IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

Daisy Jaffe, Denise Williams, and Margaret Benay Curtis-Bauer, on behalf of themselves and all others similarly situated,	)	
	)	Case No. C-06-3903 (TEH)
Plaintiffs,	)	
v.	)	CLASS ACTION
Morgan Stanley & Co. Incorporated, formerly known as Morgan Stanley DW Inc.,	)	
Defendant.	)	

SETTLEMENT AGREEMENT

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I. INTRODUCTION

Subject to approval by the United States District Court for the Northern District of California (the "Court"), this Settlement Agreement ("Settlement Agreement," "Settlement" or "Agreement") sets forth the full and final terms by which Margaret Benay Curtis-Bauer (the "Named Plaintiff"), on behalf of herself and members of the Class defined herein, and Defendant Morgan Stanley & Co. Incorporated, formerly known as Morgan Stanley DW Inc. ("Morgan Stanley," "Defendant," "Firm," or "Company")[1] have settled and resolved all claims that have been raised in the Second Amended Complaint filed by the Named Plaintiff on August 1, 2007. This Action and Settlement applies to African American and Latino Financial Advisors and Registered Financial Advisor Trainees in the Global Wealth Management Group of Morgan Stanley ("MS-GWMG") and its predecessor(s).

II. NATURE AND RESOLUTION OF THE CASE

A. After filing an administrative complaint with the United States Equal Employment Opportunity Commission ("EEOC"), Daisy Jaffe filed a Complaint with the Court, on June 22, 2006, on behalf of herself as an individual and on behalf of a nationwide class of women employees against Morgan Stanley, pursuant to Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. § 2000(e), et seq., ("Title VII"), and for a California Class under California state law prohibiting sex discrimination. In addition to

[1] Following the filing of the Complaint in June 2006, Morgan Stanley DW Inc. merged into Morgan Stanley & Co. Incorporated. The Named Plaintiff and the Class Members all work or worked as Financial Advisors or Registered Financial Advisor Trainees in what is now referred to as the Global Wealth Management Group.

these class claims, Ms. Jaffe asserted an individual, non-class age discrimination claim.

B. On October 12, 2006, Ms. Jaffe and Denise Williams filed an Amended Complaint against Morgan Stanley adding additional allegations that the Company had discriminated against Ms. Williams on the basis of her race in violation of Title VII, 42 U.S.C. § 1981 and Michigan state law with regard to several aspects of her employment. Ms. Williams also filed an administrative complaint with the EEOC in October of 2006. On December 5, 2006 Ms. Williams received a Notice of Right to Sue from the EEOC.

C. On August 2, 2007, Ms. Jaffe, Ms. Williams and Margaret Benay Curtis-Bauer filed a Second Amended Complaint in this action, in which Ms. Williams and Ms. Curtis-Bauer collectively alleged, among other things, on behalf of themselves and members of the Class defined herein, that African Americans and Latinos who are or were employed with MS-GWMG as Financial Advisors or Registered Financial Advisor Trainees have been and are afforded fewer business opportunities than comparable white Financial Advisors and Registered Financial Advisor Trainees, and that they experienced race and color discrimination in numerous aspects of their employment. The Named Plaintiff has further alleged, on behalf of herself and members of the Class defined herein, that aspects of her employment in which she has experienced race and color discrimination include, but are not limited to, career advancement, distribution of accounts, work assignments, compensation, and/or other terms and conditions of employment and/or termination.

The class-wide gender discrimination claims of Jaffe and Williams will be addressed in connection with the recently announced settlement of the nationwide *Augst-*

Johnson gender class action in the District of Columbia. Thus, Jaffe and Williams will no longer pursue their gender discrimination claims or seek certification of a class of female Morgan Stanley FAs in this matter.

D. Morgan Stanley denies the allegations in the administrative charges, the Complaint, the Amended Complaint and the Second Amended Complaint, and in connection therewith denies any liability under Title VII of the Civil Rights Act of 1964, 42 U.S.C. §1981 as amended, or any other federal, state or local laws, and specifically denies that Morgan Stanley unlawfully discriminated against Plaintiff or Class Members on the basis of race or color, or that Plaintiff or Class Members are otherwise entitled to the relief requested.

E. This Settlement was reached under the supervision of experienced mediator Hunter Hughes, Esq. Counsel for the parties are experienced class action lawyers who retained Mr. Hughes for his expertise in mediating many complex class actions, including those involving race discrimination in employment. Mr. Hughes also has familiarity with Morgan Stanley's practices through his work as mediator in the *Augst-Johnson* action, a related gender discrimination class action against Morgan Stanley. Mr. Hughes conducted multiple mediation sessions between the parties here, both in San Francisco and New York. At all times during this process, counsel bargained vigorously and at arms' length on behalf of their clients.

F. In order to facilitate settlement discussions, the parties executed tolling agreements and stipulated to court ordered stays of the action for the time period through August 2, 2007, at which point the Second Amended Complaint in this Action was filed.

G. The parties to this Agreement have conducted a thorough examination and investigation of the facts and law relating to the subject matters set forth in the Second Amended Complaint and the claims set forth therein. In order to evaluate Settlement positions, Class Counsel requested and Morgan Stanley provided substantial documents (including vast amounts of data) from which Class Counsel conducted expert data analyses. This information, along with witness interviews and information regarding Morgan Stanley's policies and practices, informed counsel regarding the strengths and weaknesses of their respective positions and provided them a full opportunity to assess the litigation risks presented in this case.

H. Class Counsel and counsel for Morgan Stanley recognize the costs and risks of prosecuting this litigation through class certification, summary judgment, trial, and appeal. Class Counsel believe that it is in the interest of all members of the Settlement Class to resolve finally and completely the potential claims of the Class Members against Morgan Stanley. Class Counsel believe that the terms of the Settlement Agreement are in the best interests of the Class and are fair, reasonable, and adequate. Morgan Stanley wishes to bring the litigation to a conclusion on the terms set forth in this Settlement Agreement.

I. Without any admission or concession by Morgan Stanley of any liability or wrongdoing with respect to the allegations in any administrative charge or in the Complaint, the Amended Complaint and the Second Amended Complaint, all released claims shall be finally and fully compromised, settled, and released subject to the terms and conditions of this Settlement Agreement, which were the subject of negotiation and

agreement by the parties.

III. GENERAL TERMS OF THE SETTLEMENT AGREEMENT

A. Definitions. In addition to terms identified and defined elsewhere in this Settlement Agreement, and as used in this Settlement Agreement, the terms below shall have the following meanings:

1. "Action" means the lawsuit described above and the allegations contained in the Second Amended Complaint filed on August 1, 2007.

2. "Amended Complaint" means the First Amended Complaint filed in this Action on October 12, 2006.

3. "*Augst-Johnson* Action" or "*Augst-Johnson* matter" means *Joanne Augst-Johnson, et. al. v. Morgan Stanley & Co. Incorporated*, Case No. 1:06-CU-01142 (RWR) (D.D.C.).

4. "Claims Administrator" means Settlement Services, Inc. ("SSI") which has been jointly designated by counsel for the parties to administer the Settlement Fund pursuant to Section VIII below and orders of the Court.

5. "Claim Form" means the form agreed to by the parties and attached to the Notice. The Claim Form must be submitted by eligible Class Members to the Claims Administrator as part of the claims process.

6. "Claimant" means a Class Member who has submitted a timely Claim Form.

7. "Class Counsel" means the law firms of Lieff Cabraser Heimann & Bernstein, LLP, Altshuler Berzon, LLP, and Outten & Golden, LLP.

8. "Class Member" means any person who meets the criteria set forth in the definition of "Settlement Class" below.

9. "Class Member Release" means the Release and Indemnification Agreement in the form agreed to by counsel for the parties, and attached hereto as **Exhibit A**, with respect to those Class Members other than Plaintiff Curtis-Bauer, as referenced in Section V.A. hereof.

10. "Complaint" means the Complaint filed in this Action on June 22, 2006.

11. "Court" means the United States District Court for the Northern District of California.

12. "Defendant" or "Morgan Stanley" or "Firm" or "Company" means Morgan Stanley & Co. Incorporated and its predecessors in interest.

13. "Defendant's Counsel" means the law firm of Morgan, Lewis & Bockius LLP.

14. "Depository Bank" means Citibank or another bank jointly selected by counsel for the parties to receive, hold, invest, and disburse the Settlement Fund, subject to the direction of the Claims Administrator.

15. "Diversity Monitor" means the individual appointed to carry out the duties specified in Section VII.G.1. of this Agreement.

16. "Effective Date" means the date on which all of the following have occurred: (1) the Court has finally approved this Settlement Agreement and has signed and entered an order so indicating; (2) the Court has entered an Order and Judgment dismissing

the Action with prejudice, with continuing jurisdiction limited to enforcing this Settlement Agreement; and (3) the time for appeal has either run without an appeal being filed or any appeal (including any requests for rehearing *en banc*, petitions for certiorari or appellate review) has been finally resolved.

17. "Final Approval" means the date on which the United States District Court grants final approval of the Settlement.

18. "Financial Advisor" means a person employed by MS-GWMG as a Financial Advisor.

19. "Lead Class Counsel" means Lieff Cabraser Heimann & Bernstein LLP, Altshuler Berzon, LLP, and Outten & Golden, LLP.

20. "MS-GWMG" means the Global Wealth Management Group of Morgan Stanley & Co. Incorporated and its predecessor, Morgan Stanley DW Inc.

21. "Named Plaintiff Release" means the General Release and Indemnification Agreement in the form, attached hereto as **Exhibit B**, agreed to by counsel for the parties with respect to Plaintiff Curtis-Bauer as referenced in Section V.B.

22. "Notice" means the Notice of Class Action, Proposed Settlement Agreement, and Settlement Hearing, which is to be mailed directly to Class Members, substantially in the form attached hereto as **Exhibit C**.

23. "Notice of Award" means the letter sent to each eligible Claimant specifying the amount of that Claimant's award, as determined by the Special Master.

24. "Plaintiff" or "Named Plaintiff" means Margaret Benay Curtis-Bauer named in the caption of the Second Amended Complaint.

25. "Preliminary Approval" means the Order of the Court preliminarily certifying the Settlement Class and preliminarily approving this Settlement Agreement and the form of Notice to be sent to Class Members.

26. "Registered Financial Advisor Trainee" means a person employed by MS-GWMG as a registered financial advisor trainee who has not yet become a Financial Advisor.

27. "Second Amended Complaint" means the Second Amended Complaint filed in this Action on August 1, 2007.

28. "Settlement," "Agreement," and "Settlement Agreement" each mean the settlement as reflected in this Settlement Agreement.

29. "Settlement Class" or "Class" means the class that the parties jointly seek to have certified, solely for the purposes of this Settlement Agreement, which is defined as all African Americans and Latinos employed as Financial Advisors or Registered Financial Advisor Trainees in MS-GWMG or its predecessor at any time between October 12, 2002 and the date of preliminary approval.

30. "Settlement Fund" or "Fund" means the settlement monies transferred by Morgan Stanley to the Depository Bank, pursuant to this Settlement Agreement, including all interest earned thereon, to be held, invested, administered, and disbursed pursuant to this Settlement Agreement.

31. "Settlement Hearing" means the hearing at which the Court will consider final approval of this Settlement Agreement and related matters.

32. "Special Master" means the individual jointly selected by counsel

for the parties, and approved by the Court, who is charged with carrying out the Special Master duties set forth in Section VIII of this Agreement.

B. Duration of the Settlement. The programmatic relief embodied in this Settlement Agreement and the agreements incorporated in it shall remain binding on the parties and their agents and successors for a five-year period following the Effective Date.

C. Cooperation. The parties agree that they will cooperate to effectuate and implement all terms and conditions of this Settlement Agreement, and exercise good faith efforts to accomplish the terms and conditions of this Settlement Agreement. The parties agree to accept non-material and procedural changes to this Settlement Agreement if so required by the Court in connection with Final Approval of the Settlement, but are not obligated to accept any changes in the monetary amount of relief or the substantive programmatic relief provided for herein, or any other substantive change.

D. Persons Covered by this Settlement Agreement

1. **Definition of "Settlement Class," "Class" or "Class Members."** Solely for purposes of Settlement and judicial approval of this Settlement Agreement, the parties stipulate to the certification of the following Settlement Class:

> All African Americans and Latinos who were employed as Financial Advisors or Registered Financial Advisor Trainees in the Global Wealth Management Group of Morgan Stanley & Co. Incorporated or its predecessor(s) at any time between October 12, 2002 and the date of preliminary approval.

2. **Certification.** The Class will be certified pursuant to Fed. R. Civ. P. 23(b)(2) and 23(b)(3).

IV. COURT APPROVAL/NOTICE AND FAIRNESS HEARING

A. Jurisdiction and Venue

1. The parties agree that the Court has jurisdiction over the parties and the subject matter of this Action and that venue is proper. The Court shall retain jurisdiction of this Action for five years from the Effective Date of the Settlement Agreement solely for the purpose of entering all orders and judgments authorized hereunder that may be necessary to implement and enforce the relief provided herein.

B Preliminary Approval

1. Prior to execution of this Settlement Agreement, the parties have agreed upon a form for written Notice of this Settlement Agreement to Class Members, subject to Court approval.

2. Within forty-five (45) days after the execution of this Settlement Agreement, the parties shall petition the Court for the following orders:

(a) preliminarily certifying the Settlement Class; preliminarily approving this Settlement Agreement; approving the Notice to be sent to Class Members describing the terms of the Settlement and informing them of their rights to submit objections and to opt out; and

(b) Pending Final Approval, preliminarily enjoining each member of the Settlement Class, including any members who make an irrevocable election to exclude themselves from the monetary relief provisions of the Settlement, from commencing, prosecuting or maintaining in any court other than this Court any claim, action or other proceeding that challenges or seeks review of or relief from any order, judgment, act,

decision or ruling of the Court in connection with this Settlement Agreement. Effective as of the date specified for class members to opt out of the settlement, further enjoining any member of the Settlement Class who has not made an irrevocable election to exclude themself from the monetary relief provisions of the Settlement from commencing, prosecuting or maintaining either directly, representatively or in any other capacity any claim that is subsumed within the Settlement Agreement.

C. Notice and Settlement Hearing

1. MS-GWMG shall identify all Class Members and will provide to the Claims Administrator, within ten (10) days after Preliminary Approval of this Settlement Agreement, the name, social security number, and last known address of each Class Member. MS-GWMG will ask each Class Member who is a current employee of MS-GWMG via electronic mail to confirm that the Firm has their current home address. The Claims Administrator shall utilize Class Members' social security numbers only for the purpose of locating and identifying Class Members and shall keep those social security numbers confidential.

2. Within twenty (20) days after Preliminary Approval of the Settlement Agreement, the Claims Administrator will mail the Notice to each Class Member in the form agreed upon by the parties or such other form as approved by the Court. The parties intend to provide actual notice to each Class Member, to the extent practicable. The Claims Administrator shall mail a Claim Form to each Class Member at the same time the Notice is sent.

3. The Claims Administrator shall provide to Lead Class Counsel a list

of those Class Members who have not been located and the Claims Administrator may engage third party vendors in order to locate Class Members. The Claims Administrator will maintain a log of its activities undertaken pursuant to this section.

4. Class Member objections to this Settlement Agreement must be submitted in writing, and must include a detailed description of the basis of the objection. Objections must be filed with the Court, with copies served on Lead Class Counsel and counsel for Morgan Stanley, within forty-five (45) days after the Notice is mailed to Class Members. No one may appear at the Settlement Hearing for the purpose of objecting to the Settlement Agreement without first having filed and served his or her objection(s) in writing within forty-five (45) days after the Notice was mailed to Class Members.

5. Any Class Member who wishes to opt out of the Settlement Class must mail to Lead Class Counsel and counsel for Morgan Stanley a written, signed statement that she or he is opting out, as set forth below. Lead Class Counsel shall file with the Court all opt-out statements that are timely received. The Settlement Class will not include those individuals who file and serve a timely opt-out statement, and individuals who opt out are not entitled to any monetary award under this Settlement Agreement. With respect to each such individual, the statute of limitations for them to assert any claims for individual relief will resume running on the postmark date when he or she mails his or her signed, written statement that he or she is opting out of the Settlement Class. The Notice mentioned above shall include the following language: "Any Class Member who wishes to opt out of the Settlement Class must mail a written, signed statement that he or she is opting out of the Settlement Class to Lead Class Counsel and counsel for Morgan

Stanley at the addresses as listed in the Notice. To be effective, this opt-out statement must be received by Lead Class Counsel and counsel for Morgan Stanley on or before forty-five (45) days after the Notice is to be mailed to Class Members. To be effective, the opt-out letter and statement must include the language specified in the Notice confirming that the individual is aware that by opting out he or she will forego the opportunity to receive monetary benefits from this Settlement. Class Members who file opt-outs may rescind their opt-outs. To be effective, such rescissions must be in writing and must be received by either Lead Class Counsel, counsel for Morgan Stanley, or the Claims Administrator on or before sixty (60) days from the date that the Notice is to be mailed to the class.

6. Upon Preliminary Approval, a briefing schedule and Settlement Hearing date will be set at the Court's convenience. The parties' Motion for Final Approval and for Certification of the Settlement Class will be due no earlier than thirty (30) days following the close of the objection and opt-out period, and the Settlement Hearing will be held no earlier than forty-five (45) days following the close of the objection and opt-out period.

7. The time periods referenced in this Section IV.C. are guidelines; actual dates will be inserted in the Preliminary Approval Order by the Court.

8. In the event that this Settlement Agreement does not become final and binding, no party shall be deemed to have waived any claims, objections, rights or defenses, or legal arguments or positions, including, but not limited to, claims or objections to class certification, and claims and defenses on the merits. Neither this Settlement Agreement nor the Court's Preliminary or Final Approval hereof shall be admissible in any

court regarding the propriety of class certification or regarding any other issue or subject (except for the purpose of enforcing this Settlement Agreement). Each party reserves the right to prosecute or defend this Action in the event that the Settlement Agreement does not become final and binding.

9. If the number of Class Members who have duly requested exclusion from the Settlement Class in the manner provided in the Court's Preliminary Approval Order equals or exceeds the numbers set forth in **Appendix 1** filed with the Court under seal concurrently with this Settlement Agreement, Morgan Stanley shall have the right, for thirty (30) days after the deadline for Class Members to opt out, to either withdraw from and fully terminate this Settlement Agreement by providing written notice to Class Counsel and the Court, *or* not to withdraw from this Settlement Agreement and take the opt out credit described below. Failure to provide written notice to withdraw within the aforesaid thirty (30) day period constitutes a waiver and termination of Morgan Stanley's right to withdraw pursuant to this paragraph. The opt out credit to which Morgan Stanley is entitled shall be a pro rata share of the Settlement Fund based on the number of Class Members who have opted out in relation to the total number of Class Members. Regardless of the number of Class Members who opt out, Morgan Stanley shall also have no obligation to pay the employer's share of taxes and contributions pertaining to such opt outs, as discussed in Section VIII.F.2 of this Settlement Agreement.

10. If Morgan Stanley exercises its option to withdraw from the Settlement or if this Settlement Agreement is not approved by the Court or for any other reason is terminated or fails to become effective in accordance with its terms (or, if

following approval by this Court, such approval is reversed or substantively modified), the parties shall be restored to their respective positions that existed in this Action prior to entering into this Settlement Agreement; the terms and provisions of this Settlement Agreement shall have no force or effect and shall not be used in this Action or in any proceeding for any purpose; the Settlement Fund shall be returned to Morgan Stanley, including the interest earned by the Settlement Fund through the date of termination (after deducting all costs and expenses, including costs of providing Notice to Class Members, paid or incurred by the Claims Administrator as of the date of termination); any Judgment entered by the Court in accordance with the terms of this Settlement Agreement shall be treated as vacated, *nunc pro tunc*; and the litigation of the Action will resume as if there had been no Settlement Agreement, with no stipulated Class. The parties retain all rights, claims, and defenses as to class certification and otherwise as to any of the allegations asserted in this Action. This Settlement Agreement will not be considered an admission of liability by Morgan Stanley nor represent a cap on damages available to the Named Plaintiff or the Class.

V. RELEASE/BAR OF CLAIMS

A. <u>Class Member Release</u>. All Class Members, other than the Named Plaintiff, as a condition of receiving a monetary payment in conjunction with this Settlement Agreement, will be required to execute and deliver to the Claims Administrator a Class Member Release in the form agreed to by counsel for the parties and attached hereto as **Exhibit A**. The Class Members, excluding the Named Plaintiff, will release all claims, known and unknown, existing through the date of preliminary approval, under any

federal, state or local legal theory, for race and/or color discrimination based on allegations in the Second Amended Complaint, including facts or circumstances relating to compensation, production, account distribution, team or partnership formation, allocation of support or business opportunities or other allegations in the Second Amended Complaint. Termination and advancement into management claims for race and/or color discrimination arising out of low production, failure to satisfy position requirements, failure to satisfy requirements of the training program, production related reductions-in-force, other production based performance related terminations and any claims for constructive discharge based on the same set of facts or circumstances shall be released but any other termination, advancement into management, constructive discharge or harassment claims shall not.

B. **Named Plaintiff Release.** The Named Plaintiff, as a condition of receiving a monetary payment in conjunction with this Settlement Agreement, will be required to execute and deliver to the Claims Administrator the Named Plaintiff Release in the form agreed to by counsel for the parties and attached hereto as **Exhibit B**. The Named Plaintiff Release is not a limited release of claims of race or color discrimination but instead releases all claims of any nature against Morgan Stanley under federal, state and local laws for any period up through the date of Preliminary Approval.

C. The Claims Administrator shall provide all Class Members with the Class Member Release at the time the Notice of Award is provided to them.

D. The terms of the Releases, attached hereto as **Exhibits A and B**, are a material part of this Settlement Agreement and are hereby incorporated as if fully set forth

in the Settlement Agreement; if these Releases, attached hereto as **Exhibits A and B**, are not finally approved by the Court, or the Settlement Agreement cannot become effective for any reason and the Settlement set forth in this Settlement Agreement shall terminate as provided in Sections IV.C.8 and 10 of this Settlement Agreement, then the Named Plaintiff Releases and Class Member Releases shall terminate *nunc pro tunc* and be of no force and effect.

E. In the event that any Class Member does not execute and timely deliver a Class Member Release, or if any Named Plaintiff does not execute and timely deliver the Named Plaintiff Release, he or she shall be ineligible for, and forever barred from receiving, monetary relief under this Settlement Agreement, even if said Class Member or Named Plaintiff has not opted out.

F. Class Members who neither timely opt out nor timely file a Claim Form shall, upon the Effective Date, be ineligible to receive any monetary award pursuant to this Settlement Agreement and be deemed to have fully, finally and irrevocably waived, released and discharged Morgan Stanley from any and all claims of race discrimination, to the same extent as specified in Section V.A. above, whether known or unknown, actual or potential, from October 12, 2002 to the date of Preliminary Approval.

VI. NO ADMISSION, NO DETERMINATION

A. This Settlement Agreement does not, and is not intended to constitute, nor shall it be deemed to constitute, an admission by any party as to the merits, validity or accuracy of any of the allegations, claims or defenses of any party in this case. The Class Members continue to assert the merits and validity of their claims under Title VII, 42

U.S.C. § 1981 or parallel state and local laws prohibiting race discrimination. By entering into this Agreement, Morgan Stanley does not admit or concede, expressly or impliedly, but denies that it has in any way violated Title VII, parallel state and local laws prohibiting race discrimination, the common law of any jurisdiction, or any other federal, state or local law, statute, ordinance, regulation, rule or executive order, or any obligation or duty at law or in equity. Neither the Court nor any other court has made any findings or expressed any opinion concerning the merits, validity or accuracy of any of the allegations, claims or defenses in this case.

B. Nothing in this Settlement Agreement, nor any action taken in implementation thereof, nor any statements, discussions or communications, nor any materials prepared, exchanged, issued or used during the course of the mediation or negotiations leading to this Settlement Agreement, is intended by the parties to, nor shall any of the foregoing constitute, be introduced, be used or be admissible in any way in this case or any other judicial, arbitral, administrative, investigative or other proceeding of whatsoever kind or nature (including, without limitation, the results of the Claims Process established under this Settlement Agreement) as evidence of discrimination, retaliation or racial harassment or as evidence of any violation of Title VII, parallel state and local laws prohibiting race discrimination, the common law of any jurisdiction, or any other federal, state or local law, statute, ordinance, regulation, rule or executive order, or any obligation or duty at law or in equity. Notwithstanding the foregoing, this Settlement Agreement may be used in any proceeding in the Court or in mediation or arbitration to enforce or implement any provision of this Settlement Agreement or implement any orders or

judgments of the Court entered into in connection herewith.

VII. PROGRAMMATIC RELIEF

A. Communications. MS-GWMG shall distribute its Non-Discrimination and Anti-Harassment Policy to all employees upon hire (in hard copy or by electronic mail) and then on an annual basis via email from Morgan Stanley's CEO. Employees shall be required to submit an acknowledgment of receipt.

In addition, the President and COO of MS-GWMG shall issue a separate statement in support of the Policy and its underlying tenets. The Policy will be available on the Firm's intranet site and will be incorporated into various other Firm policies including its Code of Conduct and its Internet and Electronic Communications Usage Policy.

The Non-Discrimination and Anti-Harassment Policy itself and the behaviors it seeks to promote and prevent shall be the subject of a mandatory training that all employees will be required to complete upon hire.

B. Hiring: MS-GWMG agrees to maintain its commitment to increase diversity in the Financial Advisor position including the representation rate of Latino and African American Financial Advisors. MS-GWMG agrees to maintain a dedicated position within MS-GWMG whose primary function is the sourcing and recruitment of qualified diverse candidates, including qualified Latinos and African Americans. MS-GWMG further agrees to work with the Industrial Psychologists to identify and develop sourcing alternatives for qualified Latino and African American Financial Advisors, including but not limited to, developing relationships with organizations and educational institutions with high representation rates of Latinos and African Americans and historical

connections with those communities. MS-GWMG agrees to continue to source qualified diverse candidates for its various entry level positions including the Summer Internship Program, the Richard B. Fischer Scholarship Program and/or successor or similar programs. Furthermore, MS-GWMG agrees to inform any third-party recruiter or executive search firm which it utilizes in its sourcing efforts that MS-GWMG expects that the vendor will present a diverse slate of candidates, where possible.

C. Branch Management/Mobility and Training. All available field sales management positions will be posted on MS-GWMG's Internal Job Bank. These positions currently are titled: Branch Manager; Financial Advisor in Charge; Sales Manager; and Assistant Branch Manager. Minimum requirements for qualification for a management position are available on MS-GWMG's internal job bank. All positions will be posted for a minimum of five (5) business days. Either the hiring manager or Human Resources will follow up with each applicant/candidate in a timely manner. In addition, MS-GWMG shall develop and implement a computerized system to generate an electronic mail notification to Financial Advisors who request to be informed of new management job postings.

MS-GWMG's Learning and Development department has developed and implemented a comprehensive management assessment and development program. The program will provide candidates with a formal and transparent path to assessment and selection as branch managers, and provide field management with an established and tested protocol for selection of high-potential candidates by trained assessors.

MS-GWMG shall provide all management-level field personnel with diversity training no less than every other year. The format of such training may vary from

jurisdiction to jurisdiction depending on the relevant legal requirements. However, all managers shall, at a minimum, be required to complete an interactive, customized, e-learning training program. The positions to be trained are: Division Directors, Associate Division Directors, District Managers, Non-Producing and Producing Branch Managers, Financial Advisors in Charge, Risk Managers, Assistant Branch Managers, Sales Managers, and Service Managers.

In addition, Morgan Stanley agrees to provide diversity related training to field sales branch management which incorporates elements of the Implicit Association Test or similar tool agreed upon by the parties.

Morgan Stanley's Learning and Development Department will make available additional study materials and resources to assist the Financial Advisor Trainees in obtaining the Series 7 registration.

Branch Manager compensation shall have a meaningful diversity component designed to measure and reward efforts at diversifying representation rates in the Financial Advisor position including the recruiting, training, and retaining qualified African American and Latino Financial Advisors. MS-GWMG agrees that it shall develop and implement a process whereby field sales management shall be required to report on their best efforts and results in the areas of sourcing, recruiting, mentoring, training, and promoting a diverse workforce, including qualified African American and Latino Financial Advisors and Registered Financial Advisor Trainees, and whereby field sales management will be reviewed and held accountable by senior MS-GWMG management for these efforts. The Diversity Monitor will review the diversity-related quarterly self-assessment

process for field sales management and the diversity component of the branch manager compensation process.

D. <u>Account Distribution</u>

1. Since 2002, MS-GWMG has utilized a "Power Ranking" system to rank Financial Advisors on performance factors to determine the distribution of the accounts of departing Financial Advisors. Under this Settlement, MS-GWMG has agreed to make significant changes to the Power Ranking system, including reducing reliance on historical factors and more heavily weighting criteria which reflect recent performance. MS-GWMG has also agreed to automate the account distribution process based on the revised Power Rankings and to limit the exceptions that can be made to the Power Rankings. The revised Power Ranking factors are set forth in **Appendix 2** filed under seal along with this Settlement Agreement.

2. Power Rankings

a. All Power Ranking factors that measure performance from the previous twelve-month period will be adjusted to encompass a 12 month period exclusive of absence for parental leave or short-term disability leave. For example, if a Financial Advisor was on a leave of absence for four of the preceding 12 months, the previous 12 months measure will instead count the last 12 months that the employee was active.

b. The methodology for calculating the Power Rankings will be provided to each Financial Advisor, including the name of each factor, an explanation of each factor, and how each factor is weighted. Upon hire, each Financial Advisor will be

individually provided with the methodology of the objective measures utilized in the Power Ranking calculation and the manner in which calculations are completed and this will be available to all Financial Advisors electronically. MS-GWMG agrees to provide notice to Financial Advisors regarding any modification to the Power Ranking methodology.

c. MS-GWMG shall inform each Financial Advisor of his or her individual ranking at the time any distribution is made. The actual distribution of a departing Financial Advisor's book will be made available to a Financial Advisor in the Branch confidentially upon request, and such communication shall include the rankings and (without identification of any particular Financial Advisor by name) the number of accounts and the assets distributed to each ranked Financial Advisor.

d. Review of Account Distributions. After a full calendar year has passed following implementation of these new Power Ranking criteria, the Industrial Psychologists to be appointed as set forth in Section VII.G.2 below will review how the process has been operating, including all exceptions and complaints. In addition, the Industrial Psychologists will also review annually the actual account distributions and related compensation data and the rankings of African American and Latino Financial Advisors on each of the individual factors and use such information in considering recommendations, if any, for changes to the Power Ranking formula. On an annual basis, the Industrial Psychologists shall report their findings and recommendations, if any, to the Diversity Monitor. Lead Class Counsel and counsel for Morgan Stanley will reconvene to discuss the findings of the Industrial Psychologists and whether further appropriate

changes to the Power Ranking criteria or distribution process should be made. The parties recognize that the Power Ranking system is subject to the Settlement Agreement in both this case and the Augst-Johnson case pending in the United States District Court for the District of Columbia and that any material changes must be effectuated by mutual agreement among all parties. Notwithstanding this requirement, Morgan Stanley may petition the Courts for permission to modify the system if Lead Counsel in both cases do not agree to a proposed modification.

3. Account Distribution Policies

a. MS-GWMG senior management will issue a comprehensive account distribution policy statement, which shall include policies covering the distribution of the accounts of departing Financial Advisors, retiring Financial Advisors, departing partners, and leads, call-ins, and walk-ins. The statement shall be issued via email to all field employees and shall be posted on MS-GWMG's intranet site and shall include a prohibition on discrimination. In addition, MS-GWMG will train all current Branch Managers on account distribution policies and procedures at the time the settlement becomes effective, and will similarly train all new managers that are subsequently hired.

b. Financial Advisors are not eligible for account distributions if they are: (1) currently on "heightened supervision" consistent with industry standards; (2) subject to any regulatory action reportable as a 'yes' answer on Form U-4 questions 14C-G; (3) subject to discipline reported on Form RE-3 in the last 12 months; or (4) subject to any written performance or workplace conduct warning in the last 90 days. Lateral recruits to MS-GWMG will be ineligible for account distributions during their first

12 months of employment with MS-GWMG. New hire Financial Advisor Trainees are ineligible until they have successfully satisfied the preliminary production thresholds established under the Training Program. Financial Advisors who are on parental or short-term disability leave at the time an account distribution is made will participate as if they were not on leave, and the distributed accounts will be handled in the same manner as their other accounts are handled while on leave.

c. Where an exception is made to the Power Ranking process because of client choice (which choice cannot be based on race or color) or business exigency (such as client service needs) each individual exception shall be approved by the Complex or District Manager or his/her designee in writing, including the legitimate business reasons for the exception. Records of all such exceptions shall be kept for purposes of monitoring policy compliance. In addition, except for a lateral recruit who receives a distribution in his or her first 12 months of employment because of business exigencies including staffing or qualifications issues not satisfied by other eligible Financial Advisors in the Branch, the Financial Advisor receiving a distribution through an exception will be disqualified from receiving other distributions of approximately equal asset value in the same or subsequent distributions. An individual Financial Advisor who does not receive a specific distribution as a result of an exception shall receive additional accounts in the same or subsequent distributions of approximately equal asset value.

d. MS-GWMG shall enhance its technology to allow its account distribution process to be computer automated, subject to branch manager review to ensure compliance with regulatory requirements. Account distributions will be made

through this automated process, subject to exceptions described in Section VII.D.3.c. above. The results of all account distributions shall be stored and readily retrievable for monitoring to ensure compliance with account distribution policies.

4. Retiring Financial Advisors

a. The book of business formerly serviced by the retiring Financial Advisor will be distributed through the Power Ranking system set forth in Sections VII.D.1. and VII.D.2. above unless a Joint Production Arrangement/Agreement (JPA) has been in effect for twenty-four (24) months or longer at the time of retirement.

b. The Industrial Psychologists shall make recommendations for increasing participation of African Americans and Latinos in the receipt of retiring Financial Advisor's books of business. These recommendations shall be made in accordance with Section VII.G.2. below.

5. Partnerships

a. Unless a JPA has been in effect for twenty-four (24) months or longer at the time of departure, the book of business formerly serviced by the departing Financial Advisor will be distributed through the Power Ranking system.

b. The Industrial Psychologists shall make recommendations for increasing participation of African Americans and Latinos in the partnerships. These recommendations shall be made in accordance with Section VII.G.2. below.

c. For purposes of a Financial Advisor's Power Rankings, MS-GWMG will count partnership assets under management based on the percentage of the commission split specified in the partnership agreement.

6. Leads, Call-ins, and Walk-ins

a. Each Branch Office shall implement a "Financial Advisor of the Day" program. Pursuant to this program, all client prospects who either walk in or telephone the branch and who are seeking a Financial Advisor shall be directed to the Financial Advisor serving as the Financial Advisor of the Day. The daily assignments shall be made alphabetically and announced on a monthly basis on or before the last day of the preceding month. The monthly roster shall be openly posted in a conspicuous location within the branch where all other Firm policies are posted. Participation among eligible Financial Advisors shall be voluntary each month.

b. Each Financial Advisor of the Day shall complete a "Financial Advisor of the Day Activity Log" that will detail all telephone calls and walk-in prospects fielded by the Financial Advisor and the disposition of each. The logs shall be maintained in a Branch Financial Advisor of the Day file for a three-year period.

c. If a prospect insists on speaking to the Branch Manager, the Branch Manager will direct the individual to the Financial Advisor of the Day. If the Financial Advisor of the Day is not qualified to handle the prospect's account, the Branch Manager shall ask the prospective client to interview a diverse slate of Financial Advisors, to the extent available.

d. If the branch manager determines that the Financial Advisor of the Day is not qualified to handle a walk-in prospect, the branch manager shall complete an exception report detailing the reason why the Financial Advisor of the Day was not selected.

e. All Financial Advisors and Registered Financial Advisor Trainees who have successfully satisfied the preliminary production thresholds established under the Training Program shall be eligible to participate.

f. Unauthorized failure to perform Financial Advisor of the Day obligations as designated shall render a Financial Advisor ineligible to participate in the Program for a period of six (6) months. The branch shall maintain a list of those Financial Advisors who elected not to participate or who otherwise were ineligible.

7. Distribution Upon Transfer to Non-Producing Manager

Where no JPA has been in existence for at least 24 months at the time of transfer, the book of business serviced by a producing manager who is transferred to a non-producing branch manager position or a Financial Advisor who moves to a non-producing sales manager position will be distributed through the Power Ranking system as set forth in Sections VII.D.1-5. above.

8. Disputes Concerning Account Distributions

The parties agree that if at any time during the term of this Settlement Agreement a dispute shall arise between MS-GWMG and a Financial Advisor or a Registered Financial Advisor Trainee concerning any account distribution, such dispute shall initially go through the MS-GWMG's internal complaint process which includes access to mediation under MS-GWG's alternative dispute resolution mechanism ("CARE"). As to claims arising out of MS-GWMG, MS-GWMG agree to continue the existing tolling provisions under the CARE program guidelines for the duration of this Agreement. However, nothing herein shall prevent any Class Member or Named Plaintiff from individually pursuing any

legal claim not released under this Settlement through any applicable governmental agency or court of law if he or she is otherwise entitled to do so.

E. Development Opportunities. MS-GWMG shall work with the jointly appointed Industrial Psychologists to develop workplace initiatives designed to attract African Americans and Latinos to MS-GWMG as Financial Advisors, and to retain them and enhance their success, including targeted mentoring and training. Training and mentoring may include but is not limited to training conference calls, online courses, and in person seminars. The Industrial Psychologists shall make recommendations for increasing participation of African American and Latino Financial Advisors and Registered Financial Advisor Trainees in development opportunities. These recommendations will be made in accordance with Section VII.G.2. below.

MS-GWMG additionally agrees to conduct exit interviews of Financial Advisors and Registered Financial Advisor Trainees who terminate voluntarily in order to gain a better understanding as to the reason for the departures. MS-GWMG shall report the results of the exit interviews of African American and Latino Financial Advisors and Registered Financial Advisor Trainees annually to the Industrial Psychologists, the Diversity Monitor and individuals within MS-GWMG responsible for hiring Financial Advisors and Registered Financial Advisor Trainees.

MS-GWMG agrees to maintain its commitment to the biannual Minority Business Exchange.

F. Complaint Process and Training. The complaint process, including MS-GWMG's prohibition against retaliation, as provided in the Non-Discrimination and Anti-

Harassment Policy, shall be communicated in writing to all Financial Advisors and Financial Advisor Trainees upon hire, and annually to all Financial Advisors. New hires shall be required to submit an acknowledgment of receipt of this communication.

MS-GWMG will provide its Human Resources staff supporting Financial Advisors and Registered Financial Advisor Trainees with appropriate training regarding compliance with state, federal, and local EEO laws; MS-GWMG's anti-discrimination and harassment policies; and this Settlement Agreement.

MS-GWMG will provide its Human Resources staff supporting Financial Advisors and Registered Financial Advisor Trainees with appropriate training regarding best practices for complaint investigation and resolution. Human Resources will be trained to treat all complaints or inquiries as confidentially as legally possible and to carry out their duties in a manner consistent with the law. In addition, Human Resources will implement controls designed to ensure that only non-complaining employees or managers with a need-to-know will be advised of a complaint or investigation. In all instances, upon being informed of a complaint or investigation, the non-complaining employees and managers so informed will be reminded of MS-GWMG's policy against retaliation.

MS-GWMG will retain documents sufficient to show complaints by African American and Latino Financial Advisors and Registered Financial Advisor Trainees of race or color discrimination, race or color bias, and/or retaliation related to such complaints for the term of the Settlement Agreement.

G. <u>Appointments</u>.

1. Diversity Monitor. The parties shall jointly appoint a Diversity

Monitor, and have mutually agreed to the appointment of Fred W. Alvarez, Esq. The Diversity Monitor shall be external to and independent of the MS-GWMG, but will report directly to the COO and President of MS-GWMG. She or he shall monitor MS-GWMG's efforts to carry out the terms of the Settlement Agreement. This shall include the following:

a. The Diversity Monitor will receive monthly reports regarding complaints of Financial Advisors and Registered Financial Advisor Trainees alleging race discrimination and resolution of investigations of such complaints through the CARE program or otherwise.

b. The Diversity Monitor will review quarterly reports regarding the branches in which Branch Managers have filed exception reports reflecting a deviation from the account distribution process.

c. The Diversity Monitor will review account distribution data, exception reports, and complaints to monitor policy compliance. If the Diversity Monitor identifies issues of potential non-compliance, the Diversity Monitor will inform MS-GWMG and Lead Class Counsel. After consultation with Lead Class Counsel, MS-GWMG will take appropriate corrective actions to address instances of non-compliance. MS-GWMG shall inform the Diversity Monitor and Lead Class Counsel of any such corrective action taken. Where potential non-compliance has been identified, the Diversity Monitor shall have the right to audit the activities in a branch, by reviewing documents, asking branch management to provide explanations and, if necessary, speaking to Financial Advisors in the branch. Nothing herein shall alter or restrict Lead Class Counsel's right to

enforce this Settlement Agreement under the Dispute Resolution provisions of this Settlement Agreement.

d. The Diversity Monitor will review the diversity-related quarterly self-assessment process for field sales management and the diversity component of the branch manager compensation process.

e. The Diversity Monitor will monitor bi-annual training of management on EEO policies, and policies against discrimination and retaliation, and ensure that the training agreed to was implemented.

f. The Diversity Monitor will review how Human Resources handles investigations and the resolution process for inquiries and complaints.

g. The Diversity Monitor will review the annual results of the exit interviews of African American and Latino Financial Advisors and Registered Financial Advisor Trainees.

h. The Diversity Monitor will provide reports to Lead Class Counsel and MS-GWMG at least semi-annually regarding the items monitored, including the analysis of the account distribution system. The Diversity Monitor shall report any incidents of potential material non-compliance with this Settlement Agreement to Lead Class Counsel and MS-GWMG and may do so on a more frequent basis than semi-annually.

i. The Diversity Monitor will maintain records for the term of this Settlement Agreement.

2. Industrial Psychologists

a. The parties shall jointly appoint Industrial Psychologists Dr. Kathleen Lundquist and Dr. Irwin Goldstein, who shall work with MS-GWMG and Class Counsel to develop innovative, meaningful, novel, state of the art programs, conduct a job analysis of the Financial Advisor position and make recommendations:

- Concerning sourcing and recruitment strategies and programs to improve the representation rates of African Americans and Latinos in the Financial Advisor and Registered Financial Advisor Trainee positions;
- For increasing the Series 7 passage rates of African American and Latino Financial Advisor Trainees.
- For increasing the production and earnings of African American and Latino Financial Advisors, including policies and practices with respect to training, development, and mentoring;
- For increasing participation of African American and Latino Financial Advisors in the receipt of retiring Financial Advisors' books of business;
- For increasing participation of African American and Latino Financial Advisors in partnerships;
- Concerning policies and practices with respect to training, development, and mentoring, that will enhance opportunities for African American and Latino Financial Advisors and Financial Advisor Trainees. Training and development may include but is not limited to training conference calls, online courses, and in-person seminars;
- Concerning a mentoring program for all Registered Financial Advisor Trainees and Financial Advisors; and
- Concerning a system of semi-annual internal data collection and a monitoring process.

b. The Industrial Psychologists shall monitor the actual implementation of the programs, policies and initiatives which MS-GWMG is obligated to

undertake by virtue of this Agreement and shall, on an annual basis, report MS-GWMG's process to the Diversity Monitor. In addition, the Industrial Psychologists shall monitor on an annual basis the increase in the representation rates of African Americans and Latinos in the Registered Financial Advisor Trainee and Financial Advisor positions and shall report MS-GWMG's progress to the Diversity Monitor. MS-GWMG shall report to the Diversity Monitor on an annual basis the efforts made to recruit African American and Latino candidates to the Registered Financial Advisor Trainee and Financial Advisor positions including its sourcing and recruiting strategies, including but not limited to, targeted marketing and recruiting efforts, relationship/networking building with diverse organizations and schools, diversity career nights, internships and other sponsorships and scholarship programs.

c. The Industrial Psychologists shall present such recommendations to a senior executive panel of MS-GWMG consisting of: the Senior Learning & Development officer; the Senior Diversity officer; the Senior Employment Attorney; the Senior Human Resources officer; and a representative from National Sales Management. A copy of the recommendations will also be provided to Lead Class Counsel. If MS-GWMG does not agree with the recommendations, but Lead Class Counsel still thinks they should be implemented notwithstanding MS-GWMG's objections, the Industrial Psychologists, along with Lead Class Counsel, will have the opportunity to present the recommendations to the COO and President of MS-GWMG or the then Head of National Sales for MS-GWMG. All recommendations of the Industrial Psychologists will be designed to advance the purposes of this Settlement Agreement

consistent with MS-GWMG s business needs and objectives.

d. The Industrial Psychologists shall provide the Diversity Monitor with their findings of deviations from the account distribution system.

e. Subject to signing an appropriate confidentiality agreement, and upon reasonable advance notice, the Diversity Monitor and the Industrial Psychologists described in Sections VII.G.1. and VII.G.2. above will have reasonable access to relevant documents, data, and MS-GWMG employees. The Diversity Monitor and the Industrial Psychologists will be compensated by MS-GWMG.

3. If it becomes necessary to replace the Diversity Monitor or either Industrial Psychologist, the parties shall jointly select a replacement by mutual agreement.

H. General Non-Discrimination Provisions. Pursuant to MS-GWMG's Non-Discrimination and Anti-Harassment Policy, African American and Latino Financial Advisors and Registered Financial Advisor Trainees will enjoy terms and conditions of employment comparable to their white counterparts.

MS-GWMG shall assert the following general policies using a method agreed to by the parties:

1. Prohibition against discrimination on the basis of race or color in hiring, compensation and business opportunity allocations.

2. Prohibition against retaliation for reporting race or color discrimination, participating in the CARE program, participating in this or any discrimination settlement, filing a lawsuit or complaint with any outside agency or entity alleging race discrimination, or for refusing to participate in race discrimination.

3. The parties agree that it shall be a violation of this Settlement Agreement for a Morgan Stanley supervisor to retaliate against any Class Member for his or her participation in the prosecution of the allegations contained in the charge underlying this Settlement or in the Settlement itself. However, nothing in this Settlement will prevent a Class Member from pursuing whatever legal rights or remedies he or she otherwise may have with respect to any individual claim not covered by the claims released through this Settlement.

VIII. MONETARY RELIEF

A. Settlement Fund. No later than ten (10) days after the Effective Date Morgan Stanley shall pay by wire transfer to the Depository Bank the sum of Sixteen Million Dollars ($16,000,000) plus an amount equal to 5% (per annum) on that $16,000,000, calculated from the date of Preliminary Approval until the money is transferred ("Settlement Sum"). The Total Settlement Sum will be placed in an interest-bearing account titled in the name of MS-GWMG Financial Advisor Race discrimination Settlement Fund, a Qualified Settlement Fund organized and existing under the laws of the State of Florida, intended by the parties to be a "Qualified Settlement Fund" as described in Section 468B of the Internal Revenue Code of 1986, as amended, and Treas. Reg. Section 1.468B-1, et seq. This payment is made in order to satisfy the claims of the Named Plaintiff and Class Members, as well as for other purposes identified in this paragraph. The monies so transferred, together with interest subsequently earned thereon, shall constitute the Settlement Fund. The Settlement Sum transferred into the Settlement Fund by Morgan Stanley shall, with the additional Employer Payroll Tax Payment described below,

constitute the total Settlement cash outlay by Morgan Stanley in connection with: (1) the resolution of this matter; (2) this Settlement Agreement (and attachments); and (3) the dismissal of this Action. Except as provided in Section VIII.F.2. (*i.e.*, employment taxes), this sum is inclusive of payment for: (a) all amounts paid to Class Members, including the Named Plaintiff, which are to be distributed pursuant to Section VIII.D. below; (b) all attorneys' fees and costs awarded by the Court, including those in connection with securing court approval of the Settlement, the claims process and monitoring the Settlement Agreement, other than fees and costs awarded in connection with any successful proceeding to enforce the terms of this Settlement Agreement; (c) all costs in connection with the Settlement Fund including, but not limited to, those related to notice, claims processing, legal advice obtained by the Fund Administrator relating to the establishment of the Qualified Settlement Fund and tax treatment and tax reporting of awards to claimants, preparation of the Fund's tax returns (and the taxes associated with such tax returns as defined below), and the Special Master's fees and expenses; and (d) applicable federal, state and local income taxes, and all federal and state unemployment taxes required by law to be withheld and/or paid by Morgan Stanley. The Settlement Sum payment to the Settlement Fund does not include Morgan Stanley's share of taxes or contributions (*i.e.*, FICA, FUTA, SUTA and Medicare) which will be paid separately by Morgan Stanley to the Claims Administrator. Morgan Stanley shall, upon notice from the Claims Administrator as required in Section VIII.F.2. below, remit any required tax payment to the Claims Administrator. Nothing in the foregoing provisions of this Section, however, shall release MS-GWMG from expending the resources required to fulfill its

responsibilities under this Settlement Agreement.

B. Administration by Trustee. The Claims Administrator shall serve as Trustee of the Settlement Fund and shall act as a fiduciary with respect to the handling, management and distribution of the Settlement Fund. The Claims Administrator shall act in a manner necessary to qualify the Settlement Fund as a "Qualified Settlement Fund" under Section 468B of the Internal Revenue Code of 1986, as amended, and Treas. Reg. Section 1.468B-1, et seq., and to maintain that qualification.

C. Claims Filing Procedures for Settlement of Claims of Named Plaintiff and Class Members. Class Members shall be entitled to submit their Claim Forms to the Special Master in accordance with the procedures set forth on the Claim Form. Any Class Member who previously released claims which would otherwise be covered by this Settlement Agreement, or who obtained a final judicial determination concerning claims that would otherwise be covered by this Settlement Agreement, is not eligible to receive a monetary award for those claims.

In order to be eligible for an award from the Settlement Fund, Class Members, including the Named Plaintiff, must submit a Claim Form which must be postmarked or actually received by the date established by the Court, unless good cause exists for a late claim form submission (which in no event may be submitted after the time that claims are paid from the Settlement Fund). The Claim Form shall be completed in its entirety to the extent applicable, including the survey of information to identify, among other things, individual evidence of alleged race discrimination.

The Claims Administrator will provide counsel for Morgan Stanley and MS-GWMG's payroll department with the names and social security numbers of Class Members who submitted Claim Forms ("Claimants"). The identity of the Claimants will not be disclosed to anyone at MS-GWMG other than counsel for Morgan Stanley and MS-GWMG's payroll department. The content of the Claims Form will be kept confidential.

After receiving the Claimant information discussed in the paragraph above, Morgan Stanley, through its counsel, will provide the Claims Administrator with the dates each Claimant was employed in the MS-GWMG as a Financial Advisor and/or a Registered Financial Advisor Trainee and earnings information for those Claimants. The Claims Administrator will provide that information to each Claimant. To the extent there is any disagreement relating to the accuracy of the information provided to the Claimants, the disagreement shall be resolved by the Special Master. The Special Master shall provide any corrected data to Plaintiff's experts.

D. <u>Allocation Formula</u>. Class Members who submit a Claim Form will be eligible to receive monies based on a formula (the "Allocation Formula") which will have two components: (1) an Earnings Regression Component developed by Class Counsel's statistical experts and (2) a Claim Form Survey Component to be determined by a jointly selected Special Master. Eighty-five percent (85%) of the formula will be allocated to the Claim Form Survey Component, and fifteen percent (15%) of the formula will be allocated to the Earnings Regression Component.

1. <u>Earnings Regression Component</u>**.** A Financial Advisor Class Member, including the Named Plaintiff, whose annual earnings in any year during the

liability period fall below an annual earnings curve which is set at two standard deviations above the mean earnings curve for white Financial Advisors (controlling for registration date and branch/office location), shall be eligible to receive a monetary award from the earnings regression component for that year.

Once it is determined that a claimant is eligible for a monetary reward from the earnings regression component for a particular year, the calculation of the monetary award will take into account the Claimant's earnings during that year, and shall control for the following variables: a) the Claimant's length of tenure at MS-GWMG as a Financial Advisor; b) the Claimant's registration date; and c) the Claimant's branch office location.

A separate, comparable earnings regression model will be conducted with respect to Registered Financial Advisor Trainees. The earnings regression component will be developed by Class Counsel's expert with input from MS-GWMG.

2. Claim Form Survey Component. The Special Master shall make allocations under the Claim Form survey component by assigning points based on Claimants' responses to the Claim Form Survey. Points for the Claim Form Survey will be allocated as follows: (1) Each claimant will receive 1 point for each week worked between October 12, 2002 and December 3, 2007 as a Financial Advisor or a Registered Financial Advisor Trainee; (2) Claimants will be eligible for up to 50 points for responses to questions on the Claim Form about extreme emotional distress; and (3) Claimants will be eligible for up to 50 points for responses to questions on the Claim Form about termination arising out of low production, failure to satisfy position requirements, failure to satisfy requirements of the training program, production related reductions-in-force, other

production based performance related terminations and/or any claims for constructive discharge based on the same set of facts or circumstances. Based on information provided by MS-GWMG, the Special Master may modify allocations to be made under the Allocation Formula based on any data or information specific to the Claimant's branch/office, including information regarding persons who previously signed a release that covered race and/or color discrimination claims. Subject to Court approval of the rationale and methodology upon which the proposed allocation and distribution are based, the Special Master will have sole and final authority as to the final distribution.

3. Special Master Authority to Determine Award Eligibility.

a. Within a reasonable time period after the date specified for receipt of the Claim Forms, the Special Master shall render a determination as to the monetary award, if any, that should be paid to each Claimant from the Settlement Fund.

b. The total amount of such awards shall not exceed the net amount of the Settlement Fund after all costs and Class Counsel's attorney's fees, as discussed in Section VIII.A. above, are considered.

c. After determining the proposed allocation, the Special Master shall submit a Report and Recommendation including the proposed allocation and distribution plan, together with a full explanation of the rationale and methodology upon which the proposed allocation and distribution are based, to the Court under seal for *in camera* review and approval of the rationale and methodology, with copies to Lead Class Counsel. If there is no objection or suggested modification by the Court within thirty (30) days following submission to the Court, the rationale and methodology shall be deemed

approved, the allocation and distribution plan contained in the Report and Recommendation shall be deemed final, and the Special Master shall submit the distribution plan to the Claims Administrator to send the Notices of Awards to the eligible Claimants.

d. Following approval by the Court, the Claims Administrator shall send a Notice of Award to each eligible Claimant, along with the Named Plaintiff Release or a Class Member Release, whichever is applicable. Within a reasonable time period after receipt of an executed Named Plaintiff Release from the Named Plaintiff or an executed Class Member Release from a Class Member, the Claims Administrator shall send the Named Plaintiff or Class Member his or her award payment. If the Named Plaintiff does not execute and timely deliver an executed Named Plaintiff Release, or if any Class Members do not execute and timely deliver an executed Class Member Release to the Claims Administrator within six (6) months of the date the Notice of Award was mailed to them, they shall be ineligible for, and forever barred from receiving, monetary relief under this Settlement Agreement, even if said Named Plaintiff or Class Member has not opted out. Any undistributed funds that remain after six (6) months from the mailing of the Notice of Award due to unsubmitted releases shall be distributed to 501(c)(3) organizations advancing opportunities for African Americans and/or Latinos, including opportunities in the financial services industry, as jointly selected by Lead Class Counsel and MS-GWMG.

e. The Special Master shall maintain the distribution plan and allocation list for a period of five (5) years. Morgan Stanley shall have access to individual

allocation amounts only upon written notice to Class Counsel and a showing of good cause (*e.g.*, actual or threatened litigation by a Claimant). Any dispute as to whether good cause exists for such a requested disclosure shall be resolved through the Dispute Resolution process set forth in this Settlement Agreement.

4. Confidentiality Regarding Amount of Monetary Award. All Claimants receiving monetary awards will be asked to keep the amount of their award confidential.

E. Non-Admissibility of Fact of Award (or Non-Award). Except to the extent that it would constitute a set off in an action for damages claimed for any period covered by this settlement, neither the fact nor amount of an award, nor the fact of any non-award, shall be admissible in any other proceeding for any purpose other than to enforce the Named Plaintiff Release or a Class Member Release executed in accordance with this claims process, nor shall it be deemed to be a finding as to the merits of any claim.

F. Tax Treatment

1. Qualified Tax Status and Tax Responsibilities. The Settlement Fund shall be established as a Qualified Settlement Fund within the meaning of Section 468B of the Internal Revenue Code of 1986, as amended, and Treas. Reg. Section 1.468B-1, et seq., and shall be administered by the Claims Administrator under the Court's supervision. The parties shall cooperate to ensure such treatment and shall not take a position in any filing or before any tax authority inconsistent with such treatment.

2. Payment of Federal, State and Local Taxes. The parties recognize

that the awards to eligible Claimants will be subject to applicable tax withholding and reporting, which will be handled as follows: The Claims Administrator shall serve as trustee of the Settlement Fund and shall act as a fiduciary with respect to the handling, management, and distribution of the Settlement, including the handling of tax-related issues and payments. Specifically, the Claims Administrator shall be responsible for withholding, remitting and reporting of the Claimant's share of the payroll taxes from the Settlement Fund, and Morgan Stanley shall be responsible for the employer's share of payroll taxes as set forth in this section.

The Special Master will establish, for tax purposes, the allocation of the payments made to Claimants to wages, interest, compensatory damages, or such other tax character of such payout as the Special Master may determine, based on the principles set forth in Treas. Reg. §1.468B-4 by reference to the claims pursuant to which distributions are made and as if Morgan Stanley made such payments directly to Claimants.

The Claims Administrator shall inform Morgan Stanley in writing of the employer's share of all taxes or contributions (*i.e.*, FICA, FUTA, SUTA, and Medicare) required to be paid by Morgan Stanley. Morgan Stanley shall, within ten (10) business days of such notice, remit all such payments (net of the credit for opt outs, if any, as provided for in Section IV.C.9. above) to the Claims Administrator for payment to appropriate taxing authorities ("Employer Payroll Tax Payment").

The Claims Administrator shall be responsible for the timely reporting and remitting of the Employer Payroll Tax Payment to the appropriate taxing authorities and shall indemnify Morgan Stanley for any penalty arising out of an incorrect calculation

and/or interest with respect to late deposit of the same. Subject to the Claims Administrator's obligation to comply with applicable laws, the parties anticipate that any amounts designated as interest shall not be subject to withholding and shall be reported, if required, to the IRS on Form 1099-INT. The amounts paid for emotional distress shall not be subject to withholding and shall be reported to the IRS on Form 1099-MISC.

Except with respect to the Employer Payroll Tax Payment, the Claims Administrator shall be responsible to satisfy from the Settlement Fund any and all federal, state and local employment and withholding taxes, including, without limitation, federal and state income tax withholding, FICA, FUTA, SUTA, Medicare and any state employment taxes. The Claims Administrator shall satisfy all federal, state, local, and other reporting requirements (including any applicable reporting with respect to attorneys' fees and other costs subject to reporting), and any and all taxes, penalties and other obligations with respect to the payments or distributions from the Settlement Fund not otherwise addressed herein.

The Claims Administrator shall be responsible for procuring an executed Named Plaintiff or Class Member Release and Form W-9 from each Named Plaintiff prior to making any monetary allocations to such Named Plaintiff. The Claims Administrator shall be responsible for procuring an executed Class Member Release and Form W-9 from each eligible Claimant who is not a Named Plaintiff prior to making any monetary allocations to such Claimant.

All (i) taxes (including any estimated taxes, interest or penalties) arising with respect to the income earned by the Settlement Fund, including any taxes or tax

detriments that may be imposed on Morgan Stanley with respect to income earned for any period during which the Settlement Fund does not qualify as a "Qualified Settlement Fund" for federal and state income tax purposes (hereinafter "Settlement Fund Taxes"), and (ii) expenses and costs incurred in connection with the operation and implementation of this paragraph (including, without limitation, expenses of tax attorneys and/or accountants and mailing and distribution costs and expenses relating to filing (or failing to file) any returns described herein or otherwise required to be filed pursuant to applicable authorities) (hereinafter "Settlement Fund Tax Expenses"), shall be paid out of the Settlement Fund. Further, Settlement Fund Taxes and Settlement Fund Tax Expenses shall be treated as a cost of the administration of the Settlement Fund. The parties hereto agree to cooperate with the Claims Administrator, each other, and their tax attorneys and accountants to the extent reasonably necessary to carry out the provisions set forth in this paragraph.

G. Morgan Stanley Has No Further Obligation, Liability or Responsibility. Other than Morgan Stanley's responsibility for the employer's share of payroll taxes as discussed in Section VIII.F.2. above, Morgan Stanley shall have no withholding, reporting or any other tax reporting or payment responsibilities with regard to the Settlement Fund or its distribution to Class Members. Moreover, Morgan Stanley shall have no liability, obligation, or responsibility for the administration of the Settlement Fund, the determination of any formulas for disbursement, or the disbursement of any monies from the Settlement Fund except for (1) its obligation to pay the Settlement Sum specified in Section VIII.A. no later than ten (10) days after the Effective Date; (2) its

obligation related to the Employer Payroll Tax Payment as set forth in Section VIII.F.2.; and (3) its agreement to cooperate in providing information which is necessary for Settlement administration set forth herein.

H. The parties anticipate that MS-GWMG will spend approximately $7,500,000 on diversity efforts during the period of this Settlement Agreement, including programs for training, re-education, and other development programs for African American and Latino Financial Advisors and Registered Financial Advisor Trainees. This includes costs associated with settlement compliance, such as costs for the retention of the Industrial Psychologists, compensation for the Diversity Monitor, compensation and all expenses for employees who will be working on the diversity programs, and the costs associated with the Minority Business Exchange and other training and development programs for African American and Latino Financial Advisors and Registered Financial Advisor Trainees.

IX. MONITORING

A. **Data Collection.** MS-GWMG will collect data which will include, but not be limited to: (1) sourcing, recruitment and hiring of Financial Advisors; (2) compensation of Financial Advisors; (3) partnerships between active Financial Advisors or partnerships between active and retiring Financial Advisors; (4) account distributions, defined to include all transfers of accounts from one Financial Advisor to another within MS-GWMG such as those of retiring and deceased Financial Advisors, not just the distribution of the accounts of departing Financial Advisor; (5) race or color discrimination complaints made by African American or Latino Registered Financial Advisor Trainees or Financial

Advisors; (6) retention of Financial Advisors and (7) any other areas agreed upon by MS-GWMG and Lead Class Counsel. MS-GWMG will include several variables in its data collection, including but not limited to, race, production and length of experience.

B. Monitoring System. MS-GWMG, with input from the Industrial Psychologists and consent from Lead Class Counsel, will create and implement a system of monitoring compliance with each policy described herein, including, without limitation, the account distribution policy using the Power Ranking methodology.

C. Reports. Lead Class Counsel will receive semi-annual reports from the Diversity Monitor regarding the data and information collected through the monitoring system including the analysis of the account distribution system and the other areas reviewed by the Diversity Monitor under this Agreement as specified in Section VII.G.1. herein.

D. Meetings. MS-GWMG and Lead Class Counsel will meet at least once every six (6) months regarding compliance, and may confer more frequently at their discretion or as dictated by information either side gathers.

X. ENFORCEMENT

A. No Third Parties. Enforcement of this Settlement Agreement shall be prosecuted by Lead Class Counsel or counsel for Morgan Stanley only, not third parties. Lead Class Counsel shall meet and confer with counsel for Morgan Stanley prior to commencement of any enforcement proceedings.

B. Dispute Resolution. The parties will work diligently and in good faith to resolve all disputes that may arise during the term of this Settlement Agreement

concerning the rights, obligations and duties of the parties to this Settlement Agreement. In the event the parties cannot agree, the parties will attempt to resolve the dispute with the facilitation of a mutually selected mediator. If mediation fails to resolve the dispute(s) at issue, the parties agree to submit the dispute(s) to binding resolution by a mutually appointed arbitrator. Either party may seek Court review and reversal of the arbitrator's decision on the basis of an abuse of discretion or error of law standard.

XI. CONFIDENTIALITY

A. Documents and Information Produced by Morgan Stanley and Class Counsel. All proprietary and confidential documents or information that have previously been provided to either Morgan Stanley or Class Counsel as of the date this Settlement Agreement is executed, or which are produced by Morgan Stanley or Class Counsel pursuant to any provision of this Settlement Agreement shall, unless otherwise agreed, be treated as, and thereafter remain, confidential. Said documents and information shall not be disclosed to anyone other than the mediator, arbitrator or the Court in connection with any proceeding to enforce any provision of this Settlement Agreement. If such disclosure is deemed necessary by Class Counsel or Morgan Stanley, Class Counsel or the Company shall identify and disclose to the other party such documents and information deemed necessary to disclose at least ten (10) business days prior to filing such documents with the Court, and, if a party so requests, shall seek permission to file said documents with this Court under seal.

B. Return or Disposal of Confidential Documents and Information. All proprietary and confidential documents or information that have previously been provided

to Class Counsel or to Morgan Stanley as of the date this Settlement Agreement is executed, or which are produced by Morgan Stanley or Class Counsel pursuant to any provision of this Settlement Agreement, shall be destroyed or returned to counsel as follows:

After the expiration of the five (5) year term of the Settlement all proprietary and confidential documents or information provided to Class Counsel or Morgan Stanley and designated "Confidential for Settlement Purposes Only" or similar designation pursuant to the Confidentiality Agreement, or that have been produced in confidence pursuant to any provision of this Settlement Agreement, and all copies of such documents or information, shall, upon request, be returned to counsel for the producing party or be destroyed within thirty (30) days of the expiration of the five (5) year term of the Settlement. Certification of such destruction shall be provided to counsel for the producing party.

The preceding paragraphs of this Section are intended to supersede those provisions of the "Confidentiality Agreement For Settlement Discussions" earlier executed by counsel for the parties that address the timing of the return or destruction of proprietary and confidential documents or information provided to Class Counsel or Morgan Stanley. All other provisions of the "Confidentiality Agreement For Settlement Discussions" remain in full effect.

Nothing in the preceding paragraphs shall preclude any party from responding to a lawful discovery request, subpoena or court order; provided, however, that the party against whom such discovery is sought or such subpoena or order is directed agrees to

provide immediate notice and a copy of same to counsel for the other parties to this Settlement Agreement.

In the event that this Settlement Agreement is terminated for any reason, all proprietary and confidential documents or information provided to Class Counsel or Morgan Stanley and designated "Confidential for Settlement Purposes Only" or similar designation pursuant to the Confidentiality Agreement, or that have been produced in confidence pursuant to any provision of this Settlement Agreement, and all copies of such documents or information, shall, upon request, be returned to counsel for the producing party or be destroyed within thirty (30) days of the date on which this Settlement Agreement is terminated. Certification of such destruction shall be provided to counsel for the producing party.

XII. ATTORNEYS' FEES AND EXPENSES OF CLASS COUNSEL.

As discussed above in Section VIII.A., all of Class Counsel's fees and costs, including those in connection with securing Court approval of this Settlement Agreement, the claims process and any monitoring of this Settlement Agreement, shall be paid from the Settlement Fund, following approval of those attorney's fees and costs by the Court. Morgan Stanley shall not oppose Class Counsel's request for an award of attorneys' fees and expenses in the amount of $800,000, plus $150,000 per year during the five-year term of the Settlement to cover future fees and expenses relating to monitoring and enforcing the Settlement, plus interest accruing on all fees and expenses from the date on which the Settlement is funded until such fees and expenses are disbursed to Class Counsel.

XIII. GOVERNING LAW

The parties agree that federal law shall govern the validity, construction and enforcement of this Settlement Agreement. To the extent that it is determined that the validity, construction or enforcement of this Settlement Agreement or the Named Plaintiff Release or Class Member Release executed pursuant to its terms is governed by state law, the law of the State of California shall apply.

This Settlement Agreement, including the Exhibits hereto, contains the entire agreement and understanding of the parties with respect to the Settlement. This Settlement Agreement does not impose any obligations on the parties beyond the terms and conditions stated herein. Accordingly, this Settlement Agreement shall not prevent or preclude MS-GWMG from revising its employment practices and policies or taking other personnel actions during the term of this Settlement Agreement so long as they are consistent with this Settlement Agreement.

Except as specifically provided for herein, this Settlement Agreement may not be amended or modified except with the express written consent of the parties.

XIV. OTHER CONDITIONS OF SETTLEMENT

A. Exhibits. The Exhibits to this Settlement Agreement are material and integral parts hereof and are fully incorporated herein by this reference.

B. Notices to Counsel. All notices to counsel required or desired to be given under this Settlement Agreement shall be in writing and by overnight mail and e-mail to counsel for the respective parties (specifically, to Kelly M. Dermody of Lieff Cabraser Heimann & Bernstein, LLP, James M. Finberg of Altshuler Berzon, LLP, Adam T. Klein

of Outten & Golden, LLP, Alexa B. Pappas of Morgan Stanley, and Mark S. Dichter of Morgan, Lewis & Bockius LLP) at their respective addresses set forth below (or to such other address as any such party or counsel may designate in a notice). Notices sent to Alexa B. Pappas under this paragraph shall be addressed to Ms. Pappas at the following address: 2000 Westchester Avenue, Purchase, New York, 10577-2530.

C. **Failure to Insist on Strict Compliance**. The failure of any party to insist in any one or more instances on strict compliance with the terms and conditions hereof shall not be construed to be a waiver of remedies available with respect to any prior or subsequent breach.

D. **Settlement Agreement Binding.** This Settlement Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective heirs, dependents, executors, administrators, trustees, legal representatives, personal representatives, agents, successors and assigns; provided, however, that this Settlement Agreements shall not inure to the benefit of any third party.

E. **Modifications to this Agreement.** No material modifications to this Agreement may be made without prior Court approval.

F. **No Drafting Presumption.** All parties hereto have participated, through their respective counsel, in the drafting of this Settlement Agreement and, therefore, this Settlement Agreement shall not be construed more strictly against one party than another.

G. **Dispute As To Meaning of Agreement Terms**. In the event of any dispute or disagreement with respect to the meaning, effect or interpretation of this Settlement Agreement or any Exhibit hereto, or in the event of a claimed breach of the Settlement

Agreement, the parties agree that such dispute will be resolved and adjudicated only in accordance with the dispute resolution provisions of Section X.B. of this Settlement Agreement.

H. **Interpretation of Terms**. Whenever possible, each provision and term of this Settlement Agreement shall be interpreted in such a manner as to be valid and enforceable.

I. **Paragraph and Section Headings.** Paragraph and section headings are for convenience of reference only and are not intended to create substantive rights or obligations.

J. **Counterparts.** This Settlement Agreement may be executed in counterparts. Each signed counterpart together with the others shall constitute the full Settlement Agreement.

K. **Agreement Binding.** As of the date on which counsel for the parties execute this Settlement Agreement, this Settlement Agreement will be binding in all respects, unless the Court fails to approve this Settlement Agreement and the Settlement Agreement is thus vacated.

[Remainder of this page intentionally left blank.]

DATED: January 14, 2008

By: _____
Kelly M. Dermody, Esq.
Email: Kdermody@lchb.com
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Attorneys for Plaintiffs and the Class

DATED: January 14, 2008

By: _____

Mark S. Dichter, Esq.
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By: _____

L. Julius M. Turman, Esq,
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Telephone: (415) 442.1361
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Attorneys for Defendant
Morgan Stanley & Co. Incorporated,
formerly known as Morgan Stanley DW Inc.

EXHIBIT A

RELEASE AND INDEMNIFICATION AGREEMENT
(CLASS MEMBERS, EXCLUDING NAMED PLAINTIFFS)

In consideration of my receipt of a court-approved monetary distribution from the Class Claims Portion of the Settlement Fund in *Jaffe, Williams, Curtis-Bauer et al. v. Morgan Stanley and Co. Incorporated f/k/a Morgan Stanley DW Inc.*, Case No. C-06-3903-TEH (herein "Litigation"), I hereby agree to be bound by the terms of this Release and Indemnification Agreement (the "Agreement"), as follows:

I. DEFINITIONS

Unless otherwise specified in this Agreement, the terms used herein shall have the same meanings as those set forth in the Settlement Agreement.

II. LIMITED RELEASE OF CLAIMS AGAINST MORGAN STANLEY & CO. INCORPORATED

I hereby waive, release and discharge (herein collectively referred to as "Release of Claims") Morgan Stanley & Co. Incorporated ("Morgan Stanley"), including its officers, directors, subsidiaries, affiliates, predecessors, successors, fiduciaries, insurers, employees and agents ("Released Parties"), from any and all claims, known and unknown, for race and/or color discrimination based on the allegations in the Second Amended Complaint of the Litigation, including facts or circumstances relating to compensation, production, account distribution, team or partnership formation, allocation of support or business opportunities or other allegations in the Second Amended Complaint that I may have against the Released Parties relating to my employment at Morgan Stanley. Based on this Agreement, this Release of Claims also shall apply to termination and advancement into management claims for race and/or color discrimination, as referenced in the Second Amended Complaint, arising out of low production, failure to satisfy position requirements, failure to satisfy requirements of the training program, production related reductions-in-force, other production based performance related terminations and any claims for constructive discharge based on the same set of facts or circumstances, it being understood that such Release of Claims does not apply to any other termination, advancement into management, constructive discharge or harassment claims. I understand that this release includes all race and/or color discrimination claims, as referenced herein and in the Second Amended Complaint, that I have or may have arising at any time on or before **[INSERT DATE OF PRELIMINARY APPROVAL]**, 2007. I also understand that my release includes all related claims for monetary damages, injunctive, declaratory or equitable relief, and costs and attorneys' fees, whether arising under Title VII of the Civil Rights Act of 1964, as amended, 42 U.S.C. Section 1981, or any other federal, state, local or common laws or regulations.

I understand that my release does not include other claims of discrimination such as claims of sex, age, or national origin discrimination, or claims arising under the Fair Labor Standards Act or the Employment Retirement Income Security Act.

If I am a current or former California employee of Morgan Stanley, I expressly waive any and all rights and benefits conferred by the provisions of Section 1542 of the Civil Code of the State of California, which states as follows:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if know by him must have materially affected his settlement with the debtor.

III. INDEMNIFICATION

I understand that I am fully and ultimately responsible for payment of any and all federal, state or local taxes (excluding the employer share of employment taxes and unemployment taxes and excluding amounts properly withheld from the distributions) resulting from or attributable to the distributions that I receive. Accordingly, I agree to indemnify and hold harmless the Released Parties, including Morgan Stanley, Class Counsel, and the Depository Bank from any tax liability, including penalties and interest and costs of any proceedings, regardless of whether such tax liability is attributable to my acts or omissions. I further agree to indemnify and hold harmless the Claims Administrator and Trustee of the Settlement Fund from any tax liability, including penalties and interests and costs of any proceedings, attributable to my acts or omissions. In the event that a tax liability that arises is not attributable to my acts or omissions, I agree to indemnify and hold harmless the Claims Administrator and Trustee of the Settlement Fund from any tax liability, but not penalties and interest, or the costs of any proceedings related to such tax liability.

IV. PUBLICITY/DISCLOSURE

I also agree that, unless I have prior written authorization from Morgan Stanley, I will not disclose or allow disclosure of any information about Morgan Stanley or its present or former clients, or any aspects of my employment with Morgan Stanley (or, if applicable, of the termination of such employment), to any reporter, author, producer or similar person or entity, or take any 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, audiotape, electronic/internet format or any other medium. I further agree that I will not use or take any action likely to result in the use of any of Morgan Stanley's names or variations thereof in connection with any publication to the general public in any medium. I also agree that I will not directly or indirectly issue or cause or authorize to be issued any communication or publication, whether oral or written, electronic or otherwise, either to the press or the media or to any other similar entity with respect to my employment or experiences with Morgan Stanley, and I will not accept or retain any payment, fee, compensation or remuneration of any kind for or on account of any such communication or publication regardless of when the communication or publication occurred or occurs.

V. OTHER AGREEMENTS AND REPRESENTATIONS

A. Confidentiality. I agree to keep the amount of any and all distributions I receive from the Settlement Fund strictly confidential to the fullest extent permitted by law, except that I may disclose the same to my attorneys, tax advisors and immediately family members.

B. Ownership of Claims. I represent and warrant that I have not assigned or transferred any claim I am purporting to release, nor have I attempted to do so.

C. Entire Agreement. This Agreement may not be modified in any manner, nor may any provision of it or any legal remedy with respect to it be waived, except by a writing signed by both me and an authorized Morgan Stanley attorney. I acknowledge that Morgan Stanley has made no representations or promises to me, other than those in or referred to by this Agreement and the Settlement Agreement.

D. Successors and Assigns. This Release binds my heirs, administrators, representatives, executors, successors, and assigns.

E. Interpretation. This Release shall be construed as a whole according to its fair meaning. Unless the context indicates otherwise, the term "or" shall be deemed to include the term "and" and the singular or plural number shall be deemed to include the other. This Release shall be governed by the statutes and common law of the State of California (excluding any that mandate the use of another jurisdiction's laws).

F. Knowing and Voluntary Waiver and Release of Claims. I understand and agree that:

a. I am entering into this Agreement knowingly and voluntarily;

b. I understand the terms of this Agreement;

c. I have been advised to consult with an attorney prior to signing this Agreement; and

d. I have had a sufficient amount of time to consider this Agreement before signing it.

AGREED:

_____
[SIGNATURE]

_____
[PRINT NAME]

_____
Date

Executed before me at _____, ____,
on this _____ day of _____, 2007.

_____

Notary Public

EXHIBIT B

GENERAL RELEASE AND INDEMNIFICATION AGREEMENT
(NAMED PLAINTIFFS)

In consideration of my receipt of a court-approved monetary distribution from the Claims Portion of the Settlement Fund in *Jaffe, Williams, Curtis-Bauer et al. v. Morgan Stanley and Co. Incorporated f/k/a Morgan Stanley DW Inc.*, Case No. C-06-3903-TEH (the "Litigation"), I hereby agree to be bound by the terms of this General Release and Indemnification Agreement (the "Agreement"), as follows:

I. DEFINITIONS

Unless otherwise specified in this Agreement, the terms used herein shall have the same meanings as those set forth in the Settlement Agreement.

II. COMPLETE GENERAL RELEASE OF CLAIMS

I hereby waive, release, discharge, and covenant not to sue Morgan Stanley & Co. Incorporated ("Morgan Stanley"), including its officers, directors, subsidiaries, affiliates, predecessors, successors, fiduciaries, insurers, employees and agents ("Released Parties"), from and with respect to any and all actions, causes of action, suits, liabilities, claims, and demands whatsoever, and each of them, whether known or unknown, from the beginning of time until **[INSERT DATE OF PRELIMINARY APPROVAL]**, 2007. I intend this release to be general and comprehensive in nature and to release all claims and potential claims against the Released Parties to the maximum extent permitted at law. Claims I am releasing *include* specifically, by way of description, but not by way of limitation, any and all claims: (i) arising out of or relating in any way to the alleged facts, circumstances and occurrences underlying the allegations of violations of Title VII of the Civil Rights Act of 1964, as amended (herein "Title VII"), 42 U.S.C. Section 1981, as amended (herein "Section 1981"), and similar state and local laws that were asserted or could have been asserted in the Litigation by me or on my behalf; (ii) arising out of or relating in any way to the alleged facts, circumstances and occurrences underlying the allegations of violations of Title VII, Section 1981 and similar state and local laws that were asserted or could have been asserted by me or on my behalf in a charge of discrimination filed against the Company and/or the Released Parties with the Equal Employment Opportunity Commission ("EEOC") and/or other state or local agencies; (iii) relating to the termination of my employment (if applicable); (iv) arising out of or in any way related to any federal, state, or local law prohibiting discrimination on the basis of race, color, sex, age, religion, disability, national origin, or citizenship, including, without limitation, claims under Title VII, Section 1981, the Employee Retirement Income Security Act, the Age Discrimination in Employment Act, and the Americans With Disabilities Act or any other similar statutes whatever the country of enactment; and (v) arising out of or in any way related to any transactions, occurrences, acts, statements, disclosures, or omissions occurring prior to _____, 2007. I understand that this release includes all related claims for monetary damages, injunctive, declaratory or equitable relief, and costs and attorneys' fees, whether arising under Title VII, Section 1981 or any other federal, state, local or common laws or regulations.

If I am a current or former California employee of Morgan Stanley, I expressly waive any and all rights and benefits conferred by the provisions of Section 1542 of the Civil Code of the State of California, which states as follows:

> A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if know by him must have materially affected his settlement with the debtor.

III. ADEA WAIVER.

I recognize that in addition to all other claims being released herein, I am releasing claims for age discrimination under the Age Discrimination in Employment Act. Accordingly, I have the right to reflect on this Agreement for a period of twenty-one (21) days before executing it, and I have an additional seven (7) days after executing it to revoke it under the terms of the Older Workers Benefit Protection Act. This Agreement will become effective and enforceable seven (7) days following the execution of this Agreement, unless it is revoked during the seven (7) day period, in which case this Agreement will be ineffective and unenforceable. By my signature below, I represent and warrant that I have been advised of these rights, that I have been advised that I have a right to consult with an attorney, and that I have discussed them with my attorney to the fullest extent I thought necessary. I intend this to be a fully binding and enforceable release of all claims, including claims under the Age Discrimination in Employment Act.

IV. INDEMNIFICATION

I understand that I am responsible for payment of any and all federal, state or local taxes (excluding the employer share of employment taxes and unemployment taxes and excluding amounts properly withheld from the distributions) resulting from or attributable to the distributions that I receive. Accordingly, I agree to indemnify and hold harmless the Released Parties, Class Counsel, and the Depository Bank from any tax liability, including penalties and interest and costs of any proceedings. I further agree to indemnify and hold harmless the Claims Administrator and Trustee of the Settlement Fund from any tax liability, including penalties and interests and costs of any proceedings, attributable to my own acts or omissions. In the event a tax liability arises with respect to my monetary award that is not attributable to my own acts or omissions, I agree to indemnify and hold harmless the Claims Administrator and Trustee of the Settlement Fund from any tax liability only to the extent of the taxes due and payable, but not with respect to penalties and interest, or the costs of any proceedings related to such tax liability.

V. OTHER AGREEMENTS AND REPRESENTATIONS

A. Confidentiality. I agree to keep the amount of any and all distributions I receive from the Settlement Fund strictly confidential to the fullest extent permitted by law, except that I may disclose the same to my attorneys, tax advisors and immediate family members.

B. Pursuit of Released Claims. Except for the Litigation, and any administrative charges filed with respect to the claims asserted therein, I represent and warrant that I have not

filed or caused to be filed any lawsuit or complaint with respect to any claim that I am releasing herein, and I promise never to file or prosecute a lawsuit or complaint based on such claims. I promise never to seek any damages, remedies, or other relief for myself personally (any right to which I hereby waive) by filing or prosecuting a charge with any administrative agency with respect to any such claim.

C. Ownership of Claims. I represent and warrant that I have not assigned or transferred any claim I am purporting to release, nor have I attempted to do so.

D. Entire Agreement. This Agreement may not be modified in any manner, except by a writing signed by both me and an authorized Morgan Stanley attorney. I acknowledge that Morgan Stanley has made no representations or promises to me, other than those in or referred to by this Agreement and the Settlement Agreement.

E. Successors and Assigns. This release binds my heirs, administrators, representatives, executors, successors, and assigns.

F. Interpretation. This Agreement shall be construed as a whole according to its fair meaning. Unless the context indicates otherwise, the term "or" shall be deemed to include the term "and" and the singular or plural number shall be deemed to include the other. This Agreement shall be governed by the statutes and common law of the State of California (excluding any that mandate the use of another jurisdiction's laws).

AGREED:

_____
[SIGNATURE]

_____
[PRINT NAME]

_____
Date

EXHIBIT C

THIS IS A NOTICE OF A PROPOSED CLASS ACTION SETTLEMENT FROM THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO / OAKLAND DIVISION

MARGARET BENAY CURTIS-BAUER, on behalf of herself and all others similarly situated, Plaintiff, v. MORGAN STANLEY & CO. INCORPORATED, f/k/a MORGAN STANLEY DW INC. Defendant.	Case No. C-06-3903 THE

NOTICE OF CLASS ACTION, PROPOSED SETTLEMENT AGREEMENT, AND SETTLEMENT HEARING

IF YOU ARE AFRICAN AMERICAN OR LATINO AND WERE EMPLOYED AS A FINANCIAL ADVISOR OR REGISTERED FINANCIAL ADVISOR TRAINEE IN THE GLOBAL WEALTH MANAGEMENT GROUP OF MORGAN STANLEY & CO. INCORPORATED OR ITS PREDECESSOR(S) AT ANY TIME FROM OCTOBER 12, 2002 THROUGH [the date of preliminary approval of the settlement], A PROPOSED CLASS ACTION SETTLEMENT MAY AFFECT YOUR RIGHTS.

A federal court has authorized this Notice.
This is not a solicitation from a lawyer.

Please read this Notice carefully and fully. This Notice describes a proposed settlement and related matters, including the procedures for seeking monies from a Settlement Fund.

This Notice is intended to inform you about the terms of a proposed settlement (the "Settlement") of a pending legal action and your rights in connection with this Settlement. This

Notice describes the steps you must take to be eligible to receive Settlement Fund monies if this Settlement is finally approved by the Court. If you do not wish to be part of the class, this Notice details the steps you must take to be excluded from the class.

General Overview

- Margaret Benay Curtis-Bauer ("Plaintiff"), a former Financial Advisor and Registered Financial Advisor Trainee, on behalf of herself and all other current and former Morgan Stanley African American and Latino Financial Advisors and Registered Financial Advisor Trainees, has sued Morgan Stanley & Co. Incorporated, f/k/a Morgan Stanley DW Inc. ("Morgan Stanley" or "the Company") for race and color discrimination. After extensive discussions, the Plaintiff and the Company have agreed on the terms of a Settlement.

- Morgan Stanley denies that it has done anything wrong, and the Court did not make a determination on that issue. However, the Company has agreed to be bound by the terms of this Settlement.

- The Court has reviewed the Settlement and has given it preliminary approval. Before deciding whether to grant final approval to the Settlement, the Court wishes to inform you of the general terms of the Settlement, what actions you need to take to participate in the monetary provisions of the Settlement, and of your rights to opt-out of the monetary relief portion of the Settlement or to object to the Settlement, if you would like to do so.

- The Court has allowed the following Class to assert claims for monetary relief:

> All African Americans and Latinos who were employed as Financial Advisors or Registered Financial Advisor Trainees in the Global Wealth Management Group of Morgan Stanley & Co. Incorporated or its predecessor, Morgan Stanley DW Inc. at any time between October 12, 2002 through **December 3, 2007**.

- If you fit the above definition, then you are a Class Member. This Notice will explain the terms of the Settlement to be presented to the Court for final approval.

- If the Court grants final approval to the Settlement, the changes to be made to the Company's policies and practices, known as "programmatic relief," will apply to all African Americans and Latinos who are currently employed by Morgan Stanley as Financial Advisors or Registered Financial Advisor Trainees, including Class Members who opt-out of the monetary relief portion of the Settlement. It is not possible to opt-out of the programmatic relief portion of the Settlement.

- If, after reviewing the terms of the Settlement you would like to participate in the Settlement by making a claim for monetary relief, then you must fill out the attached Claim Form.

- If you want to opt-out of the monetary relief settlement class and not receive any monetary relief through this Settlement, or you want to object to the Settlement before the Court, this Notice

will describe the procedures to do so. You may not opt-out of the injunctive relief provisions of the settlement.

- The Court will hold a Settlement Hearing to consider whether the Settlement is fair, reasonable, and adequate, and to decide whether to give final approval to this Settlement. The hearing will be held at _____ a.m./p.m. on _____, 2008, in the courtroom of the Honorable Thelton E. Henderson at the United States District Court for the Northern District of California, Courtroom 12, U.S. Courthouse, 450 Golden Gate Avenue, San Francisco, California 94102. If the Settlement is granted final approval by the Court after the Settlement Hearing, the Court's judgment will be final and binding.

- You are not required to appear at the hearing. If you are a Class Member you will be represented by attorneys for the Class at no cost to you. If you wish to opt-out of the monetary relief settlement class, you must submit a request to opt-out in writing, but you do not need to appear at the hearing. If you wish to object to the Settlement, you must submit a written objection. Those who wish to object to the Settlement may present their objection in writing only, or may, in addition to a written objection, appear and be heard by the Court, either by yourself or, at your own expense, with an attorney of your choice.

  - If you wish to remain a Class Member and to have an opportunity to receive a share of the monetary relief you must return the attached Claim Form postmarked no later than _____, 2008.

  - If you wish to opt-out and exclude yourself from the monetary relief settlement class, your opt-out request must be received by _____, 2008.

  - If you wish to object to the Settlement, your objection must be received by _____, 2008.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS LAWSUIT	
Submit a Claim Form	**The only way to be eligible to receive money from the Settlement.**
Do Nothing	**Stay in this lawsuit. Receive no money from the Settlement. Give Up Certain Rights.** By doing nothing, you will not receive any money from the Settlement Fund, and you give up any right to pursue claims against Morgan Stanley separately about the race and color discrimination claims covered by the Settlement.
Ask to Be Excluded (Opt-Out)	**Opt out of the monetary relief settlement class (opt-out). Receive no money from the Settlement Fund. Keep any rights you might have to purse monetary claims against Morgan Stanley separately.** If you ask to be excluded from the monetary relief settlement class, you will not be eligible to receive any money from the Settlement Fund, but you keep any rights you might have to pursue claims against Morgan Stanley separately about the legal claims covered by this Settlement.

Object	**Write to the Court about why you don't think the settlement is fair to the class.** Unless you opt out, you may object to the Settlement whether or not you submit a Claim Form.
Go to the Hearing	**Ask to speak in Court about the fairness of the Settlement.**

- For additional information, you may visit: http://www.racecaseagainstmorganstanley.com/.

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BASIC INFORMATION

1. Purpose of this Notice

The purpose of this Notice is to inform you about this litigation, the certification of a class (the "Class"), the terms of a proposed settlement (the "Settlement"), and your rights in connection with a hearing to be held before the Court on _____, 2008, to consider the fairness, reasonableness, and adequacy of the Settlement and related matters. This Notice also describes the steps to be taken by those who wish to be excluded from the Class and, for those who remain Class members, the steps necessary to seek a share in the distribution of the Settlement Fund in the event the Settlement is approved by the Court.

2. Background: About the Lawsuit

In October 2006, a plaintiff joined an existing lawsuit pending in federal court in San Francisco brought by a Morgan Stanley Financial Advisor. That plaintiff alleged, among other things, that she was subjected to race discrimination. On August 2, 2007, Plaintiff Margaret Benay Curtis-Bauer joined that complaint and added classwide race and color discrimination claims. Specifically, Plaintiff alleges discrimination by Morgan Stanley against African Americans and Latinos in compensation, account distributions, partnerships, acquisition of books of business of retiring Financial Advisors, and other business opportunities that were not afforded to African Americans and Latinos in a manner equal to their white counterparts. Plaintiff also claims that Morgan Stanley denied her equal opportunities to acquire branch management positions, denied her equal terms and conditions of employment, and terminated her on the basis of race or color.

Because this Plaintiff brought this action on behalf of a group, or "class" of African Americans and Latinos who have similar claims, she filed the case as a "class action," and is referred to as "Named Plaintiff."

You can read all of the plaintiff's claims in the Named Plaintiff's Amended Complaint, which can be found at http://www.racecaseagainstmorganstanley.com/.

Morgan Stanley denies that it discriminated against African Americans and Latinos or that it otherwise did anything wrong. The Company maintains that African Americans and Latinos were compensated based solely on their production, just as similarly situated white Financial Advisors were. Morgan Stanley also maintains that opportunities for movement from Registered Financial Advisor Trainee into Financial Advisor positions, and movement from Financial Advisor into branch management positions, were equally available to all employees, and that African Americans and Latinos were not denied equal terms and conditions of employment or terminated on the basis of their race or color. Morgan Stanley maintains that it does not allow or condone discrimination against African Americans and Latinos and that it is an equal opportunity employer. By entering into the proposed Settlement, Morgan Stanley does not admit any wrongdoing.

The Court has not made and will not make any determination regarding whether or not Morgan Stanley discriminated against African Americans and Latinos. This Notice should not be regarded as an expression of any opinion by the Court on the merits of any claims or defenses of

the Parties. No trial has occurred. There has been no finding or determination by the Court that Morgan Stanley has violated any law or obligation, or that, in the event that the Settlement does not become effective, a recovery could or could not be made by the Named Plaintiff or other members of the Class. Because the Named Plaintiff and the Company together came to the Court to ask that the Court approve the Settlement that the two sides agreed to, the Court will simply examine the Settlement Agreement to determine whether or not it is fair, adequate and reasonable.

The Settlement resolves claims of race and color discrimination in compensation, terms and conditions of employment, and production-based termination brought under 42 U.S.C. § 1981, Title VII of the Civil Rights Act of 1964 or any state or local anti-discrimination law. The Settlement also resolves any and all individual, non-class claims the Named Plaintiff made or could have made in the Second Amended Complaint.

The Court has reviewed the Settlement and has preliminarily approved it as being fair, adequate and reasonable. Before deciding whether to give the Settlement final approval, the Court wishes to inform you of the general terms of the Settlement and of your right to comment on the Settlement, if you so desire, as well as your right to opt-out, or be excluded, from participating in the monetary portion of the Settlement.

3. Class Definition—You are Part of the Class

You are a member of the Class affected by the Settlement if you fit within this definition:

> All African Americans and Latinos who were employed as Financial Advisors or Registered Financial Advisor Trainees in the Global Wealth Management Group of Morgan Stanley & Co. Incorporated or its predecessor, Morgan Stanley DW Inc. at any time between October 12, 2002 through **December 3, 2007**.

If you received this Notice in a mailing addressed to you, then Morgan Stanley's records show that you are currently employed, or were previously employed, by Morgan Stanley as a Financial Advisor or Registered Financial Advisor Trainee at some time from October 12, 2002 through **December 3, 2007** Therefore, you are considered a Class Member. You have legal rights and options that you may exercise before the Court finally approves the Settlement.

Do I Have to Be Part of this Lawsuit?

You may exclude yourself from, or "opt-out" of, the monetary relief settlement class. If you do so, you will not be required to give up any legal rights that you would otherwise have to sue Morgan Stanley individually, and you will not be permitted to share in the monetary portion of the Settlement. Information about how to opt-out is included below. You may not exclude yourself from the injunctive relief provisions of the Settlement. If the Court approves the Settlement, you will be bound by the injunctive relief provisions of the Settlement even if you opt-out of the monetary relief settlement class.

4. Summary Of Settlement Terms

What Are the Terms of the Settlement?

The Settlement requires Morgan Stanley to establish a Settlement Fund and for its Global Wealth Management Group ("MS-GWMG") to implement changes to its policies and practices. The programmatic portions of the Settlement will last for five years.

The Settlement Fund

Following final approval of the Settlement, Morgan Stanley will deposit sixteen million dollars ($16,000,000) plus interest earned from the date of preliminary approval at the rate of 5% per annum into a Settlement Fund. The Settlement Fund will be deposited into an interest bearing account. The Settlement Fund is expected to accrue approximately $400,000 in the approximately 6-9 months before the fund is distributed to the Class. A portion of the Settlement Fund will be used to reimburse costs and expenses of the litigation, pay Class Counsel's fees as awarded by the Court, and pay for the administration of the settlement process. The remainder of the Settlement Fund will be distributed to the eligible Named Plaintiff and Class Members who submit a Claim Form to compensate them for the asserted claims. Morgan Stanley is entitled to receive a credit for each Class Member who opts out of the Settlement. The credit shall be calculated on a pro rata share basis in relation to the total number of Class Members.

What Does Morgan Stanley Have to Do Under the Settlement?

Morgan Stanley has agreed to implement various revisions to its policies and practices. These revisions are intended to further enhance opportunities for employment, earnings and advancement of African American and Latino Financial Advisors and Registered Financial Advisor Trainees, and to provide a workplace that promotes fairness for all employees.

The parties anticipate that Morgan Stanley will spend approximately $7,500,000 on diversity efforts during the period of this Settlement Agreement, including programs for training, re-education, and other development programs for African American and Latino Financial Advisors and Registered Financial Advisor Trainees It is expected that these programs will benefit African Americans and Latinos and increase their earnings potential at Morgan Stanley. These benefits are in addition to the sixteen million dollars ($16,000,000) in the Settlement Fund.

Under the Settlement, Morgan Stanley will make the following revisions to its policies and practices, or perform the following tasks, during the five-year term of the Settlement Agreement:

Hiring

A. MS-GWMG will maintain its commitment to increase diversity in the Financial Advisor position including the representation rate of Latino and African American Financial Advisors. MS-GWMG will maintain a dedicated position within MS-GWMG whose primary function is the sourcing and recruitment of qualified diverse candidates, including qualified Latinos and African Americans.

B. MS-GWMG will work with the Industrial Psychologists to identify and develop sourcing alternatives for qualified Latino and African American Financial

Advisors, including but not limited to, developing relationships with organizations and educational institutions with high representation rates of Latinos and African Americans and historical connections with those communities.

C. MS-GWMG will continue to source qualified diverse candidates for its various entry-level positions, including the Summer Internship Program, the Richard B. Fischer Scholarship Program and/or successor or similar programs.

D. MS-GWMG will inform any third-party recruiter or executive search firm it utilizes in its sourcing efforts that MS-GWMG expects that the vendor will present a diverse slate of candidates, where possible.

Development Opportunities

A. MS-GWMG will work with the Industrial Psychologists to develop initiatives designed to attract and retain African Americans and Latinos to MS-GWMG as Financial Advisors, and to enhance their success. The Industrial Psychologists shall make recommendations for increasing participation of African American and Latino Financial Advisors and Registered Financial Advisor Trainees in development opportunities.

B. MS-GWMG will provide additional resources to assist Registered Financial Advisor Trainees in obtaining the Series 7 registration (and passing the Series 7 test) necessary to be a licensed broker.

C. MS-GWMG will also conduct exit interviews of Financial Advisors and Registered Financial Advisor Trainees who terminate voluntarily and will report the results annually to the Industrial Psychologists, the jointly-appointed Diversity Monitor and individuals within MS-GWMG responsible for hiring Financial Advisors and Registered Financial Advisor Trainees.

D. MS-GWMG will maintain its commitment to the biannual Minority Business Exchange.

Diversity-Related Compensation:

A. Branch Manager compensation will have a meaningful diversity component designed to measure and reward efforts at diversifying representation rates in the Financial Advisor position including the recruiting, training, and retaining qualified African American and Latino Financial Advisors.

B. Field sales management will be required to report on their best efforts and results in the areas of sourcing, recruiting, mentoring, training and promoting a diverse workforce, including qualified African American and Latino Financial Advisors and Registered Financial Advisor Trainees. Field sales management will be reviewed and held accountable (including through bonus compensation) by senior MS-GWMG management for these efforts. The Diversity Monitor will review the diversity-related quarterly self-assessment for field sales management and the diversity component of the Branch Manager compensation process.

Branch Management Posting

A. MS-GWMG will post all available field sales management positions on its Internal Job Bank, as well as minimum requirements for qualification for those management positions, for a minimum of five (5) business days.

B. MS-GWMG will also develop and implement a computerized system to generate an electronic mail notification to Financial Advisors who request to be informed of new management job postings. Either the hiring manager or Human Resources will follow up with each applicant/candidate for field sales management positions in a timely manner.

Branch Management Training

A. Morgan Stanley has developed and implemented a comprehensive management assessment and development program to make the assessment and selection process for branch managers formalized and transparent. Morgan Stanley will provide all management-level field personnel with diversity training no less than every other year.

B. Morgan Stanley will also provide diversity-related training to field sales branch management that incorporates elements of the Implicit Association Test or similar tool agreed upon by the parties.

Account Distribution

A. The Power Ranking system, which is used to determine account distributions, will be revised to ensure fairness by reducing reliance on historical factors and weighting more heavily criteria that reflect recent performance.

B. MS-GWMG will provide the methodology for calculating the Power Rankings to each Financial Advisor upon hire and will make it available to all Financial Advisors electronically.

C. MS-GWMG will also inform each Financial Advisor of his or her individual ranking at the time an account distribution is made. The actual distribution of a departing Financial Advisor's book will be made available to a Financial Advisor in the Branch confidentially upon request.

D. After a full calendar year has passed following implementation of these new Power Ranking criteria, the Industrial Psychologists will review how the process has been operating, including all exceptions and complaints. In addition, the Industrial Psychologists will review annually the actual account distributions and related compensation data and the rankings of African American and Latino Financial Advisors on each of the individual factors and use such information in considering recommendations, if any, for changes to the Power Ranking formula. They will report their findings and recommendations to the Diversity Monitor on an annual basis. Class counsel and counsel for Morgan Stanley will discuss annually the findings of the Industrial Psychologists and whether further appropriate changes to the Power Ranking criteria or distribution process should be made.

E. MS-GWMG will issue a comprehensive account distribution policy statement that will include policies covering the distribution of the accounts of departing Financial Advisors, retiring Financial Advisors, departing partners, and leads, call-ins, and walk-ins. MS-GWMG will also train Branch Managers on the policy. MS-GWMG will enhance its technology to allow its account distribution process to be computer automated, subject to branch manager review to ensure compliance with regulatory requirements. The results of all account distributions shall be stored and readily retrievable for monitoring to ensure compliance with account distribution policies.

F. Any book of business formerly serviced by a retiring or departing Financial Advisor, serviced by a producing manager who is transferred to a non-producing branch manager position, or serviced by a Financial Advisor who moves to a non-producing sales manager position, will be distributed through the Power Ranking system unless a Joint Production Arrangement/Agreement has been in effect for twenty-four (24) months or longer.

G. The Industrial Psychologists will also make recommendations for increasing participation of African Americans and Latinos in the receipt of retiring Financial Advisor's books of business.

H. Each Branch Office will implement a "Financial Advisor of the Day" program in which all client prospects who either walk in or telephone the branch and who are seeking a Financial Advisor shall be directed to the Financial Advisor serving as the Financial Advisor of the Day.

I. Any disputes between MS-GWMG and a Financial Advisor or a Registered Financial Advisor Trainee concerning any account distribution will initially go through MS-GWMG's internal complaint process, which includes access to mediation and tolling of administrative charge deadlines.

Complaint Process and Training

A. The complaint process will be communicated in writing to all Financial Advisors and Registered Financial Advisor Trainees upon hire and annually.

B. MS-GWMG will provide its Human Resources staff supporting Financial Advisors and Registered Financial Advisor Trainees with appropriate training regarding compliance with state, federal, and local EEO laws; MS-GWMG's anti-discrimination and harassment policies; the Settlement Agreement; and the best practices for complaint investigation and resolution. Human Resources will be trained to treat all complaints or inquiries as confidentially as legally possible and to carry out their duties in a manner consistent with the law. In addition, Human Resources will implement controls designed to ensure that only non-complaining employees or managers with a need to know will be advised of a complaint or investigation. In all instances, upon being informed of a complaint or investigation, the non-complaining employees and managers so informed will be reminded of MS-GWMG's policy against retaliation.

C. MS-GWMG will retain documents sufficient to show complaints by African American and Latino Financial Advisors and Registered Financial Advisor

Trainees of race or color discrimination, race or color bias, and/or retaliation related to such complaints for the term of the Settlement Agreement.

Communications

A. MS-GWMG shall distribute its Non-Discrimination and Anti-Harassment Policy to all employees upon hire (in hard copy or by electronic mail) and then on an annual basis via email from Morgan Stanley's CEO.

B. The President and COO of MS-GWMG will also issue a separate statement annually in support of the Policy and its underlying tenets.

Diversity Monitor

A. The parties will jointly appoint a Diversity Monitor who shall be external to and independent of the MS-GWMG, but will report directly to the COO and President of MS-GWMG. The Diversity Monitor will monitor MS-GWMG's effort to carry out the terms of the Settlement Agreement.

B. The Diversity Monitor will monitor by:

i. receiving monthly reports regarding complaints of Financial Advisors and Registered Financial Advisor Trainees alleging race discrimination and resolution of investigations of such complaints through the CARE program or otherwise;

ii. reviewing quarterly reports regarding the branches in which Branch Managers have filed exception reports reflecting a deviation from the account distribution process;

iii. reviewing account distribution data, exception reports, and complaints to monitor policy compliance and, if potential non-compliance is identified, will inform MS-GWMG and Class Counsel (and MS-GWMG shall be required to take appropriate corrective actions to address instances of non-compliance);

iv. reviewing the diversity-related quarterly self-assessment process for field sales management and the diversity component of the branch manager compensation process;

v. monitoring bi-annual training of management on EEO policies, and policies against discrimination and retaliation, and ensuring that the training agreed to was implemented;

vi. reviewing how Human Resources handles investigations and the resolution process for inquiries and complaints;

vii. reviewing the annual results of the exit interviews of African American and Latino Financial Advisors and Registered Financial Advisor Trainees;

viii. providing reports to Class Counsel and MS-GWMG at least semi-annually regarding the items monitored, including the analysis of the account distribution system; and

ix. maintaining records for the term of this Settlement Agreement.

Industrial Psychologists

A. The parties will also jointly appoint Industrial Psychologists Dr. Kathleen Lundquist and Dr. Irwin Goldstein to work with MS-GWMG and Class Counsel to improve the representation and success rates of African Americans and Latinos in the Financial Advisor and Registered Financial Advisor Trainee positions.

B. The Industrial Psychologists will monitor the implementation of the programs, policies and initiatives set forth in the Settlement Agreement and will report their findings to the Diversity Monitor. They will report annually on the representation rates and efforts to recruit African Americans and Latinos in the Registered Financial Advisor Trainee and Financial Advisor positions and present recommendations to a senior executive panel of MS-GWMG and Class Counsel.

C. The Industrial Psychologists will also review how the revised account distribution process has been operating and provide the Diversity Monitor with findings of any deviations from the account distribution system.

D. They will make recommendations:

i. concerning sourcing and recruitment strategies and programs to improve the representation rates of African Americans and Latinos in the Financial Advisor and Registered Financial Advisor Trainee positions;

ii. for increasing the Series 7 passage rates of African American and Latino Registered Financial Advisor Trainees;

iii. for increasing the production and earnings of African American and Latino Financial Advisors, including policies and practices with respect to training, development, and mentoring;

iv. for increasing participation of African American and Latino Financial Advisors in the receipt of retiring Financial Advisors' books of business;

v. for increasing participation of African American and Latino Financial Advisors in partnerships;

vi. concerning policies and practices with respect to training, development, and mentoring, that will enhance opportunities for African American and Latino Financial Advisors and Registered Financial Advisor Trainees;

vii. concerning a mentoring program for all Registered Financial Advisor Trainees and Financial Advisors; and

viii. concerning a system of semi-annual internal data collection and a monitoring process.

5. <u>Settlement Hearing</u>

The hearing will be held at _____ a.m./p.m. on _____, 2008, in the courtroom of the Honorable Thelton E. Henderson at the United States District Court for the Northern District

of California, Courtroom 12, U.S. Courthouse, 450 Golden Gate Avenue, San Francisco, California 94102. At this hearing, the Court will determine whether the proposed Settlement is fair, reasonable, and adequate and whether it should be approved. The Court will also consider whether the motion of the Plaintiff's attorneys, or "Class Counsel," for an award of attorneys' fees and expenses should be approved, and whether, in accordance with the Settlement, an order and judgment should be entered bringing the litigation to a conclusion.

Do I Have To Come To The Settlement Hearing?

You are not required to appear at the hearing. Attorneys representing the Class will appear at the hearing on behalf of all Class Members at no cost to you. However, if you would like to comment on or object to the Settlement, you may appear and be heard at the Settlement Hearing, either by yourself or, at your own expense, with an attorney of your choice. Information about how to comment on or object to the Settlement is included below. If the Court gives final approval to this Settlement, the Court's judgment will be final and binding on all Class Members who have not opted out.

6. How to Proceed: Your Options

After reviewing the terms of the Settlement set forth in this Notice, you have three options. You must decide at this stage whether you want to (A) remain a Class Member with respect to the monetary relief portion of the Settlement and retain an opportunity to share in the distribution of the Settlement Fund; or (B) opt-out and exclude yourself from sharing in the monetary relief portion of the Settlement. You may also object to the Settlement at the Settlement Hearing but you must remain a Class Member with respect to the monetary relief portion of the Settlement to do so. If you opt-out of the monetary relief portion of the Settlement, you may not object to the Settlement.

A. Remain a Class Member

If you do not request to be excluded, you will remain a part of the Class. The Court will hold the Settlement Hearing and you, as a Class Member, will be represented by Class Counsel at no cost to you. In order to be eligible to receive a share of the Settlement Fund, you must fill out the Claim Form attached to this Notice and return it to the Claims Administrator postmarked by no later than _____, 2008. If you are a Class Member and you file a timely Claim Form, you may be eligible to obtain money from this Settlement. The Claim Form asks for information about your employment with Morgan Stanley, and the share of money that you will receive, if any, if the Settlement is finalized, will be determined partly based on your answers to the questions on this Claim Form. After completing a Claim Form, you will not have a right to present any further information concerning your particular situation; nor any right to challenge the final allocation and distribution proposed by the Special Master and approved by the Court.

Each Class Member, including each Named Plaintiff, who is eligible to receive a monetary award from the Settlement Fund will be required to sign a "release" before receiving the settlement award. This release will terminate any race/color discrimination claims ("Released Claims") you have or could have brought against Morgan Stanley, as explained below in Section 7. In the case of the Named Plaintiff, the Named Plaintiff Release will terminate any and all claims she has brought or could have brought against Morgan Stanley in addition to race/color

discrimination claims. If you are a Class Member but have already signed a document that releases claims against Morgan Stanley, it is possible that you may have lost your right to recover any money under the Settlement for the claims you released.

Whether or not you submit a Claim Form, unless you opt out, all Released Claims (defined above) that you may have against Morgan Stanley up through **December 3, 2007** will be barred by this Settlement. Unless you opt out, you remain eligible to object to the Settlement pursuant to Option C below, whether or not you submit a Claim Form.

B. Opt-Out: How Do I Exclude Myself from the Settlement?

You may request to opt-out, or be excluded, from the monetary relief settlement class. If you opt-out, you will not be eligible for any monetary award as part of this Settlement. Any Class Member who wishes to opt-out must mail a written, signed statement that he or she is opting out of the monetary portion of the Settlement to:

Kelly M. Dermody, Esq.
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
Embarcadero Center West
275 Battery Street, 30th Floor
San Francisco, CA 94111-3339

and

Mark S. Dichter, Esq.
MORGAN, LEWIS & BOCKIUS LLP
1701 Market Street
Philadelphia, PA 19103

You may not opt-out of the injunctive relief provisions of the Settlement.

To be effective, this opt out statement must be postmarked on or before _____, 2008, and must contain each of the following:

(a) your name, current address, social security number and telephone number;

(b) the name and number of this case (*Curtis-Bauer v. Morgan Stanley & Co. Incorporated f/k/a Morgan Stanley DW Inc.*, Case No. C-06-3903 (TEH)).

(c) a statement that you wish to be excluded from the monetary relief provisions of the Settlement, including the following language, which must be contained in your request:

"I understand that, by this request to be excluded from the monetary settlement in this case, I am foregoing all monetary benefits from this Settlement and will receive no money from the Morgan Stanley Financial Advisor Race/Color Discrimination

> Settlement Fund. I understand that I may bring a separate legal action seeking damages, but might receive nothing or less than what I would have received if I had filed a claim under the class monetary settlement procedure in this case. I also understand that I may not seek exclusion from the class for injunctive relief and that I am bound by the injunctive provisions of the Settlement Agreement."

Please note that Class Members who submit timely and valid requests for exclusion will have no right to object to the Settlement in court and will no longer be represented by Class Counsel.

If you choose to opt-out of the monetary relief settlement class, and submit the necessary information to do so, but later decide to re-join the Class, you may rescind your opt-out request. To be effective, such a rescission must be in writing and signed, and must be postmarked on or before _____, 2008 to the following:

Kelly M. Dermody, Esq.
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
Embarcadero Center West
275 Battery Street, 30th Floor
San Francisco, CA 94111-3339

and

Mark S. Dichter, Esq.
MORGAN, LEWIS & BOCKIUS LLP
1701 Market Street
Philadelphia, PA 19103

C. Object to the Settlement

The Court must assess the overall fairness and reasonableness of the Settlement to the Class. Class Members who have not opted-out of the monetary relief portion of the Settlement may object to the Settlement. If you opt-out of the monetary relief portion of the Settlement, you may not object to the Settlement.

In order to speak at the Settlement Hearing, or have your objection to the Settlement considered by the Court, you must submit a written objection to the Settlement prior to the Settlement Hearing. This statement must be signed, and must include the name and number of this case (*Curtis-Bauer v. Morgan Stanley & Co. Incorporated f/k/a Morgan Stanley DW Inc.*, Case No. C-06-3903 (TEH)) and a detailed description of the basis for the objection. This statement must be postmarked on or before _____, 2008, and sent to:

Kelly M. Dermody, Esq.
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
Embarcadero Center West
275 Battery Street, 30th Floor
San Francisco, CA 94111-3339

and

Mark S. Dichter, Esq.
MORGAN, LEWIS & BOCKIUS LLP
1701 Market Street
Philadelphia, PA 19103

You need not appear at the Settlement Hearing for your written comments or objections to be considered by the Court, but you may appear if you so desire. If you plan to comment on or object to the Settlement in person at the Settlement Hearing, you must file a written notice of appearance identifying yourself and any attorney you may retain at your own expense with your objection, which must be signed, include a detailed description of the basis for the objection, and be postmarked to:

Kelly M. Dermody, Esq.
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
Embarcadero Center West
275 Battery Street, 30th Floor
San Francisco, CA 94111-3339

and

Mark S. Dichter, Esq.
MORGAN, LEWIS & BOCKIUS LLP
1701 Market Street
Philadelphia, PA 19103

Please note that no one may appear at the Settlement Hearing for the purpose of objecting to the Settlement without first having filed and served her objection(s) in writing within the time period described above. Objections raised at the Settlement Hearing will be limited to those previously submitted in writing.

7. <u>Release</u>

If the Court grants final approval of the Settlement, then all Class Members who do not opt out will release Morgan Stanley for all claims certified by the Court in the lawsuit. When claims are "released," that means that a person covered by the release cannot sue Morgan Stanley for any of the claims that are covered by the release. Unless you opt out of the lawsuit, you will be covered by the release, even if you do not submit a Claim Form for money damages.

The exact terms of the Release are:

> The Class Members, excluding the Named Plaintiff, will release all claims, known and unknown, existing through the date of preliminary approval, under any federal, state or local legal theory, for race and/or color discrimination based on allegations in the Second Amended Complaint, including facts or circumstances relating to compensation, production, account distribution, team or partnership formation, allocation of support or business opportunities or other allegations in the Second Amended Complaint. Termination and advancement into management claims for race and/or color discrimination arising out of low production, failure to satisfy position requirements, failure to satisfy requirements of the training program, production related reductions-in-force, other production based performance related terminations and any claims for constructive discharge based on the same set of facts or circumstances shall be released but any other termination, advancement into management, constructive discharge or harassment claims shall not.

8. How Will My Settlement Award Be Calculated?

Class Members, including the Name Plaintiff, who filed a timely Claim Form will have their claim reviewed by a Special Master appointed by the Court. Class Members who submit a Claim Form will be eligible to receive monies based on a formula (the "Allocation Formula"). The Allocation Formula has two components: (1) a Claim Form Survey whereby each Claimant will receive an allocation based on the number of points they are assigned for responding to the Claim Form questions; and (2) an Earnings Regression Analysis developed by Class Counsel's statistical expert. The Claim Form Survey will constitute 85% of the Allocation Formula and the Earnings Regression component will constitute 15% of the Allocation Formula.

Based on the overall formula and calculations determined by the Special Master, the Court will approve the final distributions to Claimants. The final distributions will be filed with the Court under seal to protect Claimants' confidentiality. At this time, it is not possible to predict how much money a particular Claimant will receive. The awards will be primarily dependent on number of the weeks worked during the class period, with enhancements available for persons who submit additional answers on the Claim Form. You will not be entitled to contest the amount of the award you receive under this process.

Claim Form Survey Component: Points for the Claim Form Survey will be allocated as follows: (1) Each claimant will receive 1 point for each week worked between October 12, 2002 and December 3, 2007 as a Financial Advisor or a Registered Financial Advisor Trainee; (2) Claimants will be eligible for up to 50 points for responses to questions on the Claim Form about extreme emotional distress; and (3) Claimants will be eligible for up to 50 points for responses to questions on the Claim Form about termination arising out of low production, failure to satisfy position requirements, failure to satisfy requirements of the training program, production related reductions-in-force, other production based performance related terminations and/or any claims for constructive discharge based on the same set of facts or circumstances.

For example, if a claimant worked for 2 years as a Registered Financial Advisor Trainee and 2

years as a Financial Advisor, he or she would receive a total of 208 points (52 points for each year). If the Special Master also allocated 100 points to the claimant due to information provided on the claim form, the claimant's final point total would be 308 (208 for weeks worked plus 100 for claim form points). The claimant's share of the Class monetary award would thus be expressed as:

Claimant's 308 points divided by total points of all claimants.

The Special Master will make all determinations regarding claim form points and the ultimate point allocations will be reported to the Court. You will not have a right to challenge the allocation and distribution proposed by the Special Master and ultimately reported to the Court.

The information provided on the Claim Form may be verified for accuracy against Morgan Stanley's computerized personnel, payroll, commission, or account data, or documents provided by claimants.

Earnings Regression Component: The Earnings Regression will be allocated as follows: (1) Class Members whose annual earnings in any year between October 12, 2002 and December 3, 2007 fall a certain amount below the mean earnings curve for Caucasian Financial Advisors and Registered Financial Advisor Trainees are eligible for a monetary award under the Earnings Regression Component; and (2) for eligible Claimants, the Earnings Regression Component will take into account the Claimant's annual earnings controlling for the length of tenure at MS, registration date, and branch office location.

Are There Tax Consequences For Any Money I Might Get?

Any award you receive from the Settlement Fund will have tax consequences for you. The Settlement Administrator will be responsible for withholding, remitting and reporting each Claimant's share of payroll taxes from the Settlement Fund. Morgan Stanley will be responsible to pay for the employer's share of taxes and costs, including FICA, FUTA, SUTA and Medicare. The Settlement Administrator will withhold the employee's share of taxes and costs, including any applicable FICA, FUTA, SUTA and/or Medicare, from Claimants' awards and remit those amounts to the appropriate taxing authorities. Class Counsel are not tax advisors and cannot give you advice on any tax matters. Class Counsel urge you to consult your tax advisor for answers to any questions you may have about the tax implications of any potential award.

9. <u>The Lawyers Representing You And The Class</u>

As a Class Member, you are represented in this litigation by Class Counsel: Kelly M. Dermody of Lieff, Cabraser, Heimann & Bernstein, LLP; James M. Finberg of Altshuler Berzon, and Adam T. Klein of Outten & Golden LLP:

Kelly M. Dermody
LIEFF, CABRASER, HEIMANN & BERNSTEIN, LLP
275 Battery Street, 30th Floor
San Francisco, CA 94111-3339
Telephone: (415) 956-1000
Facsimile: (415) 956-1008

Adam T. Klein
OUTTEN & GOLDEN LLP
3 Park Avenue, 29th Floor
New York, New York 10016
Telephone: (212) 245-1000
Facsimile: (212) 977-4005

James M. Finberg
ALTSHULER BERZON
177 Post Street, Ste. 300
San Francisco, CA 94108
Telephone: (415) 421-7151
Facsimile: (415) 362-8064

Unless you elect to exclude yourself from the Settlement, you will continue to be represented by Class Counsel in connection with implementation and monitoring of the Settlement throughout the five-year duration of the terms of the Settlement at no cost to you. Although it is not necessary, you may, if you wish to do so, retain your own attorney at your own expense.

How Will The Lawyers Be Paid?

In connection with the Settlement, the Court will award Class Counsel reasonable attorneys' fees and expenses out of the Settlement Fund. If you are a Class Member and receive an award from the Settlement Fund, you will not owe any fees or expenses to the lawyers who have represented you as part of the Class. The attorneys' fees and expenses of Class Counsel, as awarded by the Court, will be paid only from the Settlement Fund and only if and after the Settlement has been approved by the Court.

As is routine in class action cases, Class Counsel has filed a motion for an award of attorneys' fees and expenses already incurred as well as the fees and expenses that will be incurred during the five-year term of the Settlement. In its motion, Class Counsel have requested that the Court award them attorneys' fees and expenses in the amount of $800,000 (or 5%) of the proposed $16 million monetary settlement, plus $150,000 per year during the five-year term of the Settlement to cover future fees and expenses relating to monitoring and enforcing the Settlement, plus interest accruing on all fees and expenses from the date on which the Settlement is funded until such fees and expenses are disbursed to Class Counsel.

Costs of providing notice to the Class will also be paid from the $16 million Settlement Fund.

Class Counsel have pursued these claims on behalf of Plaintiff and the Class without receiving any compensation for their services or reimbursement of their out-of-pocket expenses. Class Counsel have undertaken substantial risks in pursuing this matter. They have done so with the understanding that, if they obtained a recovery for the class, their expenses would be reimbursed and they would receive fees from the fund recovered.

10. Service Payments to Named Plaintiff

Class Counsel will apply for service payments to the Named Plaintiff of $25,000 to compensate her for the time and effort she devoted to representing the class in this case, including the time she spent consulting with class counsel about the case. In addition, she will receive $125,000 for the release of her non-class claims. These payments will come from the $16 million Settlement Fund.

11. Getting More Information

If you have further questions or are still not sure whether you are included, you can get free help at http://www.racecaseagainstmorganstanley.com/ or by calling or writing to Class Counsel in this case at the contact numbers/address listed in paragraph 9.

This Notice contains only a summary of the terms of the Settlement, the provisions of the releases and related matters. For further information, the Settlement Agreement (which includes the complete terms of the Settlement), the Claim Form, the Release, and numerous other documents connected with the Settlement are available for review and/or downloading on the web at either: http http://www.racecaseagainstmorganstanley.com/ or can be viewed in hard copy in the Office of the Clerk of the United States District Court, Northern District of California, 450 Golden Gate Avenue, San Francisco, CA 94102. Other orders that the Court may issue from time to time regarding the administration of the Consent Decree will also be on file with the Court and some will be available on the web at http://www.racecaseagainstmorganstanley.com/.

Again, the important deadlines are:

Last Day To Submit A Claim Form: [DATE]

Last Day To "Opt Out" Of The Settlement Class: [DATE]

Last Day To Object To The Settlement: [DATE]

PLEASE DO NOT CALL OR CONTACT THE COURT, THE OFFICE OF THE CLERK OF COURT, OR MORGAN STANLEY WITH QUESTIONS REGARDING THIS NOTICE.

Dated: _____, 2008

_____
The Honorable Thelton E. Henderson
United States District Judge