

Preface

There are two types of categories of cowards that exist. The first type are those people who know about a scheme being concocted by people for self-serving reasons to disadvantage others and derive their own benefits from the actions. The second type would be those people who come to know this knowledge after the fact, and decide to avoid the difficulty of facing off against the perpetrators. They run and attempt to hide and take no measures to address the wrongs they are now in possession of. You might suggest that they are virtually co-conspirators after the fact.

I am ashamed of my former firm Morgan Stanley for representing to me, my former colleagues and their clients a security known as the Kemper Lumbermen's Surplus Notes as a bond instrument, highly rated for investment grade fixed income clients, when, in fact, it was not a bond but a surplus note a totally alternate security. There, to the best of my investigation, was no purposeful wrong doing by any of my financial advisor colleagues, but the culpability falls on upper management, the fixed income department and the legal department. They misrepresented intentionally and deliberately the information you were given, and again, you did nothing wrong, and, as every broker knows, the remedy for this violation is rescission.

As a former compliance co-manager of 7 EF Hutton offices in Florida and an NASD/FINRA industry arbitrator, I was the financial advisor at Morgan Stanley who would either do my best to evaluate and investigate what happened in the Surplus Note solicitation that was traded down to pennies by our firm while as late as November 2002, the bond department was encouraging the advisors not to sell the

security priced at that time at 50 cents on the dollar, totally in a junk category.

With Morgan Stanley stonewalling my efforts, I used my relationship with the NASD to cause an examination to be conducted through the NASD New Orleans office. But unbelievably their conclusions were to call it a bond pricing problem not the sale of a misrepresented security which led to my finding another amazing cloaked violation. Morgan Stanley had violated the United States Blue Sky laws for eight years between 1997-2005 and though employees in the compliance department were aware, Morgan Stanley nor any of those employees took any action to remedy the situation.

I informed every division of securities of every state of the matter. Little did I know that they collectively had signed an order with Morgan Stanley in late 2008 for \$8,500,000 outlining the infractions described above with rescission being the stated penalty for the violations. This order was never noticed to the financial advisors. There were no office meetings to inform nor did it make it to the Division of Securities of the State of Florida press room. Consequently, the financial advisors and their clients remained in the dark.

I feel it now necessary to inform my former colleagues as to the intentional and deliberate behavior of both Morgan Stanley and the regulators. We rightfully have always had an expectation as to the protection of ourselves and our clients under the regulatory umbrella.

I don't have a clear understanding of the regulator's motives, nor why the WSJ would not follow up on the original article they wrote about me on May 24, 2008 which elicited my need to stay in and fight on for the past decade.

I am sorry to the brokers for their loss of clients and their reputations for the surplus notes' debacle. I know the firm solicited us actively to sell this to our very best clients which would include family members.

This has been a 15-year pursuit in attempting to recover monies through rescission for the investors across the United States along with what appears to be approximately 30,000 additional transactions of unregistered securities for which there is no indication of oversight from the states nor the SEC.

There is much more depth to the story than this brief synopsis, but now you know that you collectively did not sell a bond but were duped into selling a surplus note virtually worthless when we were originally preyed upon. I wanted you to know that I tried the best I could for 15 years. Now let me tell you how this ensued and why there is a remaining opportunity to try to reverse this travesty.