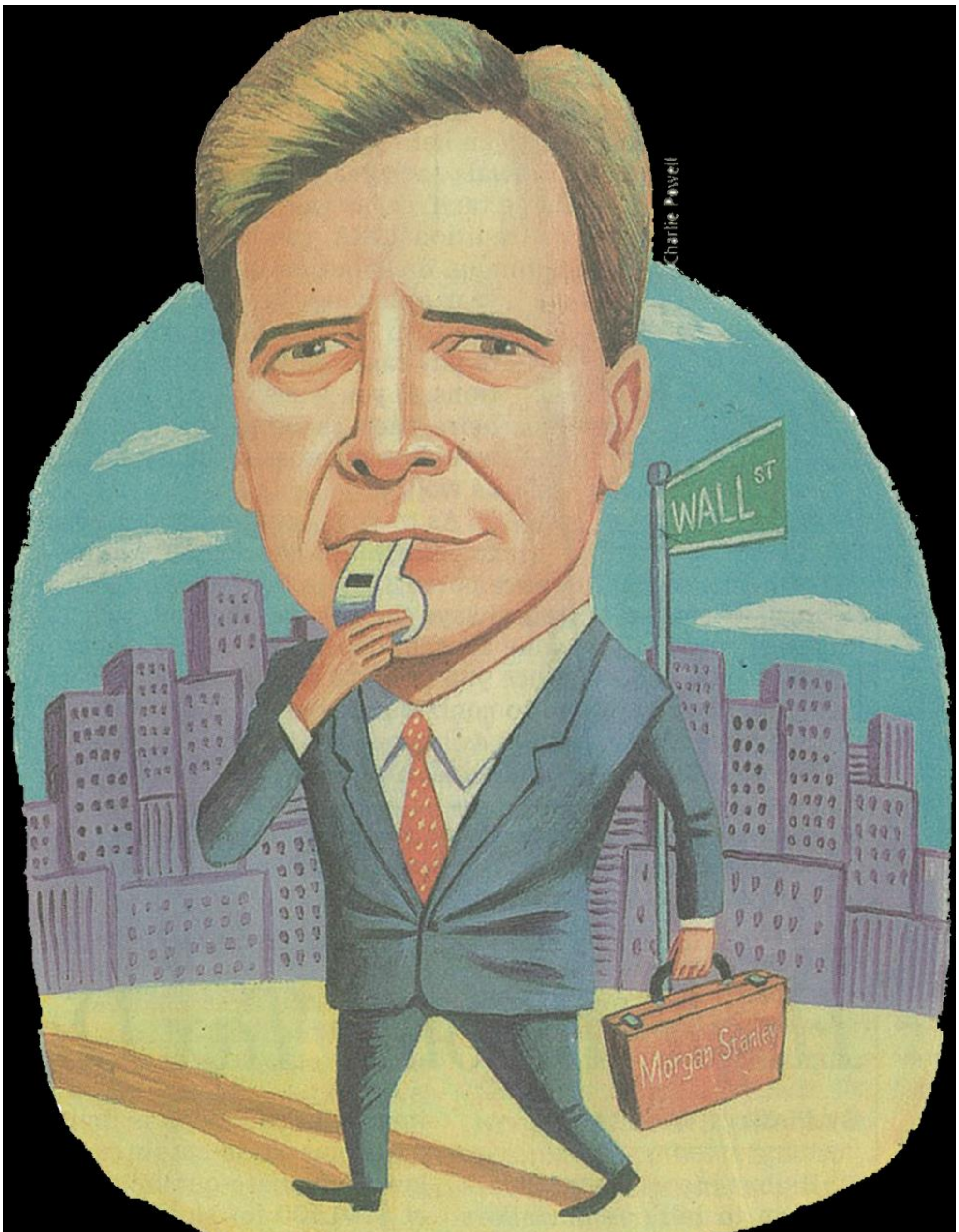
de Windt vs. Morgan Stanley

A battle to fight fraud, Blue Sky violations and rescind funds back to unsuspecting investors



REFERENCE

TIMELINE OF EVENTS

January 2001	Morgan Stanley began representing the Kemper Lumbermen Surplus Notes (KLSN) as bonds to brokers and clients. Morgan Stanley manufactured and created the retail market for the KLSN sale and was likely the only firm participating in the pricing through the collapse of the notes in 2003.
January 2003	Morgan Stanley Stuart, FL employee Mike Blankenship was dismissed after notifying the firm's legal department that the KLSN were not a suitable investment for his clients. Morgan Stanley broker Dana de Windt inherits some of Blankenship's clientele and a suit was filed on behalf of six customers, including de Windt's father.
Nov 2004	Mr. de Windt initiated a call to the Division of Enforcement of the United States Securities and Exchange Division special counsel Donna Norman. To his knowledge, the SEC never engaged in a review of the matter at that time.
February 2005	During mediation with Morgan Stanley, five of the six plaintiffs settle for 50% of the cost of the surplus notes. Mr. de Windt does not settle, meets with the FL compliance division of the NASD and through their New Orleans office, a further examination of the KLSN issues was agreed upon.
August 2007	The newly formed FINRA releases its findings of the KLSN sales by Morgan Stanley and orders a $6.1 million fine for pricing violations.
January 2008	Mr. de Windt informs the Florida Division of Securities office in Tallahassee that investors are entitled to rescission payments for the violations noted in the FINRA order.
April 2008	Frustrated with Morgan Stanley's practices and stonewalling, de Windt leaves the firm. Four weeks later WSJ whistleblower story appears.
May 2008	Two days after the WSJ article runs, de Windt receives a call from a former Ohio-based Morgan Stanley broker that his clients had received *unsolicited* rescission stemming from sale of KLSN in January of 2007.
July 2008	Mr. de Windt receives confirmation that Florida's Division of Securities office will look into rescission payments for Morgan Stanley customers who unknowingly purchased KLSN believing they were bonds.

Sept 2008	Florida's Division of Securities office notified de Windt that 738 Morgan Stanley investors were eligible to receive rescission payments for pricing violations under Florida statute 517.061 (17). The statute stems from pricing violations only, not the soon-to-be discovered Blue Sky Law violations which also occurred.
Nov 2008	Mr. de Windt learns the rescission offers were not going to be sent certified mail nor were Florida regulators going to send out a notice to investors. Mr. de Windt objects formally with the general counsel of NASAA.
October 2008	Morgan Stanley mails Florida investors rescission notices with a 30 day notice for restitution. No follow up is made to clients. Of 738 investors in Florida, only a purported 414 received, understood and took the rescission offer which totaled $8.4 million.
January 2009	Mr. de Windt objects and travels to the District of Columbia to meet with the NASAA general counsel and uncovers that the NASAA and Morgan Stanley reached a settlement for $8.5 million with additional states (including FL) never previously mentioned. The settlement was never made public by the NASAA, Morgan Stanley, nor by the states where the violations occurred, thus not allowing any notice to investors who were defrauded by the sale of KLSN and other securities. The document uncovers the fact that Morgan Stanley's compliance department was aware of compliance infractions for eight years, from 1997-2005, and chose not to address the issues. Furthermore, all government regulatory agencies were aware of the firm's Blue Sky infractions since mid 2005.
Feb-May 2009	Mr. de Windt met with SEC branch chief Michael S. Fuchs and senior counsel Natasha Vij Greiner to request involvement of the Commission to negotiate a resolution with the NASAA. A written response claimed it was outside the SEC staff's authority.
Jan 2010-2014	Mr. de Windt continues work to ensure Morgan Stanley investors receive their due rescission payments. In his quest to right the wrongdoing, he has met with multiple government agencies including the FBI, SEC, NASAA and FINRA to make Morgan Stanley investors whole and to ensure stricter compliance measures. In October 2013, de Windt requested that enforcement from the US Attorney's Office in the SDNY discharge their responsibility to make the events legally right.

Key Definitions

Bonds

In finance, a bond is an instrument of indebtedness of the bond issuer to the holders. It is a debt security, under which the issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay them interest (the coupon) and/or to repay the principal at a later date, termed the maturity date. Interest is usually payable at fixed intervals (semiannual, annual, sometimes monthly). Very often the bond is negotiable, i.e. the ownership of the instrument can be transferred in the secondary market. This means that once the transfer agents at the bank medallion stamp the bond, it is highly liquid on the second market.

Bonds and stocks are both securities, but the major difference between the two is that (capital) stockholders have an equity stake in the company (i.e. they are investors), whereas bondholders have a creditor stake in the company (i.e. they are lenders). *Being a creditor, bondholders have absolute priority and will be repaid before stockholders (who are owners) in the event of bankruptcy.*

Surplus Notes

In the United States a contingent surplus note is a bond-like instrument issued by an insurance company. These securities are subordinated obligations, and fall at the very bottom of the operating insurance company's capital structure. They are issued primarily by mutual insurance companies, which are not public and owned instead by their policy holders. Surplus notes are debt-like in that they pay a coupon and have a finite maturity. However, in many cases, state insurance regulators have allowed insurance companies to classify the *capital raised via surplus notes as "surplus" (which is the statutory equivalent of equity), because surplus note holders are last in line to make a claim on the company's assets in a default scenario*, much like where equity holders reside in a public company. The motivation for mutual companies to issue these instruments was to raise surplus (or equity) in response to new risk-based capital guidelines developed in the early 1990s.

NASAA

Organized in 1919, the North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of 67 state, provincial, and territorial securities administrators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico. NASAA works with regulatory counterparts to collectively protect investors. NASAA members also provide insight from their unique perspective to the SEC and SROs as they move forward in their rulemaking process.

FINRA/NASD

Financial Industry Regulatory Authority dedicated to investor protection and market integrity through effective and efficient regulation of the securities industry. FINRA is not part of the government but is an independent, not-for-profit organization authorized by Congress to protect America's investors by making sure the securities industry operates fairly and honestly. Independent regulation plays a critical role in America's financial system—by enforcing high ethical standards, bringing the necessary resources and expertise to regulation and enhancing investor safeguards and market integrity—all at no cost to taxpayers.

The National Association of Securities Dealers was a self-regulatory organization of the securities industry responsible for the operation and regulation of the Nasdaq stock market and over-the-counter markets.

Rescission

Rescission has been defined as the unmaking of a contract between parties. Rescission is the unwinding of a transaction. This is done to bring the parties, as far as possible, back to the position in which they were before they entered into a contract

Blue Sky Laws

A Blue Sky law is a state law in the United States that regulates the offering and sale of securities to protect the public from fraud. Though the specific provisions of these laws vary among states, they all require the registration of all securities offerings and sales, as well as of stockbrokers and brokerage firms. Each state's Blue Sky law is administered by its appropriate regulatory agency and most also provide private causes of action for private investors who have been injured by securities fraud.

The first Blue Sky law was enacted in Kansas in 1911 at the urging of its banking commissioner, Joseph Norman Dolley, and served as a model for similar statutes in other states. Between 1911 and 1933, 47 states adopted blue-sky statutes (Nevada was the lone holdout). Today, the Blue Sky laws of 40 of the 50 states are patterned after the Uniform Securities Act of 1956.

Blue Sky laws have antifraud provisions that create liability for any fraudulent statements or failure to disclose information as required. The specific kinds of statements and acts that can form the basis of a fraud claim will depend on a state's statutes and case law. The right of action available and remedies available to investors bringing private suits also differs from state to state, but may include rescission of the transactions, forcing the seller to give up profits, or other measures of damages.

Given the size of many companies and brokerage firms and the fact that most wish to sell securities in multiple states, the Blue Sky laws make transactions more difficult because companies must comply with the law of each state where they sell or offer securities.

Blue Sky Laws (con't)

In reaction, Congress has passed legislation over time that pre-empts Blue Sky laws where laws duplicate federal law. States now have limited power to register and review securities.

The 1996 National Securities Markets Improvement Act of 1996 (NSMIA), amended Section15(h) of the Securities Exchange Act of 1934. Now, federal law controls in certain aspects of the regulation of broker-dealers, such as record-keeping, financial standards, and operating requirements. In addition, the NSMIA amended the Securities Act of 1933 so that certain types of securities are no longer subject to state registration laws. However, offers and sales must still be registered, market participants must still register per a state's blue skies laws, and state fraud laws are still available as causes of action for individual investors.

Kemper Lumbermens

Kemper Corporation was founded by James S. Kemper in 1912 to cover the Midwest's sawmills and their workers. A powerhouse in the insurance industry, the IL-based company faced financial hurdles in the early 2000s and downgrades related to the company's performance began. In January 2003, financial global rating agency, Fitch, announced that it had lowered Kemper's ratings on the three underwriters to 'B+' from 'BBB' and its Lumbermens Mutual and Casualty Company from 'BB' to 'CCC.' Industry experts observed that at those levels the group's securities "are mostly below investment grade, and this affects their interest rate and the discount price."

HOW THE FRAUD OCCURRED

Three Indisputable Facts about Morgan Stanley

1. Morgan Stanley violated Blue Sky Laws in all states from 1997-2005
2. Morgan Stanley made investor settlements in TN without a request from customers for the rescission
3. Only after years of prodding did Morgan Stanley agree to pay rescission for its fraudulent practices in Florida, but when it did so, it buried the truth from customers and made it difficult for investors and their brokers to understand what occurred

Background

A security, Kemper Lumbermen's Surplus Notes, was represented to Morgan Stanley brokerage financial advisors in early 2001 as an investment grade bond when, in fact, according to a prospectus never shared with brokers or their clients, the surplus notes were actually "unsecured and subordinated to all present and future indebtedness" and were "not part of the legal liabilities of Lumbermens." Morgan Stanley brokers were purposefully led into selling and misrepresenting a security, and the proper remedy according law is rescission. A surplus note security may not be passed off as an investment grade bond. The surplus note is an entirely different security, with lesser safeguards—and when the sales occurred, the financial health of the holder, Kemper Lumbermens, was already spiraling downward.

According to former Morgan Stanley broker Dana de Windt, within the Morgan Stanley compliance manual there is a straightforward demand from its founding father:

> *"Every employee of the firm is responsible for preserving and protecting Morgan Stanley's reputation for integrity and excellence. You are expected to do more than simply follow the applicable rules - you are required to escalate promptly potential legal, regulatory and ethical misconduct."*

Dana de Windt followed the requirements of the firm, and it led to a discovery of multiple violations including the firm's decision never to tell its brokers about the KLSN material event. The brokers were expressly mislead and did not know that the security was a surplus note. In fact, both the brokerage statements and the confirmations of the trades did not include the proper description of the security. The culprits were top Morgan Stanley management, the company's bond and legal departments, and surprisingly, the firm's regulators.

For more than a decade, Dana de Windt has been trying to bring these fraudulent actions to light and to gain restitution in the form of a rescission payment to duped clientele. "It has been a long and difficult fight to protect thousands of investors' rights of recovery," says de Windt, "now it is time to correct this very egregious and unlawful behavior allowed by Morgan Stanley."

Tip of the Iceberg
Blue Sky violations can be traced back to the February 1997 merger between Morgan Stanley and Dean Witter**.** In May of 2005, Morgan Stanley released findings that demonstrated at least an eight year violation of the Blue Sky laws, of which KLSN fell into that category. The findings cite, "Although some of Morgan Stanley's employees in its compliance department were aware that Morgan Stanley Dean Witter did not have an adequate fixed income Blue Sky registration verification system, neither Morgan Stanley, nor any of its employees took any action to rectify the situation**."**

Uncovering the Truth
An early move made by de Windt in March 2005 translated into the FINRA order to fine Morgan Stanley $6.1 million for violations. FINRA, which was the NASD at the time of the examination, knew that Morgan Stanley violated the Blue Sky laws as is indicated in the settlement orders signed later in 2008. *(The 24 page final order from Florida's Office of Financial Regulation can be furnished upon request.)* Violating state Blue Sky registration laws should have allowed FINRA to compel immediate rescission from Morgan Stanley to its customers that time. This did not occur.

Interestingly, FINRA never mentioned the Blue Sky registration violations in the August 2, 2007 order or publicly anywhere. Mr. de Windt asks, why?

Mr. de Windt discovered the Blue Sky law violation documents in early 2009 after meeting on his own accord with the general counsel of the NASAA in Washington, DC. The information did not come from the regulatory counsel during the face-to-face meeting, only afterwards, when curiosity piqued de Windt and he located the document on the internet. The research uncovered a settlement for $8.5 million of which 100% accrued to the benefit of the states under the banner of the NASAA. *Incredibly, investors did not receive any restitution from this settlement and were, in fact, unaware of its existence*. Implausibly, when de Windt challenged NASAA counsel Rex Staples about this discovery he was met with a defensive retort, "You're charging me with malfeasance?"

Morgan Stanley did provide partial rescission, but their documents clearly stated that there was only a "14% take up rate" on the "main offering." There is no clear evidence that Morgan Stanley had any oversight in complying with this rescission action: not from the states where the sales took place, nor from FINRA, or as it turns out, the SEC. The rescission payouts in Florida pushed through by the concerted efforts of de Windt were used by Morgan Stanley to suggest that the firm was in compliance, but evidence shows the opposite.

Leaving Morgan Stanley & Subsequent Media Attention
After years of pursuing Morgan Stanley and regulators to find a fair resolution to the serious infractions Morgan Stanley imposed on its own brokers and clients, de Windt became frustrated with the firm's lack of adherence to law and integrity to its customers and decided to leave the firm in April of 2008.

His cause gained some traction in the media with a *Wall Street Journal* profile in May 2008 and then again in June from the blogger Blue Jean Millionaire
http://www.bluejeansmillionaire.com/2008/06/10/morgan-stanley-whistleblower/

As a direct result of the media coverage, de Windt received a call from a former Morgan Stanley broker in Ohio who informed him that clients in Tennessee were offered complete rescission in January 2007 for the purchase of KLSN. Those payments included a 10% interest penalty (per Blue Sky Law) and dated back to the purchase date of 2001.

From this call, de Windt learned:

- Morgan Stanley made full rescission payments in Tennessee without provocation from clients
- These rescission payments were made nine months before FINRA's consent order to make similar payments in Florida and elsewhere
- Morgan Stanley completed the Tennessee rescission payments without letting the security division of Tennessee know of the matter

Since he left Morgan Stanley, de Windt (at his own cost) has personally met with the FBI, SEC, FINRA and the NASAA to try and make his former employer accountable.

Mr. de Windt's Motivation and Background—In His Own Words

As a former compliance manager for EF Hutton overseeing seven offices and an industry arbitrator under NASD/FINRA for over a decade, I felt compelled by nature to resolve the issues that were so flagrantly in error. My background in compliance allowed me to pursue the corrections while remaining a broker for the firm for five years.

The $8.4 million settlement I pushed for, however, did not in my opinion rectify the situation. Florida Division of Securities, at the time claimed that the payout was an "informal settlement" as a result of a pricing issue with the notes. However, Florida's Division of Securities reported in a June 30, 2009 financial report that "Morgan Stanley paid a voluntary $8.4 million in restitution to in-state investors for the sale of the unregistered securities of Kemper Lumbermens Surplus Notes."

When I thought about the outrageous treatment of colleagues and clients, I could not let the subject drop, even though I had no financial stake in the matter. Further research proved to me that Morgan Stanley may have violated Blue Sky laws by misrepresenting securities sold in 30,000+ transactions. When further looking into Blue Sky violation payments, I found that an additional interest rate penalty associated with the infraction should also be included in the payment. I have a redacted 5,000+ investor transaction list from Florida, and I do not believe that the State of Florida, after personally challenging them for over a year, provided one ounce of oversight even though they received more than $1.2 million for their share in signing the settlement between the NASAA and Morgan Stanley, which occurred on September 24, 2008.

Morgan Stanley erroneously presumes that I am no longer involved after being an expert witness in December of 2012 in arbitration and earning the plaintiff a $40,000 recovery on these same surplus notes. I initiated the arbitration with the assistance of attorney Rose Schindler and prevailed.

I have too much respect for those brokers who had their reputations battered due to the fraudulent practices of Morgan Stanley *(and the inactions of the regulatory agencies*) to go quietly away. From that arbitration, I understood clearly that Morgan Stanley continues to have no defenses, especially along the lines of statute of limitations. Fraudulent concealment of material information related to this material event is clearly evident. My goal simply is to reach a final and proper solution for Morgan Stanley clients.

I honestly thought, as I once had a high regard for our industry, that regulation was a fair playing field and would solve this with all evidence provided, but I was mistaken. Without resolution from regulators (FINRA, NASAA and SEC), I have since contacted law enforcement including the FBI, the FFETF and the Southern District of New York's United States Attorney's Office. Last October, I submitted to the Crime Reports Unit a full summary of the matter and, at this time, they have not responded.

I have often asked myself if I am misguided or being irrational to pursue this for more than 11 years. Of course, if at any time Morgan Stanley or the regulatory agencies held themselves accountable, I believe my pursuit would not have been this relentless. Quite frankly, I have been dumbfounded by the roadblocks thrown up to prevent the right thing being done. Knowing that investors are so completely uninformed about the fraudulent transgressions taking place in this matter is also a driving force.

In Conclusion

Mr. de Windt has dedicated hundreds of hours to uncovering the fraudulent practices within Morgan Stanley related to the sale of Kemper Lubermens Surplus Notes as bonds; he suspects that he is not alone in noticing the financial industry's lack of oversight and others should come forward. US Attorney General Eric Holder held a press conference September 18, 2014 to discuss how to improve broker/employee participation to rein in fraud.

Mr. de Windt believes there is a systemic problem within investor protection owed to both investors and brokers. Both parties should be outraged by the practices of financial institutions and demand law enforcement to mandate financial regulators (FINRA, NASAA and the SEC) be held accountable for fraudulent practices.

The perceived non-transparent relationship between financial institutions and regulators needs to be re-examined. Blue Sky violations demand rescission and investors are due.

For more information on the subject of investor fraud, review the following links.

NPR, September 18, 2014
http://www.npr.org/player/v2/mediaPlayer.html?action=1&t=1&islist=false&id=349464137&m=349464138

Launched by the SEC, industry insiders can tip off regulators to wrongdoing by visiting
http://www.sec.gov/whistleblower.

Forbes 2013 Article on Whistleblowers
http://www.forbes.com/sites/brettjoshpe/2013/08/14/making-whistleblowers-decision-easier/

To report commodities, investment and securities fraud
http://www.stopfraud.gov/report.html#investment

July, 28, 2014 Article: Before You Blow the Whistle, Read This
http://www.lawyersandsettlements.com/articles/whistleblower/interview-whistleblower-lawyer-rights-2-19978.html#.VA4AwY10zIU

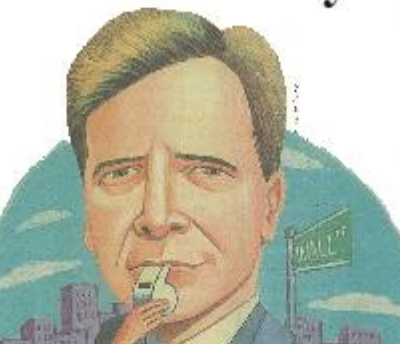
Whistleblower Organization
http://www.whistleblower.org/

THE WALL STREET JOURNAL.

A Morgan Stanley Crusader

Bond-Pricing Issues Prompt One Broker's Inside Investigation

By RANDALL SMITH
May 24, 2008
Stuart, Fla



Broker Dana de Windt blew the whistle.

Last August, Wall Street firm Morgan Stanley MS -0.21% and one of its senior traders agreed to pay $6.1 million in fines and restitution to settle allegations that the investment bank overcharged brokerage customers on 2,800 purchases of $59 million of bonds.

Regulators investigating the case had a crucial inside source: Dana de Windt, a broker at the aquamarine, glass Morgan Stanley branch nestled among back-pain and varicose-vein-removal clinics in this small city on Florida's east coast.

For four years, the 60-year-old Mr. de Windt has been fighting a lonely war against his own firm. Saying he was convinced that Morgan Stanley cheated clients, Mr. de Windt complained to regulators, helped recruit customers to file damage claims and repeatedly tried to confront his bosses with questions tucked inside a thick, three-ring binder.

"These firms are such big bullies that they feel if they stonewall, you're eventually going to go away," he says. Morgan Stanley declined to comment on Mr. de Windt's version of events.

What makes Mr. de Windt an unusual adversary is that he fought so openly and aggressively against Morgan Stanley even while continuing to work there. His production plunged, and he says his boss in the Stuart office told him to get over it.

Yet the firm tolerated Mr. de Windt's rebellion. A Morgan Stanley spokesman says officials were aware of the broker's contacts with regulators but didn't retaliate. Senior Morgan Stanley executives also responded to his concerns, the spokesman adds.

"It definitely took a toll," says Mr. de Windt's son, Cullen, a tennis pro at a Palm City, Fla., country club. "It's tough to do business and really be fired up when you are fighting the big boys to make sure no one gets taken."

Part of Mr. de Windt's fury was personal. He joined Morgan Stanley in 1992 after working at E.F Hutton & Co. and Prudential Securities. In 2001, Morgan Stanley sold customers in Florida and elsewhere $59 million in bonds issued by Lumbermens Mutual Casualty Co., a property and casualty unit of Kemper Insurance Cos.

But the bonds lost their investment-grade rating in 2002 because of deterioration in the insurer's finances. The bonds eventually plunged 90% or more in value. And Mr. de Windt discovered that his 87-year-old father owned $65,000 of the battered securities.

Other brokers at Morgan Stanley also started raising questions. Michael Blankenship, another broker in the Stuart office, had bought about $700,000 of the bonds for seven or eight clients. Then he noticed that the bonds reflected a market value about 20% lower than the purchase price once they were put in client accounts.

Mr. Blankenship was told the prices were in error, according to documents filed in an arbitration case.

In a 2003 meeting about the bonds, according to people familiar with the meeting, Mr. Blankenship tangled with a Morgan Stanley lawyer over the phone. Asked by the lawyer what Mr. Blankenship normally did when an investment fell in price, the broker heatedly replied that there was "nothing normal" about the Kemper bonds, which had quickly "turned to dust," the same people said.

Morgan Stanley fired Mr. Blankenship ten days later, saying he had improperly covered a customer's losses after a trading mix-up. Mr. Blankenship later argued he was fired in retaliation for his complaints about the bond losses.

Mr. de Windt, the top producer in his branch in 2003, inherited some of Mr. Blankenship's clients. They included retired electrician Richard Mittnacht Jr., who wrote a letter to Mr. de Windt complaining that he had been "intentionally misled" by the Morgan Stanley bond desk into believing the bonds were a "safe haven."

Over the next year, Mr. de Windt pushed for answers from top Morgan Stanley executives. He buttonholed Bruce Alonso, a former senior brokerage executive, at a meeting for top producers at a Scottsdale, Ariz., resort; Mr. Alonso had an aide reply. Morgan Stanley declined to comment and Mr. Alonso couldn't be reached. And after an in-house lawyer said Morgan Stanley intended to fight customer complaints about the bonds, since the firm had deemed them "suitable," Mr. de Windt showed up at her office in New York, he says. She wasn't there.

In 2004, Mr. Mittnacht filed an arbitration claim to recover his losses on the Kemper bonds. Mr. de Windt acknowledges encouraging other brokerage customers to join the arbitration. Five of the six customers reached a settlement in 2005 that gave them back 50% of their losses. In a separate claim, one couple got 94% of their original investment.

Mr. de Windt wasn't satisfied. He went to the National Association of Securities Dealers with his complaints. After a response he considered encouraging, he had bright-yellow golf tees printed with the words: "nasd examination."

In 2006, Mr. de Windt testified in Mr. Blankenship's wrongful-termination arbitration against Morgan Stanley, saying he believed Mr. Blankenship had been fired because of the broker's blast at the firm lawyer. During the proceeding, a Morgan Stanley lawyer confronted Mr. de Windt about recruiting investors who complained about the bonds' losses. Mr. Blankenship lost the case, but Morgan Stanley's effort to recover money from him also was thrown out.

Mr. de Windt eventually became worried that the NASD was dragging its feet. At a conference in New York last year, the broker says he pressed a senior NASD official for 10 minutes, before being edged aside by someone else. A spokeswoman for the agency, Nancy Condon, said the complex case involved analysis of thousands of transactions and was being handled by an NASD office in New Orleans when Hurricane Katrina hit.

Last August's complaint by the Financial Regulatory Authority, which includes the NASD's enforcement arm, asserted that Morgan Stanley charged excessive markups and had an inadequate supervisory system for monitoring the pricing of bonds sold to customers.

Morgan Stanley notes that it neither admitted nor denied wrongdoing in settling the charges, adding that regulators didn't accuse the firm of improper sales practices.

Mr. de Windt says he still believes the markups helped Morgan Stanley deceive customers about the risk of the bonds, since their yields were below the 10% level that can be a red flag for many investors. "If they had priced them legally, it would have shown they were junk," he says.

So he is still fighting. Mr. de Windt has filed a new arbitration claim on behalf of his father and is seeking internal emails about the 2001 bond sale. Last month, though, he retired from Morgan Stanley, saying he couldn't in good conscience urge customers to make new investments through the firm.