

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders of Morgan Stanley, Dean Witter, Discover & Co.

To the Board of Directors and Shareholders of Morgan Stanley, Dean Witter, Discover & Co. We have audited the accompanying consolidated statements of financial condition of Morgan Stanley, Dean Witter, Discover & Co. and subsidiaries at fiscal years ended November 30, 1997 and 1996, and the related consolidated statements of income, cash flows and changes in shareholders' equity for each of the three fiscal years in the period ended November 30, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements give retroactive effect to the merger of Morgan Stanley Group Inc. and Dean Witter, Discover & Co., which has been accounted for as a pooling of interests as described in Note 1 to the consolidated financial statements. We did not audit the consolidated statement of financial condition of Morgan Stanley Group Inc. and subsidiaries as of November 30, 1996, or the related statements of income, cash flows and changes in shareholders' equity for the fiscal years ended November 30, 1996 and 1995, which statements reflect total assets of \$196,446 million as of November 30, 1996 and total revenues of \$13,144 million and \$10,797 million for the fiscal years ended November 30, 1996 and 1995, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our

opinion, insofar as it relates to the amounts included for Morgan Stanley Group Inc. and subsidiaries for such periods, is based solely on the report of such other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Morgan Stanley, Dean Witter, Discover & Co. and subsidiaries at fiscal years ended November 30, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three fiscal years in the period ended November 30, 1997, in conformity with generally accepted accounting principles.

FPO



New York, New York

January 23, 1998