

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

Joanne Augst-Johnson, Nancy Reeves,)
Debra Shaw, Jan Tyler, Cheryl Giustiniano,)
Laurie Blackburn, Erna Tarantino,)
and Elizabeth Reinke,) Case No. 1:06-cv-01142 (RWR)
)
On behalf of themselves and all others similarly)
situated,) CLASS ACTION
)
Plaintiffs,)
)
v.)
)
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 District of Columbia (the “Court”), this Settlement Agreement (“Settlement Agreement,” “Settlement” or “Agreement”) sets forth the full and final terms by which the Named Plaintiffs, on behalf of themselves 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 Amended Complaint filed by the Named Plaintiffs in April 2007. This Action and Settlement applies to women 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. Beginning in early 2005, Joanne Augst-Johnson, Nancy Reeves, Debra Shaw, Jan Tyler, Cheryl Giustiniano, Laurie Blackburn, Erna Tarantino, and Elizabeth Reinke (“Named Plaintiffs”) retained Class Counsel to investigate claims of sex discrimination at MS-GWMG. These Named Plaintiffs each filed a charge of discrimination with the Equal Employment Opportunity Commission (“EEOC”), alleging, among other things, that MS-GWMG discriminated against them and a class of similarly situated persons throughout the United States on the basis of their sex in several aspects of their employment.

¹ Since the Complaint was filed in June 2006, Morgan Stanley DW Inc. merged into Morgan Stanley & Co. Incorporated. The Named Plaintiffs and 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.

B. On June 22, 2006, the Named Plaintiffs filed a Complaint in the Court on behalf of themselves as individuals 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 under parallel state and local laws prohibiting sex discrimination. In April 2007, the Named Plaintiffs filed an Amended Complaint naming Morgan Stanley & Co. Incorporated, the successor to Morgan Stanley DW Inc., as Defendant. In this Action, titled Augst-Johnson, et al. v. Morgan Stanley & Co. Incorporated, Civil Action No. 1:06-cv-01142 (RWR), the Named Plaintiffs, among other things, allege, on behalf of themselves and members of the Class defined herein, that they are women who are or were employed with MS-GWMG as Financial Advisors or Registered Financial Advisor Trainees, that they have been and are afforded fewer business opportunities than comparable male Financial Advisors and comparable male Registered Financial Advisor Trainees, and that they experienced sex discrimination in numerous aspects of their employment. They have further alleged, on behalf of themselves and members of the Class defined herein, that aspects of their employment in which they have experienced sex 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. In addition to these class claims, the Named Plaintiffs assert various individual, non-class claims, including, for some, age discrimination, as set forth in the Amended Complaint.

C. On November 13, 2006, Morgan Stanley filed its answer and its affirmative defenses to the Complaint, denying that it engaged in a pattern or practice of sex discrimination against the Named Plaintiffs or any similarly situated current and former

women Financial Advisors or Registered Financial Advisor Trainees. Morgan Stanley denies the allegations in the administrative charges, the Complaint and the Amended Complaint, and in connection therewith denies any liability under Title VII of the Civil Rights Act of 1964, as amended, or any other federal, state or local laws, and specifically denies that Morgan Stanley unlawfully discriminated against Plaintiffs or Class Members on the basis of sex, or that Plaintiffs or Class Members are otherwise entitled to the relief requested.

D. In an effort to determine whether the parties could settle this dispute prior to the commencement of litigation, the parties' counsel, who are experienced class action attorneys, participated in detailed and exhaustive discussions and negotiations over the course of two years. The parties engaged the services of Hunter Hughes, Esq., a highly experienced professional mediator, skilled in mediation of complex class actions, including employment discrimination litigation. Mr. Hughes became familiar with the case and conducted over ten mediation sessions between the parties. These formal mediation sessions and follow-up settlement discussions between the parties concluded with the execution of this Settlement Agreement. During the negotiations, counsel bargained vigorously on behalf of their clients. All negotiations were conducted at arms' length and in good faith.

E. In order to facilitate settlement discussions, the parties executed tolling agreements covering the time period from December 27, 2004 to June 22, 2006, at which point the Complaint in this Action was filed.

F. For settlement purposes, Class Counsel sought, and Morgan Stanley produced to Class Counsel, voluminous data and other information concerning MS-

GWMG's workforce and work practices relevant to the claims asserted and damages sought by Plaintiffs and the Class. Class Counsel interviewed over 200 Class Members during the course of their investigation and retained an expert to conduct statistical analyses of the data. The expert worked with Class Counsel to review the data, ensure it was complete, request supplemental data, and analyze the data. The expert also conducted studies similar to those that would have conducted in preparation for the trial of this matter. Class Counsel also retained a second expert to assist in analyzing industry practices and to provide input on crafting injunctive relief. Counsel for the parties have also conducted their own substantial investigations of the matter, including the facts underlying the claims and issues raised in the charges, the Complaint and the Amended Complaint. The investigations included, among other things, interviewing Class Member witnesses and reviewing a substantial number of relevant company records. As a result of the exchange of information, the investigation, and other activity both prior to and after filing the Complaint, counsel for the parties are familiar with the strengths and weaknesses of their respective positions, and have had a full opportunity to assess the litigation risks presented in this case.

G. All parties and their counsel recognize that, in the absence of an approved settlement, they would face a long litigation course, including motions to dismiss, motions for class certification, formal discovery, motions for summary judgment, and trial and appellate proceedings that would consume time and resources and present each of them with ongoing litigation risks and uncertainties. The parties wish to avoid these risks and uncertainties, as well as the consumption of time and resources, through settlement pursuant to the terms and conditions of this Settlement Agreement. Class Counsel believe

that the terms of the Settlement Agreement are in the best interests of the Class and are fair, reasonable, and adequate, and Morgan Stanley wishes to bring the litigation to a conclusion on the terms set forth in this Settlement Agreement.

H. 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 and the 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 Amended Complaint filed in April 2007.
2. “Amended Complaint” means the Amended Complaint filed in this Action in April 2007.
3. “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.
4. “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 SSI as part of the claims process.

5. “Claimant” means a Class Member who has submitted a timely Claim Form.

6. “Class Counsel” means the law firms of Mehri & Skalet, PLLC, Sprenger & Lang, PLLC, and Moody & Warner, PC.

7. “Class Member” means any person who meets the criteria set forth in the definition of “Settlement Class” below.

8. “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 who are not Named Plaintiffs, as referenced in Section V.A.

9. “Complaint” means the Complaint filed in this Action on June 22, 2006.

10. “Court” means the United States District Court for the District of Columbia.

11. “Defendant” or “Morgan Stanley” or “Firm” or “Company” means Morgan Stanley & Co. Incorporated and its predecessors in interest.

12. “Defendant’s Counsel” means the law firm of Morgan, Lewis & Bockius LLP.

13. “Depository Bank” means Branch Banking and Trust (BB&T) 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.

14. “Diversity Monitor” means the individual appointed to carry out the duties specified in Section VII.F.1. of this Agreement.

15. “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.

16. “Final Approval” means the date on which the United States District Court grants final approval of the Settlement.

17. “Financial Advisor” means a person employed in the MS-GWMG as a financial advisor.

18. “Lead Class Counsel” means Cyrus Mehri of Mehri & Skalet, PLLC and Steven M. Sprenger of Sprenger & Lang, PLLC.

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

20. “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 the Named Plaintiffs as referenced in Section V.B.

21. “Notice” means the Notice of Class Action, Proposed Settlement Agreement, and Settlement Hearing, which is to be mailed directly to Class Members, pending Court approval, substantially in the form attached hereto as Exhibit C.

22. “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.

23. “Plaintiffs” or “Named Plaintiffs” means the eight Plaintiffs named in the caption of the Amended Complaint.

24. “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.

25. “Registered Financial Advisor Trainee” means a person employed in the MS-GWMG as a registered financial advisor trainee who has not yet become a Financial Advisor.

26. “Settlement,” “Agreement,” and “Settlement Agreement” each mean the settlement as reflected in this Settlement Agreement.

27. “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 women employed as Financial Advisors or Registered Financial Advisor Trainees in the MS-GWMG or its predecessor at any time between August 5, 2003 and the date of preliminary approval.

28. “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.

29. “Settlement Hearing” means the hearing at which the Court will consider final approval of this Settlement Agreement and related matters.

30. “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 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 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 twenty (20) days after the execution of this Settlement Agreement, the parties shall petition the Court for the following two orders:

(1) 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 preliminarily enjoining, pending the outcome of the Settlement Hearing, (i) all members of the Settlement Class from commencing, prosecuting or maintaining any claim already asserted in, and encompassed by, this Action, and (ii) all Class Members (including those who request exclusion) from commencing, prosecuting or maintaining in any court or forum other than the 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 or otherwise in connection with this Action; and

(2) entering Administrative Order No. 1 relating to this Settlement Agreement attached hereto as Exhibit D.

C. Notice and Settlement Hearing

1. MS-GWVG will 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. 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.

