

**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 TEH

**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 DECEMBER 3, 2007, 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 10:00 a.m. on June 16, 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 May 23, 2008.
  - If you wish to opt-out and exclude yourself from the monetary relief settlement class, your opt-out request must be received by April 28, 2008.
  - If you wish to object to the Settlement, your objection must be received by April 28, 2008.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS LAWSUIT</b>	
<b>Submit a Claim Form</b>	<b>The only way to be eligible to receive money from the Settlement.</b>
<b>Do Nothing</b>	<p><b>Stay in this lawsuit. Receive no money from the Settlement. Give Up Certain Rights.</b></p> <p>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.</p>
<b>Ask to Be Excluded (Opt-Out)</b>	<p><b>Opt out of the monetary relief settlement class (opt-out). Receive no money from the Settlement Fund. Keep any rights you might have to pursue monetary claims against Morgan Stanley separately.</b></p> <p>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.</p>
<b>Object</b>	<p><b>Write to the Court about why you don't think the settlement is fair to the class.</b> Unless you opt out, you may object to the Settlement whether or not you submit a Claim Form.</p>
<b>Go to the Hearing</b>	<b>Ask to speak in Court about the fairness of the Settlement.</b>

- 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 June 16, 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. Settlement Hearing**

The hearing will be held at 10:00 a.m. on June 16, 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 May 23, 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 received on or before April 28, 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 sent to the following so that it is received on or before May 12, 2008:

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 sent to the following so that it is received on or before April 28, 2008:

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. Release**

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. The Lawyers Representing You And The Class**

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://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: May 23, 2008**

**Last Day To “Opt Out” Of The Settlement Class: April 28, 2008**

**Last Day To Object To The Settlement: April 28, 2008**

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

Dated: February 7, 2008

The Honorable Thelton E. Henderson  
United States District Judge