

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SELWYN SILBERBLATT, On Behalf of)
Himself and All Those Similarly Situated,)
)
Plaintiff,)
)
vs.)
)
)
MORGAN STANLEY and)
MORGAN STANLEY DW INC.,)
)
Defendants.)

ECF CASE
No. 05-CV-7569 (PKC)

**NOTICE OF PENDENCY OF
PROPOSED CLASS ACTION
SETTLEMENT**

IF YOU PURCHASED PHYSICAL PRECIOUS METALS (I.E., GOLD, SILVER, PLATINUM OR PALLADIUM) FROM AND THROUGH MORGAN STANLEY DW INC. (AND ITS PREDECESSORS) (“MSDW”), SIGNED THE CUSTOMER DISCLOSURE STATEMENT (THE “CDS”) AND PAID STORAGE FEES TO MSDW IN CONNECTION WITH THE STORAGE OF SUCH PRECIOUS METALS DURING THE PERIOD OF FEBRUARY 19, 1986 THROUGH JANUARY 10, 2007, INCLUSIVE (THE “CLASS PERIOD”), YOU, AS A MEMBER OF THE CLASS, COULD GET A PAYMENT FROM A PROPOSED CLASS ACTION SETTLEMENT (THE “SETTLEMENT”) VALUED AT \$4.355 MILLION DOLLARS.

A Federal Court Authorized This Notice. This is Not a Solicitation From a Lawyer.

I. NATURE OF THE CASE AND SUMMARY OF BENEFITS OF THE SETTLEMENT

- This notice (the “Settlement Notice” or “Notice”) concerns the proposed Settlement among Lead Plaintiff Selwyn Silberblatt (“Lead Plaintiff”) on behalf of himself and the Class (as defined below) (collectively, “Plaintiffs”) and Morgan Stanley and Morgan Stanley & Co. Incorporated (as successor to Morgan Stanley DW Inc. (and its predecessors) (“MSDW”)) (collectively, “Morgan Stanley” or “Defendants”) by and through their undersigned counsel in the above-captioned class action litigation (*Silberblatt v. Morgan Stanley, et al.*, 05-CV-7569 (PKC)) pending in the United States District Court for the Southern District of New York (the “Action”).
- The Settlement will provide a common fund (the “Settlement Fund”) consisting of \$1.5 million in cash (plus accrued interest) (the “Cash Settlement Fund”) and the economic and remedial benefits and consideration (the “Remedial Consideration”) valued at the average range of \$2.855 million by Plaintiffs’ expert (the high range was \$3.199 million and the low range was \$2.512 million), thereby totaling \$4.355 million. Defendants take no responsibility for the accuracy of this calculation or the reasonableness of the assumptions made. A detailed description of the Remedial Consideration, as well as the valuation of the Remedial Consideration by Plaintiffs’ expert, are found at sections V and VII of this Notice.
- The essence of Plaintiffs’ case is that Defendants charged excessive storage fees for the precious metals located in the United States and abroad, that Plaintiffs did not receive “allocated” precious metals (i.e., specifically identifiable by serial numbers and physically segregated for their accounts), that members of the Class were not sufficiently informed what type of precious metals they were receiving and how they were being stored, that Plaintiffs and members of the Class did not receive full title to their precious metals and that their precious metals were subject to creditors’ claims. The Settlement is on behalf of a class consisting of all persons who, during the Class Period, signed the Customer Disclosure Statement (“CDS”) (as defined in the Stipulation) and who thereafter purchased physical precious metals (i.e., gold, silver, platinum or palladium) from and through MSDW, and who paid storage fees to MSDW in connection with the storage of such precious metals (the “Class”).
- Defendants have undertaken and/or will undertake as a result of business considerations, including the institution and the prosecution of this Action, the Remedial Consideration as specified further in this Settlement Notice (paragraph V). The Remedial Consideration benefits those who, during the Class Period, signed the CDS and who thereafter purchased and currently store physical precious metals from and through MSDW, and who pay storage fees to MSDW in connection with the storage of such precious metals.
- Plaintiffs’ Lead Counsel will request at the hearing before the Court on September 24, 2007 (the “Settlement Fairness Hearing”) (as described further below) an award of attorneys’ fees of 18% (\$783,960) of the Settlement Fund valued at \$4.355 million (\$1.5 million cash and \$2.855 million in remedial considerations valued by Plaintiffs’ expert), together with reimbursement of expenses incurred in the prosecution of the Action not to exceed \$150,000, to be paid solely and exclusively out of the Cash Settlement Fund. Defendants and the Released Parties will take no position on such application, provided Defendants are free to answer any questions raised by the Court or respond to objections of Class members. Plaintiff Selwyn Silberblatt, who initiated this litigation, also expended 240 hours in initiating and prosecuting this Action, and is the sole plaintiff who was conditionally certified by the Court to be an adequate class representative on October 18, 2006, will also apply for an

award for reimbursement of his time and effort expended, in the amount of \$9,600; plus (ii) expenses in the amount of \$840, thereby totaling \$10,440 reasonably and necessarily incurred in connection with the prosecution of the Action. Defendants reserve the right to object to such application, and also reserve the right to answer any questions raised by the Court or respond to objections of Class members. The Settling Parties agree that a denial or modification of any such application for either the attorneys or the class representative shall not be deemed a material term or condition of the Settlement.

- Your legal rights will be affected whether you act or don't act. Read this Settlement Notice carefully.

II. STATEMENT OF POTENTIAL OUTCOME OF THE CASE

It is impossible to forecast with certainty the outcome of the case. Plaintiffs and Defendants disagree on both liability and damages. Defendants deny that they are liable to Plaintiffs or the Class and deny that Plaintiffs or the Class have suffered any damages. The Settlement is not an admission or concession by the Defendants as to the validity of any claim asserted against them or any liability or damages. While Lead Plaintiff believes he and the Class have meritorious claims, Lead Plaintiff and Lead Counsel Schoengold Sporn Laitman & Lometti, P.C. cannot predict with certainty that there would be a successful outcome to the case either at trial or appeal. Defendants, in addition to denying liability in this lawsuit, further assert that the six-year statute of limitations will bar any claims by Class members who purchased precious metals prior to August 26, 1999, *i.e.*, for any transactions from 1986 to 1999.

III. REASONS FOR THE SETTLEMENT

Lead Counsel for Plaintiffs engaged in extensive investigation before the commencement of this Action over the course of many months and consulted with several precious metals experts, and examined thousands of pages of documents, including all public filings of Defendants in connection with the claims and defenses in this Action. Prior to entering into the Settlement, Lead Counsel has engaged in extensive and ongoing discovery relating to the claims and the underlying events and transactions alleged in the Action, which includes document demands, interrogatories, notices to admit and examination of thousands of pages of documents and consultation with various experts. Furthermore, in addition to the submission of an expert report, Lead Plaintiff's Lead Counsel took nine depositions of numerous defendant and non-party witnesses, which included traveling to London, England to depose JPMorgan Chase and depositions in several states in the U.S. and a depository of precious metals for Defendants. Lead Counsel has thoroughly analyzed the evidence available in the case and has researched the applicable laws with respect to the claims of Plaintiffs and the Class against Defendants and the potential defenses thereto.

Discovery has shown that over the course of the Class Period, Defendants have received approximately \$4 million dollars for storage charges from members of the Class. Thus, Plaintiffs' Lead Counsel believes that, based on the record herein and their assessment of the strengths and weaknesses of the Action, the proposed Settlement with its substantial cash benefit of \$1.5 million, which would constitute 37.5% of the \$4 million storage charges received by Defendants, represents an excellent percentage recovery for members of the Class since it will confer cash benefits to members of the Class as well as provide for substantial economic and remedial benefits. The parties have agreed to the Settlement, subject to the approval of the Court, after intensive and protracted arms-length negotiations, including by a Court-ordered mediator. Lead Plaintiff and Lead Counsel believe that it is fair, reasonable, and adequate to the members of the Class considering, among other things, the substantial benefits produced by the Settlement to members of the Class, the strengths and weaknesses of Plaintiffs' claims against the Defendants, the full record of litigation, and the uncertainty inherent in this complex litigation, including a major statute of limitations hurdle for many of the Class members who purchased prior to the six years before the end of the Class Period. It should be noted that never in the Class Period has there been any default by Defendants or their depositories, and no members of the Class have sustained any financial losses thereby.

Defendants and their counsel have raised substantial defenses, including contentions that they did not make any misstatement, that there are no legally justifiable claims, that there are no damages sustained by members of the Class, and that many of Plaintiffs' claims may be time-barred. Proving damages asserted by Plaintiffs would undoubtedly pose significant difficulties. Further, the allegations in the Action center around the industry practices which Defendants claim they followed. There would likely be a battle of experts and require an extended trial that would consume a great amount of time and expense. The outcome of a trial cannot be predicted, and of course, any appeal would be protracted and costly and unpredictable.

Against this background, Plaintiffs' Lead Counsel, with the active participation and consent of Lead Plaintiff, believes that the arms-length Settlement that has been negotiated is an excellent result and provides certainty of recovery to the Class members without the delay inherent in litigating the claims.

IV. DEFENDANTS' POSITION CONCERNING THE MERITS OF THE ACTION

Defendants believe that the record demonstrates that they handled their customers' precious metals accounts properly in all respects and that if the case were not settled, they would be entitled to summary judgment dismissing all claims. Defendants believe that the evidence shows that the documents provided by Defendants to Class members contained no misrepresentations regarding the purchase or storage of precious metals from and through MSDW. At no time did Defendants make any promises to purchase or store metals on an "allocated" basis, unless specifically requested for by the customer, nor to segregate metal on a customer-by-customer basis.

Defendants also assert that MSDW purchased actual, physical metals for its retail customers and that no client sustained any economic injury whatsoever. The undisputed evidence shows that all of the precious metals held on behalf of Defendants' customers are present and accounted for, purchased pursuant to each and every customer order. Defendants also arranged for the storage of metals at secure, credit-worthy depositories. Defendants were also contractually entitled to charge their customers storage fees for the services they facilitated, pursuant to the CDS that customers signed. These fees were not inconsistent with the fees charged by other brokerage firms. Defendants also assert that all members of the Class were beneficial owners of their precious metals and that the metals were not subject to lien by Morgan Stanley or its creditors.

Defendants deny that any Class member has suffered any harm by the conduct alleged in the Action.

V. THE SETTLEMENT BENEFITS

Defendants have agreed to create a Settlement Fund consisting of \$1.5 million in cash and economic and remedial benefits and consideration valued at \$2.855 million by Plaintiffs' expert (the average value between the low evaluation of \$2.512 million and the high evaluation of \$3.199 million) for the benefit of the Class members. In recognition of Plaintiffs' allegations, Defendants have clarified their informational literature to their retail precious metals customers, including modifying and supplementing their Customer Disclosure Statements ("CDS"), IDEAs Webpage and Precious Metals Brochure, and have sent such changes to Plaintiff and current members of the Class in June 2006 and in May 2007. As detailed below, Defendants have now defined precious metal purchasers to fall into one of three categories, as opposed to two categories: unallocated, allocated and specifically identified metals, lowered the storage fees and agreed to maintain these storage charges for at least one year from the effective date of their implementation in January 2007. The Remedial Consideration is comprised of the following:

- (a) Five-Year Assurance: A five (5) year unconditional assurance (the "Assurance") to Class members, solely with respect to the gold, silver, platinum or palladium bars or coins held in their Morgan Stanley precious metal accounts as of January 10, 2007, the last day of the Class Period (excluding customers who specifically instructed Defendants to purchase "Loco London Gold" or "Loco London Silver" as reflected on their purchase confirmations and account statements) (the "Assured Metal") that, with respect to any warehouse at which Defendants arrange for storage and safekeeping of the Assured Metal held in retail brokerage accounts by Class members, upon the occurrence of any of the following events:
- (i) the warehouse executes or delivers an assignment for the benefit of its creditors, or
 - (ii) the warehouse files a petition in bankruptcy (or for reorganization, receivership, rehabilitation, arrangement, composition or extension) under the United States Bankruptcy Code or under any other federal or state law or the law of a foreign jurisdiction, or
 - (iii) an involuntary petition in bankruptcy (or for reorganization, receivership, rehabilitation, arrangement, composition or extension) has been filed against that warehouse under the United States Bankruptcy Code (or under any other federal or state law or the law of a foreign jurisdiction), then Defendants agree that they will:
 - (a) retrieve the Assured Metal held for Class members' retail brokerage accounts at the said warehouse and, at the customer's option, either arrange for storage at another warehouse (at the cost of Defendants, with any storage costs thereafter incurred to be the responsibility of the customer) or deliver the metal to the customer (at the cost of the customer); or
 - (b) to the extent that (a) is impracticable, Defendants will (at the cost of Defendants) purchase in the marketplace precious metal of the equivalent type, weight, quality and fineness that was previously held in storage for the customers' retail brokerage accounts, and, at the customer's option, either arrange for storage at another warehouse (at the cost of Defendants, with any storage costs thereafter incurred to be the responsibility of the customer) or deliver the metal to the customer (at the cost of the customer), in exchange for which each Class member shall be deemed to have assigned all of his or her rights against the defaulting warehouse to Defendants. This Assurance in no way guarantees the market's value of the precious metals stored by Defendants for the benefit of Class members and shall apply only to the precious metals held by Class members in MSDW accounts as of January 10, 2007.
- (b) Storage Fee Cap & Reduction: Effective January 15, 2007, the amount of storage fees charged to retail customers was reduced from 75 basis points per year of the market value of the metal to: (i) 36 basis points per year (approximately one third of one percent per annum) of the market value of bullion held in book-entry form and backed by physical metal stored in either the U.S. or London ("unallocated" metals); and to (ii) 60 basis points per year (six tenth of one percent per annum) of the market value of the metal for bars and coins that are purchased and stored on the retail customer's behalf, but not specifically identifiable to his or her account ("allocated") and for bars and coins that are specifically identified by serial number or other unique marker and identified and recorded as belonging to a specific retail customer ("specifically identified" metals). Letters explaining this change were mailed to customers on January 31, 2007. Defendants have agreed not to increase these storage fees (the "Cap") for one year from the date that these new storage fees were implemented. After the Cap has expired, Defendants reserve the right to amend the storage fee structure at any time. Defendants reserve the right to sell coins or bars in any form (whether "allocated," "unallocated" or "specifically identified" as to the end customer), irrespective of whether the Cap is still in effect. Defendants also reserve the right to discontinue the sale of coins and bars (whether "allocated," "unallocated" or "specifically identified" as to the end customer), bullion or Loco London at any time, irrespective of whether the Cap is still in effect.
- (c) New Billing Procedures: Defendants previously billed customers for storage fees on a nonrefundable yearly basis. Defendants have implemented a new billing procedure under which customers will be billed on a quarterly basis. To the extent that a customer either sells his or her stored precious metal or takes delivery of his or her stored precious metal before quarter-end, Defendants will only bill that customer for storage up to and including the date of sale or delivery, *i.e.*, there will be proration of said bill.

- (d) Modification of the Customer Disclosure Statement: In an effort to provide further detail regarding precious metals transactions, in April 2006, Morgan Stanley modified the Customer Disclosure Statement containing the governing terms and conditions for precious metals transactions, renaming it Supplement for Precious Metals Transactions (the "Supplement"). The Supplement contains a new section explaining the difference between "allocated" and "unallocated" ownership. The Supplement was further revised in March 2007 and contains a new section explaining the difference among "unallocated" bullion, "allocated" bars and coins, and "specifically identified" bars. The Supplement includes an arbitration provision and is provided to **new customers** who are required to sign the Supplement if they choose to engage in precious metals transactions with Morgan Stanley. A Notice to Customers Regarding Precious Metals Transactions ("Notice") was mailed on April 30, 2006 to all existing customers holding as of April 11, 2006 precious metals positions in their Morgan Stanley accounts. The Notice was further revised in March 2007 and contains a new section explaining the difference among "unallocated" bullion, "allocated" bars and coins, and "specifically identified" bars. This Notice was mailed on May 2, 2007 to all **existing customers** holding as of April 27, 2007 precious metals positions in their Morgan Stanley accounts and applies to all future transactions in which existing customers engage. Both the Supplements and the Notices disclose and state that if the customer does not "specifically request otherwise, precious metals will generally be purchased and stored on an 'unallocated' basis" and that Morgan Stanley, via River View, "may buy and sell for its own account the physical precious metals that back 'unallocated' holdings and may profit by such use in addition to the mark-ups or commissions it charges on purchases and sales." These revised documents are intended to provide clarity regarding the governing terms and conditions for precious metals transactions – including various types of precious metals ownership for both existing customers (via the Notices) and new customers (via the Supplements) to avoid confusion.
- (e) Morgan Stanley IDEAs Webpage: Defendants have modified the precious metals portion of the IDEAs webpage, which is the internal informational guide available to Defendants' Financial Advisors who want information about precious metals products and how to purchase these products for retail customer investments, and the March 2007 revision contains a new section explaining the difference among "unallocated" bullion, "allocated" bars and coins, and "specifically identified" bars. Defendants reserve the right to amend the terms of the IDEAs Webpage at any time.
- (f) Precious Metals Brochure: "Precious Metals and the Individual Investor" is a brochure that was made available to Defendants' Financial Advisors in August 2006. It includes a section on "Ownership of Precious Metals" which explains the difference between "allocated" and "unallocated" ownership. The brochure was further revised in March 2007 and contains a new section explaining the difference among "unallocated" bullion, "allocated" bars and coins, and "specifically identified" bars. Defendants reserve the right to amend the terms of the "Precious Metals and the Individual Investor" at any time.
- (g) JPMorgan Chase Allocated Account Agreement: In October 2005, River View International, Inc. ("River View") (an indirect wholly-owned subsidiary that facilitates precious metals transactions for MSDW and arranges for the safekeeping of precious metals through depositories) entered into an Allocated Account Agreement with JPMorgan Chase, thereby more clearly establishing the metal's ownership. The issues in the current lawsuit were taken into consideration when negotiating and executing this agreement, which Plaintiffs believe adds protection to members of the Class's precious metals from creditors' claims. Defendants reserve the right to amend the terms of this agreement at any time.
- (h) Movement of Gold and Silver Bars: In response to allegations in the Complaint relating to the storage of gold and silver bars in the JPMorgan Chase warehouse located in London, Defendants have now sold the gold and silver bars previously held at JPMorgan Chase on behalf of retail customers who held precious metal in the form of gold and silver bars in their accounts (other than those customers who specifically ordered Loco London metals or who purchased "specifically identified metals" in London) and purchased identical quantities of gold and silver bars on U.S. markets, all of which is now stored at the FidelityTrade warehouse, located in Delaware.
- (i) FidelityTrade Agreement: In March 2007, Defendants have executed a new agreement with FidelityTrade which includes protective language which provides enhanced protection to Class members' ownership rights of their metals as between River View and FidelityTrade and protection against creditors' claims. Defendants reserve the right to amend the terms of this agreement at any time.

The balance of the Cash Settlement Fund, after deduction of Court-awarded attorneys' fees and reimbursement of expenses, class representative award for time and effort and reimbursement of expenses, and Settlement administration costs, will be divided among all Class members who send in valid Proof of Claim and Release forms ("Proof of Claims"). See paragraph 9 below.

VI. STATEMENT OF ATTORNEYS' FEES AND COSTS SOUGHT

Lead Counsel will request at the Settlement Fairness Hearing on September 24, 2007 an award of attorneys' fees of 18% (\$783,960) of the Settlement Fund valued at \$4.355 million, together with reimbursements of expenses incurred in the prosecution of the Action not to exceed \$150,000, to be paid solely and exclusively out of the Cash Settlement Fund. Lead Counsel believes that such percentage request is fair, reasonable and adequate and that such amount sought is below its "lodestar," *i.e.*, its regular hourly billing rate times the number of hours expended in this litigation. The Settling Parties agree that a denial or modification of any such applications shall not be deemed a material term or condition of the Settlement.

Lead Counsel has expended thousands of hours and expended great effort in the prosecution of this Action on a wholly contingent fee basis, and has advanced the expenses of this litigation, in the expectation that if it were successful in obtaining a recovery for the Class, it would be paid from such recovery. If Lead Counsel had not obtained any recovery, it would not have received any compensation for its services.

In these types of litigations, it is customary for Lead Counsel to be awarded a percentage of the common fund recovery as their attorneys' fees and reimbursement of their costs and expenses.

VII. REPORT AND ANALYSIS OF PLAINTIFFS' EXPERT

Plaintiffs have heretofore submitted to the Court a report by their retained expert, Jeffrey Christian, which provides the expert's analysis of the reasonable range of dollar values that may properly be ascribed to the economic and remedial benefits and consideration. The expert has determined that the range of value is between \$2.512 million and \$3.199 million, arriving at the average of \$2.855 million. The valuation range set forth herein reflects the view of Lead Counsel's expert. For purposes of determining the attorney's fee that should be awarded to Lead Counsel, Lead Counsel shall submit to the Court, at the Settlement Fairness Hearing, a report by their retained expert, Jeffrey Christian, which shall provide the expert's analysis of the reasonable range of dollar values that may properly be ascribed to the Remedial Consideration. The expert has preliminarily determined that the range of value is between \$2.512 million to \$3.199 million. For purposes of calculating the low end of this range, the expert has assumed that no member of the Class who currently holds precious metals in his or her account at MSDW will elect to own specifically identified precious metals, that is, precious metals specifically identified by a unique marker and recorded as belonging to a specific retail customer. For purposes of calculating the high end of this range, the expert has assumed that all members of the Class who currently hold precious metals in their accounts at MSDW will elect to hold specifically identified precious metals. Currently, less than 2% of the precious metals held by members of the Class at MSDW are specifically identified. The valuation range set forth herein is preliminary and reflects the view of Lead Counsel and their expert. Defendants take no responsibility for the accuracy of this calculation or the reasonableness of the assumptions made.

VIII. STATEMENT OF CLASS REPRESENTATIVE AWARD SOUGHT

Class representative Selwyn Silberblatt expended 240 hours in connection with the prosecution of this case and was influential in achieving this favorable settlement on behalf of the Class. Mr. Silberblatt assisted in the investigation and development of the case; flew to New York several times and was deposed for a full day; received and reviewed all court papers as well as documents obtained in discovery; and evaluated the settlement proposals. Class representative will apply for an award for his time and effort expended, in the amount of \$9,600; plus (ii) expenses in the amount of \$840 reasonably incurred in connection with the prosecution of the Action. Defendants and the Released Parties will take no position on such application, provided Defendants are free to answer any questions raised by the Court or respond to objections of Class members.

If the Settlement is approved, Lead Counsel's fees and costs and expenses, any class representative award and the costs of administering the Settlement will be paid solely and exclusively from the Cash Settlement Fund.

SOME FREQUENTLY ASKED QUESTIONS

| |
|--|
| 1. Why did I receive this Settlement Notice package? |
|--|

You received this Settlement Notice package because you or someone in your family may have signed the CDS and thereafter purchased physical precious metals (*i.e.*, gold, silver, platinum or palladium) from and through MSDW, and paid storage fees to MSDW in connection with the storage of such precious metals during the period of February 19, 1986 through January 10, 2007, inclusive.

The Court directed that this Settlement Notice be sent to you because you have a right to know about the proposed Settlement of the Action, and about all of your rights in this matter before the Court decides whether to approve the proposed Settlement. If the Court approves the Settlement, and after objections and appeals, if any, are resolved, an administrator appointed by Lead Counsel will make the payments that the Settlement allows as shown below.

This Settlement Notice package explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

This Settlement Notice package is not an expression of any opinion by the Court about the merits of any of the claims or defenses asserted by any party in the Action or the fairness or adequacy of the proposed Settlement.

| |
|--------------------------------|
| 2. What is this lawsuit about? |
|--------------------------------|

On August 26, 2005, a class action lawsuit was filed in the United States District Court for the Southern District of New York by Selwyn Silberblatt against Morgan Stanley Dean Witter & Co., alleging violations of Section 349-a of the New York State General Business Law and Section 2-313 of the New York Uniform Commercial Code, common law breaches of contract and fiduciary duty, fraud, unjust enrichment and negligent misrepresentation on behalf of all those who signed the CDS and who thereafter purchased physical precious metals from and through Morgan Stanley Dean Witter & Co. and/or its predecessors and who paid storage fees in connection with the storage of such precious metals during the period of February 19, 1986 through August 26, 2005.

Specifically, it was alleged that Defendants did not fully and truthfully disclose the true nature of their purchase and storage practices regarding precious metals to their customers, including that the customers did not have full title to and did not own specific precious

metal; the investors were only unsecured creditors and did not, in fact, purchase specific, identifiable precious metal, but rather at best, an unallocated precious metal investment. Plaintiff alleged that he and members of the Class paid excessive storage fees for their precious metals which were not physically segregated for their accounts.

On December 5, 2005, Defendant Morgan Stanley Dean Witter & Co. filed its Answer and Affirmative Defenses to the Class Action Complaint.

On June 15, 2006, an Amended Class Action Complaint (the "Complaint") was filed against Defendants Morgan Stanley and Morgan Stanley DW Inc. alleging the same violations as in the first complaint. On July 17, 2006, Defendants filed their Answer and Affirmative Defenses to the Complaint.

The parties to this Action have thereafter engaged in extensive discovery and pre-trial proceedings including document demands, interrogatories, notices to admit, examination of thousands of pages of documents, deposition of Lead Plaintiff and nine depositions of numerous defendants and non-party witnesses and submission of an expert report by Lead Plaintiff.

On September 15, 2006, Lead Plaintiff Selwyn Silberblatt moved to certify the Action as a class action and to certify himself as the class representative.

By Order dated October 18, 2006, the Court conditionally certified the Action, on consent of the Settling Parties, to proceed as a class action and certified Selwyn Silberblatt as the class representative on behalf of a class consisting of all those who entered into contracts to purchase precious metals, from and through MSDW during the period of February 19, 1986 through August 26, 2005, and who paid storage fees in connection with the storage of such precious metals. As part of this Settlement, the Settling Parties have agreed that the Class Period will be extended to January 10, 2007.

The Settling Parties have engaged in protracted and arms-length settlement negotiations, including a Court-ordered private mediation before Michael D. Young, Esq. As a result of the settlement negotiations, the Settling Parties have agreed to the proposed Settlement herein, subject to the approval of the Court.

3. Why is the litigation a class action?

In a class action, one or more people called class representatives (in this case Lead Plaintiff Selwyn Silberblatt) sue on behalf of people who have similar claims. All these people are class members. Bringing a case, such as this one, as a class action allows adjudication of many similar claims of persons and entities that might be economically too small to bring individual actions. In this Action, Lead Plaintiff sued on behalf of other people who entered into contracts to purchase and store precious metals from and through MSDW during the Class Period. Together, all these people comprise the Class and are Class members. The Court resolves the issues for all Class members, except for those who exclude themselves from the Class.

4. Why is there a Settlement?

As set forth above in paragraph III, after extensive discovery and pre-trial proceedings, including document demands, interrogatories, notices to admit, examination of thousands of pages of documents, depositions of Lead Plaintiff and numerous defendant and non-party witnesses and submission of an expert report by Lead Plaintiff, the Court did not ultimately decide in favor of either Plaintiffs or Defendants. Instead, both sides, after extended arms-length negotiations, agreed to the Settlement. That way, they avoid the risks, costs and delay of a trial, and the people affected will get compensation. Lead Plaintiff and Lead Counsel believe the Settlement is in the best interest of all Class members.

Accordingly, Lead Plaintiff and Defendants have entered into the Settlement. Under this Settlement, a Settlement Fund was established to provide cash compensation and Remedial Consideration to the Class members.

WHO WILL BENEFIT FROM THE SETTLEMENT OF THE CLASS ACTION

If you are a member of the Class and submit a proper and timely Proof of Claim, you will benefit from the proposed Settlement.

5. How do I know if I am a Class member?

You are a member of the Class if you signed the CDS and thereafter purchased and stored physical precious metals from and through MSDW during the Class Period, and you may have received the within Notice of proposed Settlement by first-class mail, or read of the proposed Settlement in *The Wall Street Journal* or on the internet.

6. Are there exceptions to persons or institutions as members of the Class?

Yes, people who are Defendants, their officers and directors at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest are automatically excluded from the Class.

7. Who do I contact if I need help?

If you are still not sure whether you are included in the Class, or need other help, you may contact the Claims Administrator by telephone at (888) 205-7870, by accessing www.gardencitygroup.com, or you can fill out and return the Proof of Claim below to see if you qualify.

8. How much will my payment be?

Each Class member who submits a valid Proof of Claim ("Authorized Claimant") will receive a share of the balance of the Cash Settlement Fund. The balance of the Cash Settlement Fund equals the remaining funds after the deduction of Court-awarded attorneys' fees and reimbursement of expenses; the class representative award for time and effort and reimbursement of expenses; and Settlement administration costs.

Your share of the balance of the Cash Settlement Fund will depend on the number of Authorized Claimants; the amount of storage fees you and the other Authorized Claimants paid; and the time period in which you paid storage fees.

After all Class members have sent in their Proof of Claims, the pro-rated payment for all Authorized Claimants will be calculated.

9. What is the proposed Plan of Allocation?

The proposed plan to distribute the Cash Settlement Fund to the Class (the "Plan of Allocation") is set forth below. The Plan of Allocation reflects Lead Plaintiff's and Lead Counsel's evaluation of the strengths and weaknesses of the claims of members of the Class, including Class members who purchased their precious metals prior to August 26, 1999, whose claims may be time-barred under New York state law.

Authorized Claimants are divided into two groups: (1) those who paid storage fees to Defendants prior to January 1, 2000 ("Pre-2000 Authorized Claimants"); and (2) those Class members who paid storage fees to Defendants on or after January 1, 2000 ("2000-2007 Authorized Claimants"). You may be a member of both groups of Authorized Claimants.

The balance of the Cash Settlement Fund shall be divided between the Pre-2000 Authorized Claimants and the 2000-2007 Authorized Claimants. Twenty percent (20%) of the balance of the Cash Settlement Fund has been allocated to satisfy claims by Pre-2000 Authorized Claimants ("Pre-2000 Cash Settlement Fund"). Eighty percent (80%) of the balance of the Cash Settlement Fund has been allocated to satisfy claims by 2000-2007 Authorized Claimants ("2000-2007 Cash Settlement Fund").

Formula For Pro-Rata Payment for Pre-2000 Claims:

For all storage fees paid prior to January 1, 2000, your share of the balance of the Cash Settlement Fund shall be calculated by dividing the Pre-2000 Cash Settlement Fund by the number of Pre-2000 Authorized Claimants (without regard to the dollar amount paid in this period to any given claimant).

To illustrate, if 100 class members filed Proof of Claims for storage fees paid prior to January 1, 2000, each class member will receive 1% of the Pre-2000 Cash Settlement Fund.

Formula For Pro-Rata Payment for 2000-2007 Claims:

For all storage fees paid on or after January 1, 2000, your share of the balance of the Cash Settlement Fund shall be calculated by multiplying the 2000-2007 Cash Settlement Fund by a fraction, the numerator of which is the total storage fees you paid after January 1, 2000 and the denominator of which is the total storage fees paid by 2000-2007 Authorized Claimants.

To illustrate, if you paid \$100 in storage fees on or after January 1, 2000 and all Authorized Claimants paid \$10,000 in storage fees in that period, you would receive 100/10,000 or 1% of the 2000-2007 Cash Settlement Fund.

HOW CAN I OBTAIN PAYMENT? -- SUBMITTING A PROOF OF CLAIM FORM

10. How can I get a payment?

To qualify for a payment in the Action, you must send in a properly filled out and timely Proof of Claim. A blank Proof of Claim accompanies this Settlement Notice. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign it, and mail it postmarked no later than November 1, 2007.

11. When would I get my payment?

The Court will hold a Settlement Fairness Hearing on September 24, 2007 to decide whether to approve the Settlement as fair, reasonable and adequate and determine attorneys' fees and reimbursement of costs and expenses, and any class representative award, and to approve the Plan of Allocation. If the Court approves the Settlement after that, there may be appeals. It's always uncertain whether these appeals can be resolved, and resolving them can take time, perhaps more than a year. It also takes time for all the submitted Proofs of Claims to be processed. As soon as practicable following the Settlement Fairness Hearing, the period of time any appeal may be lodged and determined, and completion of the processing of the Proof of Claims, distribution upon the Class will be made.

12. If I do not exclude myself, am I included in the Action?

Yes, unless you exclude yourself as discussed below, you remain in the Action, which means that, if the Settlement is approved, you will release all "Released Claims" (as defined below) against the Defendants and the "Released Parties" (as defined below) and obtain benefits upon the timely and proper submission of a Proof of Claim.

"Released Claims" means any and all known and unknown claims, that were asserted or could have been asserted in the Action by Plaintiffs or members of the Class against the Released Parties (as defined below), under state or federal law, including without limitation all claims arising out of, or relating to, in whole or in part, the purchase of and investment in physical precious metals from and through Morgan Stanley & Co. Incorporated (and its predecessors).

"Unknown Claims" means any and all Released Claims which Lead Plaintiff and/or any Class member do not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, which if known, it might have affected his, her or its decision(s) with respect to the Settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that upon the effective date, Lead Plaintiff shall expressly, and each Class member shall be deemed to have, and by operation of the Order and Final Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by law of any state or territory of the United States, federal law, or principle of common law, which is similar, comparable, or equivalent to California Civil Code Section 1542, which provides:

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 KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Lead Plaintiff and Defendants acknowledge, and Class members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Released Claims was separately bargained for and was a key element of the Settlement. Lead Plaintiff and/or Class members may hereafter discover facts in addition to or different from those which he, she or its now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiff intends, and Class members are deemed to have intended, for the release of the Released Claims to be effective without regard to the subsequent discovery or existence of such different or additional facts and for it to extend to Unknown Claims. The release of the Released Claims is intended to be a full and binding release of all Released Claims, including Unknown Claims, and shall be construed broadly to effect that purpose.

"Defendants" means Morgan Stanley and Morgan Stanley & Co. Incorporated (as successor to Morgan Stanley DW Inc. (and its predecessors) ("MSDW")) (collectively, "Morgan Stanley").

"Released Parties" means Defendants, as well as each of their present or former parents, subsidiaries, affiliates, successors and assigns, and the present or former officers, directors, employees, agents, attorneys, accountants, financial advisors, representatives, associates, general and limited partners and partnerships, heirs, executors, administrators, successors and assigns of each of them.

If you do not exclude yourself, all of the Court's orders will apply to you and legally bind you. The Settlement shall be governed by and interpreted according to the laws of the State of New York.

13. How do I exclude myself from this Action?

If you are a Class member and wish to exclude yourself and you don't want a payment from this Settlement, but you want to keep the right to sue or continue to sue any of the Defendants or the Released Parties, on your own about the legal issues in the Action, then you must take steps to get out of the Settlement. This is called excluding yourself -- or is sometimes referred to as "opting out" of the Settlement Class.

If you are a Class member, to exclude yourself from the Settlement, you must send a letter by first-class U.S. mail, postage prepaid, stating that you "request exclusion from the *Silberblatt v. Morgan Stanley Litigation*." Your letter should include your name, address, telephone number, and your signature. You must mail your exclusion request postmarked no later than September 14, 2007 to the Claims Administrator at

Silberblatt v. Morgan Stanley Litigation
c/o The Garden City Group, Inc.
Attn: Exclusion Department
P.O. Box 9168
Dublin, OH 43017-4168
(888) 205-7870
www.gardencitygroup.com

YOU CANNOT EXCLUDE YOURSELF BY PHONE OR BY E-MAIL. IF YOU ASK TO BE EXCLUDED, YOU WILL NOT GET ANY SETTLEMENT PAYMENT, AND YOU CANNOT OBJECT TO THE SETTLEMENT. You will not be legally bound by anything that happens in this lawsuit, and you may be able to sue (or continue to sue) any of the Defendants or the Released Parties in the future.

14. If I remain a member of the Class and don't exclude myself, can I sue Defendants or the Released Parties for the same thing later?

No. Unless you exclude yourself, you give up any rights to sue Defendants or the Released Parties for the claims that this Settlement resolves. If you have a pending lawsuit, speak to your lawyer in that case immediately. You must exclude yourself from *this* Class to continue your own lawsuit. Remember, the exclusion deadline is September 14, 2007.

15. Who is representing me in this Action?

The Court has ordered that the Lead Plaintiff's law firm, Schoengold Sporn Laitman & Lometti, P.C., represent you and the other Class members in the Action. These lawyers are called Lead Counsel. If you want to be represented by your own lawyer, you may do so and hire one at your own expense.

16. How will Lead Counsel be paid?

Lead Counsel will request at the hearing before the Court on September 24, 2007 an award of attorneys' fees of 18% of the Settlement Fund, together with reimbursements of expenses incurred in the prosecution of the Action not to exceed \$150,000, to be paid solely and exclusively out of the Cash Settlement Fund. Class representative will also apply for an award for his time and effort expended, in the amount of \$9,600; plus (ii) expenses in the amount of \$840 reasonably incurred in connection with the prosecution of the Action. Lead Counsel, without further notice to the Class, may subsequently apply to the Court for fees and expenses incurred in connection with administering and distributing the Settlement proceeds to Class members and any proceedings subsequent to the Settlement Fairness Hearing.

If you believe that any aspect of the Settlement is objectionable, you can tell the Court that you don't agree with any part of the Settlement, the Plan of Allocation, or the Request for Attorneys' Fees and Reimbursement of Expenses and any class representative award.

17. How do I object to the proposed Settlement?

If you are a Class member, you can object to the proposed Settlement, the Plan of Allocation, or the Request for Attorneys' Fees and Reimbursement of Expenses and class representative award. To object, you must send a letter saying that you are a Class member and stating what you believe is objectionable about the proposed Settlement, the Plan of Allocation and/or the Request for Attorneys' Fees and Reimbursement of Expenses and class representative award. You must also state your name, address, telephone number, your signature, the date(s) of your purchase(s) of precious metals, the quantities and storage dates for fees paid as well as the reasons for your objection. Mail the objection to each of the following addresses postmarked no later than September 14, 2007, to:

| COURT | LEAD COUNSEL | DEFENSE COUNSEL |
|---|---|---|
| Clerk of the Court Daniel Patrick Moynihan United States Courthouse 500 Pearl Street New York, NY 10007 | Samuel P. Sporn, Esq. Joel P. Laitman, Esq. Kurt Hunciker, Esq. Ashley Kim, Esq. Schoengold Sporn Laitman & Lometti, P.C. 19 Fulton Street, Suite 406 New York, NY 10038 Tel: (212) 964-0046 Fax: (212) 267-8137 | Richard A. Rosen, Esq. Paul, Weiss, Rifkind, Wharton & Garrison LLP 1285 Avenue of the Americas New York, NY 10019-6064 Tel: (212) 373-3000 Fax: (212) 492-0305 |

THE COURT'S SETTLEMENT FAIRNESS HEARING

The Court will hold the Settlement Fairness Hearing on September 24, 2007 at 10:00 a.m., at the Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, Courtroom 12C, New York, New York, 10007-1312 to decide whether to approve the Settlement, the Plan of Allocation, and the Request for Attorneys' Fees and Reimbursement of Expenses and class representative award. You may attend and you may ask to speak, but you don't have to. At the Settlement Fairness Hearing, the Court will consider: (a) whether this Action satisfies the applicable prerequisites for class action treatment under Federal Rules of Civil Procedure 23; (b) whether the terms of the proposed settlement described in the Stipulation are fair, reasonable and adequate, and should be approved by the Court; (c) whether the proposed plan to distribute the Plan of Allocation is fair and reasonable and should be approved by the Court; (d) whether the Order and Final Judgment as provided under the Stipulation should be entered, dismissing the Complaint on the merits and with prejudice, and to determine whether the release by the Class of the Released Parties, as set forth in the Stipulation, should be ordered; (e) whether the application of Lead Counsel for attorneys' fees and expenses should be approved; (f) whether the application of the class representative for an award for time and effort expended and reimbursement of expenses for should be approved; and (g) such other matters as the Court may deem appropriate. If there are objections, the Court will consider them.

18. Do I have to attend the Settlement Fairness Hearing?

No. Plaintiffs' Lead Counsel will represent you and answer questions the Court may have.

19. How do I get more information?

For further information, you also can contact the Claims Administrator by phone at (888) 205-7870 toll free; by mail at *Silberblatt v. Morgan Stanley Litigation* c/o The Garden City Group, Inc., Claims Administrator, P.O. Box 9168 Dublin, OH 43017-4168, or visit the website www.gardencitygroup.com, where you will find answers to common questions about the Settlement, as well as the Settlement Notice and the Proof of Claim and Release form. You can also contact Lead Counsel by phone at (212) 964-0046; by fax at (212) 267-8137; or by mail at Schoengold Sporn Laitman & Lometti, P.C., 19 Fulton Street, Suite 406, New York, NY, 10038. Do NOT contact Defense Counsel.

For even more detailed information concerning the matters involved in this Action, you may review the pleadings, the Stipulation, the Orders entered by the Court and the other papers filed in the Action, which may be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York, Room 260, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, New York, during regular business hours.

General Provisions:

1. The date of purchase is the "contract" or "trade" date and not the "settlement" date.
2. Brokerage commissions, fees, and taxes should be excluded in the purchase and sale prices and storage fees of the precious metals.
3. The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class member on equitable grounds.
4. No person shall have any claim against Lead Counsel, the Claims Administrator or other agent designated by Lead Counsel, based on the distribution made substantially in accordance with the Stipulation and this Plan of Allocation, or further orders of the Court. Defendants, Released Parties, and Defendants' Counsel shall have no responsibility or liability concerning any act, omission or determination of Lead Counsel in connection with the administration of the Cash Settlement; the Plan of Allocation; and any actions taken by the Claims Administrator.
5. Each Pre-2000 Authorized Claimant shall be allocated his, her or its *pro rata* share of the balance of the Pre-2000 Cash Settlement Fund based on the number of the Pre-2000 Authorized Claimants in the Class Period before January 1, 2000. Each 2000-2007 Authorized Claimant shall be allocated his, her or its *pro rata* share of the balance of the 2000-2007 Cash Settlement Fund based on his, her, or its storage fees paid to store precious metals during the Class Period on or after January 1, 2000 relative to the storage fees paid by 2000-2007 Authorized Claimants during the same period. You may be a member of both groups of Authorized Claimants.
6. Class members who do not submit acceptable Proof of Claim will not share in the Settlement proceeds. Class members who do not either submit a request for exclusion or submit an acceptable Proof of Claim will nevertheless be bound by the Settlement and the Order and Final Judgment of the Court dismissing this Action.

THE COURT HAS DIRECTED THAT MEMBERS OF THE CLASS DO NOT CONTACT THE CLERK OF THE COURT OR THE COURT REGARDING THIS SETTLEMENT NOTICE. ALL SUCH INQUIRIES SHALL BE MADE TO THE ADMINISTRATOR OR TO PLAINTIFFS' LEAD COUNSEL AS SET FORTH ABOVE.

Dated: June 14, 2007

BY ORDER OF THE UNITED STATES
DISTRICT COURT FOR THE SOUTHERN
DISTRICT OF NEW YORK

THIS PAGE INTENTIONALLY LEFT BLANK

THIS PAGE INTENTIONALLY LEFT BLANK