

March 3, 2005

Philip J. Purcell
c/o Morgan Stanley Inc.
1585 Broadway
New York, New York 10036

Dear Mr. Purcell:

As retired senior executives of Morgan Stanley and significant shareholders, we care deeply about the Firm, its employees and its reputation for integrity and excellence. The Firm's commitment to excellence is the product of generations of professionals who worked, and sacrificed, tirelessly to assure that Morgan Stanley provided its clients with products and services which represented the highest standards in the industry.

Unfortunately, Morgan Stanley's performance over the past few years and its reputation have declined to the point where we are greatly concerned about the Firm's ability to regain its position as the premier global financial services firm.

Our perception of Morgan Stanley's decline is corroborated by the judgment of the equity markets. For example, the Morgan Stanley 2005 Proxy Materials show that, over the last five years, the Firm's total return has trailed the S&P Diversified Financial Index by nearly 40%, a stunning vote of no confidence for a company that has historically been a market leader. According to an article published in the International Herald Tribune on February 9, 2005, Morgan Stanley's stock was down 27 percent over the past four years, compared with a 4 percent gain for Goldman Sachs, an 18 percent gain for Lehman Brothers and an 11 percent decline for Merrill Lynch. Moreover, the Firm's stock price volatility has been significantly higher than that of other companies in its peer group, a fact which belies the claimed benefits of the Firm's diversified business portfolio.

We believe that the stock's poor performance and price volatility are a function of many factors, including:

- * the failure to continue to earn a premium return on equity;
- * the failure to maintain earnings growth relative to its peers; and
- * the weak performance of the Firm's retail and investment management businesses over the past five years.

More fundamentally, we believe that the overriding cause of the Firm's poor performance is a failure of leadership by you as the Firm's CEO.

Morgan Stanley's role as a leader in the securities industry and its reputation for excellence have always been a function of its ability to attract outstanding professionals and provide strong and supportive leadership. We are deeply concerned that there is a crisis of confidence in the Firm's leadership and governance not only in the market, but also, we fear, among employees of the Firm. We believe that you will not be able to inspire and lead the Firm back to its rightful position in the financial services industry. We also question whether you have the respect of industry peers or the Firm's regulators necessary to the task of regaining Morgan Stanley's leadership position in our industry.

We note that there is very little financial services experience among the independent directors and there is no Institutional Securities executive on the Board despite that unit's disproportionate contribution to the Firm's profits and reputation. In addition, while the Firm is headquartered in New York, the financial capital of the world, neither the Chairman nor any members of the Board reside in the New York area.

We believe that the loss of morale caused by these factors puts Morgan Stanley at great risk of losing more key professionals which would adversely impact the Firm's ability to serve its clients and to attract the staff necessary to carry on its businesses.

For all these reasons it is imperative that the Board act promptly to change the leadership and governance of Morgan Stanley. It is absolutely critical that your successor be experienced and well respected by the senior executive group. This change should be accomplished as soon as possible.

We would also recommend the appointment of three outside directors with experience in financial services. At least one of these directors should have experience in institutional securities while another should be experienced in the retail securities business. These additions to the Board could be accomplished with or without increasing the size of the Board.

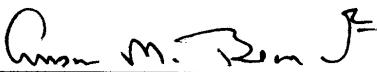
The signors of this letter include a number of former senior executives and board members of Morgan Stanley. We are fearful that in reaction

to this letter you may reassign or remove more of the senior executives from the Institutional Securities Group. Such action would damage the Firm's ability to improve its long term business prospects, would undermine the Firm's reputation and, perhaps irretrievably, injure its ability to attract and retain talented professionals.

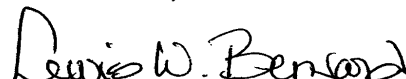
We are united in our strong support of Morgan Stanley and our concern for its future. While we have not discussed this letter with a wider group of Advisory Directors or others who may share our concerns, we are confident that support for our recommendations will be widespread within and outside of the Firm.

We write this letter with a grave sense of our responsibilities to fellow Morgan Stanley shareholders and employees. We request the opportunity to discuss in private with the independent directors the issues and recommendations contained in this letter. We can be reached through our financial advisor, Robert F. Greenhill, at Greenhill & Co., 212-389-1510. We hope that constructive discussion between ourselves and the Board can result in mutual commitment to a plan which can allow the Firm to regain its position as the premier financial services firm.

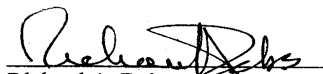
Respectfully,


Anson M. Beard, Jr.

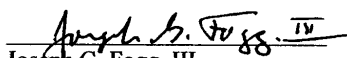

S. Parker Gilbert

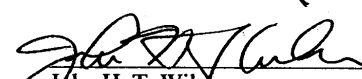

Lewis W. Bernard


Robert G. Scott


Richard A. Debs


Frederick B. Whittemore


Joseph G. Fogg, III


John H. T. Wilson