

April 11, 2005

Open Letter to the Board of Directors of Morgan Stanley:

Last week, in an open letter to Morgan Stanley's employees, in which he discussed recent criticisms of his performance and calls for his replacement, your CEO, Phillip Purcell wrote: "I would not have chosen this debate to be so publicly aired." We agree and demonstrated as much when we wrote to you in advance of the Company's annual meeting in March, to express our concerns and to request a private meeting with you to discuss them. You have stated that you believe there is no "fair and compelling case" to replace Mr. Purcell, yet you have not spoken to us and have so far declined our repeated requests to meet with you. You have chosen instead to react to our concerns and those of others by announcing a radical restructuring that has cost the firm some of its most talented professionals and further entrenched and insulated Mr. Purcell. Additionally, in an abrupt and poorly explained about-face in corporate strategy, you have decided to spin-off Discover.

In his carefully crafted press statements in London last week, Mr. Purcell declared victory and announced that the debate about his performance and leadership was "over." This is not a game of winning and losing. There are already too many losers among Morgan Stanley's employees, shareholders and clients. This is about corporate governance, executive leadership and creating value for shareholders. Before you pledge your continued and unconditional support of Mr. Purcell and before you expend any more corporate resources to do so, we think the Board should answer the following questions:

1. Given that Mr. Purcell has stated that he does not believe "it is in the custom of Morgan Stanley . . . to risk a course of action that would damage our franchise," did the Board approve the decision to relieve Messrs. Newhouse, Pandit and Havens of their responsibilities – thereby causing their departures? Does the Board believe that the departures of these senior executives, highly respected by shareholders, employees and clients, benefit the franchise and enhance shareholder value?
2. Did you believe that you fulfilled your obligations in approving a management restructuring, even though a key management committee member was never interviewed by directors, and most of

those in institutional securities were only briefly interviewed by telephone?

3. How many more talented employees must leave before the Board understands that the value of the Morgan Stanley franchise is deteriorating while the Firm is facing a crisis of confidence in the Chairman and CEO?
4. Since the receipt of our March 3 letter, has the Board or any Board Committee approved the payment of "retention" or "stay-on" payments to key employees?
5. In light of the fact that the By-Laws require a 75% vote of the directors to remove the current Chairman and CEO, did you feel it was appropriate to appoint three directors to the Board, one in December of 2004 and two in April of 2005, without a shareholder vote?
6. In the wake of two successive shareholder votes demanding the elimination of the staggered Board, and the Board's own recommendation to de-stagger the Board, why didn't you follow the example of other firms and immediately eliminate the staggered Board? Indeed, why did the Board appoint two of the new directors to multi-year terms, including a director appointed after shareholders approved the de-staggering of the Board?
7. Shouldn't you have disclosed to shareholders before the annual meeting that the Division of Enforcement of the SEC had sent the Company a "Wells notice" in January, 2005 recommending that the SEC pursue an enforcement action relating to the Company's retention of e-mails and the potential violation of a previous Cease and Desist Order?
8. What investigation has the Board conducted in the wake of the Florida Court's finding in the Sunbeam/Perelman litigation that "contrary to federal law" the Company failed to preserve e-mails, and willfully disobeyed the Court's order?
9. Is it true (as has been reported in the April 8, 2005 edition of the Wall Street Journal) that the Sunbeam/Perelman litigation, for which \$360 million has now been reserved, could have been settled for approximately \$20 million in 2003, and was the Board aware of this?
10. Has an independent committee of the Board reviewed the quality of the Company's relationships with its primary regulators, including

the SEC, NYSE, NASD and key state regulatory bodies, and do you believe that the quality of the Company's relationships with its key regulators has deteriorated over the past several years? If so, who should be held accountable for the deterioration?

11. What happened over the weekend of April 2-3, 2005 to cause the Board to depart from the publicly-stated strategy (reaffirmed to institutional shareholders on April 1) that Discover was an integral part of the Company's asset base?

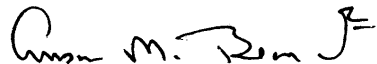
12. How does the Board reconcile the inability of the CFO to answer basic questions on the April 4, 2005 analyst call about the structure of a spun-off Discover with Mr. Purcell's claim that the spin-off had been under review for months?

13. Did the Board meet with clients, major institutional shareholders and key employee groups, including key employees who have recently left the Company to elicit their views on the performance of the Company, the leadership of its Chairman and CEO, and the wisdom of the recently announced restructuring and spin-off of Discover?


14. Since Mr. Purcell declared "I would not have chosen this debate to be so publicly aired," did he recommend that the Board meet with us, and how did the Board determine that our concerns were groundless without even speaking with us?


In recent days, we have heard these and other questions from many of Morgan Stanley's constituents and believe it is critical for members of the Board to address them directly. Moreover, we believe that if the Board engages these constituents and answers these questions, it will conclude that there are "fair and compelling" reasons for Morgan Stanley to remove and replace its current Chairman and CEO. We remain willing to meet privately with the independent directors to discuss our concerns and to learn the response to our inquiries. If shareholders, clients, employees and others agree with us, are interested in learning the Board's response to our questions or have questions of their own, we urge them to contact the Board at: Morgan Stanley, Suite D, 1585 Broadway, New York, NY, 10036. Alternatively, constituents can also send questions and comments to our website, www.futureofms.com.

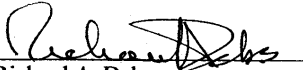
Respectfully,


Anson M. Beard, Jr.

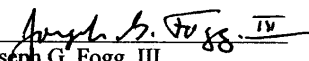

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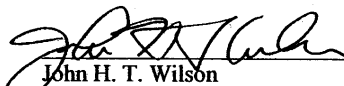

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