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*Attorneys for Morgan Stanley & Co.
Incorporated,
formerly known as Morgan Stanley DW Inc.
and Morgan Stanley Smith Barney LLC*

17
18 IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

19 Daisy Jaffe, Denise Williams, and Margaret
20 Benay Curtis-Bauer, on behalf of themselves
and all others similarly situated,

21
22 Plaintiffs,

23 v.

24 Morgan Stanley & Co., Incorporated, formerly
known as Morgan Stanley DW, Inc.,

25
26 Defendant.

) Case No. C-06-3903 (TEH)
)
) CLASS ACTION
)
) **STIPULATION AND [~~PROPOSED~~]**
) **ORDER TO EXTEND JAFFE**
) **SETTLEMENT AGREEMENT**
)
)
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STIPULATION

Counsel for the parties hereby stipulate, subject to the approval of the Court, to the following terms:

1. The *Jaffe* Settlement Agreement shall be extended for two additional years, subject to the terms below.
2. Effective October 1, 2015 through September 30, 2017, the parties shall jointly appoint Fred Alvarez, Esq. as the diversity monitor (“Diversity Monitor” or “DM”). The Diversity Monitor shall be external to and independent of MSSB, but will report directly to the Head of the Field for Wealth Management. The Diversity Monitor shall monitor MSSB’s efforts to carry out the terms of this Extension of the Consolidated Settlement Agreement. The role of the Diversity Monitor during the Extension will be limited to the tasks set forth below:
 - a. review annual bonus data and information provided by the Company related to the diversity component of each Complex and Branch Manager’s compensation to monitor compliance with the 2015 Managerial Diversity Compliance Program, as it exists or may be modified based on input from the Industrial Psychologists “IPs.”
 - b. review account re-distribution data and exception reports.
 - c. review the participation and splits of female, African American and Latino FAs in teams within and across branches.
 - d. review the Partnership Dispute Reports on female FAs and will report on these to the Industrial Psychologists.
 - e. 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. review exception reports regarding the Financial Advisor of the Day program.
 - g. review the exit questionnaire responses completed by departing female, African American and Latino Financial Advisors, as well as information regarding the retention of female, Latino and African American Financial Advisors annually, and report findings of this review to Human Resources and report as part of the Diversity Monitor’s Report to the Parties.
 - h. monitor on an annual basis the representation rates of women, Latinos and African Americans in the Financial Advisor Associate and Financial Advisor positions.
 - i. review the FAA selection process and the conversion rates from FAA to FA.

- 1 3. The Diversity Monitor will provide reports to Lead Class Counsel and MSSB at least
2 semi-annually regarding the items monitored, including in this Section and including the
3 analysis of the account re-distribution system. The Diversity Monitor may report
4 incidents of potential material non-compliance with this Consolidated Settlement
5 Agreement to Lead Class Counsel and MSSB on a more frequent basis. It is understood
6 that the role of the Diversity Monitor shall be to evaluate and report on MSSB's progress
7 under and compliance with its specific obligations during this extended term. While the
8 parties share an objective of increasing diversity and enhancing the success of diverse
9 individuals through, among other things, the continuation of the initiatives set forth
10 herein, this extension does not require that any statistical outcome be achieved and
11 MSSB's compliance shall not be measured by any statistical outcome.
- 12 4. Paragraph VII.G.1. of the *Jaffe* Settlement Agreement shall remain in effect during the
13 extended term.
- 14 5. The complaint reporting process and the Diversity Monitor's role in the review of
15 individual complaints will expire on September 30, 2015.
- 16 6. The Diversity Monitor will maintain records for the term of this *Jaffe* Settlement
17 Agreement and the Extension.
- 18 7.
 - 19 a. During the period October 1, 2015 to September 30, 2017, except as specified
20 below), the role of the IPs will be extended, limited to the tasks set forth below,
21 although MS may engage the IPs on additional matters, outside the scope of the
22 Agreements, at any time.
 - 23 (i) FAA Selection Process
 - 24 (1) Continue to work with MS management in evaluating the SRT test
25 which has been implemented as a replacement for the SIFMA Test
26 and provide recommendations, if any, with respect to
27 modifications of that test.
 - 28 (2) Continue to develop three additional FAA selection products: the
entrepreneurial assessment, a structured interview and a role
playing tool.
 - (3) Evaluate the effectiveness of those new selection tools and make
recommendations for modification and/or continued use of the
tools.
 - (ii) Managerial Diversity Compensation – The 2015 program will be
continued through 2017 subject to further minor refinements to, for
example, better capture results on teaming and partnering, with results
reported to the Diversity Monitor, the IPs, and the Class Counsel. The

1 Industrial Psychologists will be available for consultation at the request of
2 MS.

3 (iii) Teaming/Partnerships

4 Continue to provide recommendations for increasing participation of
5 female, African American and Latino Financial Advisors in teams and
6 partnerships, including splits between male and female partners and
7 between white and Latino and African American partners, and dissolution
8 of partnerships and teams.

9 (iv) The IPs shall report on the management leadership assessment program, to
10 the extent continued by MSSB, to MSSB, the Diversity Monitor and Class
11 Counsel.

12 (v) The IPs shall report on skills training to diverse FAAS and FAS, to the
13 extent offered, to MSSB, the Diversity Monitor and Class Counsel.

14 (vi) Consistent with the *Jaffe* Agreement, the IPs shall report on their work to
15 the Diversity Monitor and Class Counsel. Consistent with existing
16 procedure under the *Jaffe* Settlement Agreement, the IPs shall meet with
17 the Diversity Monitor and Class Counsel at least semi-annually. In
18 advance of those meetings the IPs will provide MSSB with the agenda and
19 a copy of their presentation and data to be presented. The two IPs shall
20 coordinate their work to avoid un necessary duplication.

21 b. Subject to signing an appropriate confidentiality agreement, and upon reasonable
22 advance notice, the Diversity Monitor and the Industrial Psychologists will have
23 reasonable access to relevant documents, data, and MSSB employees. This
24 specifically includes data with respect to female, African American, and/or Latino
25 Financial Advisor participation in teams or partnerships, including splits between
26 male and female partners and white and Latino and African American partners
27 and dissolution of partnerships and teams.

28 c. The Diversity Monitor will be compensated by MSSB for his remaining work on
a fixed fee basis acceptable to the DM and MSSB. The Industrial Psychologists
will be compensated by MSSB for their remaining work on a fixed fee basis
acceptable to the IPs and MSSB.

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

8. Additional matters not involving the Industrial Psychologists.

a. Account Redistribution Issues

(i) Pre-Existing Client Relationships

1 (1) MS will initiate a pilot process which includes a prescribed
 2 dialogue between branch management and a client where an FA
 3 leaves the Firm and the branch learns that another FA has a pre-
 4 existing relationship with the household but that FA did not
 5 originate the relationship and the household has not been part of a
 6 JPN for 12+ months. The outline for such dialogue shall be open-
 7 ended and not suggest that a client select a particular FA.

8 (2) MS will report to class counsel no later than January 31, 2016 on
 9 the effectiveness of this process and whether it can be implemented
 10 more broadly or whether refinements should be made. If further
 11 refinements are needed, class counsel and MS will negotiate them
 12 in good faith in to achieve a constructive solution that is
 13 reasonably crafted to maximize client retention while minimizing
 14 any risk of abuse of the pre-existing client relationship exception.

15 (ii) Debit-Credit Resolution

16 MS agrees to further modify the debit/credit resolution process to continue
 17 to enhance the pace of resolutions, including (a) implementation of revised
 18 system logic that will provide an additional round of credit/debit
 19 resolutions per cycle, and (b) modifying the system so that a round of
 20 debit/credit resolutions precede each power ranking cycle, making the
 21 largest number of households available for the resolution process. The
 22 Diversity Monitor will continue to work with MS in evaluating additional
 23 modifications to the Account Redistribution program to reduce the
 24 existing debit and credit balances. With respect to the credits created
 25 pursuant to paragraph VII.D.3.d. of the *Jaffe* Settlement Agreement, FAs
 26 who have, at the expiration of the extended agreement, credits which have
 27 been outstanding for two or more years, will have the option of converting
 28 those credits into supplemental contributions, in addition to such
 contributions as the FAs may otherwise qualify for, into their Business
 Development Account at the rate of \$1 for each \$1,000 in outstanding
 credits resulting from prior exceptions involving households of less than
 \$10 million and \$1 for each \$2,000 in outstanding credits resulting from
 prior exceptions involving households of \$10 million or more. To the
 extent the credit based Business Development funds resulting from such
 conversion exceed \$10,000, the excess will be contributed in subsequent
 years, subject to a maximum of \$10,000 per year. Such supplemental
 BDA contributions may be used towards coaching and other business
 development expenses, consistent with MSSB's policies and procedures.

9. Role of Management

Kara Underwood or her successor shall have primary responsibility ensuring the day to
 day compliance with this agreement and with respect to compliance with this agreement
 shall report to Shelley O'Connor or her successor who shall have ultimate responsibility

1 ensuring that MSSB fulfills its duties in this agreement and the underlying settlement
2 agreements.

3 10. Monitoring Fees

4 Class Counsel collectively shall be reimbursed at the rate of \$150,000 per year for work
5 completed in the extended decree monitoring.

6 11. Teaming/Partnerships

7 For one year following the expiration of the extended agreements, MSSB will continue
8 programs implemented during the extension of the agreements related to increasing
9 participation of female, African American and Latino Financial Advisors in teams and
10 partnerships, including splits between male and female partners and between white and
11 Latino and African American partners. Prior to the expiration of the agreements, the IPs
12 will provide any recommendations they have for refinements to the program(s) and
13 MSSB will report to Class Counsel within a reasonable period which of those
14 refinements, if any, they intend to implement.

15 DATED: September 29, 2015

16 DATED: September 29, 2015

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19 DATED: September 29, 2015

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28 *Class Counsel*

1 DATED: September 29, 2015

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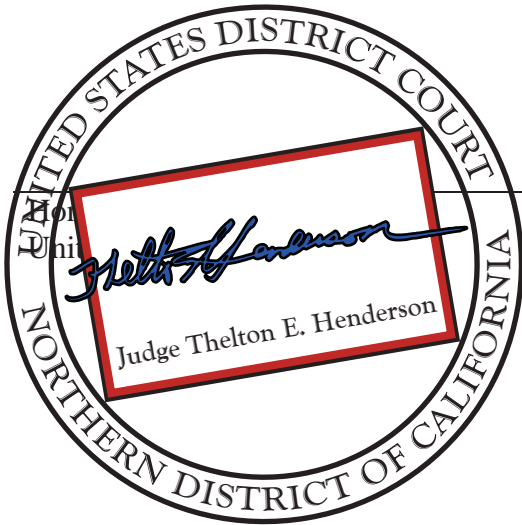
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ORDER

The foregoing stipulation to extend the *Jaffe* settlement agreement is approved, and the extension, pursuant to the terms of the stipulation, IS SO ORDERED.

The Court will continue to exercise jurisdiction over the case during the term of the extension.

Dated: 09/30/2015



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