful 2003. Spencer had achieved (and surpassed) the conditions of his agreement with Morgan Stanley regarding his 2002 bonus at "the next level" and compensation for his IQ® brand work, including promotion to Managing Director.

At the end of fiscal 2002/beginning of fiscal 2003, Spencer's contributions to Morgan Stanley increased. Spencer was placed in charge of a new initiative to market the full range of SPG products to middle market banks. This new initiative was scheduled to be rolled out in December 2002. Also at this time, Spencer was to play an active role in a \$1.0 – \$1.5 billion traditional market leverage CMBS transaction that was scheduled for February 2003. Spencer continued his leadership role with the IQ® brand, with the scheduled launch of the \$910 million IQ®3 deal. Because Morgan Stanley's CMBS Finance Group had already exceeded budget for fiscal year 2002, Spencer was asked to manage client expectations so that the IQ®3 deal would price during the first week of December, i.e., the new 2003 fiscal year. Spencer was also already directing the IQ®4 transaction tentatively scheduled for March 2003.

At the end of 2002/beginning of 2003, Spencer had expected to receive an "outsized" 2002 bonus at "the next level" and be promoted to "the next level." Instead, on or about November 20, 2002, Spencer was notified that he would be terminated, without notice, without cause, without any 2002 bonus and without a promotion to Managing Director. Despite having worked the entire 2002 fiscal year and having satisfied the conditions of his 2002 bonus and promotion to "the next level", Spencer was not only terminated but he has also been denied any 2002 bonus.

Spencer's termination also illustrates Morgan Stanley's deliberate efforts to discredit Spencer from the resounding success of the IQ® brand, including choosing to terminate Spencer without explanation on the day before the IQ®3 transaction was being launched to public investors, the timing of which created the highest degree of professional embarrassment for Spencer.

Instead of his promised "outsized" 2002 bonus of at least \$1.059 million and fair compensation related to the value Spencer generated in the IQ® brand, Spencer was offered

conditional severance of only \$328,975, subject to his signing a release waiving his rights to assert any claims against Morgan Stanley, including claims for his 2002 bonus. See Severance Agreement, annexed hereto as Exhibit "2". Instead of the promised bonus of at least \$1.059 million, 50% greater than his prior highest bonus, Morgan Stanley offered Spencer a severance bonus that was 58% less than last year's bonus.

Spencer objected to Morgan Stanley's treatment of him and by Memorandum to Craig Phillips, Global Head of Securitized Products, dated December 1, 2002, requested that Morgan Stanley reconsider its decision. See Memo from Mr. Spencer Young to Craig Phillips, Global Head of Securitized Products, dated December 1, 2002, annexed hereto as Exhibit "3". However, Morgan Stanley, through Craig Phillips, rejected Spencer's efforts to resolve this matter, refused to negotiate and left Spencer with no choice but to pursue his compensation and bonus claims through arbitration.

Morgan Stanley has never offered a reason for its firing of Spencer without apparent "cause" or for its refusal to honor its multiple, express promises to him regarding (a) 2002 bonus compensation or (b) compensation for the creation and development of the IQ® brand, including promotion to Managing Director.

G. Defamation And Disparagement Of Spencer After Termination

Upon information and belief, Morgan Stanley, through Warren Friend, has defamed and disparaged Spencer's professional reputation. Upon information and belief, on more than one occasion, Morgan Stanley has provided a prospective employer of Spencer with a false and unfavorable reference about Spencer's employment with, achievements at and/or termination from Morgan Stanley. Morgan Stanley's dissemination of this false and defamatory information about Spencer has resulted in significant damage to Mr. Young's professional reputation and his continued unemployment.

More specifically, over the last several months, a number of major financial institutions have expressed interest in hiring Spencer to replicate the IQ® brand. As a result, Spencer has participated in multiple rounds of interviews at a number of major financial institutions. After multiple rounds of interviews and business plan presentations at one financial institution – and subject to a scheduled final business plan presentation and dinner with the entire real estate group – Spencer was informed that the financial institution expected to bring Spencer on board. However, upon information and belief, after Morgan Stanley, through Warren Friend, conveyed to the financial institution false and defamatory information about Spencer, the financial institution was no longer interested in bringing Spencer on board. On another occasion, with another financial institution, after four full days of interviews carried out over a month time horizon with a wide range of senior people in the organization, Spencer was told that he would be brought on as a Managing Director, with an expanded role covering a wide range of credit products. In fact, three people with whom Spencer interviewed with told him that his being hired was "a done deal". However, after Morgan Stanley conveyed to the financial institution false and defamatory information about Spencer, the financial institution withdrew its conditional offer of employment. Upon information and belief, Morgan Stanley has provided Spencer's prospective employers and/or others with false and defamatory statements regarding Spencer's employment with, achievements at and/or termination from Morgan Stanley to preserve the value of the IQ® brand.

Furthermore, Spencer's termination, itself, under the circumstances has a disparaging and defamatory effect. The fact that Mr. Young was terminated at the conclusion of his most

successful year at Morgan Stanley raises doubts in the minds of prospective employers about his integrity and/or character. The success of Spencer's IQ brand of CMBS was well known in the business and as a result, the CMBS industry, in general, and Spencer's former clients and prospective employers, in particular, are left to wonder why he would be "downsized", given his success. Instead of facilitating Spencer's transition to future employment, Morgan Stanley, at every turn, has sought to inhibit Spencer's transition to future employment

II. THE LEGAL CLAIMS AND ARGUMENTS

A. Breach Of Express Contract

Morgan Stanley's promise to pay Spencer a certain, non-discretionary 2002 bonus and promise to compensate and promote him for his development of the IQ® brand, if he met certain conditions, constituted a valid unilateral contract, which became binding on his performance of such conditions. See Morales v. Plaxall, Inc., 541 F. Supp 1387, 1391 (E.D.N.Y. 1982); Corto v. Fujisankei Communications International, Inc., 576 N.Y.S.2d 139 (First Dept. 1991) (citing Calamari & Perillo, Contracts, § 2-10, at 70 [3rd ed.] and Williston on Contracts, § at 427 [3rd ed.]); Tripodo v. Chase Manhattan Bank, 576 N.Y.S.2d 760 (Cty Ct. Westchester Co. 1991). The beginning of Spencer's performance of the conditions "contemplates the manifestation of mutual assent and furnishes consideration." Feifer v. Prudential Insurance Company of America, 306 F.2d 1202, 1211 (2nd Cir. 2002) (quoting Restatement (Second) of Contracts §45(1) cmt. D (1981)).

First, Morgan Stanley's promise to pay Spencer a non discretionary "outsized" bonus of at least \$1.059 million for 2002 became a binding obligation when Spencer closed the AXA Financial agribusiness deal and converted more new financial institutions into SPG Clients than anyone else in SPG. As a result, Morgan Stanley's failure to pay Spencer the "outsized" bonus of at least \$1.059 million constituted a breach of contract.

Likewise, Morgan Stanley's promise to Spencer that he would be compensated and promoted to Managing Director for his creation and development of the IQ® brand of CMBS, became a binding obligation when Spencer developed the IQ® Brand into a revenue platform of at least \$25 million annually. As a result, Morgan Stanley's failure to compensate and promote Spencer for his development of the IQ® brand into a revenue generating platform in excess of 25 + million constituted a breach of contract.

B. Breach Of Implied Contract

In addition to the existence of a binding express contract between Morgan Stanley and Spencer regarding the payment of a non-discretionary 2002 bonus and compensation for his development of the IQ® brand of CMBS, there also existed an implied-in-fact contract that obligated Morgan Stanley to pay Spencer both a 2002 "outsized" bonus and compensation for his development of the IQ® brand of CMBS. In order to retain Spencer's services and deter him from taking his agribusiness and IQ® business elsewhere, senior Morgan Stanley employees, in particular, Mr. Warren Friend, represented to Spencer that he would receive certain bonus compensation. Spencer continued to work at Morgan Stanley based on the terms of the express and implied contracts, their mutual understandings and their prior course of dealing.

It is well known on Wall Street that you work for your bonus compensation and not just

your salary. Indeed, promised bonuses often far exceed base salary, as it was promised to Spencer. It is simply inconsistent with the law for Morgan Stanley to keep Spencer employed the entire 2002 fiscal year and then deny him the promised bonus compensation. Morgan Stanley's actions in this regard are contrary to case law and industry practice which support his entitlement to both a 2002 bonus of at least \$1.059 million and compensation for his development of the IQ@ brand of CMBS.

New York law recognizes implied as well as express contracts. "[A]n implied-in-fact contract...[is] based on the conduct of the parties, from which...[one] may fairly infer the existence and terms of a contract." Radio Today, Inc. v. Westwood One, Inc., 684 F. Supp. 68, 71 (S.D.N.Y. 1988); Schuler-Haas Electric Corp. v. Wager Construction Corp., 57 A.D.2d 707, 708, 395 N.Y.S. 272, 274 (4th Dep't 1977); Matter of Kummer, 93 A.D.2d 707, 708, 395 N.Y.S. 272, 274, 845, 874, (2d Dep't 1983); 22 N.Y. Jur.2d, Contracts Section 446; 50 N.Y. Jur.2d, Restitution and Implied Contracts, Sections 1-3.

In applying this concept to bonuses, the courts have recognized that the practice of paying bonus compensation is an implied part of the employment agreement. See, e.g., Giuntoli v. Garvin Guybutler Corporation, 726 F. Supp. 494, 507, 508 (S.D.N.Y. 1989) (course of dealing made bonuses a term of employment); Harden v. Warner Amex Cable Comm., 642 F. Supp. 1080, 1096 (S.D.N.Y. 1986) (bonus was "integral" part of employee compensation); Squadrito v. Credito Italiano, 193 Misc. 34, 83 N.Y.S.2d 334, 335 (City Ct. New York Co. 1948) (employee had right to bonus where employer had a longstanding custom of paying bonuses as part of his compensation); Wineburgh v. Seeman Bros., Inc. 21 N.Y.S.2d 180, 186-187 (Sup. Ct. N.Y. Co. 1940) (established practice of paying directors salary plus bonuses as additional compensation showed that bonuses were not improper payments for past services).

It is the expectation of the benefit, whether by explicit or implicit promise, and an employee's detrimental reliance upon such expectation or promise, that likens the payment of a bonus to other provided benefits such as health and pension benefits. See, e.g., Canet v. Gooch Ware Travelstead, 917 F. Supp 969, 984-985 (E.D.N.Y. 1996) (a bonus award is appropriate where an employee retains employment in reliance upon promised bonus compensation, which is an "integral part of the compensation package.").

Under New York law, one who accepts and benefits from the services of another who expects to be paid for those services must pay for these services. Morgan Stanley took full advantage of Spencer's services for the year 2002 (e.g., closing the AXA Financial agribusiness deal, converting many new financial institutions into SPG Clients and developing the IQ@ brand of CMBS into a revenue platform in excess of \$25 + million a year) and, as such, Spencer earned and is entitled to receive bonus compensation.

Even well-regarded pro-business publications such as *The Wall Street Journal* have recognized that Wall Street executives, such as Spencer, are entitled to bonus compensation despite the loss of their employment. A July 19, 2000 article by Randall Smith entitled "Losing a Job on Wall Street These Days Often Doesn't Mean Losing a Bonus, Too," highlighted this very point in its review of several recent arbitration decisions in which the panels awarded significant bonuses to Wall Street executives who, unlike Spencer, were fired for cause just prior to receiving their annual bonuses. See *The Wall Street Journal* Article, dated July 19, 2000, annexed hereto as Exhibit "4". These panels recognized that an employer's attempt to avoid bonus payments by firing traders and analysts right before bonus payments are due and payable is wrong, illegal, and simply unacceptable. In the present case, Spencer was fired at the end of fiscal year 2002 and

just as the IQ® brand was developing into a revenue platform of at least \$25 million annually. Like the traders mentioned in the article (which references four instances of million dollar plus arbitration awards), Spencer deserves payment of his 2002 "outsized" bonus of at least \$1.059 million and fair compensation for his development of the substantial intrinsic value of the IQ® brand of CMBS, as well as other customary severance monies.

C. Promissory Estoppel, Equitable Estoppel And Quantum Meruit

The related doctrines of both promissory and equitable estoppel also apply to this case. The elements of promissory estoppel are "(1) a promise, (2) reliance on the promise, (3) injury caused by the reliance, and (4) an injustice if the promise is not enforced." Aramony v. United Way Replacement Benefit Plan, 191 F.3d 140, 151 (2nd Cir. 1999); see also Chemical Bank v City of Jamestown, 122 AD2d 530, 531 (4th Dept. 1986), citing Ripple's of Clearview, Inc. v Le Harve Assoc., 88 AD2d 120, 122 (2d Dept. 1982).

The elements of equitable estoppel are "(1) material representation, (2) reliance and (3) damage." See Lee v. Burkhardt, 991 F.2d 1004, 1009 (2d Cir. 1993). Equitable estoppel may be imposed to prevent injustice suffered by a person who, in justifiable reliance upon the words or conduct of another, is induced to act or forebear. Multari v. Sorrell, 287 A.D.2d 764, 731 N.Y.S.2d 238 (3d Dept. 2001). The doctrine of equitable estoppel is applied where exceptional circumstances exist, such as here. Badgett v. N.Y.C. Health & Hospitals Corp., 227 A.D.2d 127, 641 N.Y.S.2d 299 (1ST Dept. 1996).

The doctrines of promissory estoppel and equitable estoppel apply to enforce Morgan Stanley's promises to Spencer that he would receive an "outsized" 2002 bonus of at least \$1.059 million and that he would receive fair compensation for the development of the IQ® brand of CMBS. In reliance on these promises and material representations, Spencer remained at Morgan Stanley through 2002 and closed the AXA Financial agribusiness deal, converted many new financial institutions into SPG Clients and developed the IQ® Brand of CMBS into a revenue platform of at least \$25 million annually. Had Morgan Stanley not made these promises and material representations regarding both his 2002 bonus and compensation related to the success of the IQ® brand, Spencer would have left Morgan Stanley and brought the AXA Financial agribusiness deal and IQ® brand of CMBS business elsewhere. Instead, Spencer remained at Morgan Stanley in anticipation of receiving a 2002 bonus of at least \$1.059 million and receiving compensation related to the IQ® brand of CMBS, including a promotion to Managing Director. Promissory and equitable estoppel should be applied to enforce Morgan Stanley's promises and representations.

Morgan Stanley is also liable to Spencer for a 2002 bonus of at least \$1.059 million and compensation for his development of the IQ® brand of CMBS under the doctrine of "quantum meruit." Under this legal theory, one who accepts and benefits from the services of another who expects to be paid must pay the reasonable value of these services. Morgan Stanley took advantage of the \$519 million AXA Financial agribusiness deal, in 2002 and is currently reaping the substantial benefits of the IQ® brand of CMBS which now generates \$30 to \$40 + million in revenue annually and has a conservatively derived and objectively determined intrinsic value of \$250.3 million and, in turn, Spencer should receive his 2002 bonus due him and fair compensation related to the value he has created in the IQ® brand of CMBS.

D. The Promises Made To Spencer By Morgan Stanley Were Sufficiently Clear And Definite To Require Enforcement Under New York Law

Spencer's contractual claim to bonus compensation will not fail due to a lack of "definiteness." "Regardless of the validity of the general proposition that 'agreements to agree' are illusory and, therefore, unenforceable, this principle has no application in the context of interpreting employment contracts which include open additional compensation clauses. The New York cases reveal that (1) where parties enter into an agreement providing for certain immediate compensation to be paid and also provide for a subsequent upward adjustment of that compensation, to be determined at a later time, the contract is enforceable; and further (2) that if the parties fail to definitively reach an understanding as to what shall constitute the premium, the court will determine an appropriate bonus rather than deem the contract unenforceable." Knapp v. McFarland, 344 F. Supp. 601, 611-612 (S.D.N.Y. 1971), citing, Pillois v. Billingsley, 179 F.2d 205 (2nd Cir. 1950); Heller v. Kalish, 141 App.Div. 205, 125 N.Y.S. 1057 (1st Dep't 1910), and Plattenburg v. Briggs, 166 App.Div. 326, 151 N.Y.S. 925 (3rd Dep't 1915). (Emphasis added.)

Bonus and related compensation payments are a benefit to which an employee is entitled and Courts will determine the appropriate bonus amount by reference to express representations, bonus history and what other similarly situated employees were paid. See Giuntoli, 726 F. Supp at 507 (citing, Harden, 642 F. Supp. at 1096). See also Knapp v. McFarland, 344 F. Supp. 601, 611-612 (S.D.N.Y. 1971)(even if no precise amount of bonus to be paid is set by the parties, the Court can determine an appropriate bonus rather than deem the contract unenforceable.)

In Giuntoli v. Garvin Guybutler Corp., 726 F. Supp 494, 507 (S.D.N.Y. 1989), the Court found that a money market broker's allegations of express promises by the employer, as well as the parties' prior course of dealing "evidences an implied promise that semi-annual bonus payments constituted a term of [her] employment." Id. at 507-508. The Court went on, "[t]hat the exact amount of the promised bonus was not specified is not fatal to plaintiff's claim. Under New York law, if there exists a reasonable basis for calculating the bonus due an employee, a court may enforce the contract term. Bonus history may be used to determine an appropriate bonus amount." Id. (citing, Harden v. Warner Amex Cable Communications, 642 F. Supp. 1080 (S.D.N.Y. 1986); Willoughby Camera Stores, Inc. v. Commissioner, 125 F.2d 607 (2d Cir. 1942). (Emphasis added.) See also, Harden, *supra* (where the Court actually determined the amount of the bonus claimed to be due based on language in written agreement which stated simply that the bonus amount will "increase in future years").

With respect to Spencer's 2002 "outsized bonus", an "outsized bonus" was specifically understood to mean at least a 50% premium of previous highest bonus and therefore, a 2002 "outsized bonus" for Spencer would be at least one million fifty-nine thousand dollars (\$1.059 million).

With respect to the promise to pay Spencer compensation for the development of the IQ@ brand of CMBS, there is nothing in the case law to preclude the Arbitration Panel from additionally considering as fair compensation the calculation contained in Exhibit 1, which is based on the long-term annual revenue and substantial intrinsic value Spencer created in the IQ@ brand for Morgan Stanley and now leaves behind. A reasonable basis for calculating fair compensation to Spencer for his development of the IQ@ brand falls within a range of \$5.559 million to \$12.134 million, as more fully set forth below.

E. Notwithstanding Spencer's Termination, Morgan Stanley Is Still Obligated To Pay Him What Was Promised

Assuming Morgan Stanley had the right to terminate Spencer's employment, despite its promise of a promotion, Morgan Stanley had no right to violate its promise of additional and future compensation to him. While Spencer's future employment may not have been guaranteed, both a 2002 bonus and compensation for his development of the IQ® brand of CMBS were promised, and the law enforces promises made in consideration of services performed, and reasonable reliance on those promises, and the forbearance of other opportunities available. As is sometimes said, "Once you've enjoyed the tune, you must pay the piper."

Just as every customer can walk out of a restaurant at any time, the food consumed must be paid for. Just as an employer may tell an employee to leave at the end of the day, the employer remains obligated for monies promised and due. Here, too, Morgan Stanley may well have been within its right to terminate Spencer's employment, however, Morgan Stanley remained obligated to pay Spencer the compensation it promised in order to have retained his services, i.e., closing the AXA Financial agribusiness deal, converting many new financial institutions into SPG Clients and developing the IQ® Brand of CMBS into a revenue platform in excess of \$25 million a year. Morgan Stanley got from Spencer what it wanted--now it must pay the bill due.

F. Defamation – Slander Per Se

Upon information and belief, Morgan Stanley's dissemination of information regarding Spencer's employment, achievements and/or termination was false and defamatory, which was intended to harm Spencer's reputation within his profession and to prevent him from securing business relationships within the securities industry. An oral statement is considered slander *per se* if it tends to injure another in his or her trade, business, or profession. Lieberman v. Gelstein, 80 N.Y.2d 429 (1992).

On more than one occasion, after a thorough interview process, prospective employers informed Spencer that they had intended to hire him. However, upon information and belief, on each of these occasions, the prospective employer abruptly changed its mind and withdrew its interest in hiring Spencer after receiving false information disseminated by Morgan Stanley about Spencer. Upon information and belief, Morgan Stanley has made false and defamatory statements with regard to Spencer's work performance and his character.

G. Tortious Interference With Prospective Business Relations

With malice, Morgan Stanley disseminated false and defamatory information regarding Spencer to prospective business relations of Spencer that were intended to harm his reputation within his profession and to prevent him from securing business within the securities industry.

In order to establish a claim for tortious interference with prospective advantage, it must be proven that respondent's interference with claimant's prospective business relations was accomplished by "wrongful means" or that "defendant acted for the sole purpose of harming the

plaintiff." Snyder v. Sony Music Entertainment, Inc., 252 A.D.2d 294 (1st Dept. 1999).

Here, Spencer's employment was terminated at the conclusion of his most successful year at Morgan Stanley and after he satisfied the conditions for him to be promoted to and receive a bonus at the "next level." However, Morgan Stanley's wrongful conduct did not end there. Upon information and belief, Morgan Stanley disseminated false and defamatory information that was intended to and did diminish Spencer's standing within his profession and interfere with prospective business relationships within the securities industry.

III. RELIEF REQUESTED: DAMAGES

Spencer seeks the 2002 bonus he was promised, and earned by closing the largest agribusiness transaction in history and converting new institutional SPG clients. In addition, because Morgan Stanley induced Spencer to remain in its employ and develop the IQ® brand of CMBS, but reneged on its promise, in return, Spencer seeks the value of his services in creating the IQ® brand and business. In addition, Spencer seeks relief for the damages to both his reputation and prospective business relations that resulted from Morgan Stanley disseminating false and defamatory information regarding his work performance and character.

A. Spencer Is Entitled To A 2002 "Outsized" Bonus

Because Spencer satisfied the condition set by Morgan Stanley for a 2002 "outsized" bonus at "the next level", Spencer is entitled to a 2002 bonus in an amount of at least \$1.059 million. This "outsized" bonus at "the next level" was understood to mean at least 150% of Spencer's highest previous bonus, *i.e.*, \$706,417. Morgan Stanley has a history of paying Executive Directors bonuses in excess of \$1.0 million for creating far less value than was created by Spencer.

B. Spencer Is Entitled To Fair Compensation Related To The Long Term Revenue And Value He Created And Now Leaves Behind In The IQ® Brand Of CMBS

Because Spencer developed the IQ® brand of CMBS into a revenue generating platform in excess of \$25 + million, he is entitled to fair compensation related to the long-term annual revenue and substantial intrinsic value he created in the IQ® brand for Morgan Stanley and now leaves behind. Otherwise, Morgan Stanley would be unjustly enriched due to its failure to honor its retention-directed promises to Spencer. Morgan Stanley is now positioned to complete 4 IQ® deals per year (\$3 billion + in transaction volume) and generate \$30 million to \$40 million + in revenue annually.

Set forth below, and attached hereto as Exhibit "1" are charts that simply and clearly set forth the intrinsic value of the IQ® brand and a range of fair compensation that should be paid to Spencer for creating the IQ® brand. The IQ® brand now has a conservatively derived and objectively determined intrinsic value of \$250.3 million, based on the net income it generates annually, and the current market price earnings multiple accorded the publicly traded stock of Morgan Stanley. In addition, Morgan Stanley currently incurs annual compensation expense that is approximately 19.6% of its current market capitalization ("compensation-expense-to-value" ratio), based on its recently announced second quarter 2003 earnings.

Applying the IQ® brand's intrinsic value to Morgan Stanley's compensation-expense-to-

value ratio, a fair compensation calculation for Spencer amounts to \$12.236 million (adjusted for the fact that the IQ® transactions pertain only to the sell side of the arbitrage gain realized, and to conservatively account for infrastructure support). Further discounting this fair compensation calculation to reflect only Spencer's direct client contribution percentage to IQ® deals of 45.8% creates a fair compensation calculation amount of \$5.605 million. As a result, fair compensation to Spencer for the long-term value he created with the IQ® brand should be in a range of \$5.605 million to \$12.236 million. Although it would make sense to establish a fair compensation level for creating the IQ® brand at the higher end of the range, the midpoint is used (\$8.921 million) for purposes of this analysis and claim.

The summary chart that follows supports this fair range of compensation calculations:

Line Item	\$mm	Comments
Intrinsic Value of IQ Brand	\$250.3	Based on 6/30/03 market values (see Exhibit 1)
Compensation Expense as a Percentage of Market Capitalization Value	16.5%	Based 5 year average as contained in the 2002 Morgan Stanley Annual Report
Sell side of the transaction	50%	Mr. Young's role pertained to the sell side, and both the buy and sell sides are required for realizing revenue on IQ deals. (Note: in this context, "buy side" represents the origination of commercial mortgages, and "sell side" represents the securitization of commercial mortgages.)
Infrastructure support	50%	Takes into account the team participating on the execution of the IQ transactions
High End of Fair Value Compensation ("A")	\$12.236	The product of the above. Mr. Young regularly interacted with all IQ clients, and actively participated in the execution of each IQ deal, particularly the most important initial transaction. This established the brand and created the precedent of multi-seller transactions with portfolio lenders. In addition, IQ clients for whom Mr. Young did not have direct coverage accountability, were clients of his during his tenure at J.P. Morgan (e.g., John Hancock and Prudential)
Direct Client Contribution Percentage to IQ deals	45.8%	With regard to client coverage, Mr. Young focused on "development clients" (i.e., companies which his CMBS group had not done business with previously), because of his strong business development skills. The percentage shown here represents the loans contributed by clients of his direct responsibility.
Low End of Fair Value Compensation ("B")	\$5.605	The product of the "High End of Fair Value Compensation" and the "Direct Client Contribution Percentage to IQ deals"
Midpoint of Fair Value Compensation Range	\$8.921	This amount represents the midpoint of the compensation range determined above. [(A+B) / 2]

Note: there may be some lost precision in the numbers reflected above due to rounding.

See also Exhibit "1".

C. Spencer Is Entitled To An Additional 25% And Statutory Attorney Fees Under The New York State Labor Law

Under New York's Labor Law, Spencer should be awarded an additional 25% of the bonus and related compensation that was withheld from him. New York prohibits employers from withholding compensation due to an employee. In order to discourage employers from withholding compensation and to redress the inequality in bargaining power between employer and employee, New York provides for an award of attorneys' fees and an additional 25% of compensation willfully withheld. See New York State Labor Law Section 190, 198 (1-a).

Employees at all levels, including executives like Spencer, are entitled to the protection of Section 198(1-a) of the New York Labor Law. See e.g., Daley v. The Related Companies, Inc., 179 A.D.2d 55, 581 N.Y.S.2d 758 (1st Dep't 1992) (executive who was vice president of one corporation and president of another corporation was an "employee" entitled to seek attorneys' fees and liquidated damages under Sec. 198(1-a)); Magness v. Human Resources, Inc., 161 A.D.2d 418, 555 N.Y.S.2d 347 (1st Dep't 1990); Klepner v. Codata, 139 Misc.2d 382, 527 N.Y.S.2d 158 (N.Y. Sup. Ct. 1988), aff'd, 150 A.D.2d 994, 542 N.Y.S.2d 1004 (1st Dep't 1989). The bonus compensation withheld from Spencer constituted "wages." See, e.g., Giuntoli v. Garvin Guybutler Corp., 726 F. Supp. 494, 509 (S.D.N.Y. 1989) (bonuses which had been earned and were due constituted "wages" for purposes of Sec. 198(1-a)).

In the New York Labor Law, "willful" withholding of compensation "means no more than intentional and deliberate" failure to pay. See Old Republic Life Insurance Co. v. Thacher, 12 N.Y.2d 702, 707 (1962) (defining the term "willful" in the insurance law); Telecommunications Designs, Inc. v. Roberts, 127 A.D.2d 976, 513 N.Y.S.2d 53 (4th Dep't 1987) (applying the definition set forth in Old Republic Life Insurance Co. in a Labor Law case).

D. Spencer Is Entitled To Vesting In All EICP Shares

Because Spencer was terminated in violation of an express promise that he would be promoted to and have a future as Managing Director, and his shares would have thus vested over time, Spencer is entitled to immediate vesting in all Equity Incentive Compensation Plan ("EICP") awards for 1997 through 2001, with no restrictions, and to be made whole for original EICP awards for 1998, 1999, 2000, 2001 or an amount representing the value of the EICP awards as of the date of Spencer's termination.

E. Spencer Is Entitled To Severance

Upon information and belief, Spencer is entitled to severance pursuant to Morgan Stanley's severance plan. Based on Spencer's understanding of the severance typically offered to Managing Directors, Spencer believes that the plan provides for severance to him in an amount of twenty 24 months of salary and continuation of all benefits. In light of the circumstances of Spencer's termination and the state of the economy, Spencer's job search is expected to be lengthy.

F. Spencer Is Entitled To Be Designated Managing Director

Because Spencer satisfied the condition set by Morgan Stanley to be promoted to Managing Director, Spencer should be designated a Managing Director in his personnel file as of

the date of his termination.

G. Spencer's Investments With Morgan Stanley Sponsored Investment Funds

Upon information and belief, the MSREF IV investment plan documents provide that Spencer may continue to stay on as investor in MSREF IV (Domestic), MSREF IV (International) and MSREF IV (Europe funds) even after he is no longer employed by Morgan Stanley.

H. Attorneys' Fees, Pre-Award Interest, As Well As The Costs And Disbursements Associated With This Arbitration

Spencer also requests attorneys' fees, pre-award interest at the rate required by law, pursuant to the New York State Labor Law and New York CPLR 5001, and the costs and expenses of this proceeding.

I. Lost Income And Other Damages Related To Defamation And Interference With Prospective Employment Relationships

Upon information and belief, Morgan Stanley, through Warren Friend and others, defamed Spencer to prospective employers. As a result, Spencer seeks damages in an amount to be determined.

J. Punitive Damages, In An Amount To Be Determined

In light of Morgan Stanley's knowing and malicious dissemination of false and defamatory statements as well as breach of contract, Spencer also seeks punitive damages at the discretion of and in an amount to be determined by the arbitrators.

IV. CONCLUSION

At all times during Spencer's tenure as a Morgan Stanley employee, he acted in good faith and in reliance upon his agreements with and representations by Morgan Stanley. Morgan Stanley had no right to violate its promises of compensation to him. Morgan Stanley got from Spencer what it wanted and demanded – now it must compensate Spencer for such services.

Spencer was always dedicated to and honorable with Morgan Stanley; he far exceeded all the expectations of him. He has, and should have, every expectation -- and legal right -- to insist that Morgan Stanley honor its legal commitments, *i.e.*, an "outsized" 2002 bonus, and compensation for his development of the IQ[®] brand of CMBS, including promotion to Managing Director, which it has not to date.

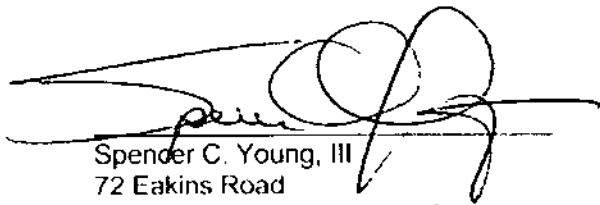
Accordingly, Spencer seeks an award in an amount no less than \$1.059 million, constituting the promised 2002 bonus; \$8.846 million, constituting the mid range of fair compensation for Spencer's creation and development of the IQ[®] Brand of CMBS; two years severance; immediate vesting in all EICP awards for 1997 through 2001; continued participation as investor in the MSREF IV investment plan; statutory penalties; attorneys' fees; interest at the statutory rate of 9% per annum as calculated from the date of termination, and the costs and expenses of filing and maintaining this proceeding, as well as other relief the arbitrators deem fair, just and proper.


WHEREFORE, FOR THE ABOVE REASONS, CLAIMANT PRAYS THAT THE ABOVE RELIEF BE GRANTED IN ITS ENTIRETY.

Respectfully submitted,

CLAIMANT:

SKLOVER & ASSOCIATES, L.L.C


Spencer C. Young, III
72 Eakins Road
Manhasset, New York 11030

By: 
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Intrinsic Value of IQ Brand & Fair Compensation For its Creation

Exhibit

Source: 2002 Morgan Stanley Annual Report, except where noted - amounts reflected in millions, except % & where otherwise noted

	2002	2001	2000	1999	1998	Five Year Average
Total Morgan Stanley Net Revenue	19,109	22,093	26,148	21,659	16,122	
Compensation & Benefits	7,933	9,372	10,896	8,361	6,609	
Compensation & Benefits as % of Revenue	41.5%	42.4%	41.7%	38.6%	41.0%	41.0%

Provision for Taxes	1,645	2,074	3,070	2,937	1,992	
Pre-Tax Income	4,720	5,734	8,554	7,756	5,405	
Effective Tax Rate	34.9%	36.2%	35.9%	37.9%	36.9%	36.3%

Morgan Stanley Market Capitalization (*)	46,482
Total Compensation Expense (****)	9,088
Compensation Expense as % of Market Cap.	19.6%

Revenue per IQ deal (**)	10.0
Deals per year (****)	4.0
IQ Brand Revenue Annuity	40.0
Compensation & Benefits	(16.4)
Incremental Pre-Tax Income	23.6
Provision for Taxes	(8.6)
Incremental Net Income	15.0
Price Earnings Ratio (*)	16.67
Intrinsic value of IQ Brand	250.3

Intrinsic value of IQ Brand	250.3
Compensation Expense as % of Market Cap.	19.6%
Sell side of the transaction	50.0%
Infrastructure support	50.0%
Derived Compensation for IQ Brand (a)	12,236
Direct Client Coverage Responsibility	45.8%
Derived Compensation for Direct Clients (b)	5,605
Midpoint of Derived Compensation [(a+b)x.5]	8,921

Applied to IQ Brand Revenue Annuity

Applied to Incremental Pre-Tax Income

Direct Clients (**)	IQ	IQ2	IQ3	Total
Nationwide	138		45	183
State Farm		246		246
Allmerica	182			182
UCL			186	186
Aegon	57			57
MONY	70			70
Totals (c)	447	246	231	924

Total client (d)	713	595	709	2,017
MS Collateral	0	183	200	383
Total Deal	713	778	909	2,400

% Direct Clients (c/d)	62.7%	41.3%	32.6%	45.8%
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(*) Source: New York Stock Exchange via Yahoo Finance as of market closing June 30, 2003
 (**) Projected revenue on IQ:Q3 and future IQ:Q transactions was to exceed this amount
 (***) Source: Prospectus supplements for each deal note; amounts in this table are shown in \$000's
 (****) As recently communicated to clients, Morgan Stanley will now issue an IQ:Q transaction every quarter
 (****) Annualized Q2 compensation expense as reported in Morgan Stanley June 18, 2003 press release

1585 Broadway
New York 10036The Morgan Stanley logo, featuring the company name in a serif font with a small square icon above the letter 'n' in 'Stanley'.

November 20, 2002

Spencer Young
74 Eakins Road
Manhasset, NY, 11030**RE: Change of Employment Status And Release Agreement**

Dear Spencer:

This letter sets forth our agreement concerning the change of your employment status with Morgan Stanley ("Morgan Stanley"). For purposes of this Agreement, Morgan Stanley shall include any and all former and existing parents, subsidiaries, predecessors, successors and affiliate corporations and its and their respective current and former directors, officers, employees, agents, managers, shareholders, successors, assigns, and other representatives.

We have mutually agreed that your employment with Morgan Stanley ends on November 20, 2002 and that you are to remain on the payroll through November 20, 2002. You will receive compensation for any ~~accrued and unused~~ vacation days due and owing to you, less applicable withholdings and deductions pursuant to applicable policy and consistent with applicable law.

We have also mutually agreed that in exchange for executing this Agreement, Morgan Stanley will:

- (1) Provide you with a special severance payment of THREE HUNDRED TWENTY-FIVE THOUSAND TWO HUNDRED FORTY DOLLARS AND ZERO CENTS (\$325,240.00) minus all applicable payroll taxes and withholdings, payment of which will be made in a lump sum cash payment within thirty (30) business days after the Effective Date of this Agreement.
- (2) Provide you with special COBRA replacement payments to assist you to continue to pay for benefits that will otherwise end on the date of termination (or end of the month of termination for medical and/or dental coverage) if you do not properly elect COBRA continuation coverage. Within thirty (30) business days after the Effective Date of this Agreement, Morgan Stanley shall pay you the total amount of \$3,735.00, representing (a) the approximate amount of COBRA continuation premiums for ~~three (3) months for the~~ coverage option and level of medical and/or dental coverage in effect for you immediately prior to termination of employment and (b) an amount equal to 35% of such payment to assist you in satisfying any tax liability on account of such payment. Such amount shall be in lieu of claims to continued medical and/or dental coverage, except to the extent you are entitled to and properly elect COBRA continuation coverage. Nothing in this Agreement shall limit the right of Morgan Stanley and its affiliates to amend, modify and/or terminate any benefit plan at any time in its sole discretion.

Morgan Stanley

- (3) Provide you with butplacement services supplied by Goodrich & Sherwood for six (6) months, which must commence no later than ninety (90) days after the Effective Date of this Agreement.

We have also agreed that all terms of your equity based awards and deferred compensation that have been awarded to you, if any, by Morgan Stanley as of the date your employment terminates will remain in effect and will not be deemed to be modified by this Agreement, except that paragraphs A-C below shall apply to the respective awards described below if you cannot otherwise satisfy the requirements for "Retirement" or "Full Career" Retirement, as applicable, and as those terms are defined and described in the applicable award. Please review each of your award certificates to see if you satisfy the conditions described therein. You understand and agree that you remain subject to all conditions, restrictions and risks inherent in the plans and the awards, including but not limited to, the vesting, conversion and forfeiture/cancellation provisions of the respective awards. You also agree that paragraphs A-C below do not apply to any special or retention award you may have received.

- A. **Fiscal 2000 and 2001 annual year-end awards:** For purposes of your fiscal 2000 and 2001 annual year-end Equity Incentive Compensation Plan ("EICP") awards, if any, you will be deemed to have terminated employment under circumstances constituting a reduction in force. This means that any unvested stock units and stock options awarded to you for fiscal 2000 or 2001 will vest on their scheduled vesting date(s), irrespective of your termination of employment, and you will have 90 days after the vesting date to exercise these options. Upon vesting, the shares you acquire upon exercise of these stock options will no longer be subject to transfer restrictions (other than those imposed by the securities laws and Morgan Stanley's trading policies). Please refer to your 2000 and 2001 award certificates for details.
- B. **Fiscal 1999 annual year-end awards:** For purposes of your fiscal 1999 annual year-end EICP award, if any, Morgan Stanley will vest you in any unvested portion of this award as of the date of your termination of employment. Any stock options included in your fiscal 1999 annual award will expire on April 2, 2003, instead of expiring 90 days after your employment termination date. Shares of common stock you acquire upon exercise of these stock options will no longer be subject to transfer restrictions (other than those imposed by the securities laws and Morgan Stanley's trading policies). Please refer to your 1999 award certificate for details.
- C. **Fiscal 1998 annual year-end awards:** For purposes of your fiscal 1998 annual year-end EICP award, if any, Morgan Stanley will vest you in any unvested portion of this award as of the date of your termination of employment. Any stock options included in your fiscal 1998 annual award that, by their original terms, expire 90 days after your termination of employment, will instead expire on April 2, 2003. Any stock options included in your fiscal 1998 annual award that, by their original terms, remain exercisable for the original life of the option after your termination of employment will remain exercisable for the original life of the option and will expire on the original expiration date of the option. Please refer to your 1998 award certificate for details.

You acknowledge that the changes to award terms described in paragraphs A-C above are subject to any applicable tax withholding requirements. You also acknowledge that Morgan Stanley from time to time in its sole discretion may modify or change its policies with respect to the sale of Morgan Stanley stock by

Morgan Stanley

former and existing employees. You agree to fully abide by any such Morgan Stanley policy with respect to the sale of Morgan Stanley stock and any window period or other restrictions which may apply, or become applicable to you, during the term of this Agreement and thereafter.

You understand and agree that the foregoing consideration provided to you under the terms of this Agreement is in addition to anything of value to which you are otherwise entitled. You represent, warrant and acknowledge that Morgan Stanley owes you no wages, commissions, bonuses, sick pay, personal leave pay, severance pay, vacation pay, or other compensation or payments or form of remuneration of any kind or nature, other than that specifically provided for in this Agreement.

General information about continuing benefit coverage will be sent to your home address by the Benefit Center two to three weeks following your termination date. Specific information regarding continuation of your medical benefits will be sent to your home address by CobraServ two to three weeks following termination of coverage. You have sixty (60) days from the date of receipt to elect CobraServ coverage. Inquiries about your benefits should be directed to the Benefit Center at 1-877-685-4481.

In exchange for providing you with these enhanced benefits, you agree to waive all claims against Morgan Stanley, and to release and forever discharge Morgan Stanley, from any and all liability for any claims or damages of any kind, whether known or unknown to you, that you may have against Morgan Stanley as of the date of your execution of this Agreement including, but not limited to, any right or claim arising out of or relating to your employment, compensation and benefits with Morgan Stanley or the termination thereof, any right or claim arising out of or relating to any employment contract, express or implied, or any public policy waivable by law, any right or claim arising under or relating to any federal, state or local law or ordinance including without limitation Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1866, as amended, the Equal Pay Act, as amended, the Age Discrimination in Employment Act of 1967 ("ADEA"), as amended, the Americans with Disabilities Act ("ADA"), as amended, the Family And Medical Leave Act ("FMLA"), as amended, the Employee Retirement Income Security Act ("ERISA"), as amended, the Civil Rights Act of 1991, as amended, the Rehabilitation Act of 1973, as amended, the Older Workers Benefit Protection Act ("OWBPA"), as amended, the Worker Adjustment Retraining and Notification Act ("WARN"), as amended, the Fair Labor Standards Act ("FLSA"), as amended, the Occupational Safety and Health Act of 1970 ("OSHA"), as amended, the New York State and New York City Human Rights Laws, as each is amended, the New York Labor Act, as amended, the New York Equal Pay Law, as amended, the New York Civil Rights Law, as amended, the New York Rights of Persons With Disabilities Law, as amended, the New York Equal Rights Law, as amended, and any other wage payment, discrimination or fair employment law, statute or regulation, contract claims, personal injury and tort claims, benefit claims, retaliation claims, whistleblower claims, and claims for workers' compensation, invasion of privacy, defamation, intentional or negligent infliction of emotional distress, injury to reputation, pain and suffering, constructive or wrongful discharge, wages, monetary or equitable relief, vacation pay, and separation and/or severance pay under any separation or severance pay plan maintained by Morgan Stanley, any other employee fringe benefits plans, medical plans, or costs, expenses and attorneys' fees with respect to any of the foregoing. This Agreement is not intended to release rights or claims that may arise after the date of your execution hereof including without limitation any rights or claims that you may have to secure enforcement of the terms and conditions of this Agreement. For purposes of this Agreement, "you" shall include your heirs, executors, administrators, attorneys, representatives, successors and assigns.

Morgan Stanley

This Agreement, however, does not waive any rights you may have been granted under the Certificate of Incorporation or Bylaws of Morgan Stanley relating to your actions on behalf of Morgan Stanley in the scope of and during the course of your employment by Morgan Stanley. Nor does anything in this Agreement impair your rights to vested retirement or pension benefits, if any, due you by virtue of your employment by Morgan Stanley. Nor shall any elections, notices or benefits for which you are eligible as a separated employee of Morgan Stanley be impaired by this Agreement.

You understand and agree that in the event you secure re-employment or new employment with Morgan Stanley within three (3) months from the date your employment terminates, you will: (a) not receive any special severance payment or any of the other enhanced benefits described above if such employment occurs prior to the date your employment terminates; or (b) if such re-employment occurs after the date your employment terminates, be required to return the gross amount of the special severance payment you received under paragraph (1) above to the extent the payment exceeds the amount you would have received as base salary had you remained continuously employed by Morgan Stanley.

You also agree that in the course of your employment with Morgan Stanley you have or may have acquired non-public privileged or confidential information and trade secrets concerning Morgan Stanley's business, operations, legal matters, internal investigations, customer and employee information and lists, hiring, staffing and compensation practices, studies and analyses, plans, funding, financing and methods of doing business ("Confidential and Proprietary Information"), and you further agree that it would be damaging to Morgan Stanley if such Confidential and Proprietary Information were disclosed to any competitor of Morgan Stanley or any third party or person. You understand and agree that all Confidential and Proprietary Information has been divulged to you in confidence and you agree to not disclose or cause or permit to be disclosed directly or indirectly any Confidential and Proprietary Information to any third party or person and further agree to keep all Confidential and Proprietary Information secret and confidential without limitation in time. Use of Confidential and Proprietary Information will stop immediately upon the cessation of your working at any Morgan Stanley facility for any reason. You will not remove Confidential and Proprietary Information from any Morgan Stanley facility in either original, electronic or copied form. You will immediately deliver to Morgan Stanley any Confidential and Proprietary Information in your possession or control. You will not at any time assert any claim of ownership or other property interest in any such information. You will permit Morgan Stanley to inspect any material to be removed from Morgan Stanley offices when you cease to work at any Morgan Stanley facility. You will not disclose directly or indirectly to any person or entity the contents, in whole or in part, of such information.

You also agree that you will not disclose, or cause, or permit to be disclosed in any way the terms of this Agreement or the fact that this Agreement exists, the facts and circumstances surrounding its execution, or the facts and circumstances relating to any dispute or disagreement you may have, or may believe you have, with Morgan Stanley with respect to your employment at and termination from Morgan Stanley, without limitation in time, except that you may disclose such information to your legal representatives, to your immediate family, or for the purpose of enforcing this Agreement, should that ever be necessary, and further you may disclose the financial aspects of this Agreement to your financial representatives or accountants or for the purpose of qualifying for a loan provided that all such private parties to whom disclosure is permitted under this paragraph are informed of the confidentiality provisions of this Agreement and agree to be bound thereby.

Morgan Stanley

Any non-disclosure provision in this Agreement does not prohibit or restrict you or your attorneys from responding to any inquiry about this Agreement or its underlying facts and circumstances by the Securities and Exchange Commission, the National Association of Securities Dealers, Inc. or any other self-regulatory organization.

You agree to give prompt notice to Morgan Stanley in writing, addressed to Carol Bernheim, Executive Director, Morgan Stanley, 1221 Avenue of the Americas, Law Division, 5th Floor, New York, NY 10020 by facsimile at 212-762-8836, of any subpoena or judicial, administrative or regulatory inquiry or proceeding, or lawsuit in which you are required to disclose information relating to Morgan Stanley prior to such disclosure.

You also agree that you will not defame or disparage Morgan Stanley or its products or services in any medium or to any person or entity without limitation in time. Nothing in this paragraph is intended to limit in any way your ability to compete fairly with Morgan Stanley in the future or to confer in confidence with your legal representatives.

You also agree that, unless you have prior written authorization from Morgan Stanley, you will not disclose or allow disclosure of any information about Morgan Stanley or its present or former clients, or any aspects of your employment with Morgan Stanley or of the termination of such employment, to any reporter, author, producer or similar person or entity, or take any other action likely to result in such information being made available to the general public in any form, including, without limitation, books, articles or writings of any other kind, as well as film, videotape, audio tape, electronic/Internet format or any other medium. You further agree that you will not use or take any action likely to result in the use of any of Morgan Stanley's names or any abbreviation thereof in connection with any publication to the general public in any medium.

In addition, you agree to cooperate with and assist Morgan Stanley in connection with any investigation, regulatory matter, lawsuit or arbitration in which Morgan Stanley is a subject, target or party and as to which you may have pertinent information. You agree to make yourself fully available for preparation for hearings, proceedings or litigation and for attendance at any pre-trial discovery and trial sessions. Morgan Stanley agrees to make every reasonable effort to provide you with reasonable notice in the event your participation is required. Morgan Stanley agrees to reimburse reasonable out-of-pocket costs incurred by you as the direct result of your participation, provided that such out-of-pocket costs are supported by appropriate documentation and have prior authorization of Morgan Stanley. You further agree to perform all acts and execute any and all documents that may be necessary to carry out the provisions of this paragraph.

You further agree that you will not voluntarily offer assistance or testimony in any action against Morgan Stanley brought by any other individual or individuals, unless ordered to do so by a court, agency or regulatory authority, and then only after you have given Ms. Bernheim written notice within two (2) business days of your receipt of any such subpoena, court order, or agency or regulatory request or order to do so such that Morgan Stanley may take whatever action it may deem necessary or appropriate to prevent such assistance or testimony and within two (2) business days provide to Ms. Bernheim by facsimile at 212-762-8836 or by overnight delivery, a copy of all legal papers and documents served upon you. You agree that in the event you are served with such subpoena, court order, directive or other process, you will meet with Ms. Bernheim or her designee in advance of giving such testimony or information. Nothing in this Agreement

Morgan Stanley

prohibits or restricts you from testifying in, providing information to or assisting in an investigation or proceeding brought by any governmental or regulatory body or official, or from testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal law relating to fraud or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization and the notice provisions set forth in this paragraph shall not apply in connection with any such investigation or proceeding.

You agree that all files, papers, memoranda, letters, floppy disks, facsimile, electronic or other communications and other documents and materials which you have in your possession or control that were written, authorized, signed, received or transmitted during your employment are and remain the property of Morgan Stanley and, as such, are not to be removed from Morgan Stanley's offices. In addition, you agree to return immediately any such documents and materials, including but not limited to all copies thereof, and any Morgan Stanley equipment and property including computers, printers, facsimile machines, corporate credit cards, portable telephones or telephone and other wireless devices, calling cards that you possess or control but that are not in Morgan Stanley's offices

You also agree for a period of one hundred eighty (180) days following the termination of your employment you will not directly or indirectly, recruit or solicit any employee of Morgan Stanley for employment with any other person or entity which does business in securities, commodities, financial futures, insurance, tax advantaged investments, mutual funds or any other line of business in which Morgan Stanley is engaged.

In the event you breach or threaten to breach any of the provisions contained in the confidentiality, non-disclosure, non-disparagement or non-solicitation provisions in this Agreement, you acknowledge that such breach or threatened breach shall cause irreparable harm to Morgan Stanley, entitling Morgan Stanley, at its option, to seek immediate injunctive relief from a court of competent jurisdiction, without waiver of any other rights or remedies from a court of law or equity.

You acknowledge that this Agreement has been executed voluntarily by you. You are urged to and acknowledge that you have had the opportunity to obtain the advice of any attorney or other representative of your choice, unrelated to Morgan Stanley, prior to executing this Agreement. Further, you acknowledge that you have a full understanding of the terms of this Agreement which may not be changed or altered, except by a writing signed by Morgan Stanley and you

You acknowledge that you have been given at least forty-five (45) days within which to consider executing this Agreement, and that you have seven (7) days from the date of your execution of this Agreement within which to revoke this Agreement. Your fully executed Agreement must be returned to Lloyd Levenberg, Human Resources at 1585 Broadway 3rd Floor, New York, NY 10036 within the forty-five (45) day period (January 6, 2003). Any revocation must be in writing and be received by the undersigned by 5 p.m. on or before the seventh day after this Agreement is executed by you. You also acknowledge that this Agreement will not become effective or enforceable until the revocation period has expired (the "Effective Date"). If you execute the Agreement prior to the end of the forty-five (45) day period that Morgan Stanley has provided for you to give it consideration, you agree and acknowledge that the prior execution was a knowing and voluntary waiver of your right to consider this Agreement for the full forty-five (45) days, and was due to your conclusion that you had sufficient time in which to consider

Morgan Stanley

and understand the Agreement, and in which to review this Agreement with your attorney or other representative of your choice.

You also acknowledge that at the commencement of the forty-five (45) day period referenced above, you were provided with the ages and job classifications of all employees in the decisional unit who were selected and not selected for this program.

BY SIGNING THIS AGREEMENT AND RELEASE YOU ACKNOWLEDGE THAT YOU ARE KNOWINGLY AND VOLUNTARILY WAIVING AND RELEASING ANY AND ALL RIGHTS YOU MAY HAVE AGAINST MORGAN STANLEY UP TO THE DATE OF YOUR EXECUTION OF THIS AGREEMENT UNDER THE AGE DISCRIMINATION IN EMPLOYMENT ACT, THE OLDER WORKERS BENEFIT PROTECTION ACT AND ALL OTHER APPLICABLE DISCRIMINATION LAWS, STATUTES, ORDINANCES OR REGULATIONS.

This Agreement is the entire agreement between you and Morgan Stanley and supersedes any and all oral and written agreements between Morgan Stanley and you on the topics covered herein, except that any prior commitments on your part concerning confidential information, trade secrets, copyrights and the like shall continue in effect in accordance with their terms. No one shall be bound by anything not expressed herein. This Agreement is intended solely for the purposes stated herein and does not constitute and should not be construed to be an admission of liability by Morgan Stanley or you. This Agreement shall be binding on both Morgan Stanley and you.

Date: December 1, 2002

To: Craig Phillips -- Global Head of Securitized Products -- Morgan Stanley
(via email and certified mail @ 1585 Broadway - 3rd Floor, New York, NY 11036)

From: Spencer Young

As you know, I was notified that my position had been terminated on November 20. I wanted to let you know that I valued the opportunity to work for you for the past six years and being part of a team that has been the number one global issuer of CMBS for three years running. I harbor no ill will, and I certainly will never forget how you went to bat for me two years ago, when you arranged my transfer to the "Finance" side of the Securitized Products Group ("SPG"). I very much enjoyed the dinners you hosted at your home, and playing scrambles golf with you at Turnberry. While I do not understand the business rationale of terminating a significant producer, I do not contest the decision. Instead, I am ready to move on with my life.

I've been asked to sign a Change of Employment Status and Release Agreement ("Agreement") in order to receive severance and benefits, and by signing this Agreement all matters will be resolved in all respects between Morgan Stanley and me.

Background

Before I can sign the Agreement, though, there are four matters that I believe require your attention, and direction:

1. **Bonus** At the outset of fiscal year 2002, I was promised by Warren Friend that I would receive an "outsized bonus" if I were able to land the AXA Financial agribusiness disposition. I delivered with the \$519mm disposition of roughly 1,000 farm loans. It was the largest transaction of its type, one of the largest fees received by SPG Finance this year; accordingly, it was frequently featured as one of the key transaction success stories. In addition, Warren promised me that the conversion of new clients would serve as a basis for an increased bonus "to the next level". Once again, I delivered by converting Aegon / Allmerica / AXA / MONY / Nationwide / State Farm / Union Central Life into SPG clients.
2. **Conflicting Signals** -- In addition, I was also recently asked to head up an initiative to market the full range of SPG products to middle market banks, working with Francine Mozer, the SPG Finance Sector Heads and the middle markets sales force. This was to be rolled out in December, after I was to present this to Stefano Corsi for his feedback. I was also part of the \$1.0 - \$1.5 billion HQ transaction team (slated for late February 2003) with the possible addition of ABN-AMRO and Allmerica collateral totaling \$400mm. My termination came as a total surprise and accordingly, I have had no time to prepare for the future, which will make finding a job that much more difficult.
3. **Promotion** I was told by Warren Friend that creating a revenue platform of \$25mm or more was the basis for being promoted to Managing Director. The IQ ("Institutional Quality") brand of CMBS is now positioned to generate \$30mm + in underwriting fees and arbitrage gains, and yield \$3 billion - \$4 billion in league table credit annually. When tax-effecting this, and applying Morgan Stanley's current P/E ratio, it has an intrinsic value in excess of \$250mm. As you know, I was the architect of the IQ brand and driving force behind its creation. I even spent much time having this serviced marked by the U.S. Patent & Trademark office - it will be officially registered in January 2003 after the public notice period runs its course.

4. **Fairness** – What has happened to me is fundamentally unfair and contrary to the meritocracy Morgan Stanley has long practiced. Paradoxically, I was terminated the day before launching the \$1.0 billion IQ3 deal, and at a point when I was formulating the IQ4 transaction of similar size for March 2003. In addition, because the CMBS group had already exceeded its fiscal 2002 budget, I was asked to manage client expectations so that the IQ3 deal would price during the first week of the new fiscal year – accordingly, my contribution to earnings next fiscal year, as well as the future benefits of the IQ brand are scheduled to go unrewarded.

Requests

I am prepared to move on, but in light of the facts and circumstances noted above, I must request the following clarifications and changes be made to the Agreement.

- Bonus equal to 150% of my highest previous bonus during my employment at Morgan Stanley
- Designation as Managing Director as of the last day of employment
- Severance typically offered to Managing Directors, and in no case less than 26 additional weeks of salary continuation and benefits
- Immediate vesting in all EICP for 1997 through 2001, with no restrictions, and make wholes for original EICP awards for 1998, 1999, 2000 and 2001
- Return of principal invested in the Morgan Stanley Dean Witter Venture Investors Fund IV, and KEPER
- Pension, 401 (k) and savings plans continued for length of severance period with credits granted as applicable
- Confirmation of ability to stay on as investor in MSREF IV (Domestic), MSREF IV (International) and MSREF IV (Europe) funds
- Positive written statement about my accomplishments at Morgan Stanley and departure

Next Steps

Please understand that I don't reject the offer given, or the spirit in which it is offered, and it is not my intent to become adversarial, or to hire an attorney. I'm hoping we can find a way to accomplish an "honorable discharge" that is fair to all. For me, I'm looking to be fairly compensated for the unfulfilled promises that were made in the context of the value delivered.

Please let me know when we may be able to talk about this, or whom on your staff I should speak with. I can be reached at 516-365-2488 (home); 917-601-2824 (cell) and SpencerCYoung@aol.com (email).

Thank you.

Sincerely,

Spencer C. Young III

THE WALL STREET JOURNAL.

Article 1 of 114
Heard on the Street

**Losing a Job on Wall Street These Days
Often Doesn't Mean Losing a Bonus, Too**
By Randall Smith

07/19/2000
The Wall Street Journal
Page C1
(Copyright (c) 2000, Dow Jones & Company, Inc.)

Even when you get the ax, you can still get your bonus on Wall Street.

Consider David Crisanti, who was dismissed by Credit Suisse First Boston in March 1999 amid allegations that members of his trading unit had attempted to manipulate the Swedish stock market. The securities firm told him to forget about the \$4.25 million bonus he was promised for 1998.

But Mr. Crisanti's group -- known as the "Flaming Ferraris" after the name of a potent cocktail served at one of their London hangouts -- had earned more than \$175 million for the Credit Suisse Group unit in 1998, according to traders. So Mr. Crisanti, 35 years old, filed an arbitration claim to obtain his bonus anyway.

Now, it looks like he'll get part of it. Last month, a New York Stock Exchange arbitration panel awarded Mr. Crisanti \$2 million.

First Boston officials were taken aback; the firm has appealed in a New York state court. "This kind of arbitration award deprives companies of a very powerful tool for self-regulation," asserts Richard Thornburgh, a company vice chairman. "I find it inconceivable that when an individual gets fired for cause, an arbitration panel then awards compensation to that person."

Well, this is Wall Street, after all. And this is a trend: A number of high-level Wall Street traders or investment bankers who have lost their jobs after alleged wrongdoing have argued successfully in legal proceedings that they should still get their (often hefty) bonuses.

Wait a minute. Aren't bonuses awarded at the discretion of management?

Not according to several Wall Street arbitration panels. The panels

typically don't offer detailed written decisions, and they don't set precedents, the way court cases can. But the decisions show that bonuses are "an integral, nondiscretionary element of compensation on Wall Street," contends Mr. Crisanti's lawyer, David Wechsler, an employment specialist at the law firm of Wechsler Bursky & Cohen LLP.

That's apparently not all. The decisions suggest that securities firms may not use the dismissal of a trader or other employee -- even when the underlying misconduct is incontrovertible -- to escape paying a bonus, some employment specialists say.

Wall Street traders and others may often successfully pursue a bonus -- despite the circumstances surrounding their departures -- "unless the employer makes it very explicit that there is a possibility of not getting any bonus," says Jay W. Waks, who heads the employment practice at the law firm of Kaye, Scholer, Fierman, Hays & Handler LLP.

Traders dismissed after market downturns routinely manage to win bonuses and other compensation despite having suffered losses on their own positions, notes Jeffrey Liddle, a partner at the law firm of Liddle & Robinson, who represents investment bankers and traders in pay and employment disputes.

Even if you view bonuses as discretionary, he adds, that doesn't mean they're completely random or can be determined arbitrarily.

At least three other arbitration panels in recent months have ruled that terminated Wall Street employees can get some of their bonuses. The claims involved the head of stock derivatives who was terminated "for cause" and then denied a bonus by a unit of Barclays PLC, and the head trader in global stock derivatives and a marketing executive at UBS AG, who were both terminated in companywide cutbacks after UBS merged with Swiss Bank Corp. in 1998.

In the First Boston case, Mr. Crisanti noted in his claim that his dismissal -- for allegedly failing to supervise traders who didn't follow Swedish exchange rules, and for obstructing the subsequent investigations -- wasn't fair because he wasn't able to supervise a trader who didn't report directly to him. What's more, he said, Credit Suisse First Boston didn't follow its own disciplinary procedures in the process.

And, he asserted, the timing of the company's decision to dismiss him on March 5 was actually motivated partly by the fact that it occurred just before the day bonuses were to have been paid. First Boston's top executives, he said, had already decided to dismiss him before a disciplinary hearing on March 4, he alleged. The three traders had been suspended on Feb. 22. First Boston didn't provide a point-by-point response to the complaint.

Mr. Crisanti's complaint argued that bonus payments aren't "totally discretionary. It is well-known that 'bonuses,' or year-end, lump-sum payments, are at CSFB specifically and in the industry in general an

integral portion of a professional's total compensation."

That's also the argument made by Thomas J. Jackson, formerly head of the equity-derivatives business at BZW Securities Inc. He sought \$2.5 million in damages in April 1998, alleging that the Barclays unit dismissed him "for cause" only after failing to come to terms with him on a new pay package, unfairly depriving him of a promised bonus and stock award.

Mr. Jackson, who had received \$860,000 in salary and bonus for 1996, told an arbitration panel of the National Association of Securities Dealers that he had been promised a 1997 "retention bonus" of \$910,000 in late 1997 in connection with the proposed sale of the group that included the equity-derivatives business he headed.

However, the retention bonus was only payable at completion of the sale or if Mr. Jackson were still employed by the firm in February 1998. When BZW indicated some weeks later that the equity-derivatives group might not be sold after all, the complaint said, Mr. Jackson began negotiations with management over terms on which members of the group might stay.

But in February 1998, with those talks at an impasse, BZW executives told Mr. Jackson he was being dismissed "for cause." The offense: an incident in October 1997, in which he allegedly aided his brother in buying the Internet domain name for "Barclays Capital." Even though Mr. Jackson said the domain name had later been transferred to Barclays without any compensation to his brother, Barclays fired him -- and told him he would forfeit any bonus for 1997 and an unpaid stock award of an additional \$604,000.

His complaint alleged that using the Web-site incident to dismiss him was a "bad-faith ruse and sham" to give the company "an excuse to deny Jackson substantial compensation once the firm determined it could not reach agreement with him" on terms under which the group would remain. He said the firm had continued to negotiate with him for five weeks after first learning of his role in the Web-site matter.

The panel awarded Mr. Jackson \$1.5 million plus interest, but didn't grant his request that his employment record be amended to remove any indication that the firm had fired him for cause. Nor did it award him damages for alleged defamation on the record. A Barclays spokesman declined to comment on the specifics of the case.

Neither of the two UBS employees let go after the Swiss Bank merger was terminated for cause, but both filed arbitration claims seeking to recover bonuses and other pay. Thomas Halikias, an equity-derivatives trader who joined UBS at a junior level in 1991, received bonuses that topped \$1 million in 1994 and 1995, and a \$1.65 million bonus in 1996, according to his arbitration claim.

But his bonus was cut back sharply to \$600,000 for 1997 -- a year when the bank's equity-derivatives businesses suffered losses despite

profits in the New York unit where Mr. Halikias worked. Although he was offered a new spot in the combined UBS-Swiss Bank organization, he considered the terms -- including a proposed target bonus of \$1.1 million for 1998 -- inferior to his past compensation, refused the new job, and was released as redundant in May 1998.

During the arbitration, UBS contended that Mr. Halikias was guilty of certain misconduct -- which Mr. Halikias denied -- but said that hadn't served as a basis for denying him a bonus in any case. Mr. Wechsler, who represents Mr. Halikias, said he believes securities firms are increasingly claiming some misconduct to buttress their position in pay disputes.

After Mr. Halikias won a total of \$1.44 million in his arbitration after seeking additional pay for 1997 and 1998, UBS took the unusual step of seeking to vacate the award in a New York state court.

In upholding the award, New York State Supreme Court Justice Carol E. Huff noted that both sides had "strenuously disputed before the arbitrators both the law and the facts as to whether the bonus at issue was discretionary." While Justice Huff didn't take a position on the case, she said she didn't find any errors serious enough to warrant overturning the award.

The other UBS employee dismissed after the merger, Charles Schwartz, last month won \$2 million in unpaid bonus money, plus legal fees. Sure, that amount was far less than the \$10 million he had sought in an arbitration filed in December 1998.

But, says Mr. Wechsler: "Various promises were made to him in terms of compensating him for certain highly profitable deals he brought to the firm."

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SKLOVER & ASSOCIATES, LLC

ATTORNEYS AND COUNSELORS AT LAW

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COUNSEL, NEGOTIATION, LITIGATION
EXECUTIVE LAW & STRATEGY INSTITUTE
PRACTICE LIMITED TO EXECUTIVE EMPLOYMENT

July 1, 2003

BY HAND DELIVERY

National Association of Securities Dealers, Inc.
Dispute Resolution - Northeast Region
One Liberty Plaza, 27th Floor
165 Broadway
New York, NY 10006

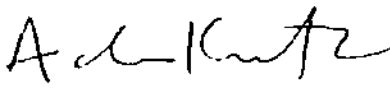
Re: Matter of Arbitration of Mr. Spencer C. Young III v. Morgan Stanley

Dear Sir/Madam:

Please find enclosed this day five copies of our client Mr. Spencer C. Young III's Statement of Claim in regard to the above-referenced matter. We have provided a copy for your office, a copy for the Respondent, as well as copies for each of the arbitrators. Also accompanying the Statement of Claim are the Uniform Submission Agreement, Claim Information Sheet and a check in the amount of \$3,700.00 covering related submission fees.

If any additional information is required on our part regarding our submission, please do not hesitate to contact us.

Very truly yours,
Sklover & Associates, LLC

By: 
Adam G. Kurtz

AGK/ma
7/1/03

SKLOVER & ASSOCIATES, LLC

ATTORNEYS AND COUNSELORS AT LAW

TEN ROCKEFELLER PLAZA

NEW YORK, NY 10020

(212) 757-5000

MAIL: EXEC.LAW@AOL.COM

WWW.EXECUTIVELAW.COM

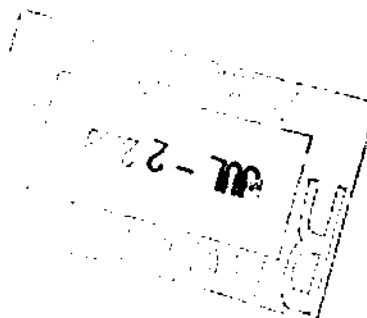
FAX: (212) 757-5007

COUNSEL, NEGOTIATION, LITIGATION
EXECUTIVELAW AND STRATEGY INSTITUTE
PRACTICE LIMITED TO EXECUTIVE EMPLOYMENT

July 1, 2003

BY HAND DELIVERY

National Association of Securities Dealers, Inc.
Dispute Resolution - Northeast Region
One Liberty Plaza, 27th Floor
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New York, NY 10006

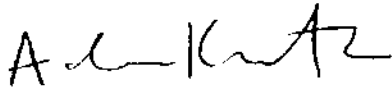


Re: Matter of Arbitration of Mr. Spencer C. Young III v. Morgan Stanley

Dear Sir/Madam:

Please stamp proof of receipt of the attached copy for our office records. Please print, sign and date below to further indicate that your offices have received all necessary copies regarding the above-referenced matter.

Very truly yours,
Sklover & Associates, LLC

By: 
Adam G. Kurtz

Name

Signature

Date

SPENCER C. YOUNG
MARIA A. YOUNG
74 EAKINS ROAD
MANHASSET, NEW YORK 11030

⑆1410
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SERIALS

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DATE: 02/26/03

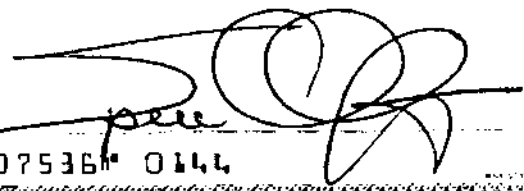
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NASD DISPUTE RESOLUTION, INC. \$ 3,700⁰⁰
Three thousand seven hundred — DOLLARS

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NEW
YORK
65 Wall Street
New York, NY 10005

MEMO

FILING FEE



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CLAIM INFORMATION SHEET

L PARTIES

CLAIMANT(S): (Provide this information even if you are represented by counsel.)

Mr. Spencer C. Young, III
Name
74 Ekins Road
Address
Manhasset NY 11030
City State Zip Code
(516) 365-2488 (516) 365-4110 spencercyoung@aol.com
Daytime Telephone Fax # E-mail Address

Residence during the time of the dispute (if different from above):

Name

Address

City State Zip Code

Claimant is a:
 Public customer Broker/dealer Person associated with a broker/dealer
BD # _____ CRD # 2265337

Claimant's Counsel/Representative (if applicable): (Note: NASD Dispute Resolution requires that persons representing Florida investors in arbitration proceedings conducted in or outside of the State of Florida affirm either that they are licensed to practice law and provide a bar identification number, or that they are not receiving compensation in connection with representing the party in the arbitration proceeding.)

Alan L. Sklover, Esq. 1841915
Name Bar ID # (if applicable)
10 Rockefeller Plaza Suite 816
Address
New York NY 10020
City State Zip Code
(212) 757-5000 (212) 757-5002
Business Telephone Fax # E-mail Address

If needed, copy this page to list additional Claimants.

CLAIM INFORMATION SHEET

RESPONDENT(S)

Respondent #1:

Morgan Stanley
Name
1221 Avenue of the Americas - 5th Floor
Address
New York NY 10020
City State Zip Code
(212)762-5588 (212)762-5530
Business Telephone Fax E-mail Address

Respondent #1 is a:

- Public customer Broker/dealer Person associated with a broker/dealer
BD # _____ CRD # 8209

Respondent #2:

Name

Address

City State Zip Code

Business Telephone Fax # E-mail Address

Respondent #2 is a:

- Public customer Broker/dealer Person associated with a broker/dealer
BD # _____ CRD # _____

If needed, copy this page to list additional Respondents.

CLAIM INFORMATION SHEET

II. CLAIMS

Accounts: If the dispute or claim involves activity with respect to an account or accounts, please list each account and indicate the type of account it is (e.g., joint account, custodial account, etc.)

1.

Name (exactly as it appears on the account)	Type of Account
---	-----------------

Name of Firm and Branch Office	Date Account Opened
--------------------------------	---------------------

Name of Registered Representative	Account Number
-----------------------------------	----------------

2.

Name (exactly as it appears on the account)	Type of Account
---	-----------------

Name of Firm and Branch Office	Date Account Opened
--------------------------------	---------------------

Name of Registered Representative	Account Number
-----------------------------------	----------------

3.

Name (exactly as it appears on the account)	Type of Account
---	-----------------

Name of Firm and Branch Office	Date Account Opened
--------------------------------	---------------------

Name of Registered Representative	Account Number
-----------------------------------	----------------

If needed, copy this page.

CLAIM INFORMATION SHEET

Type of Dispute: (Check where applicable)

a. Account Related

<input type="checkbox"/>	Breach of Contract	<input type="checkbox"/>	Collection	<input type="checkbox"/>	Dividends
<input type="checkbox"/>	Errors/Charges	<input type="checkbox"/>	Exchanges	<input type="checkbox"/>	Failure to Supervise
<input type="checkbox"/>	Margin Calls	<input type="checkbox"/>	Negligence	<input type="checkbox"/>	Transfer
<input type="checkbox"/>	Other	<input type="checkbox"/>		<input type="checkbox"/>	

b. Executions

<input type="checkbox"/>	Execution Price	<input type="checkbox"/>	Failure to Execute	<input type="checkbox"/>	Incorrect Quantity
<input type="checkbox"/>	Limit Versus Market Order	<input type="checkbox"/>	Other	<input type="checkbox"/>	

c. Account Activity

<input type="checkbox"/>	Breach of Fiduciary Duty	<input type="checkbox"/>	Churning	<input type="checkbox"/>	Manipulations
<input type="checkbox"/>	Misrepresentations/Non-Disclosures	<input type="checkbox"/>	Omission of Facts	<input type="checkbox"/>	Suitability
<input type="checkbox"/>	Unauthorized Trading	<input type="checkbox"/>	Other	<input type="checkbox"/>	

d. Employment

<input checked="" type="checkbox"/>	Breach of Contract	<input type="checkbox"/>	Commissions	<input checked="" type="checkbox"/>	Compensation
<input type="checkbox"/>	Discrimination Age	<input type="checkbox"/>	Discrimination Disability	<input type="checkbox"/>	Discrimination Gender
<input type="checkbox"/>	Discrimination National Origin	<input type="checkbox"/>	Discrimination Race	<input type="checkbox"/>	Discrimination Religion
<input type="checkbox"/>	Discrimination Sexual Preference	<input type="checkbox"/>	Partnerships	<input type="checkbox"/>	Promissory Notes
<input type="checkbox"/>	Sexual Harassment	<input type="checkbox"/>	Training Contracts	<input type="checkbox"/>	Wrongful Termination
<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>	Libel or Slander on Form U-5	<input checked="" type="checkbox"/>	Libel or Slander

e. Trading Dispute

<input type="checkbox"/>	Buy-In	<input type="checkbox"/>	D.K.s	<input type="checkbox"/>	Manipulation
<input type="checkbox"/>	Markups	<input type="checkbox"/>	Sell Outs	<input type="checkbox"/>	Stock Loan
<input type="checkbox"/>	Transfers	<input type="checkbox"/>	Others	<input type="checkbox"/>	

f. Other

<input type="checkbox"/>	Clearing Dispute	<input checked="" type="checkbox"/>	Defamation	<input type="checkbox"/>	Indemnification
<input type="checkbox"/>	Raiding Disputes	<input type="checkbox"/>	Underwriting	<input checked="" type="checkbox"/>	Other

Type of Security(ies), Financial Instrument(s), and/or Investment(s) involved in the Dispute:

<input type="checkbox"/>	Annuities	<input type="checkbox"/>	Common Stock	<input type="checkbox"/>	Certificates of Deposit
<input type="checkbox"/>	Commodities Futures	<input type="checkbox"/>	Corporate Bonds	<input type="checkbox"/>	"Fannie Maes"
<input type="checkbox"/>	"Freddie Maes"	<input type="checkbox"/>	"Ginnie Maes"	<input type="checkbox"/>	Government Securities
<input type="checkbox"/>	Limited Partnerships	<input type="checkbox"/>	Mutual Funds	<input type="checkbox"/>	Municipal Bonds
<input type="checkbox"/>	Municipal Bond Funds	<input type="checkbox"/>	Options	<input type="checkbox"/>	Preferred Stock
<input type="checkbox"/>	Repurchase Agreements	<input type="checkbox"/>	Real Estate Investment Trusts	<input type="checkbox"/>	Reverse Repurchase Agreements
<input type="checkbox"/>	Stock Index Futures	<input type="checkbox"/>	Warrants/Rights	<input type="checkbox"/>	Other Types of Securities

CLAIM INFORMATION SHEET

III. RELIEF REQUESTED

1. Damages

Actual Damages Requested

(monetary sum required to compensate a party for his or her loss)

\$ 9.98 Million¹

to be

determined²

Punitive Damages Requested

(monetary amount intended to punish the wrongdoer)

* AMOUNT IN DISPUTE: 9.98 Million³

* Use this amount to calculate the correct filing fee and hearing session deposit in Part IV. This amount must match the amount stated in your claim.

Interest

(include calculations, if possible)

to be

determined

2. Other Type of Relief Requested

Specific Performance (Specify the type of specific performance sought)

(specific performance requires parties to take an action, such as turning over ownership of stocks)

See Statement of Claim

Injunctive Relief (Specify the type of injunctive relief sought)

(injunctions require parties to refrain from certain actions)

See Statement of Claim

3. Costs

(Provide specific amounts, if known. If not known, please mark an "X" to indicate the costs you are requesting)

X

Forum Fees

X

Attorney's Fees

X

Witness and Production Fees

X

Other Case-Related Costs

CLAIM INFORMATION SHEET

IV. FEES

Customer or Associated Person Claimant

TO DETERMINE THE CORRECT FEES USE THE "AMOUNT IN DISPUTE" FIGURE ON LINE 3, PAGE 17

If you are a **CUSTOMER OR ASSOCIATED PERSON CLAIMANT** use this table (NASD Rule 10332) to determine the filing fee and hearing session deposit that **MUST** accompany a Statement of Claim when it is filed with NASD Dispute Resolution. If your claim does **NOT** disclose or specify a money claim, the non-refundable filing fee is \$250 and the hearing session deposit is \$1000.

Find the amount of your dispute on the chart, then find the applicable claim filing fee and hearing session deposit.

Customer or Associated Person Claimant

Amount in Dispute (Exclusive of Interest and Expenses)	Claim Filing Fee	Deposit for Cases to be Decided on the Paper Record	Hearing Session Deposit	
			One Arbitrator ¹	Three Arbitrators ²
\$.01-\$1,000	\$25	\$25	\$25	NA
\$1,000.01-\$2,500	\$25	\$50	\$50	NA
\$2,500.01-\$5,000	\$50	\$125	\$125	NA
\$5,000.01-\$10,000	\$75	\$250	\$250	NA
\$10,000.01-\$25,000	\$125	\$300	\$450	NA
\$25,000.01-\$30,000	\$150	NA	\$450	\$600
\$30,000.01-\$50,000	\$175	NA	\$450	\$600
\$50,000.01-\$100,000	\$225	NA	\$450 ³	\$750
\$100,000.01-\$500,000	\$300	NA	\$450 ³	\$1,125
\$500,000.01-\$1,000,000	\$375	NA	\$450 ³	\$1,200
\$1,000,000.01-\$3,000,000	\$500	NA	\$450 ³	\$1,200
\$3,000,000.01-\$5,000,000	\$600	NA	\$450 ³	\$1,200
\$5,000,000.01-\$10,000,000	\$600	NA	\$450 ³	\$1,200
Over \$10,000,000	\$600	NA	\$450 ³	\$1,200

¹ The dispute is resolved by one arbitrator per hearing session, including prehearing conferences.

² The dispute is resolved by three arbitrators per hearing session.

³ Fee applies only to prehearing conferences with a single arbitrator.

Once you have determined the correct filing fee and hearing session deposit, submit the total with your Statement of Claim. For example, if you are a **customer** or **associated person** claimant and the amount of your claim is \$40,000, the claim filing fee is \$175 and the hearing session deposit is \$600. Therefore, you should send one check payable to **NASD Dispute Resolution, Inc.** in the amount of \$775. Mail it with your Statement of Claim, Claim Information Sheet, and properly executed Submission Agreements.

CLAIM INFORMATION SHEET

Member Claimant

TO DETERMINE THE CORRECT FEES USE THE "AMOUNT IN DISPUTE" FIGURE ON LINE 3, PAGE 17

If you are a **MEMBER CLAIMANT** use this table (NASD Rules 10332 or 10205) to determine the filing fee and hearing session deposit that **MUST** accompany a Statement of Claim when it is filed with NASD Dispute Resolution. If your claim does **NOT** disclose or specify a money claim, the non-refundable filing fee is \$500 and the hearing session deposit is \$1000.

Find the amount of your dispute on the chart, then find the applicable claim filing fee and hearing session deposit.

Member Claimant

Amount in Dispute (Exclusive of Interest and Expenses)	Claim Filing Fee	Deposit for Cases to be Decided on the Paper Record	Hearing Session Deposit	
			One Arbitrator ¹	Three Arbitrators ²
\$.01-\$1,000	\$200	\$25	\$25	NA
\$1,000.01-\$2,500	\$300	\$50	\$50	NA
\$2,500.01-\$5,000	\$400	\$125	\$125	NA
\$5,000.01-\$10,000	\$500	\$250	\$250	NA
\$10,000.01-\$25,000	\$750	\$300	\$450	NA
\$25,000.01-\$30,000	\$1,000	NA	\$450	\$600
\$30,000.01-\$50,000	\$1,000	NA	\$450	\$600
\$50,000.01-\$100,000	\$1,000	NA	\$450 ³	\$750
\$100,000.01-\$500,000	\$1,000	NA	\$450 ³	\$1,125
\$500,000.01-\$1,000,000	\$1,250	NA	\$450 ³	\$1,200
\$1,000,000.01-\$5,000,000	\$2,000	NA	\$450 ³	\$1,200
\$5,000,000.01-\$10,000,000	\$2,500	NA	\$450 ³	\$1,200
Over \$10,000,000	\$5,000	NA	\$450 ³	\$1,200

¹ The dispute is resolved by one arbitrator per hearing session, including prehearing conferences.

² The dispute is resolved by three arbitrators per hearing session.

³ Fee applies only to prehearing conferences with a single arbitrator.

Once you have determined the correct filing fee and hearing session deposit, submit the total with your Statement of Claim. For example, if you are a member claimant and the amount of your claim is \$40,000, the claim filing fee is \$1000 and the hearing session deposit is \$600. Therefore, you should send one check payable to NASD Dispute Resolution, Inc. in the amount of \$1600. Mail it with your Statement of Claim, Claim Information Sheet, and properly executed Submission Agreements.

CLAIM INFORMATION SHEET

Member Surcharge & Process Fees:

NASD Rule 10333 requires NASD member firms to pay a *non-refundable* surcharge and *non-refundable* process fees if the member firm or person associated with the member firm is a claimant or respondent in an arbitration at this forum. NASD Dispute Resolution will send invoices to member firms at appropriate stages of the arbitration process.

V. HEARING INFORMATION

1. For claims of \$25,000 or less under NASD Rules 10203 (simplified industry) and 10302 (simplified customer/investor): (check one)
 - I am requesting a hearing in this matter
 - I am not requesting a hearing in this matter

2. For claims between \$25,000 and \$50,000 under NASD Rule 10308, I am requesting: (check one)
 - One arbitrator
 - Three arbitrators

**NASD Dispute Resolution Arbitration
UNIFORM SUBMISSION AGREEMENT**

Claimant(s)

In the Matter of the Arbitration Between

Name(s) of Claimant(s)

Mr. Spencer C. Young, III

and

Name(s) of Respondent(s)

Morgan Stanley

1. The undersigned parties hereby submit the present matter in controversy, as set forth in the attached statement of claim, answers, and all related counterclaims and/or third-party claims which may be asserted, to arbitration in accordance with the Constitution, By-Laws, Rules, Regulations, and/or Code of Arbitration Procedure of the sponsoring organization.
2. The undersigned parties hereby state that they have read the procedures and rules of the sponsoring organization relating to arbitration.
3. The undersigned parties agree that in the event a hearing is necessary, such hearing shall be held at a time and place as may be designated by the Director of Arbitration or the arbitrator(s). The undersigned parties further agree and understand that the arbitration will be conducted in accordance with the Constitution, By-Laws, Rules, Regulations, and/or Code of Arbitration Procedure of the sponsoring organization.
4. The undersigned parties further agree to abide by and perform any award(s) rendered pursuant to this Submission Agreement and further agree that a judgment and any interest due thereon, may be entered upon such award(s) and, for these purposes, the undersigned parties hereby voluntarily consent to submit to the jurisdiction of any court of competent jurisdiction which may properly enter such judgment.
5. The parties hereto have signed and acknowledged the foregoing Submission Agreement.

SPENCER C. YOUNG III
Claimant Name (please print)

[Signature]
Claimant's Signature

July 1, 2003

Date

Claimant Name (please print)

Claimant's Signature

Date

If needed, copy this page.

**NASD Arbitration
UNIFORM SUBMISSION AGREEMENT**

Respondent(s)

In the Matter of the Arbitration Between

Name(s) of Claimant(s)

and

Name(s) of Respondent(s)

1. The undersigned parties hereby submit the present matter in controversy, as set forth in the attached statement of claim, answers, and all related counterclaims and/or third-party claims which may be asserted, to arbitration in accordance with the Constitution, By-Laws, Rules, Regulations, and/or Code of Arbitration Procedure of the sponsoring organization.
2. The undersigned parties hereby state that they have read the procedures and rules of the sponsoring organization relating to arbitration.
3. The undersigned parties agree that in the event a hearing is necessary, such hearing shall be held at a time and place as may be designated by the Director of Arbitration or the arbitrator(s). The undersigned parties further agree and understand that the arbitration will be conducted in accordance with the Constitution, By-Laws, Rules, Regulations, and/or Code of Arbitration Procedure of the sponsoring organization.
4. The undersigned parties further agree to abide by and perform any award(s) rendered pursuant to this Submission Agreement and further agree that a judgment and any interest due thereon, may be entered upon such award(s) and, for these purposes, the undersigned parties hereby voluntarily consent to submit to the jurisdiction of any court of competent jurisdiction which may properly enter such judgment.
5. The parties hereto have signed and acknowledged the foregoing Submission Agreement.

Respondent Name (please print)

Respondent's Signature

Date

Respondent Name (please print)

Respondent's Signature

Date

If needed, copy this page.
