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RATIFICATION AND AUTHORIZATION TO FILE  
ARBITRATION CLAIM AGAINST MORGAN STANLEY

In the year Two Thousand Ten.....

Resolved by the City Council of the City of Burlington, as follows:

That WHEREAS, from 1991 to 2006, Morgan Stanley and its predecessors served as fiduciary investment consultant and advisor to the City of Burlington and the City’s Retirement Board; and

WHEREAS, due to concerns about Morgan Stanley’s practices raised by the Retirement Board, an independent investment consultant, Edward Siedle, Esq., and the law firm of Schlichter, Bogard and Denton were retained to investigate and provide advice to the City; and

WHEREAS, the consultant and law firm advised that while Morgan Stanley was retained to provide objective and independent investment advice regarding the selection and retention of investment managers for Retirement System assets, their investigation revealed, among other things, that: (1) Morgan Stanley advised the selection of primarily investment managers who participated in Morgan Stanley’s Vision program and who paid direct and/or indirect compensation to Morgan Stanley related to their participation in the Vision program; (2) such investment managers, selected through this tainted process, underperformed appropriate benchmarks for portfolios they managed; (3) Morgan Stanley imposed excessive investment management fees, trading and execution costs; and (4) reaped additional excessive compensation through principal trading practices and other conduct; and

WHEREAS, the City has been advised that as a result of the alleged misconduct of Morgan Stanley, the City’s Retirement system has suffered substantial financial damages; and

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RATIFICATION AND AUTHORIZATION TO FILE  
ARBITRATION CLAIM AGAINST MORGAN  
STANLEY

WHEREAS, the City attempted to resolve the matter through pre-filing settlement negotiations with Morgan Stanley; and

WHEREAS, when it became apparent that those efforts would not result in an acceptable resolution, the City filed an Arbitration Statement of Claim with the Financial Industry Regulatory Authority;

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby ratifies and authorizes the City of Burlington’s filing of an Arbitration Statement of Claim against Morgan Stanley & Co., Inc. to recover the Burlington Retirement System’s financial losses incurred as a result of breaches of fiduciary duties, fraud, statutory violations and breaches of contract committed by Morgan Stanley as set forth in the Arbitration Statement of Claim.