SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 30, 2003

Commission File Number 1-11758

Morgan Stanley

(Exact name of Registrant as specified in its charter)

Delaware	36-3145972
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1585 Broadway
New York, NY 10036
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (212) 761-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange Pacific Exchange
Rights to Purchase Series A Junior Participating Preferred Stock	New York Stock Exchange Pacific Exchange
8.03% Capital Units	New York Stock Exchange
7 ¼% Capital Securities of Morgan Stanley Capital Trust II (and Registrant's guaranty with respect thereto)	New York Stock Exchange
6 ¼% Capital Securities of Morgan Stanley Capital Trust III (and Registrant's guaranty with respect thereto)	New York Stock Exchange
6 ¼% Capital Securities of Morgan Stanley Capital Trust IV (and Registrant's guaranty with respect thereto)	New York Stock Exchange
5 ¾% Capital Securities of Morgan Stanley Capital Trust V (and Registrant's guaranty with respect thereto)	New York Stock Exchange
SPARQS® due May 1, 2004; SPARQS due June 15, 2004; SPARQS due August 1, 2004; SPARQS due September 1, 2004; SPARQS due October 30, 2004 (2 issuances); SPARQS due November 30, 2004; SPARQS due December 30, 2004; SPARQs due January 30, 2005	American Stock Exchange
Exchangeable Notes due June 5, 2006	New York Stock Exchange
Exchangeable Notes due December 13, 2004; Exchangeable Notes due March 30, 2008; Exchangeable Notes due December 30, 2008 (3 issuances); Exchangeable Notes due December 30, 2010 (2 issuances); Exchangeable Notes due January 30, 2011	American Stock Exchange
PERKS℠ due March 30, 2004	American Stock Exchange
Callable Index-Linked Notes due December 30, 2008	American Stock Exchange
BRIDGES℠ due April 30, 2004; BRIDGES due July 30, 2004; Redeemable BRIDGES due May 30, 2005	New York Stock Exchange
BRIDGES due August 30, 2008; BRIDGES due December 30, 2008 (2 issuances); BRIDGES due February 28, 2009; BRIDGES due March 30, 2009; BRIDGES due June 30, 2009; BRIDGES due July 30, 2009; BRIDGES due August 30, 2009; BRIDGES due October 30, 2009; BRIDGES due December 30, 2009; BRIDGES due June 15, 2010	American Stock Exchange
7.25% Notes due June 17, 2029	New York Stock Exchange
1.875% Capital Protected Notes due March 30, 2011	American Stock Exchange
MPS℠ due December 30, 2008; MPS due December 30, 2009; MPS due February 1, 2010; MPS due June 15, 2010; MPS due December 30, 2010 (2 issuances)	American Stock Exchange
Stock Participation Notes due September 15, 2010; Stock Participation Notes due December 30, 2010	American Stock Exchange
PLUS℠ due June 30, 2004; PLUS due September 30, 2004; PLUS due April 30, 2005; PLUS due July 30, 2006	American Stock Exchange
BOXES® due October 30, 2031; BOXES due January 30, 2032	American Stock Exchange Philadelphia Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

PLUS due August 30, 2004; PLUS due December 30, 2004	Nasdaq National Market
MPS due March 30, 2009	Nasdaq National Market

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES ☒ NO ☐

The aggregate market value of the common stock of Registrant held by non-affiliates of Registrant as of May 31, 2003 was approximately $49,077,140,217. This calculation does not reflect a determination that persons are affiliates for any other purposes.

Number of shares outstanding of Registrant's common stock, $.01 par value, as of December 31, 2003: 1,085,170,940.

Documents Incorporated By Reference: Portions of Registrant's definitive proxy statement for its annual stockholders' meeting to be held on April 20, 2004 are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

Morgan Stanley

Annual Report on Form 10-K
for the fiscal year ended November 30, 2003

Table of Contents

Forward-Looking Statements

Certain statements in this report, including (without limitation) those under "Legal Proceedings" in Part I, Item 3, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 ("MD&A"), and "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 7A, may constitute forward-looking statements. These forward-looking statements are not historical facts and represent only our beliefs regarding future events, many of which, by their nature, are inherently uncertain and beyond our control. The risks and uncertainties involved in our businesses could affect the matters referred to in such statements, including (without limitation) the effect of political, economic and market conditions, the availability and cost of capital, the level and volatility of equity prices, commodity prices and interest rates, currency values and other market indices, the actions of current and potential competitors, the impact of current, pending or future legislation, regulation and legal actions in the U.S. and throughout the world, our reputation, the potential effects of technological changes and other risks and uncertainties detailed under "Certain Factors Affecting Results of Operations" in MD&A and in "Competition" and "Regulation" in Part I, Item 1. Accordingly, you are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Part I

Item 1. Business.

Overview. Morgan Stanley is a global financial services firm that maintains leading market positions in each of its business segments—Institutional Securities, Individual Investor Group, Investment Management and Credit Services.

Morgan Stanley's institutional securities business segment ("Institutional Securities") includes:

- *Investment banking*, including securities underwriting and distribution and financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance.
- *Sales, trading, financing and market-making activities* in equity securities and related products and fixed income securities and related products, including foreign exchange and commodities.
- *Other activities,* such as aircraft financing, principal investing and real estate investment management, and research.

Morgan Stanley's individual investor group business segment ("Individual Investor Group") includes:

- *Comprehensive financial planning and investment advisory services* designed to accommodate individual investment goals and risk profiles.

Morgan Stanley's investment management business segment ("Investment Management") includes:

- *Global asset management products and services for individual and institutional investors*, through three principal distribution channels: a proprietary channel consisting of Morgan Stanley's financial advisors and investment representatives; a non-proprietary channel consisting of third-party broker-dealers, banks, financial planners and other intermediaries; and Morgan Stanley's institutional channel.
- *Private equity activities*.

Morgan Stanley's credit services business segment ("Credit Services") includes:

- *Discover Financial Services* ("DFS"), which includes Discover®-branded cards and other consumer finance products and services.
- *Discover Business Services*, a network of merchant and cash access locations primarily in the U.S.
- *Consumer Banking Group International,* which includes Morgan Stanley-branded cards and personal loan products in the U.K.

Morgan Stanley is a holding company that provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals, through its subsidiaries and affiliates. Morgan Stanley conducts its business from its headquarters in New York City, its regional offices and branches throughout the U.S. and its principal offices in London, Tokyo, Hong Kong and other world financial centers. Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924. At November 30, 2003, Morgan Stanley had 51,196 employees worldwide.

Financial information concerning Morgan Stanley, our business segments and geographic regions for each of the fiscal years ended November 30, 2003, November 30, 2002 and November 30, 2001 is included in the consolidated financial statements and the notes thereto in "Financial Statements and Supplementary Data" in Part II, Item 8.

Unless the context otherwise requires, the terms "Morgan Stanley", the "Company", "we" and "our" mean Morgan Stanley and its consolidated subsidiaries.

Available Information. Morgan Stanley files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 450 Fifth Street, NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Morgan Stanley) file electronically with the SEC. The SEC's internet site is *www.sec.gov*.

Morgan Stanley's internet site is *www.morganstanley.com*. Morgan Stanley makes available free of charge through its internet site, via a link to the SEC's internet site at *www.sec.gov*, its annual report on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Morgan Stanley also makes available, through its internet site, via a link to the SEC's internet site, statements of beneficial ownership of Morgan Stanley's equity securities filed by its directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act.

Morgan Stanley makes available on *www.morganstanley.com* its most recent annual report on Form 10-K, its quarterly reports on Form 10-Q for the current fiscal year, its most recent proxy statement and its most recent summary annual report to shareholders, although in some cases these documents are not available on our site as soon as they are available on the SEC's site. You will need to have on your computer the Adobe Acrobat Reader® software to view these documents, which are in PDF format. If you do not have Adobe Acrobat Reader, a link to Adobe's internet site, from which you can download the software, is provided. In addition, Morgan Stanley posts on *www.morganstanley.com* its composite Certificate of Incorporation, Bylaws, Charters for its Audit Committee, Compensation Committee and Nominating and Governance Committee as well as its Corporate Governance Policies and its Code of Ethics and Business Conduct for its directors, officers and employees. You can request a copy of these documents, excluding exhibits, at no cost, by writing or telephoning us at 1585 Broadway, New York, NY 10036, Attention: Investor Relations (212-761-4000). The information on Morgan Stanley's internet site is not incorporated by reference into this report.

Institutional Securities.

Morgan Stanley provides worldwide financial advisory and capital-raising services to a diverse group of corporate and other institutional clients globally, primarily through wholly-owned subsidiaries, including Morgan Stanley & Co. Incorporated ("MS&Co."), Morgan Stanley & Co. International Limited, Morgan Stanley Japan Limited and Morgan Stanley Dean Witter Asia Limited. These subsidiaries also conduct sales and trading activities worldwide, as principal and agent, and provide related financing services, on behalf of institutional investors and on a proprietary basis.

Investment Banking.

Underwriting. Morgan Stanley manages and participates in public offerings and private placements of debt, equity and other securities worldwide. Morgan Stanley is a leading underwriter of common stock, preferred stock and other equity-related securities, including convertible securities and American Depositary Receipts ("ADRs"). Morgan Stanley is a leading underwriter of fixed income securities, including investment grade debt, non-investment grade instruments, mortgage-related and other asset-backed securities, tax-exempt securities and commercial paper and other short-term securities.

Financial Advisory Services. Morgan Stanley provides corporate and other institutional clients globally with advisory services on key strategic matters, such as mergers and acquisitions, divestitures, corporate defense strategies, joint ventures, privatizations, spin-offs, restructurings, proxy and consent solicitations, tender offers, exchange offers and leveraged buyouts. Morgan Stanley provides advice concerning recapitalizations, rights offerings, dividend policy, valuations, foreign exchange exposure, financial risk management strategies and financial planning. Morgan Stanley furnishes advice and services regarding project financings and provides advisory services in connection with the purchase, sale, leasing and financing of real estate.

Corporate Lending. Morgan Stanley provides to corporate clients, on a selective basis, through subsidiaries (including Morgan Stanley Bank) loans or lending commitments, including bridge financing. The borrowers may be rated investment grade or non-investment grade (as determined by Morgan Stanley's Credit Department using methodologies generally consistent with those employed by external rating agencies). These loans and commitments have varying terms, may be senior or subordinated, are generally contingent upon representations, warranties and contractual conditions applicable to the borrower, and may be syndicated or traded by Morgan Stanley.*

Sales, Trading, Financing and Market-Making Activities.**

Morgan Stanley conducts its sales, trading and market-making activities on exchanges and in over-the-counter ("OTC") markets around the world.

Equity Securities and Related Products. Morgan Stanley's equity sales, trading and market-making activities cover equity and equity-related products globally, including common stock, ADRs, restricted/control stock, convertible securities, preferred securities and exchange-traded funds and warrants, equity index products, equity swaps, futures, options and other structured products.

Morgan Stanley issues equity-linked products to institutional and individual investors, including BRIDGES℠, Stock Participation Accreting Redemption Quarterly-pay Securities® ("SPARQS®") and Market Participation Securities℠ ("MPS℠"). Morgan Stanley advises clients and executes transactions globally in connection with, among other things, block trades and program trading, equity repurchase strategies and other trading strategies. Morgan Stanley engages in proprietary trading and arbitrage activities in equity securities and equity-related products.

Morgan Stanley provides equity financing services, including prime brokerage, which offers consolidated clearance and settlement of securities trades, custody, financing and portfolio reporting services. Morgan Stanley also acts as principal and agent in stock borrowing and stock lending transactions in support of its global trading and brokerage, investment management and clearing activities and as an intermediary between broker-dealers.

Fixed Income Securities and Related Products. Morgan Stanley trades and makes markets in fixed income securities and related products globally, including investment grade corporate debt, non-investment grade instruments, bank loans, U.S. and non-U.S. government securities, municipal securities, emerging market securities, preferred stock and commercial paper, money market and other short-term securities. Morgan Stanley trades and makes markets in, and acts as principal with respect to, mortgage-related and other asset-backed securities and real estate loan products. Morgan Stanley is a primary dealer of U.S. government securities and a member of the selling groups that distribute various U.S. agency and other debt securities. Morgan Stanley is a primary dealer of government securities in several European countries and is a member of the syndicates that underwrite German and Japanese government bonds. Morgan Stanley is a dealer in interest rate and currency swaps and other related derivative products, credit derivatives (including credit default swaps), OTC options on U.S. and non-U.S. government bonds and mortgage-backed forward agreements, options and swaps. Morgan Stanley also trades fixed income futures. Through its triple-A rated subsidiary, Morgan Stanley Derivative Products Inc., Morgan Stanley enters into swaps and related derivative transactions with counterparties seeking a triple-A rated counterparty. Morgan Stanley engages in proprietary trading in fixed income securities and fixed income-related products.

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* Revenues and expenses associated with the trading of syndicated loans are included in "Sales, Trading, Financing and Market-Making Activities".

** See also "Risk Management" in Part II, Item 7A for a description of Morgan Stanley's trading risk management structure, policies and procedures.

Morgan Stanley advises clients globally on investment and liability strategies and assists corporations in their debt repurchases and tax planning. Morgan Stanley structures debt securities and derivatives with risk/return factors designed to suit client objectives, including using repackaged asset vehicles through which clients can restructure asset portfolios to provide liquidity or recharacterize risk profiles. Through the use of repurchase and reverse repurchase agreements, Morgan Stanley acts as an intermediary between borrowers and lenders of short-term funds and provides funding for various inventory positions. Morgan Stanley also provides financing to customers for commercial and residential real estate loan products.

Morgan Stanley is a market-maker in foreign currencies. Most of Morgan Stanley's foreign exchange business relates to major foreign currencies such as yen, euro, sterling, Swiss francs and Canadian dollars. Morgan Stanley trades on a principal basis in the spot, forward and currency option markets and takes proprietary positions in such currencies. Morgan Stanley trades currency futures at the International Monetary Market division of the Chicago Mercantile Exchange.

Morgan Stanley trades as principal and maintains proprietary trading positions in the spot, forward and futures markets in several commodities, including precious metals, base metals, crude oil, oil products, natural gas, electric power, emissions and related energy products. Morgan Stanley is a market-maker in exchange-traded and OTC options and swaps on commodities, such as metals, crude oil, oil products, natural gas and electricity, and offers clients hedging programs relating to production, consumption, reserve/inventory management and energy-contract securitizations. Morgan Stanley trades many of these products through the IntercontinentalExchange, Inc., an electronic trading system in which Morgan Stanley maintains an ownership interest. Morgan Stanley is an electricity power marketer in the U.S. and owns equity interests in three exempt wholesale generators (as defined in the Public Utility Holding Company Act of 1935) from which Morgan Stanley (solely or acting with a joint venture partner) is the exclusive purchaser of electric power.

From time to time, Morgan Stanley has organized, advised and managed certain funds that invest and trade in particular debt securities, foreign currencies, real estate or commodities and may continue to do so in the future. In connection with such activities, Morgan Stanley has made and may continue to make investments for its own account in one or more of such funds.

Other Activities.

Aircraft Financing. Morgan Stanley engages in aircraft financing activities. Morgan Stanley also owns Ansett Worldwide Aviation Services, one of the world's leading aircraft leasing groups, leasing commercial jet aircraft to airlines around the world.

MSCI. Morgan Stanley's majority-owned subsidiary, Morgan Stanley Capital International Inc. ("MSCI®"), calculates and distributes over 25,000 international and U.S. equity benchmark indices (including the MSCI World and EAFE® Indices) covering 50 countries, and has a 35-year historical database that includes fundamental and valuation data on thousands of equity securities in developed and emerging market countries. MSCI also calculates and distributes over 7,500 fixed income and 190 hedge fund indices. Investment professionals around the world use MSCI data for many purposes, including performance measurement.

Principal Investing and Real Estate Investment Management. Morgan Stanley invests for its own account and for the account of clients seeking exposure to private equity, real estate-related and other alternative investments. These investments may, among other things, be in connection with the investments made by the private equity funds, real estate funds and separate accounts for which Morgan Stanley generally acts as general partner or investment advisor or in connection with Morgan Stanley's investment banking and sales and trading activities. Such investments may include purchases of equity or debt securities of companies that may have strategic value for Morgan Stanley, such as alternative trading systems, electronic trading systems and other strategic businesses and technologies. See also "Investment Management—Private Equity Activities."

Research. Morgan Stanley's global research departments ("Research"), comprised of economists, strategists, and industry analysts, engage in equity and fixed income research activities and produce reports and studies on the economy, financial markets, portfolio strategy, technical market analyses, individual companies and industry developments. Research examines worldwide trends covering numerous industries and approximately 2,200 individual companies, approximately half of which are located outside of the U.S. Research provides analysis and forecasts relating to economic and monetary developments that affect matters such as interest rates, foreign currencies, securities, derivatives and economic trends. Research provides analytical support and publishes reports on asset-backed securities and the markets in which such securities are traded. Research reports and data are disseminated to investors through third-party distributors, proprietary internet sites such as Client Link, and Morgan Stanley's sales forces.

Individual Investor Group.

The Individual Investor Group provides comprehensive financial services to individual investors globally. Through its financial advisors, Morgan Stanley is committed to delivering advice to its clients with a focus on affluent and high net worth investors. Morgan Stanley offers securities and investment products supported by its investment banking, research, investment management, execution and operational resources. Morgan Stanley has one of the largest financial advisor networks in the U.S. with approximately 11,000 financial advisors located in nearly 450 branches and conducts this business in the U.S. primarily through its wholly-owned subsidiary Morgan Stanley DW Inc. ("MSDWI"). Morgan Stanley had $565 billion in client assets at November 30, 2003.

Client Coverage. In the U.S., Morgan Stanley provides services to multiple client segments spanning the wealth spectrum through a single sales organization. Morgan Stanley's network of financial advisors, wealth advisors and investment representatives provide clients with financial planning and investment advisory services through a flexible platform designed to accommodate individual investment goals and risk profiles. Morgan Stanley works with clients to understand their financial needs and objectives through comprehensive financial planning, including education, retirement and estate planning. Morgan Stanley offers tailored financial solutions to high net worth investors, including individuals, families and foundations controlling significant pools of wealth. Dedicated teams of investment representatives draw upon Morgan Stanley's resources and those of leading third-party providers to establish investment portfolios and global asset allocation strategies to address these clients' objectives.

Morgan Stanley also offers financial advisory services outside the U.S. to serve the needs of high net worth clients in Europe, Asia and Latin America. Morgan Stanley's international operations include Morgan Stanley Quilter, a U.K.-based private client investment management business that provides segregated account management and advisory services to individuals, pension funds and trusts in the U.K., and Morgan Stanley, S.V., S.A., which provides asset management and brokerage services to individual investors in Spain.

Clients Solutions. Morgan Stanley provides various products and services to execute financial plans and position clients to attain their financial goals, including mutual funds, stocks, bonds and professional money management. Morgan Stanley also offers mortgage products and acts as a national general agency for leading insurance carriers to meet the insurance and annuity needs of individual clients. Morgan Stanley offers trust and fiduciary services to individual and corporate clients, including trustee services for personal trusts and tax-qualified retirement plans. Morgan Stanley offers financial solutions to businesses through BusinesScape℠, a program that offers qualified business clients enhanced check writing privileges, cash management and a commercial line of credit. Morgan Stanley also provides defined contribution plan services for businesses of all sizes, including 401(k) plans and stock plan administration.

Morgan Stanley offers various account options for individual clients. The Active Assets Account® offers clients brokerage and banking services in one account. With this account, clients' uninvested cash is consolidated into various money market options or an FDIC-insured account. For clients who prefer fee-based pricing, it offers the Morgan Stanley Choice℠ account, which charges a percentage of assets rather than a per-transaction fee. Clients can also choose to have a fee-based separately managed account.

Client Support. Morgan Stanley executes and clears its transactions (delivery of securities sold, receipt of securities purchased and transfer of related funds) through its own facilities and memberships in various clearing corporations. Systems at computer centers operated by an unaffiliated services provider also support the Individual Investor Group's operations. Client coverage and solutions are supported by Morgan Stanley's infrastructure and technology platform.

Investment Management.

Morgan Stanley has one of the largest global asset management organizations of any full-service securities firm, with $462 billion of assets under management or supervision at November 30, 2003*. Morgan Stanley's investment management activities are principally conducted under the Morgan Stanley and Van Kampen brands. Portfolio managers located in the U.S., Europe, Japan, Singapore, and India manage investment products, ranging from money market funds to equity, taxable and tax-exempt fixed income funds and alternative investments in developed and emerging markets. Through service companies, distribution subsidiaries and investment advisors, Morgan Stanley offers clients various investment styles, such as value, growth, core, fixed income and asset allocation; global investments; active and passive management; and diversified and concentrated portfolios.

Individual Investors. Morgan Stanley provides investment products and services including proprietary open- and closed-end mutual funds and separately managed accounts to individual investors. Morgan Stanley also provides investment products through intermediary platforms, such as 401(k) plans and variable annuities. Morgan Stanley serves individual investors through its proprietary network of financial advisors who offer, among other things, Morgan Stanley- and Van Kampen-branded products. Morgan Stanley offers Van Kampen-branded products through affiliated and unaffiliated broker-dealers, commercial banks and thrifts, insurance companies and financial planners. A small number of these distributors account for a substantial portion of Van Kampen sales in those intermediary channels. Morgan Stanley distributes investment products to individuals outside the U.S. through international non-proprietary distributors.

Institutional Investors. Morgan Stanley provides investment products and services to institutional investors worldwide, including pension plans, corporations, private funds, non-profit organizations, foundations, endowments, governmental agencies, insurance companies and banks. Products are available to institutional investors primarily through separate accounts, U.S. and non-U.S. mutual funds and other pooled vehicles. Morgan Stanley sub-advises funds for various financial institutions and intermediaries. A global proprietary sales force and a team dedicated to covering the investment consultant industry serve institutional investors. Morgan Stanley offers clients alternative investment opportunities primarily through Alternative Investment Partners, a joint venture that utilizes a fund-of-funds strategy to invest in private funds.

Private Equity Activities. Morgan Stanley's private equity funds invest in companies in a range of industries worldwide. Morgan Stanley generally acts as general partner of its private equity funds and typically commits to invest a minority of the capital of such funds with subscribing limited partners contributing the remainder.

Credit Services.**

Based on its approximately 46.1 million general purpose credit card accounts at November 30, 2003, Morgan Stanley, through its Credit Services business, is one of the largest single issuers of general purpose credit cards in the U.S. Morgan Stanley's Credit Services business includes DFS, which operates Credit Services' general purpose credit card business; Discover Business Services, which operates Morgan Stanley's merchant and cash access network; its Consumer Banking Group International in the UK; and other consumer finance products and services.

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* Revenues and expenses associated with certain assets are included in Institutional Securities and Individual Investor Group.

** See also "Risk Management" in Part II, Item 7A for a description of Morgan Stanley's interest rate and credit risk management structure, policies and procedures.

Credit Cards and Services. DFS offers several general purpose credit cards designed to appeal to different market segments of consumers for use through Discover Business Services, including the Discover Classic Card, the Discover Platinum Card, the Discover Gold Card, the Discover Titanium Card, the Miles Card from Discover as well as affinity cards. DFS offers other consumer finance products and services, including home loans and credit protection products. DFS offers cardmembers certificates of deposit and money market accounts and the ability to transfer balances from other accounts or credit sources. In the U.K., Consumer Banking Group International offers the Morgan StanleyCard℠ on the MasterCard® network and personal loan products.

DFS offers cardmembers numerous customer services. Cardmembers may register their accounts online with the Discover Card Account Center, which offers a menu of free e-mail notifications that inform cardmembers about the status of their accounts, including reminders that a cardmember's credit limit is approaching or that a minimum payment is due. Cardmembers may view detailed account information and receive exclusive discounts and special Cashback Bonus® awards by shopping at the online ShopCenter℠. In addition, the Discover Deskshop® virtual credit card enables cardmembers to use a single-use credit card number (a unique credit card number used for purchases at a single web site) for online purchases so that the cardmembers never have to reveal their actual card number. At November 30, 2003, DFS had over 12 million cardmembers registered on the Discover Card Account Center.

Merchants. Only merchants that are members of the Discover Business Services network accept DFS's general purpose credit cards. Since its establishment in 1986, the Discover Business Services network has become the largest proprietary credit card network in the U.S.

DFS operates the issuing, network and acquiring businesses primarily in the U.S., provides customized programs to its merchants in such areas as processing and otherwise tailors program terms to meet merchant needs. DFS utilizes its own national sales and support force, independent sales agents and telemarketing force to maintain and increase its merchant base.

Marketing. DFS promotes its general purpose credit cards using distinctive features that are designed to appeal to different consumer bases. For instance, pursuant to the Cashback Bonus award program, DFS provides certain cardmembers awards based upon their level and types of purchases.

Operations. DFS performs the functions required to service and operate its card accounts either by itself or through agreements with third parties. These functions include new account solicitation, application processing, new account fulfillment, transaction authorization and processing, cardmember billing, payment processing, fraud prevention and investigation, cardmember services and collection of delinquent accounts. DFS maintains several operations centers throughout the U.S. and the Consumer Banking Group International maintains one in Scotland. Systems at computer centers operated by an unaffiliated services provider also support DFS's operations.

Competition.

All of Morgan Stanley's businesses are highly competitive and we expect them to remain so. Morgan Stanley competes in the U.S. and globally for clients, market share and human talent in all of its business segments.

Institutional Securities and Individual Investor Group. Morgan Stanley competes directly in the U.S. and globally with other securities and financial services firms. Morgan Stanley's competitive position depends on its reputation, the quality of its professionals and other personnel, its products, services and advice, ability to make capital commitments, relative pricing and innovation. Morgan Stanley's ability to sustain or improve its competitive position also depends substantially on its ability to continue to attract and retain qualified employees while managing compensation costs.

Morgan Stanley's ability to access capital at competitive rates (which is generally dependent on Morgan Stanley's credit ratings) and to commit capital efficiently, particularly in its capital-intensive investment banking and sales, trading, financing and market-making activities, also affects its competitive position. Corporate clients continue to request that Morgan Stanley provide loans or lending commitments in connection with certain investment banking activities and this activity will continue in the future.

Besides competition from firms traditionally engaged in the financial services business, Morgan Stanley competes with commercial banks, insurance companies, sponsors of mutual funds, energy companies and other companies offering financial services in the U.S., globally and through the internet. The financial services industry has experienced consolidation and convergence, as financial institutions involved in a broad range of financial services industries have merged. Such convergence has continued and could result in the Company's competitors gaining greater capital and other resources, such as a broader range of products and services and geographic diversity. The complementary trends in the financial services industry of consolidation and globalization present, among other things, technological, risk management and other infrastructure challenges that require effective resource allocation in order for Morgan Stanley to remain competitive.

Investment Management. Competition in the asset management industry is affected by several factors, including relative performance of investment products, investment objectives, advertising and sales promotion efforts, fee levels, distribution channels and types and quality of services offered. Besides fund products offered by other broker-dealers, the funds Morgan Stanley offers compete with the funds of other asset management firms and other investment alternatives.

Credit Services. DFS competes directly with other bank-issued credit cards (the vast majority of which bear the MasterCard or Visa servicemark), charge cards, credit cards that travel and financial advisory companies issue and, to a certain extent, debit cards. Competition centers on merchant acceptance of credit cards, account acquisition and customer utilization. Merchant acceptance is based on competitive transaction pricing and the volume and usage of cards in circulation. Account acquisition and customer utilization are driven by competitive and appealing credit card features, such as no annual fees, low introductory interest rates and other customized features targeting specific consumer groups. Credit card industry participants have increasingly used advertising, targeted marketing, account acquisitions and pricing competition in interest rates, annual fees, reward programs and low-priced balance transfer programs to compete and grow.

Regulation.

Most aspects of Morgan Stanley's business are subject to stringent regulation by U.S. Federal and state regulatory agencies and securities exchanges and by non-U.S. government agencies or regulatory bodies and securities exchanges. Aspects of Morgan Stanley's public disclosure, corporate governance principles and internal control environment are subject to the Sarbanes-Oxley Act of 2002 and related regulations and rules of the SEC and the New York Stock Exchange, Inc. (the "NYSE"). New laws or regulations or changes to existing laws and regulations (including changes in interpretation or enforcement) could materially adversely affect the financial condition or results of operations of Morgan Stanley. As a global financial institution, to the extent that different regulatory regimes impose inconsistent or iterative requirements on the conduct of its business, Morgan Stanley faces complexity and additional costs in its compliance efforts. Regulatory requirements scheduled to become effective in 2005 will also impose additional regulatory capital requirements at the holding company level and enhanced risk management procedures across all of Morgan Stanley's businesses.

Institutional Securities and Individual Investor Group. MS&Co. and MSDWI are registered as broker-dealers with the SEC and in all 50 states, the District of Columbia and Puerto Rico, and are members of self-regulatory organizations, including the National Association of Securities Dealers, Inc. (the "NASD") and securities exchanges, including the NYSE. Broker-dealers are subject to regulations covering all aspects of the securities business, including sales and trading practices, public offerings, publication of research reports, use of customers' funds and securities, capital structure, record-keeping and the conduct of directors, officers and employees. Broker-dealers are also regulated by securities administrators in those states where they do business. Violations of regulations governing a broker-dealer's actions could result in censure, fine, the issuance of cease-and-desist orders, the suspension or expulsion from the securities industry of such broker-dealer or its officers or employees, or other similar consequences.

Margin lending by certain broker-dealer subsidiaries is regulated by the Federal Reserve Board's restrictions on lending in connection with customer purchases and short sales of securities, and such subsidiaries are also required by NASD and NYSE rules to impose maintenance requirements on the value of securities contained in margin accounts. In many cases, Morgan Stanley's margin policies are more stringent than these rules.

As futures commission merchants, MS&Co. and MSDWI's activities in the futures and options-on-futures markets are regulated by the Commodity Futures Trading Commission (the "CFTC") and other commodity exchanges. Certain subsidiaries of Morgan Stanley are registered with the CFTC as commodity trading advisors and/or commodity pool operators. Morgan Stanley's futures and options-on-futures business is also regulated by the National Futures Association (the "NFA"), a registered futures association, of which MS&Co. and MSDWI and certain of their affiliates are members. Violations of the rules of the CFTC, the NFA or the commodity exchanges could result in remedial actions including fines, registration terminations or revocations of commodity exchange memberships.

Morgan Stanley conducts some of its government securities activities through Morgan Stanley Market Products Inc., a NASD member registered as a government securities broker-dealer with the SEC and in certain states. The Department of Treasury has promulgated regulations concerning, among other things, capital adequacy, custody and use of government securities and transfers and control of government securities subject to repurchase transactions. The rules of the Municipal Securities Rulemaking Board, which are enforced by the NASD, govern the municipal securities activities of Morgan Stanley.

As registered broker-dealers, certain subsidiaries of Morgan Stanley, including MS&Co. and MSDWI, are subject to the SEC's net capital rule, and, as futures commission merchants, MS&Co. and MSDWI are subject to the net capital requirements of the CFTC and various commodity exchanges. Many non-U.S. securities exchanges and regulatory authorities also either have imposed or are proposing rules relating to capital requirements applicable to Morgan Stanley's subsidiaries. These rules, which specify minimum capital requirements, are designed to measure general financial integrity and liquidity and require that at least a minimum amount of assets be kept in relatively liquid form. See also Note 13 in "Notes to Financial Statements" in Part II, Item 8.

Compliance with the capital requirements may limit Morgan Stanley's operations requiring the intensive use of capital. Such requirements restrict Morgan Stanley's ability to withdraw capital from its subsidiaries, which in turn may limit its ability to pay dividends, repay debt or redeem or purchase shares of its own outstanding stock. Any change in such rules or the imposition of new rules affecting the scope, coverage, calculation or amount of capital requirements, or a significant operating loss or any unusually large charge against capital, could adversely affect Morgan Stanley's ability to pay dividends or to expand or maintain present business levels.

The USA PATRIOT Act of 2001 (the "PATRIOT Act") contains anti-money laundering and financial transparency laws and mandates the implementation of various new regulations applicable to broker-dealers and other financial services companies, including standards for verifying client identification at account opening and obligations to monitor client transactions and detect and report suspicious activities to the government. Institutions subject to the PATRIOT Act must implement specialized employee training programs, designate an anti-money laundering compliance officer and submit to independent audits of the effectiveness of the compliance program. Anti-money laundering laws outside of the U.S. contain similar provisions. Morgan Stanley has established policies, procedures and systems designed to comply with these regulations.

Both U.S. and non-U.S. regulators are increasingly focused on research conflicts of interest. Research-related regulations have been implemented in certain jurisdictions and are proposed or under consideration in other jurisdictions. In addition, Morgan Stanley is party to a research settlement reached with U.S. Federal and state regulators (see "Legal Proceedings" in Part I, Item 3 for a description of the settlement). New and revised requirements resulting from these regulations and the settlement have necessitated the development of corresponding policies and procedures.

Morgan Stanley's securities and futures businesses are also regulated extensively by non-U.S. governments, securities exchanges, commodity exchanges, self-regulatory organizations, central banks and regulatory bodies, especially in those jurisdictions in which Morgan Stanley maintains an office. For instance, the Financial Services Authority, the London Stock Exchange and Euronext.liffe regulate its activities in the U.K.; the Deutsche Borse AG and the Bundesanstalt für Finanzdienstleistungsaufsicht (the Federal Financial Supervisory Authority) regulate its activities in the Federal Republic of Germany; the Financial Services Agency, the Bank of Japan, the Japanese Securities Dealers Association and several Japanese securities and futures exchanges, including the Tokyo Stock Exchange, the Osaka Securities Exchange and the Tokyo International Financial Futures Exchange, regulate its activities in Japan; the Hong Kong Securities and Futures Commission, the Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited regulate its operations in Hong Kong; and the Monetary Authority of Singapore and the Singapore Exchange Securities Trading Limited regulate its business in Singapore.

Morgan Stanley Bank, through which Morgan Stanley conducts certain financing and lending activities, is an industrial loan company chartered under the laws of the State of Utah. It has deposits insured by the Federal Deposit Insurance Corporation ("FDIC"), pays FDIC assessments and is subject to comprehensive regulation and periodic examination by the Utah Department of Financial Institutions and the FDIC. Morgan Stanley Bank is not considered a "bank" under the Bank Holding Company Act of 1956, as amended (the "BHCA"). See also "Credit Services" below.

Investment Management. Certain subsidiaries, including MS&Co., MSDWI and those related to Morgan Stanley's investment management activities, are registered as investment advisers with the SEC, and, in certain states, some employees or representatives of subsidiaries are registered as investment adviser representatives. Many aspects of Morgan Stanley's investment management activities are subject to federal and state laws and regulations primarily intended to benefit the investment product holder. These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict Morgan Stanley from carrying on its investment management activities in the event that it fails to comply with such laws and regulations. Sanctions that may be imposed for such failure include the suspension of individual employees, limitations on Morgan Stanley engaging in the investment management activities for specified periods of time, the revocation of registrations, other censures and fines. Subsequent to fiscal 2003, the SEC proposed rules relating to compliance programs of investment companies and investment advisers and rule amendments to enhance the independence and effectiveness of fund boards.

Morgan Stanley Trust National Association, a wholly-owned subsidiary, is a federally chartered national bank whose activities are limited to fiduciary activities, primarily personal trust services. It is subject to comprehensive regulation and periodic examination by the Office of the Comptroller of the Currency.

Morgan Stanley Trust, a wholly-owned subsidiary, is a federally chartered savings bank subject to comprehensive regulation and periodic examination by the federal Office of Thrift Supervision ("OTS") and by the FDIC. As a result of its ownership of Morgan Stanley Trust, Morgan Stanley is registered with the OTS as a unitary savings and loan holding company ("SLHC") and subject to regulation and examination by the OTS as a SLHC. Subsidiaries of Morgan Stanley, including Morgan Stanley Trust, are registered transfer agents subject to regulation and examination by the SEC.

Morgan Stanley's Investment Management business is also regulated outside the U.S. For example, the Financial Services Authority regulates Morgan Stanley's business in the U.K.; the Financial Services Agency regulates

Morgan Stanley's business in Japan; the Securities and Exchange Board of India regulates Morgan Stanley's business in India; and the Monetary Authority of Singapore regulates Morgan Stanley's business in Singapore.

Credit Services. Morgan Stanley conducts substantial portions of its Credit Services business in the U.S. through its wholly-owned subsidiary, Discover Bank, a state bank chartered under the laws of the State of Delaware. Discover Bank has its deposits insured by the FDIC, pays FDIC assessments and is subject to comprehensive regulation and periodic examination by the Delaware bank commissioner and by the FDIC.

Generally, a company that controls a "bank," as defined in the BHCA, is required to register as a bank holding company and is regulated as a bank holding company by the Board of Governors of the Federal Reserve System. Discover Bank is considered a "bank" under the BHCA; however, under the BHCA Morgan Stanley's control of Discover Bank is grandfathered and Morgan Stanley is generally not treated as a bank holding company for purposes of the BHCA as long as Discover Bank either refrains from engaging in commercial lending or refrains from taking demand deposits.

Certain acquisitions of Morgan Stanley's common stock may be subject to regulatory approval and notice under federal and state banking law. In addition, if direct or indirect control of Discover Bank were transferred to an unaffiliated third party, the third party's control of Discover Bank would not be grandfathered under the BHCA and the third party may have to operate in a manner permissible for a bank holding company under the BHCA.

Federal and state consumer protection laws and regulations regulate extensively the relationships among cardholders and credit card issuers. Under federal law, Discover Bank may charge interest at the rate allowed by Delaware law, the state in which it is located, and export such interest rate to all other states. Delaware law does not limit the amount of interest that may be charged on loans of the types offered by Discover Bank. Federal and state bankruptcy and debtor relief laws affect Morgan Stanley to the extent such laws result in any loans being charged off as uncollectible.

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), the federal bank regulatory agencies are required to take "prompt corrective action" in respect of banks that do not meet minimum capital requirements, and certain restrictions are imposed upon banks that meet certain capital requirements but are not "well capitalized" for purposes of FDICIA. A bank that is not well capitalized, as defined for purposes of FDICIA, is, among other consequences, generally prohibited from accepting brokered deposits and offering interest rates on any deposits significantly higher than the prevailing rate in its normal market area or nationally (depending upon where the deposits are solicited). Discover Bank currently uses brokered deposits as a funding source and, if it were not able to do so, its funding costs could be impacted.

Morgan Stanley conducts its U.K. credit card and personal loan business through Morgan Stanley Dean Witter Bank Limited, Morgan Stanley's chartered bank in the U.K., which is subject to regulation related to capital adequacy, consumer protection and deposit protection. The bank is governed primarily by the U.K.'s Financial Services and Markets Act 2000 and its activities are supervised by the Financial Services Authority and by the Office of Fair Trading in relation to its consumer credit activities.

Executive Officers of Morgan Stanley.

The executive officers of Morgan Stanley (all of whom are members of Morgan Stanley's Management Committee) as of February 25, 2004 are set forth below. Business experience for the past five years is provided in accordance with SEC rules.

Philip J. Purcell (60). Chairman of the Board of Directors and Chief Executive Officer (since May 1997). Director or trustee of approximately 100 registered investment companies for which Morgan Stanley Investment Advisors Inc. serves as investment manager or investment adviser. Director of AMR Corporation.

Stephan F. Newhouse (56). President (since December 2003). Co-President and Chief Operating Officer of Institutional Securities (September 2000 to December 2003). Deputy head of Institutional Securities (December 1997 to September 2000) and Chairman of Morgan Stanley & Co. International Limited (December 2000 to November 2003).

Tarek F. Abdel-Meguid (48). Head of Investment Banking Division (since September 2000). Deputy Head of Investment Banking Division (May 1997 to September 2000).

Stephen S. Crawford (39)*. Executive Vice President and Chief Financial Officer (since March 2001). Executive Vice President and Chief Strategic and Administrative Officer (June 2000 to March 2001). Managing Director of MS&Co. (since 1998).

Zoe Cruz (49). Head of Fixed Income Division (since September 2000). Co-Head of Foreign Exchange Department (August 1993 to September 2000).

John P. Havens (47). Head of Institutional Equity Division (since September 2000). Managing Director of MS&Co. (since 1990). Director of Nasdaq Stock Market, Inc.

Roger C. Hochschild (39). President and Chief Operating Officer of DFS (since January 2004). Executive Vice President and Chief Strategic and Administrative Officer (March 2001 to January 2004). Executive Vice President of DFS (November 1998 to February 2001).

Donald G. Kempf, Jr. (66). Executive Vice President, Chief Legal Officer and Secretary (since December 1999). Partner at the law firm of Kirkland & Ellis (1971 to January 2000) and a member of its management committee (1981 to 1998).

Mitchell M. Merin (50). President and Chief Operating Officer of Investment Management (since December 1998). Director or trustee (since December 1999) of approximately 20 registered investment companies for which Van Kampen Asset Management (or a subsidiary thereof) serves as investment manager or investment adviser.

David W. Nelms (43). Chairman and Chief Executive Officer of DFS (since January 2004). President and Chief Operating Officer of DFS (September 1998 to January 2004).

Vikram S. Pandit (47). President and Chief Operating Officer of Institutional Securities (since December 2003, Co-President September 2000 to December 2003). Head of Institutional Equity Division (May 1997 to September 2000).

Joseph R. Perella (62). Chairman of Institutional Securities (since September 2000). Head of Investment Banking Division (May 1997 to September 2000).

John H. Schaefer (52). President and Chief Operating Officer of Individual Investor Group (since June 2000). Executive Vice President and Chief Strategic and Administrative Officer (June 1998 to June 2000).

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* On February 23, 2004, Morgan Stanley announced that, effective in March 2004, David H. Sidwell would become Chief Financial Officer. Mr. Sidwell will report to Mr. Crawford, who will become Chief Administrative Officer upon Mr. Sidwell's appointment. Mr. Sidwell (age 50) was employed by J.P. Morgan Chase & Co. since 1984, most recently as chief financial officer of its investment bank. Mr. Sidwell was the Controller of J.P. Morgan & Co. Incorporated from April 1994 until its merger with The Chase Manhattan Corporation on December 31, 2000.

Item 2. Properties.*

Morgan Stanley owns its executive offices, located at 1585 Broadway, New York, New York, where it occupies approximately 925,000 square feet as its New York headquarters. Morgan Stanley owns a 748,000 square foot office building on 107 acres in Westchester County, New York. Morgan Stanley also owns 83 acres in Riverwoods, Illinois where DFS's executive offices occupy 1,200,000 square feet.

Morgan Stanley occupies approximately 1,800,000 square feet at various locations in Manhattan under leases expiring between 2004 and 2013. Morgan Stanley also leases approximately 420,000 square feet in Brooklyn, New York under a lease expiring in 2013 and approximately 440,000 square feet in Jersey City, New Jersey under leases expiring between 2004 and 2012.

Morgan Stanley's London headquarters are located at 25 Cabot Square, Canary Wharf where it occupies approximately 455,000 square feet and owns the freehold interest in the land and the building. Morgan Stanley also leases approximately 1,150,000 square feet at locations in Canary Wharf and London Docklands, under lease arrangements expiring or with break options occurring between 2004 and 2028.

Morgan Stanley's Tokyo headquarters are located in Sapporo's Yebisu Garden Place, Ebisu, Shibuya-ku, where it occupies approximately 280,000 square feet under a lease with an option to cancel in 2006, or at any time thereafter.

Morgan Stanley has offices, operations and processing centers and warehouse facilities located throughout the U.S., and certain subsidiaries maintain offices and other facilities in international locations. Morgan Stanley's properties that are not owned are leased on terms and for durations that are reflective of commercial standards in the communities where these properties are located. Morgan Stanley believes the facilities it owns or occupies are adequate for the purposes for which they are currently used and are well maintained.

Item 3. Legal Proceedings.

Morgan Stanley is involved in the following legal proceedings:

IPO Fee Litigation.

In November and December 1998, purported class actions, later consolidated into *In re Public Offering Fee Antitrust Litigation*, were initiated in the U.S. District Court for the Southern District of New York (the "SDNY") against Morgan Stanley and 24 other underwriters. The consolidated amended complaint, filed on behalf of purchasers of certain shares in initial public offerings ("IPOs"), alleges that defendants conspired to fix the underwriters' spread in IPOs of U.S. companies at 7%, particularly in issuances of $20 to $80 million, in violation of Section 1 of the Sherman Act. The consolidated amended complaint seeks treble damages and injunctive relief. During 2001, the court dismissed this action with prejudice and denied plaintiffs' motion to amend the complaint to include an issuer plaintiff, but stated that any class actions brought on behalf of issuer plaintiffs were not affected by this decision. On December 13, 2002, the U.S. Court of Appeals for the Second Circuit reversed the district court's dismissal and remanded the purchaser case to the trial court. On June 24, 2003, defendants filed a supplemental brief in support of their motion to dismiss on the ground of standing.

Other purported class actions were filed by issuer plaintiffs making similar antitrust allegations with respect to the 7% underwriters' spread, and on May 23, 2001, the court consolidated these actions under the caption *In re Issuer Plaintiff Initial Public Offering Fee Antitrust Litigation*. During 2002, the court denied defendants' motion to dismiss the issuer plaintiffs' complaint. On June 26, 2003, the court denied defendants' motion to dismiss both the purchaser and issuer class actions on grounds of implied immunity.

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* The indicated total aggregate square footage leased is at January 31, 2004 and does not include space occupied by Morgan Stanley securities branch offices.

IPO Allocation Matters.

In March 2001, a purported class action, now captioned *In re Initial Public Offering Antitrust Litigation,* was initiated in the SDNY against Morgan Stanley and numerous other underwriters of various IPOs. The consolidated amended complaint alleged that defendants required customers who wanted allocations of "hot" IPO securities to pay undisclosed and excessive underwriters' compensation in the form of increased brokerage commissions and to buy shares of securities offered in the IPOs after the IPOs were completed ("tie-in purchases") at escalating price levels higher than the IPO price (a practice plaintiffs refer to as "laddering"). The complaint alleged violations of federal and/or state antitrust laws, including Section 1 of the Sherman Act. On November 3, 2003, the court dismissed all of the federal and state antitrust claims. Plaintiffs have filed a motion for reconsideration and a notice of appeal.

Also beginning in March 2001, numerous purported class actions, now captioned *In re Initial Public Offering Securities Litigation*, were filed in the SDNY against certain issuers of IPO securities, certain individual officers of those issuers, Morgan Stanley and other underwriters of those IPOs, purportedly on behalf of purchasers of stock in the IPOs or the aftermarket. These complaints make factual allegations similar to the complaint in the antitrust action described above, but claim violations of the federal securities laws, including Sections 11 and 12(a)(2) of the Securities Act of 1933 (the "Securities Act") and Section 10(b) of the Exchange Act. Some of the complaints also allege that continuous "buy" recommendations by the defendants' research analysts improperly increased or sustained the prices at which the securities traded after the IPOs. On February 19, 2003, the underwriter defendants' joint motion to dismiss was denied, except as to certain specified offerings. On June 26, 2003, the plaintiffs announced a proposed settlement with the issuer defendants and their directors and officers under which insurers of the issuers would guarantee recovery of at least $1 billion by class members. As part of the settlement, the settling issuer defendants would assign to the class members certain claims they may have against the underwriters.

On or about April 2, 2002, a purported class action complaint, captioned *Breakaway Solutions, Inc. v. Morgan Stanley & Co. Incorporated, et al.,* was filed in the Delaware Court of Chancery against Morgan Stanley and two other underwriters. The complaint was brought on behalf of a class of issuers that issued IPO securities from January 1, 1998 to October 31, 2000 pursuant to underwriting agreements with defendants and whose securities increased in value by 15 percent or more within 30 days following the IPO. The complaint alleges that defendants allocated underpriced stock to certain of defendants' favored clients and, directly or indirectly, shared in portions of the profits of such favored clients pursuant to side agreements or understandings, with the alleged effect of depriving issuers of millions of dollars in IPO proceeds. The complaint seeks unspecified damages for allegedly underpricing the IPOs, as well as indemnification and contribution for the costs of defending securities class action lawsuits brought by shareholders relating to issuers' IPOs. On March 3, 2003, defendants filed a motion to dismiss.

In 2001 and 2002, the SEC and NASD issued subpoenas to Morgan Stanley (and certain other underwriters of IPOs) in connection with their investigations of IPO allocation practices. During 2003, Morgan Stanley was informed that the staff of the SEC was considering recommending an enforcement action against Morgan Stanley and that the staff of the NASD was considering recommending a disciplinary action against Morgan Stanley in connection with their investigations of IPO allocation practices. Also in 2002, the SEC initiated an inquiry (with the NYSE and the NASD) into past IPO allocations to executives of companies for which Morgan Stanley provided investment banking services.

Research Matters.

On April 28, 2003, Morgan Stanley, along with nine other financial services firms operating in the U.S., reached a final settlement with the SEC, the New York State Attorney General's Office, the NYSE, the NASD, and the North American Securities Administrators Association (on behalf of state securities regulators) to resolve their investigations relating to alleged research conflicts of interest. Without admitting or denying allegations with respect to violations of certain rules of the NYSE and NASD relating to investment research activities (there were no allegations of fraud or federal securities law violations made against Morgan Stanley), Morgan Stanley entered into consents and other documentation pursuant to which Morgan Stanley agreed, among other things, to (1) pay $25 million as a penalty, (2) pay $25 million as disgorgement of commissions and other monies, (3) provide $75 million over five years to make available independent third-party research to clients, (4) adopt internal practices and procedures that will further enhance steps it has taken to ensure research analyst integrity and promote investor confidence and (5) be permanently restrained and enjoined from violating certain rules of the NYSE and NASD relating to investment research activities. In connection with the final settlement, Morgan Stanley also voluntarily agreed to adopt restrictions on the allocation of shares in initial public offerings to certain corporate executives and directors. The settlement has been approved by the SEC, the NYSE, the NASD, the SDNY and almost all states, and was entered as a court-ordered injunction in the SDNY on October 31, 2003.

On May 30, 2003, the SEC issued a subpoena to Morgan Stanley requesting documents and information in connection with its continuing investigation, focusing on supervision by the heads of equity research and investment banking, as well as the chief executive officer. The SEC issued similar subpoenas to all of the firms that settled the research investigations.

Starting in 2001 and through 2003, Morgan Stanley has been named as a defendant in a number of civil actions, including class, shareholder and derivative actions, alleging various claims relating to research analysts' conflicts of interest. Morgan Stanley continues to defend against these actions.

Mutual Fund Matters.

Sales Practices. On July 14, 2003, the Massachusetts Securities Division (the "Division") filed an administrative complaint alleging that Morgan Stanley filed false information in response to an inquiry from the Division pertaining to mutual fund sales practices. On August 11, 2003, the Division filed an administrative complaint, alleging that Morgan Stanley failed to make disclosures of incentive compensation for proprietary and partnered mutual fund transactions. On November 25, 2003, the Division filed an administrative complaint, alleging that a former branch manager engaged in securities fraud and dishonest conduct in promoting the sales of proprietary mutual funds. Morgan Stanley answered the first two complaints on August 4 and September 16, 2003, respectively. Hearings on all of these matters are scheduled to commence on May 17, 2004.

On September 15, 2003, Morgan Stanley and one of its officers entered into a settlement with the NASD pursuant to a Letter of Acceptance, Waiver and Consent ("AWC"). The AWC alleges violations of applicable NASD rules in connection with various sales contests conducted from October 1999 to December 2002. Under the terms of the settlement, Morgan Stanley and its officer neither admitted nor denied the allegations of the AWC and accepted a censure and the imposition of monetary fines in the amounts of $2 million and $250,000, respectively.

From October 2003 to December 2003, nine purported class actions were initiated in the SDNY against Morgan Stanley, including certain subsidiaries and various Morgan Stanley and Van Kampen mutual funds, on behalf of a purported class of persons who purchased or otherwise acquired shares of Morgan Stanley and Van Kampen mutual funds. The complaints allege that defendants' sales force was given economic incentives to promote the sale of proprietary mutual funds for excessive commissions and further allege that defendants failed to disclose such incentives. All nine complaints allege violations of Sections 11 and 15 of the Securities Act, Rule 10b-5, and Section 20(a) of the Exchange Act. Some complaints also allege violations of Section 206 of the Investment

Advisers Act of 1940, Sections 36(a) and 36(b) of the Investment Company Act of 1940, and common law fiduciary duties. The complaints seek, among other things, compensatory damages, rescissionary damages, fees and costs.

On November 17, 2003, MSDWI consented, without admitting or denying the findings, to the entry of an order (the "Order") by the SEC that resolved the SEC's and NASD's investigations into certain practices relating to MSDWI's offer and sale of certain mutual funds from January 1, 2000 to the date of the Order. Pursuant to the Order, MSDWI will: (a) distribute for the benefit of certain customers who purchased shares of mutual funds through MSDWI pursuant to the marketing arrangements between MSDWI and certain mutual fund complexes the amount of $50 million; (b) place on its website disclosures relating to certain marketing programs pursuant to which it offered and sold certain mutual funds; (c) prepare a Mutual Fund Bill of Rights that discloses, among other things, the differences in fees and expenses associated with the purchase of different classes of proprietary mutual fund shares; (d) prepare a plan by which certain customers' proprietary Class B shares can be converted to Class A shares; (e) retain an independent consultant to review, among other things, the adequacy of MSDWI's disclosures with respect to such marketing programs and other matters in connection with MSDWI's offer and sale of shares of mutual funds and compliance with the Order; and (f) adopt the recommendations of the independent consultant. The number of purchase transactions of Class B shares that will be eligible to convert shares is approximately 8,000. The ultimate financial impact on MSDWI of these conversions will depend on many variables, including the number of eligible purchasers who elect to convert to Class A shares (which carry different fees) and the terms of the conversion (which must be acceptable to the independent consultant).

Late Trading and Market Timing. In July 2003, Morgan Stanley received a subpoena from the Attorney General of the State of New York requesting information relating to possible late trading and market timing of mutual funds. In September 2003, the SEC and NASD commenced industry-wide examinations of broker-dealers and mutual fund complexes, including Morgan Stanley, relating to possible late trading and market timing of mutual funds. In late 2003, Morgan Stanley received subpoenas from the Division and the U.S. Attorney's office in Massachusetts requesting information about market timing in mutual funds. In addition, Morgan Stanley has also received inquiries from various international regulators. In early February 2004, Morgan Stanley also received subpoenas from the Office of the State Auditor and the Attorney General of West Virginia. Morgan Stanley is cooperating with these and other regulatory investigations.

On December 18, 2003, a purported class action, captioned *Jackson v. Van Kampen Series Fund, Inc. and Van Kampen Investment Advisory Corp.*, was filed in the Circuit Court of Madison County, Illinois, alleging that defendants failed to make daily adjustments for fluctuations between the U.S. and foreign markets in calculating net asset values in the Van Kampen International Magnum Fund, thereby exposing long-term shareholders to market timing trades. On January 22, 2004, defendant removed the action to the U.S. District Court for the Southern District of Illinois.

Other. On September 28, 2001, a purported class action, *Abrams v. Van Kampen Funds Inc., et al.*, was commenced in the U.S. District Court for the Northern District of Illinois against Van Kampen Funds Inc., Van Kampen Investment Advisory Corp., Van Kampen Prime Rate Income Trust and certain of the Trust's officers and trustees. The complaint alleges that, from September 30, 1998 to March 26, 2001, defendants violated certain provisions of the Securities Act and common law fiduciary duties by misstating the Trust's net asset value in its prospectus, registration statement and financial reports. The complaint seeks rescissionary damages, unspecified damages, interest, fees and costs. In 2002, the court granted in part and denied in part defendants' motion to dismiss and granted the lead plaintiff's motion for class certification. On December 8, 2003, plaintiffs and defendants filed cross-motions for summary judgment.

On November 14, 2001, a purported class action, *Hicks v. Morgan Stanley & Co., et al.*, was filed in the SDNY against Morgan Stanley & Co., Morgan Stanley Dean Witter Services Company Inc., Morgan Stanley Investment Advisors Inc., Morgan Stanley Dean Witter Prime Income Trust, and certain of the Trust's officers and trustees. The complaint alleges that, between November 1, 1998 and April 26, 2001, defendants violated certain provisions of the Securities Act and common law fiduciary duties by misstating the Trust's net asset value in its prospectus, registration statement and financial reports. The complaint seeks rescissionary damages, unspecified damages, interest, fees and costs. In 2002, the court dismissed the state law claims. On July 16, 2003, the court granted plaintiffs' motion for class certification.

In 2002, several purported class action complaints were filed in the SDNY against Morgan Stanley, the Morgan Stanley Technology Fund, the Morgan Stanley Information Fund, Morgan Stanley Investment Management, Inc., and certain other subsidiaries of Morgan Stanley, alleging securities fraud violations in connection with the underwriting and management of the Technology Fund and the Information Fund and seeking unspecified damages for losses on investments in these funds. Plaintiffs allege that Morgan Stanley analysts issued overly optimistic stock recommendations to obtain investment banking business and that investment banking considerations influenced investment decisions made by the fund managers. On August 29, 2003, the SDNY entered an Order approving the parties' stipulation to stay the actions pending the decision of the U.S. Court of Appeals for the Second Circuit in an appeal from the dismissal of a similar case brought against another party by the same plaintiffs' law firm.

On February 24, 2003, a putative class action captioned *Edward Benzon, et al., v. Morgan Stanley Distributors Inc., et al.,* was commenced in the U.S. District Court for the Middle District of Tennessee against Morgan Stanley Distributors Inc., Morgan Stanley Investment Advisors Inc., Morgan Stanley Investment Management Inc., Morgan Stanley Investments L.P., Morgan Stanley DW Inc., and Morgan Stanley. The complaint alleges that defendants failed to disclose certain benefits of Class A and Class C shares relative to Class B shares in the prospectuses of certain Morgan Stanley mutual funds and the alleged financial conflicts of Morgan Stanley financial advisors in selling Class B shares. In addition to individual claims asserted on behalf of the named plaintiffs, the complaint alleges, on behalf of a purported class of investors who purchased Class B shares from February 25, 1998 to the present, violations of Sections 11 and 12 of the Securities Act and Section 10(b) of the Exchange Act. The complaint seeks unspecified rescissionary damages, unspecified damages, interest, fees and costs. On January 8, 2004, the court granted defendants' motions to dismiss. On February 5, 2004, plaintiffs' motion to alter or amend judgment and for leave to file an amended complaint was denied. On February 17, 2004, plaintiffs filed a notice of appeal.

Mutual fund industry practices continue to be the subject of intense regulatory, governmental and public scrutiny. Morgan Stanley has received various regulatory inquiries, relating to, among other things, fees and revenue sharing, and is cooperating with all inquiries.

Electricity Trading Matters.

Morgan Stanley is involved in several proceedings arising out of its activities as a wholesale power marketer in the Western energy markets during and after the summer of 2000.

These proceedings include purported class actions in California state court on behalf of electricity consumers in California against several power marketers and generators, including Morgan Stanley. The majority of the complaints allege that, during the summer of 2000, defendants fixed the prices for electricity in violation of California's unfair competition statutes, and seek reimbursement of alleged overcharges and punitive damages. An additional class action, *Millar v. Allegheny Energy,* seeks to rescind various long-term power contracts entered into between the State and defendants, including Morgan Stanley. All of these actions have been remanded to California Superior Court. An appeal of the decision remanding all actions other than *Millar* is pending before the U.S. Court of Appeals for the Ninth Circuit.

Numerous power marketers, including Morgan Stanley, also were named in various actions filed with the Federal Energy Regulatory Commission (the "FERC"), seeking to rescind or modify long-term power contracts entered into during and after the summer of 2000 as allegedly unjust and unreasonable. On June 26, 2003, the FERC issued a ruling denying the relief sought in all of these cases. On November 10, 2003, the FERC denied requests for rehearing. Morgan Stanley settled long-term contract cases brought by the State of California on July 10, 2003. Appeals from the rulings in the remaining cases against Morgan Stanley have been filed in the U.S. Courts of Appeals for the Ninth Circuit and the District of Columbia.

In 2002, the FERC announced an investigation of possible trading abuses in the wholesale power markets in California and the Western United States during 2000. On June 25, 2003, the FERC ordered over 50 market participants, including Morgan Stanley, to show cause why certain of their trading in California markets did not violate market tariffs. On August 29, 2003, Morgan Stanley, without admitting any wrongdoing, agreed with the FERC staff to settle the matter and the settlement agreement was referred to the FERC for approval. Several parties have intervened to oppose the settlement.

In re Turkcell Iletisim Hizmetleri, A.S. Securities Litigation.

In November 2000, a class action was filed in the SDNY against Turkcell Iletisim Hizmetleri, A.S., a Turkish telecommunications company ("Turkcell"), certain officers of Turkcell, and six underwriters of Turkcell's July 11, 2000 IPO, including Morgan Stanley. Plaintiffs filed a consolidated and amended complaint in 2001, which purports to cover a class of purchasers of Turkcell American Depositary Shares during the IPO and thereafter through September 21, 2000. The complaint alleges that the registration statement and prospectus contained materially false and misleading information concerning Turkcell's business operations. The complaint asserts a claim under Section 11 of the Securities Act against all defendants and seeks unspecified compensatory damages, costs and attorneys' fees. In 2001, the court granted in part and denied in part defendants' motion to dismiss. In 2002, the court granted plaintiffs' motion for class certification. On February 13, 2004, the court preliminarily approved a proposed settlement of this matter as to all defendants.

EEOC Matter.

On September 10, 2001, the U.S. Equal Employment Opportunity Commission ("EEOC") filed suit against Morgan Stanley in the SDNY alleging that, since 1995, Morgan Stanley has engaged in a pattern or practice of discrimination against Allison Schieffelin, a former employee, and other females who have held the positions of associate, vice president, executive director or managing director in Morgan Stanley's Institutional Equity Division ("IED") in pay, promotion and other terms, conditions and privileges of employment. The complaint seeks compensatory and punitive damages. The EEOC also alleges that Morgan Stanley retaliated against Schieffelin. Also in 2001, Schieffelin intervened in the EEOC action, filing an individual complaint alleging that she had been discriminated and retaliated against and seeking similar damages. In 2002, the court permitted the EEOC to amend its complaint to expand the class to include all IED female exempt non-officers eligible to be promoted to vice president, including associates and professionals. On December 2, 2002, the court denied without prejudice Morgan Stanley's motion for partial summary judgment.

AOL Time Warner Litigation.

Beginning on April 11, 2003, Morgan Stanley was named as a defendant in one purported class action in the SDNY and a number of individual state court actions involving AOL Time Warner, including cases in New Jersey, Ohio, West Virginia, Pennsylvania, and four cases in California which have been coordinated in the Superior Court of the State of California, County of Los Angeles. All these cases also name as defendants AOL Time Warner, numerous individual defendants, AOL Time Warner's auditors, and other underwriter defendants. The complaints allege that AOL Time Warner issued false and misleading financial statements by inflating advertising revenues, among other things. These complaints also name Morgan Stanley in its capacity as financial advisor to Time Warner in the merger of America Online and Time Warner, and/or as underwriter of bond offerings completed in 2001 and 2002. The complaints allege violations of Section 11 of the Securities Act and Section 14(a) of the Exchange Act (and Rule 14a-9 thereunder) in connection with the merger registration statement, as well as various state laws, and violations of Section 11 and 12(a)(2) of the Securities Act in connection with the bond registration statements. In 2003, defendants filed motions to dismiss the actions in the SDNY and in New Jersey and Ohio state courts. In January 2004, the parties agreed to stay the New Jersey action pending the outcome of the motion to dismiss in the SDNY action.

Coleman Litigation.

On May 8, 2003, a complaint captioned *Coleman (Parent) Holdings Inc. v. Morgan Stanley & Co., Inc.*, was filed in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida relating to Coleman (Parent) Holdings Inc.'s ("CPH") receipt of 14.1 million shares of Sunbeam Corporation common stock when it sold its 82% interest in The Coleman Company ("Coleman") to Sunbeam on March 30, 1998. The complaint alleges that Morgan Stanley misrepresented Sunbeam's financial condition, inducing CPH to enter into the transaction, and makes claims for fraudulent misrepresentation, aiding and abetting fraud, conspiracy and negligent misrepresentation. On May 12, 2003, Morgan Stanley Senior Funding, Inc. ("MSSF") filed an action against MacAndrews & Forbes Holdings Inc. (the parent of CPH) and CPH in the same court, alleging fraud and negligent misrepresentation for losses MSSF incurred in connection with a loan it made to Sunbeam to finance Sunbeam's acquisition of Coleman. On December 15, 2003, the court denied Morgan Stanley's motion to dismiss the CPH complaint.

LVMH Litigation.

On October 30, 2002, the French company LVMH Moet Hennessey Louis Vuitton ("LVMH") initiated proceedings in the Paris Commercial Court against Morgan Stanley & Co. International Limited and Morgan Stanley alleging that, between 1999 and 2002, in research reports and newspaper interviews concerning the luxury goods sector, Morgan Stanley failed in its duties of independence and impartiality and denigrated LVMH to the benefit of Gucci, a Morgan Stanley client.

In a judgment dated January 12, 2004, the Paris Commercial Court upheld LVMH's complaint. The Court awarded LVMH €30 million for damage to its image and appointed an expert to assist it in assessing whether LVMH is entitled to additional damages, and, if so, in what amount. On February 12, 2004, Morgan Stanley filed a notice of appeal against the judgment.

Carlos Soto Matter.

Morgan Stanley discovered irregularities in the accounts of certain clients of Carlos Soto, a former financial advisor in its San Juan, Puerto Rico branch. Mr. Soto stated that, with respect to certain clients, he had raised some funds by making misrepresentations, had issued false account statements and had diverted some funds to accounts he controlled. Morgan Stanley promptly notified regulators and law enforcement. On February 11 and 13, 2004, respectively, the U.S. District Court for District of Puerto Rico granted the SEC's and Morgan Stanley's requests for temporary restraining orders freezing Mr. Soto's assets. On February 19, 2004, Mr. Soto was arrested by federal authorities. On February 20, 2004, in the SEC matter, the Court granted a preliminary injunction freezing Mr. Soto's assets. Morgan Stanley continues to assist authorities in the investigation of Mr. Soto.

Parmalat Matter.

Morgan Stanley and several other financial institutions have been requested to provide documents and other information to Italian and UK authorities conducting criminal and regulatory investigations relating to Parmalat, an Italian publicly-listed company, which was declared insolvent on December 27, 2003. Morgan Stanley is cooperating with these investigations. Allegations of fraud have been raised with respect to former Parmalat management and other individuals who had dealings with Parmalat. The administrator of Parmalat is also reviewing past Parmalat transactions and may seek restitution of monies paid by Parmalat to counterparties.

From 2001 through 2003, Morgan Stanley entered into interest rate and currency derivative transactions with Parmalat. In 2002 and 2003, Morgan Stanley was involved in two public and one private bond offerings for Parmalat outside the U.S.

Other.

In addition to the matters described above, in the normal course of business, Morgan Stanley has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions, and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. Morgan Stanley is also involved, from time to time, in investigations and proceedings by governmental and self-regulatory agencies, certain of which may result in adverse judgments, fines or penalties. The number of these investigations and proceedings has increased in recent years with regard to many financial services institutions, including Morgan Stanley. In some cases, the issuers that would otherwise be the primary defendants in such cases are bankrupt or otherwise in financial distress.

In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases in which claimants seek substantial or indeterminate damages, Morgan Stanley cannot predict with certainty the eventual loss or range of loss related to such matters. Morgan Stanley is contesting liability and/or the amount of damages in each pending matter and believes, based on current knowledge and after consultation with counsel, that the outcome of each matter will not have a material adverse effect on the consolidated financial condition of Morgan Stanley, although the outcome could be material to Morgan Stanley's operating results for a particular future period, depending on, among other things, the level of Morgan Stanley's income for such period.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

Morgan Stanley's common stock trades on the NYSE and The Pacific Exchange. Morgan Stanley had approximately 133,000 holders of record at November 30, 2003; however, Morgan Stanley believes the number of beneficial owners of common stock exceeds this number.

Set forth below, for each of the last eight fiscal quarters, is the low and high sales prices per share of Morgan Stanley's common stock as reported by Bloomberg Financial Markets and the amount of any cash dividends declared per share of Morgan Stanley's common stock.

	Low Sale Price	High Sale Price	Dividends
Fiscal 2003:			
Fourth Quarter	$47.81	$58.07	$0.23
Third Quarter	$42.42	$50.49	$0.23
Second Quarter	$32.46	$48.03	$0.23
First Quarter	$34.32	$46.70	$0.23
Fiscal 2002:			
Fourth Quarter	$28.80	$46.83	$0.23
Third Quarter	$33.50	$46.50	$0.23
Second Quarter	$43.92	$58.27	$0.23
First Quarter	$45.90	$60.02	$0.23

Item 6. Selected Financial Data.

MORGAN STANLEY

SELECTED FINANCIAL DATA
(dollars in millions, except share and per share data)

	Fiscal Year(1)				
	2003	2002	2001	2000	1999
Income Statement Data:					
Revenues:					
Investment banking	$ 2,440	$ 2,478	$ 3,413	$ 5,008	$ 4,523
Principal transactions:					
Trading	6,138	2,730	5,503	7,361	5,796
Investments	86	(31)	(316)	193	725
Commissions	2,970	3,278	3,159	3,664	2,783
Fees:					
Asset management, distribution and administration	3,706	3,932	4,205	4,381	3,448
Merchant and cardmember	1,379	1,420	1,349	1,256	1,030
Servicing	2,015	2,080	1,888	1,489	1,232
Interest and dividends	15,744	15,879	24,132	21,233	14,879
Other	455	660	553	539	278
Total revenues	34,933	32,426	43,886	45,124	34,694
Interest expense	12,809	11,970	20,729	18,148	12,487
Provision for consumer loan losses	1,267	1,336	1,052	810	526
Net revenues	20,857	19,120	22,105	26,166	21,681
Non-interest expenses:					
Compensation and benefits	8,545	7,940	9,376	10,899	8,365
Other	6,545	6,225	7,045	6,748	5,560
Restructuring and other charges	—	235	—	—	—
Total non-interest expenses	15,090	14,400	16,421	17,647	13,925
Gain on sale of business	—	—	—	35	—
Income before losses from unconsolidated investees, income taxes, dividends on preferred securities subject to mandatory redemption and cumulative effect of accounting change	5,767	4,720	5,684	8,554	7,756
Losses from unconsolidated investees	279	77	30	33	21
Provision for income taxes	1,547	1,568	2,024	3,037	2,916
Dividends on preferred securities subject to mandatory redemption	154	87	50	28	28
Income before cumulative effect of accounting change	3,787	2,988	3,580	5,456	4,791
Cumulative effect of accounting change	—	—	(59)	—	—
Net income	$ 3,787	$ 2,988	$ 3,521	$ 5,456	$ 4,791
Earnings applicable to common shares(2)	$ 3,787	$ 2,988	$ 3,489	$ 5,420	$ 4,747
Per Share Data:					
Earnings per common share:					
Basic before cumulative effect of accounting change	$ 3.52	$ 2.76	$ 3.26	$ 4.95	$ 4.33
Cumulative effect of accounting change	—	—	(0.05)	—	—
Basic	$ 3.52	$ 2.76	$ 3.21	$ 4.95	$ 4.33
Diluted before cumulative effect of accounting change	$ 3.45	$ 2.69	$ 3.16	$ 4.73	$ 4.10
Cumulative effect of accounting change	—	—	(0.05)	—	—
Diluted	$ 3.45	$ 2.69	$ 3.11	$ 4.73	$ 4.10