March 31, 2005

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

Dear Mr. Purcell:

We regret that we must resort to another letter, but given your refusal to meet with us, we have concluded that this is the only way we can communicate with you. We are shareholders concerned with the best interests of the Firm, and we are expressing our concerns to you, our Board of Directors.

The issues which are foremost in our minds as we call for a new CEO are at the heart of your responsibilities in the areas of business performance and governance. A common proxy for measuring performance is share price. Morgan Stanley's stock has dramatically underperformed the relevant market indices and its peers over the last five years. The Firm's growth in earnings per share has been negative versus positive growth for our peer companies. Morgan Stanley's premium return on equity has been eroded to where it is actually below that of our peer companies.

When you begin to look at performance by business segment, the reason for our stock's decline becomes clearer. In retail securities, we have experienced negative growth in revenues and our pre-tax margins are unacceptably low. The key to profitability in the asset management business is growth in assets under management, and our performance since 1998 has been mediocre at best.

The performance scorecard above summarizes your record since the merger. It is a failing report card.

We are also deeply concerned by the state of Morgan Stanley's relationship with regulators at both the Federal and State levels. Our reputation has been blemished further by a series of ill-handled court cases, most recently the Perelman/Sunbeam case in Florida. This unhappy state of affairs is not consistent with strong leadership at the top.

While you point out with pride that the Board met three times to discuss our letter of March 3, we view with dismay the process by which the Board concluded that our concerns were groundless. The number of meetings obscures the question of the depth and rigor of the process: we do not believe that having brief telephone conversations with selected management members is the kind of rigorous fact finding called for under these circumstances.

And finally, we view with dismay the manner in which the Board brought this matter to a conclusion this week. The loss of several key executives who were very important contributors to the success of the highly profitable institutional securities business - because they were unwilling to swear loyalty to an ineffective CEO - is an outrage. The departed leaders are highly regarded by the majority of our institutional shareholders. We view the Board's actions, including its apparent support of this "reorganization," as a failure of corporate governance, a failure to fulfill its fiduciary duties and a failure to act in the best interests of the shareholders of Morgan Stanley.

Our worst fears, highlighted in our first letter to you, that you might remove senior executives in the Institutional Securities Group, have been realized. These departures have precipitated the worst kind of crisis for the Firm - unless immediate action is taken to reverse the loss of talent, the Firm's ability to restore its reputation and its competitive edge will be put at risk. We believe that your immediate departure would stem the tide and possibly convince those who have left to return as leaders.

Finally, please remember that we are not just a small group of dissatisfied former employees. All of us held senior positions of leadership in the Firm and together own more than 11 million shares of Morgan Stanley stock. We care deeply about the Firm and remain ready to meet with you, face to face, to discuss our concerns.

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