

Augst-Johnson, et al., v. Morgan Stanley & Co. Inc,
Case No.1:06-cv-01142
Fact Sheet

Settlement Announced on April 24, 2007

Class Definition: All women 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 August 5, 2003 and _____, 2007[date of preliminary approval.]

Class Size: Approximately 2700.

Named Plaintiffs/Class Representatives: Joanne Augst-Johnson, Nancy Reeves, Debra K. Shaw, Jan Tyler, Cheryl Giustiniano, Laurie Blackburn, Erna Tarantino and Elizabeth Reinke

Settlement Term: The Settlement Agreement will have a term of five years.

Settlement Value: The parties estimate that the value of the settlement, including the settlement fund, additional cost of diversity efforts, and increased earnings, is estimated at over **\$70 million**.

The Settlement Fund set up by Morgan Stanley will be **\$46 million**, plus interest expected to exceed **\$1 million**. In addition, Morgan Stanley will make a yet to be determined payment to the employer share of payroll taxes.

Diversity Efforts: In addition, Morgan Stanley will spend approximately **\$7.5 million** on diversity efforts during the period of the Settlement, including programs for training, re-education, and other development for female Financial Advisors.

Increased Earnings: The parties anticipate that as a result of the actions to be taken by Morgan Stanley pursuant to the Settlement, the earnings of female Financial Advisors will increase over the period of the Settlement Agreement by at least **\$16 million** collectively.

Benefits to the Class Members:

Monetary Benefits

Allocation of the Settlement Award: In order to receive a settlement award, a class member must submit a Claim Form. The settlement monies will be distributed among the class members based on an "Allocation Formula." The formula includes two components: an Earnings Regression Component and a Claim Form Survey Component.

The Earnings Regression Component will be developed by plaintiffs' statistical expert. The Claim Form Survey Component will be determined by a Court Appointed Special Master on the basis of class members' survey responses.

Programmatic Benefits

Account Distribution

- Accounts are currently distributed based on a number of factors weighted and combined, resulting in a "Power Ranking"
- Under the settlement agreement, this Power Ranking will be revised in order to ensure that accounts are distributed:
 - **Using Fair and Objective Factors:** Morgan Stanley will revise the Power Rankings calculations to include fair and objective factors.
 - **With Transparency:** Each Financial Advisor will be told the methodology for calculating the Power Rankings and will be informed of her or his individual ranking when any distribution is made.
 - **Subject to Oversight:** The Industrial Psychologists will review the Account Distributions one year after new Power Ranking criteria are implemented.
 - **Even-handedly:** All managers will be trained on account distribution policies and procedures and a comprehensive account distribution policy will be devised and disseminated.
 - **Using State of the Art Technology:** Morgan Stanley shall enhance its technology to allow its account distribution process to be computer automated.
- The Power Rankings will guide the distribution of accounts including those related to accounts of:
 - retiring brokers
 - partnerships
 - non-producing managers

Appointments

- The parties will jointly appoint **Industrial Psychologists** Dr. Kathleen Lundquist, President of Applied Psychological Techniques, and Dr. Irv Goldstein, Senior Vice Chancellor for Academic Affairs for the University System of Maryland, to develop innovative, meaningful, novel, state of the art programs to improve:
 - Recruitment of women to Morgan Stanley;

- Participation of women in receiving business from retiring Financial Advisor's accounts;
 - The numbers of women in joint partnerships, a lucrative arrangement for brokers;
 - Workplace initiatives, including training, development, and mentoring, designed to attract and retain women to Morgan Stanley, and enhance their success;
 - The monitoring of programs affecting trainees and new brokers;
 - The collection of data regarding broker account assignments, development opportunities, and other conditions of employment.
- The parties will jointly appoint a **Diversity Monitor** who will be external to and independent of Morgan Stanley, but will report directly to the COO and President of the Global Wealth Management Division. The Diversity Monitor will monitor practices and issue reports regarding gender discrimination complaints and compliance with the settlement agreement's terms.

Branch Management and Job Mobility

- all available management positions will be posted on Morgan Stanley's Internal Job Bank for a minimum of 5 business days.
- Morgan Stanley will develop and implement a comprehensive management assessment and development program
- Morgan Stanley will institute a diversity component to Branch Manager compensation and a formal and transparent path to assessment and selection of Branch Managers.

Additional Programs

- Morgan Stanley will implement the following programs
 - A Financial Advisor of the Day program
 - Training for HR regarding best practices for complaint investigation and resolution.
 - Morgan Stanley will not honor business expenses that are directly or indirectly related to male-only entertainment establishments.

General Non-discrimination Provisions

- Morgan Stanley will affirm a prohibition against discrimination on the basis of gender in compensation and business opportunity allocations.
- Morgan Stanley will emphasize its prohibition against retaliation.
- Morgan Stanley will not honor business expenses that are directly or indirectly related to male-only entertainment establishments.

RESOURCES, CONTACTS, AND EXPERTS

COMPARABLE CASE:

Kosen v. American Express Financial Advisors, No. 1:02CV00082 ((D.D.C.))

This settlement compares favorably to the settlement in *Kosen v. American Express*.

	<i>Augst-Johnson v. Morgan Stanley</i>	<i>Kosen v. American Express</i>
Term of Settlement	5 Years	4 Years
Class Size	2700	4411
Monetary Relief	over \$46 million	\$31 million

EXPERTS AND CONTACTS

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