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, 2001

Commission File Number 1-11758

Morgan Stanley Dean Witter & Co.

(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, N.Y.	**10036**
(Address of principal executive offices)	**(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
8% Reset PERQS® Due April 30, 2002; 15% Reset PERQS Due April 30, 2002; 12% Reset PERQS Due May 30, 2002; 6% Reset PERQS Due May 30, 2002; 10% Reset PERQS Due June 28, 2002; 8% Reset PERQS Due October 30, 2002; 9% Reset PERQS Due December 30, 2002; 8% Reset PERQS Due February 28, 2003	American Stock Exchange
8% SPARQS℠ Due April 15, 2003; 8% SPARQS Due June 1, 2003; 8% SPARQS Due June 15, 2003; 10% SPARQS Due June 15, 2003; 8% SPARQS Due June 30, 2003; 12% SPARQS Due June 30, 2003; 6.3% SPARQS Due June 30, 2003; 8% SPARQS Due July 1, 2003	American Stock Exchange
Exchangeable Notes Due July 31, 2003; Exchangeable Notes Due December 13, 2004; Exchangeable Notes Due March 2, 2006 (2 issuances); Exchangeable Notes Due May 30, 2006; Exchangeable Notes Due June 5, 2006; Exchangeable Notes Due July 7, 2006; Exchangeable Notes Due August 6, 2006; Exchangeable Notes Due August 15, 2006; Exchangeable Notes Due October 19, 2006; Exchangeable Notes Due March 30, 2007	New York Stock Exchange
Exchangeable Notes Due July 29, 2005 (2 issuances); Exchangeable Notes Due April 15, 2005; Exchangeable Notes Due August 17, 2005; Exchangeable Notes Due November 30, 2007 (2 issuances); Exchangeable Notes Due January 30, 2008; Exchangeable Notes Due March 30, 2008; Exchangeable Notes Due May 30, 2008 (2 issuances); Exchangeable Notes Due December 30, 2008 (2 issuances)	American Stock Exchange
PERKS℠ Due March 30, 2004	American Stock Exchange
Nikkei 225 Protection Step-Up Exchangeable Notes Due July 31, 2003	New York Stock Exchange
Callable Index-Linked Notes Due December 30, 2008	American Stock Exchange
Dow Jones Industrial Average BRIDGES℠ Due April 30, 2004; Standard & Poor's 500 BRIDGES Due December 31, 2003; Dow Jones Euro Stoxx 50 BRIDGES Due July 30, 2004; Redeemable BRIDGES Due May 30, 2005 (based on Morgan Stanley Technology Index)	New York Stock Exchange
5⅝% Notes Due January 20, 2004; 7.25% Notes Due June 17, 2029	New York 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 December 30, 2004	Nasdaq National Market

Indicate by check mark whether the 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 the 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 ☒.

Aggregate market value of the voting stock held by non-affiliates of the Registrant at January 4, 2002 was approximately $64,931,883,322. This calculation does not reflect a determination that persons are affiliates for any other purposes.

Number of shares outstanding of the Registrant's common stock, $.01 par value, as of January 28, 2002: 1,101,617,649.

Documents Incorporated By Reference: Portions of the Registrant's definitive proxy statement for its annual stockholders' meeting to be held on March 19, 2002 are incorporated by reference in this Form 10-K in response to Part III, Items 10, 11, 12 and 13.

Morgan Stanley Dean Witter & Co.
Annual Report on Form 10-K
For the fiscal year ended November 30, 2001

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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 economic and market conditions, the level and volatility of interest rates and currency values and equity and commodity prices, the actions of current and potential competitors, the impact of current, pending or future legislation and regulation in the U.S. and throughout the world, 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" under each of "Securities," "Investment Management" and "Credit Services" 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.

Part I

Item 1. Business.

Overview. Morgan Stanley Dean Witter & Co. ("Morgan Stanley"*) is a global financial services firm that maintains leading market positions in each of its three business segments—Securities, Investment Management and Credit Services.

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

- *Investment banking*, including securities underwriting and distribution; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; and financing and investing.
- *Sales, trading, financing and market-making activities to facilitate client orders and on a proprietary basis,* in such products as equity securities and related products; and fixed income securities and related products, including foreign exchange and commodities.
- *Principal investing*, including private equity activities.
- *Securities services to meet individual investor needs,* including full-service brokerage services for investors seeking financial advice; online execution capabilities for self-directed investors desiring to invest with limited professional assistance; and financial advisory services for high net worth clients.
- *Other businesses,* including aircraft financing activities.

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: 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.

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

- *Discover Financial Services* ("DFS"), which offers the Discover® Classic Card, the Discover Gold Card, the Discover Platinum Card, the Morgan Stanley Card℠ and other proprietary general purpose credit cards as well as related consumer finance products and services.
- *Discover Business Services*, a proprietary network of merchant and cash access locations in the U.S.

Morgan Stanley combines global strength in investment banking and institutional sales and trading with strength in providing full-service brokerage services, global asset management services and, primarily through its Discover Card brand, quality consumer credit products. Morgan Stanley provides these products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

At November 30, 2001, Morgan Stanley had the second largest financial advisor sales organization in the U.S. and had 13,690 professional financial advisors and approximately 550 securities branch offices globally. Morgan Stanley also had one of the largest global asset management operations of any full-service securities firm, with total assets under management or supervision of $459 billion. Based on its approximately 45.7 million general purpose credit card accounts as of November 30, 2001, Morgan Stanley was one of the largest credit card issuers in the U.S., with the largest proprietary merchant and cash access network. Financial information concerning

* Unless the context otherwise requires, the terms "Morgan Stanley", the "Company", "we" and "our" mean Morgan Stanley Dean Witter & Co. and its consolidated subsidiaries.

Morgan Stanley for each of the fiscal years ended November 30, 2001, November 30, 2000 and November 30, 1999 is included in the consolidated financial statements and the notes thereto in "Financial Statements and Supplementary Data" in Part II, Item 8.

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. At November 30, 2001, Morgan Stanley had 61,319 employees worldwide, with 51,728 employees in the U.S. and 9,591 employees internationally. Morgan Stanley is a combination of Dean Witter, Discover & Co. ("Dean Witter Discover") and Morgan Stanley Group Inc. ("Morgan Stanley Group") and was formed pursuant to a merger of equals effected on May 31, 1997 (the "Merger"). Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924.

Technology and E-Commerce. Morgan Stanley trades securities through several electronic trading systems and has invested in several electronic trading systems and related businesses and technologies. Morgan Stanley's web-based tools provide its clients with numerous online applications, including access to portfolio information and Morgan Stanley's proprietary research, and the ability to engage in electronic transactions across a growing number of platforms. For example, Client Link provides institutional clients with a private, secure Internet platform that delivers browser-based information, products and services across many of Morgan Stanley's business units; Client Serv® provides individual investors online trading capabilities, access to real-time account activity, business news and research; and Discovercard.com enables cardmembers to access financial management services online and generate single-use card numbers for enhanced security for online purchases.

Securities

Morgan Stanley provides worldwide financial advisory and capital-raising services to a diverse group of domestic and international corporate and other institutional clients, primarily through 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. Morgan Stanley also conducts various activities broadly described as principal investing. In addition, Morgan Stanley provides individual investors with a range of securities and savings products and services, primarily through Morgan Stanley DW Inc. ("MSDWI") (formerly Dean Witter Reynolds Inc.).

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 also a leading underwriter of fixed income securities, including investment grade debt, high-yield securities (debt issued by non-investment grade issuers), mortgage-related and other asset-backed securities, tax-exempt securities and commercial paper and other short-term securities.

Financial Advisory Services. Morgan Stanley provides domestic and international corporate and other institutional clients 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 also provides advice concerning recapitalizations, rights offerings, dividend policy, valuations, foreign exchange exposure, financial risk management strategies and long-range financial planning. Morgan Stanley furnishes advice and services regarding project financings, including infrastructure, electric power and natural resource projects. In addition, Morgan Stanley provides advisory services in connection with the purchase, sale, leasing and financing of real estate.

Financing and Investing. Morgan Stanley provides financing or financing commitments, on a selective basis, to companies in the form of senior or subordinated debt, including bridge financing. The borrowers may be rated investment grade or non-investment grade. These financing and lending activities are conducted through certain subsidiaries, including Morgan Stanley Bank. Morgan Stanley also engages in a variety of principal investing activities. See "Principal Investing" below.

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

Equity Securities and Related Products. Morgan Stanley's equity sales, trading and market-making activities cover domestic and foreign equity and equity-related products, including common stock, ADRs, restricted/control stock, convertible securities, preferred securities and exchange traded funds and warrants, equity index products, equity swaps, options and other structured products. Morgan Stanley issues equity-linked products to institutional and individual investors, including Performance Equity-linked Redemption Quarterly-pay Securities ("PERQS®"), Stock Participation Accreting Redemption Quarterly-pay Securities ("SPARQS℠") and Basket Opportunity eXchangeablE Securities ("BOXES℠"). Morgan Stanley also advises clients and executes transactions globally in connection with index arbitrage, equity repurchase strategies, program trading and block trades. Morgan Stanley engages in proprietary trading and arbitrage activities in equity securities and equity-related products. Morgan Stanley conducts its equity sales, trading and market-making activities on stock exchanges and in over-the-counter ("OTC") markets. Morgan Stanley is a member of the major stock exchanges around the world, including the New York, London, Frankfurt, Tokyo and Hong Kong stock exchanges.

Morgan Stanley also provides equity financing services, including prime brokerage, which offers consolidated clearance and settlement of securities trades, custody, financing and portfolio reporting services. In addition, Morgan Stanley acts as principal and agent in stock borrowing and stock loan transactions in support of its domestic and international 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 domestic and international fixed income securities and related products, including preferred stock, investment grade corporate debt, high-yield securities, senior loans, U.S. and non-U.S. government securities, municipal securities, and commercial paper, money market and other short-term securities. Morgan Stanley also 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. In Europe, Morgan Stanley is a primary dealer of government securities in Austria, Belgium, France, Greece, Italy, the Netherlands, Spain and the U.K. Morgan Stanley is also 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. Through its triple-A rated subsidiary, Morgan Stanley Derivative Products Inc., Morgan Stanley also enters into swaps and related derivative transactions with counterparties seeking a triple-A rated counterparty.

Morgan Stanley advises institutional accounts and other clients globally on investment and liability strategies and assists corporations in their debt repurchases. Morgan Stanley also structures debt securities and derivatives with risk/return factors designed to suit investor objectives, including using repackaged asset vehicles through which investors can restructure asset portfolios to provide liquidity or recharacterize risk profiles. Morgan Stanley borrows and lends fixed income securities and acts as an intermediary between borrowers and lenders of short-term funds utilizing repurchase and reverse repurchase agreements. Morgan Stanley also provides financing to customers for commercial, residential and real estate loan products.

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* See also "Risk Management" in Part II, Item 7A for a description of Morgan Stanley's trading risk management structure, policies and procedures. For a detailed discussion of Morgan Stanley's use of derivatives, see "Derivative Financial Instruments" in Part II, Item 7 and Notes 7 and 10 in "Notes to Consolidated Financial Statements" in Part II, Item 8.

Morgan Stanley is a market-maker in foreign currencies. The majority of Morgan Stanley's foreign exchange business relates to major foreign currencies such as yen, euro, sterling, Swiss francs and Canadian dollars. Morgan Stanley actively trades on a principal basis with clients and for its own account in the spot, forward and currency option markets and also takes proprietary positions in currencies. Morgan Stanley is a leading participant in currency futures trading 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 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 various hedging programs relating to production, consumption and reserve/inventory management. Morgan Stanley trades many of these products through the IntercontinentalExchange, Inc., an electronic trading system in which Morgan Stanley maintains an 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.

MSCI. Morgan Stanley's majority-owned subsidiary, Morgan Stanley Capital International Inc. ("MSCI"), markets and distributes over 30,000 country, industry and regional equity and fixed income benchmark indices (including the MSCI World, EAFE® and Emerging Market Free Indices) covering 51 countries, and has a 32-year historical database that includes fundamental and valuation data on thousands of securities in developed and emerging market countries. Investment professionals around the world use MSCI data for many purposes, including performance measurement.

Principal Investing.

Morgan Stanley's principal investing activities include making commitments to purchase, and making negotiated investments in, equity and debt securities, either as principal or for the accounts of private equity funds that Morgan Stanley manages. These activities may be in connection with merger, acquisition, restructuring, private investment and leveraged capital transactions and may include real estate, venture capital and strategic investments.

Morgan Stanley generally acts as general partner of the private equity funds through which it conducts certain of its principal investing activities and typically contributes a minority of the capital of such funds. Morgan Stanley conducts a substantial portion of its private equity business through two groups of investment funds, Morgan Stanley Capital Partners and Morgan Stanley Venture Partners, making private equity and venture capital investments in a range of industries throughout the world. Morgan Stanley conducts its real estate principal investing business primarily through the Morgan Stanley Real Estate Funds and Morgan Stanley Real Estate Special Situations Funds, entities that invest in U.S. and international real estate assets and companies. Morgan Stanley also makes equity and equity-related investments that arise out of its worldwide investment banking activities through Princes Gate Investors, a fund that invests in special situation and venture capital opportunities. From time to time, Morgan Stanley expects to sponsor additional funds and commit to invest in such funds.

Morgan Stanley also invests for its own account. These investments may, among other things, be in connection with the investments made by the private equity funds described above 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.

Individual Investor Group.

The Individual Investor Group provides its clients with comprehensive financial planning and investment advisory services through a flexible platform designed to accommodate individual investment goals and risk profiles. The Individual Investor Group offers numerous securities and investment products supported by Morgan Stanley's investment banking, research, investment management, execution and operational resources. Morgan Stanley provided securities and investment services to approximately 5.6 million client accounts in the U.S. and had client assets of $595 billion at November 30, 2001.

Morgan Stanley's Choice℠ service platform for individual investors combines the products and services offered by the Individual Investor Group with the technological capabilities of online execution. Morgan Stanley provides its clients the flexibility to select the financial service relationship that best suits their needs, including a traditional full-service brokerage relationship through a financial advisor, self-directed investing online or some combination of both. Morgan Stanley also provides financial advisory and wealth management services for high net worth clients. Morgan Stanley provides various pricing options, including fee-based pricing.

Investor Advisory Services. Morgan Stanley provides execution, trading and research services to its individual clients for listed equity securities, OTC equity securities, options and ADRs. Morgan Stanley also provides execution, trading and research services to individual clients for fixed income securities, including U.S. government obligations, mortgage and other asset-backed securities, corporate bonds, preferred stocks, municipal securities and certificates of deposit. Morgan Stanley's financial advisors work together with the institutional fixed income platform to provide mid-sized institutions with access to Morgan Stanley's products and research capabilities.

Morgan Stanley provides its clients with several investment and credit products and services, including mutual funds, unit investment trusts ("UITs"), insurance products, financial planning, retirement planning, personal trust and estate planning, tax planning, credit management and account services. Morgan Stanley's Active Assets Account® program permits clients to consolidate their financial assets into a single account, invest in a variety of investment products and automatically invest funds daily in a variety of money market options or in a designated account at Morgan Stanley Bank insured by the Federal Deposit Insurance Corporation ("FDIC"). The program also offers a debit card and a checking account. BusinesScape℠, a related program, offers qualified business clients similar services and features, including enhanced check writing privileges and a commercial line of credit.

Morgan Stanley offers clients investment choices for individual retirement planning and provides individual annuities and complete defined contribution plan services for businesses, including 401(k) plans. Morgan Stanley's investment consulting services business assists clients in analyzing their investment objectives and in selecting investment advisory services that affiliated and unaffiliated investment advisers offer. Through its wholly-owned insurance agency subsidiaries, Morgan Stanley acts as a national general agency for leading insurance carriers to meet the insurance and annuity needs of individual investors. Morgan Stanley also offers trust and fiduciary services to individual and corporate clients, including trustee services for personal trusts and tax-qualified retirement plans.

Clients can establish a self-directed relationship through Morgan Stanley's online capabilities, including Morgan Stanley Online, which permit clients to invest and trade through the Internet, automated telephone trading, wireless trading or a registered representative. Morgan Stanley provides investment options online, including detailed account information, real-time securities price quotes, graphs and portfolio performance information and trade execution. Clients can also subscribe to proprietary equity research reports and analysts' ratings. Morgan Stanley also offers clients extended trading hours through MarketXT™, the ability to trade U.S. treasury securities and certain municipal securities online every weekday, 24 hours per day and, to qualified clients, access to initial public offerings and other issues Morgan Stanley underwrites. In addition, Morgan Stanley's Networth℠ service aggregates, summarizes and delivers individual clients' personal banking and investment account information in one convenient and secure online location.

Global Private Wealth Management. Morgan Stanley Private Wealth Management ("PWM") provides financial solutions to individuals, families and foundations controlling significant pools of wealth from over 70 offices worldwide. PWM provides access to Morgan Stanley's trading capabilities, research and analytical products and its securities underwritings. PWM investment representatives manage specific financial asset classes and provide tailored global asset allocation strategies for its clients. PWM also offers certain private investors the opportunity to co-invest with Morgan Stanley in its principal investing activities and specialized funds. Globally, Morgan Stanley provides these activities and other financial advisory services through Morgan Stanley's Swiss bank subsidiary, Bank Morgan Stanley AG; Morgan Stanley's Sociétés d'investissement à capital variable (SICAV) mutual funds based in Luxembourg; and Morgan Stanley Quilter, a U.K.-based investment management business providing segregated account management and advisory services to private individuals, pension funds and trusts. Morgan Stanley also provides asset management and brokerage services for individual investors through Morgan Stanley, S.V., S.A. and its network of financial advisors in Spain, Portugal and Germany.

Research. Morgan Stanley's global research departments ("Research"), comprised of economists, industry analysts and strategists, engage in research activities in the equity, fixed income and high-yield areas. Research produces reports and studies on the economy, financial markets, portfolio strategy, technical market analyses, individual companies and industry developments. It analyzes worldwide trends covering numerous industries and approximately 2,200 individual companies, approximately half of which are located outside of the U.S. Research also provides analyses and forecasts relating to economic and monetary developments affecting matters such as interest rates, foreign currencies, securities and economic trends. Research provides support for the sales and trading of equity and fixed income securities in the form of quantitative, qualitative and credit analyses and the development of research products and publications such as *Macroscope*SM and *The Competitive Edge*SM. Research provides analytical support and publishes reports on mortgage-related securities and the markets in which they are traded and does original research on valuation techniques. Research's information and data are disseminated to investors through various third-party distributors, proprietary Internet sites such as Client Link, and through Morgan Stanley's sales forces.

Other. Morgan Stanley also engages in other businesses, including aircraft financing activities. Morgan Stanley owns Ansett Worldwide Aviation Services, one of the world's leading aircraft leasing groups, leasing new and used commercial jet aircraft to airlines around the world.

Competition and Regulation.

Competition. Morgan Stanley encounters intense competition in its Securities business and competes directly in the U.S. and globally with other securities and financial services firms. The principal competitive factors affecting Morgan Stanley's Securities business include Morgan Stanley's reputation, the quality of its professionals and other personnel, its products and services, relative pricing and innovation. Morgan Stanley experiences competition for qualified employees from the financial services, insurance and management consulting industries and from private equity funds. Morgan Stanley's ability to sustain or improve its competitive position will substantially depend on its ability to continue to attract and retain qualified employees. 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. Morgan Stanley has increasingly been requested to provide financing or financing commitments in connection with certain investment banking activities. This activity is expected to continue and may grow in the future.

Besides competition from firms traditionally engaged in the financial services business, Morgan Stanley has experienced increasing competition in recent years from other sources, such as commercial banks, insurance companies, online financial services providers, sponsors of mutual funds and other companies offering financial services in the U.S. and globally and through the Internet. The financial services industry has continued to experience consolidation and convergence, as institutions involved in a range of financial services industries have merged. This convergence trend is expected to continue and could result in Morgan Stanley'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.

Regulation. Morgan Stanley's Securities business is, and the securities, commodities and financial services industries generally are, regulated extensively in the U.S. at the federal and state levels and internationally. Morgan Stanley is regulated by the various regulatory bodies charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets.

MS&Co. and MSDWI are registered as broker-dealers with the Securities and Exchange Commission (the "SEC") and in all 50 states, the District of Columbia and Puerto Rico, and are members of various self-regulatory organizations, including the National Association of Securities Dealers, Inc. (the "NASD"), and various securities exchanges, including the New York Stock Exchange, Inc. (the "NYSE"). Broker-dealers are regulated by securities administrators in those states in which they conduct business. Broker-dealers are also subject to regulations that cover all aspects of the securities business, including sales and trading practices, use and safekeeping of customers' funds and securities, capital structure, record-keeping and the conduct of directors, officers and employees. The SEC, other governmental regulatory authorities, including state securities commissions, and self-regulatory organizations may institute administrative proceedings against broker-dealers or members, which 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 member or its officers or employees, or other similar consequences.

Margin lending by certain subsidiaries is regulated by the Federal Reserve Board's restrictions on lending in connection with customer purchases 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 various domestic boards of trade and other commodity exchanges. Certain subsidiaries of Morgan Stanley are registered with the CFTC as commodity trading advisers and/or commodity pool operators. Morgan Stanley's futures and options-on-futures business is also regulated by the National Futures Association, a not-for-profit membership corporation that the CFTC has designated as a registered futures association, and of which MS&Co. and MSDWI are members.

Morgan Stanley conducts some of its government securities activities through Morgan Stanley Market Products Inc., a member of the NASD registered as a government securities broker-dealer with the SEC and in certain states. The Department of the 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.

Morgan Stanley's Securities business is also regulated extensively by various non-U.S. governments, securities exchanges, self-regulatory organizations, central banks and regulatory bodies, especially in those jurisdictions in which Morgan Stanley maintains an office. The Financial Services Authority, the London Stock Exchange, the London International Financial Futures and Options Exchange and other regulatory bodies and exchanges regulate Morgan Stanley's Securities business in the U.K.; the Deutsche Borse AG, the Bundesaufsichtsamt für das Kreditwesen (the Federal Banking Supervisory Authority) and Bundesaufsichtsamt für den Wertpapierhandel (the Federal Securities Trading Supervisory Authority), among others, regulate Morgan Stanley's Securities activities in the Federal Republic of Germany; the Financial Services Agency, the Japanese Ministry of Finance, the Bank of Japan and 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 Morgan Stanley's Securities business in Japan; the Hong Kong Securities and Futures Commission, The Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited regulate Morgan Stanley's Securities operations in Hong Kong; and the Monetary Authority of Singapore and the Singapore Exchange Securities Trading Limited regulate Morgan Stanley's Securities business in Singapore.

As registered broker-dealers and member firms of the NYSE, 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 imposing 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.

Compliance with the capital requirements may limit Morgan Stanley's operations requiring the intensive use of capital, such as underwriting, principal investing, trading activities, lending and the financing of customer account balances. Such requirements also restrict Morgan Stanley's ability to withdraw capital from its subsidiaries, which in turn may limit Morgan Stanley's ability to pay dividends, repay debt or redeem or purchase shares of its outstanding capital stock. A 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.

Occasionally, Morgan Stanley's subsidiaries have been subject to investigations, other proceedings, fines and sanctions relating to infractions of various regulations relating to their Securities activities. None of these regulatory actions has had a material adverse effect on Morgan Stanley or its business as a whole to date, but may be material to Morgan Stanley's operating results for a particular future period, depending, upon other things, on the level of Morgan Stanley's income for such period.

New legislation or regulations, including any legislation or regulations relating to the activities of broker-dealers and their affiliates (such as the USA Patriot Act of 2001 and other money laundering legislation); changes in rules promulgated by the SEC or other U.S. or international governmental, regulatory or self-regulatory authorities (such as changes to the U.S. Internal Revenue Code and related regulations or rules promulgated by the Financial Accounting Standards Board); or changes in the interpretation or enforcement of existing laws and regulations, may materially adversely affect the financial condition or results of operation of Morgan Stanley.

Morgan Stanley Bank is an industrial loan company chartered under the laws of the State of Utah. Morgan Stanley Bank has its deposits insured by the FDIC, pays FDIC assessments and is subject to comprehensive regulation and periodic examination by the Utah state banking commission and the FDIC. See also "Credit Services – Competition and Regulation – Regulation."

Investment Management

Morgan Stanley has one of the largest global asset management organizations of any full-service securities firm, with $459 billion of assets under management or supervision (which includes certain assets reported in Securities) at November 30, 2001. Morgan Stanley has portfolio managers located in the U.S., Europe, Japan, Singapore, and India who manage a variety of investment advisory products, ranging from money market funds to equity, taxable and tax-exempt fixed income funds and alternative investments in developed and emerging markets. Through various service companies, distribution subsidiaries and investment advisors, principally, Morgan Stanley Investment Advisors Inc. ("Morgan Stanley Investment Advisors"), Van Kampen Asset Management Inc., Van Kampen Investment Advisory Corp., Morgan Stanley Investments LP and Morgan Stanley Investment

Management Inc., Morgan Stanley offers clients various investment styles, including value, growth, and blended; active and passive management; and diversified and concentrated portfolios. During fiscal 2001, Morgan Stanley integrated its investment management activities (which are principally conducted under the Morgan Stanley Investment Management brand) and aligned Investment Management's and the Individual Investor Group's marketing, sales and product development support groups for greater client synergy.

Individual Investors. Morgan Stanley provides a variety of investment products and services to individual investors including proprietary open- and closed-end mutual funds, separately managed accounts and UITs. Additionally, investment products are available 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 also offers Van Kampen-branded products through a large and diversified network of unaffiliated national and regional broker-dealers, commercial banks and thrifts, insurance companies and their affiliated broker-dealers and financial planners ("retail distributors"). The non-proprietary network encompasses over 250,000 financial advisors, and includes preferred distribution relationships with several retail distributors. A small number of retail distributors account for a substantial portion of Van Kampen sales in that network. Morgan Stanley also 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 corporations, non-profit organizations, governmental agencies, insurance companies and banks. Products are available to institutional investors through separately managed accounts, U.S. and non-U.S. mutual funds, variable annuities, life products and other pooled vehicles. Morgan Stanley also sub-advises funds for various financial institutions and intermediaries. A global proprietary sales force and a group covering the investment consultant industry serve institutional investors.

Competition and Regulation.

Competition. Morgan Stanley's Investment Management business competes in the highly competitive asset management industry. Several factors affect competition in the sale of these investment products, including investment objectives and performance, 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 funds asset management firms and other providers sell directly (including through the Internet), as well as with other investment alternatives.

Regulation. Certain subsidiaries, including MS&Co., MSDWI and those related to Morgan Stanley Investment Advisors, Van Kampen Asset Management Inc. and Morgan Stanley Investment Management Inc., are registered as investment advisors with the SEC and in certain states. Many aspects of Morgan Stanley's investment advisory business 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 advisory business 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's engaging in the investment advisory business for specified periods of time, the revocation of registrations, other censures and fines.

Morgan Stanley's Investment Management business is also regulated outside the U.S. For example, the Financial Services Authority regulates Morgan Stanley's Investment Management business in the U.K.; the Japanese Ministry of Finance and the Japan Securities Investment Advisors Association regulates Morgan Stanley's Investment Management business in Japan; the Securities and Exchange Board of India regulates Morgan Stanley's Investment Management business in India; and the Monetary Authority of Singapore regulates Morgan Stanley's Investment Management business in Singapore.

Morgan Stanley Trust, a wholly-owned subsidiary of Morgan Stanley, 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. Morgan Stanley Trust is also a registered transfer agent and shareholder servicing agent subject to regulation and examination in such capacity by the SEC. 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.

Credit Services

Based on its approximately 45.7 million general purpose credit card accounts as of November 30, 2001, 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' proprietary general purpose credit card business; its Discover Business Services, Morgan Stanley's proprietary merchant and cash access network; and related consumer finance products and services.

Credit Cards and Services. DFS offers general purpose credit cards designed to appeal to different market segments of consumers for use through Discover Business Services. DFS offers several brands of proprietary cards, including the Discover Classic Card, the Discover Gold Card, the Discover Platinum Card, the Morgan Stanley Card (offered in the U.K. on the Europay/MasterCard network), as well as affinity cards. DFS offers cardmembers various products and financial services, including home loans, personal loans, credit insurance coverage and auto insurance products. DFS also offers cardmembers certificates of deposit and money market accounts and the ability to transfer balances from other credit sources.

DFS also offers cardmembers numerous customer services, including many available online. Cardmembers may register their account online with the Discover Card Account Center, which offers Discover *Inter@ctive*®, 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 also view detailed account information online, such as recent transactions and account payments. Cardmembers may pay their Discover Card bills online via the SmartCheck℠ payment option at no cost and receive exclusive discounts and special Cashback Bonus® awards by shopping online at the Internet ShopCenter℠. In addition, the Discover deskshop® 3.0 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 online. As of November 30, 2001, DFS had over 7 million cardmembers registered on the Discover Card Account Center.

Merchants. Only merchants that are members of the Discover Business Services network accept the Discover Classic Card, the Discover Gold Card, the Discover Platinum Card and DFS's other proprietary general purpose credit cards (exclusive of the Morgan Stanley Card). Since its establishment in 1986, the Discover Business Services network has expanded and is the largest independent credit card network in the U.S., consisting of approximately 4 million merchant and cash access locations accepting credit cards carrying the Discover logo.

DFS operates the issuing and acquiring businesses in the U.S. and accordingly retains the entire merchant fee paid for transactions effected through the Discover Business Services network. Because of its independence from the bankcard associations, DFS can provide customized programs to its merchants in such areas as processing and the exchange of business surplus online and to otherwise tailor program terms to meet specific merchant needs. DFS utilizes its own national sales and support force as well as independent sales agents to increase and maintain its merchant base. In addition, DFS conducts telemarketing operations to acquire merchant business.

Marketing. DFS is distinguishable from credit card issuers that are members of bankcard associations because it directly controls the brand image, features, service level and pricing of the Discover Classic Card and its other U.S. proprietary general purpose credit cards to cardmembers and merchants. In contrast, bankcard association credit card issuers compete directly with other issuers using the same brands and sharing common processes. Because DFS manages all aspects of cardmember and merchant relationships with respect to its proprietary credit card programs, it can determine and promote its advertising campaign on a consistent, nationwide basis and control the campaign's content, timing and promotional features.

DFS promotes its proprietary general purpose credit cards through the use of different and distinctive features that are designed to appeal to different consumer bases. For instance, pursuant to the Cashback Bonus award program, DFS pays Discover Classic Card, Discover Platinum Card and Morgan Stanley Card cardmembers electing this feature up to 1% of their purchase amounts based upon their annual level and type of purchases. The Cashback Bonus award may be remitted to cardmembers in the form of a check, a credit to their accounts, an exchange of the Cashback Bonus award for certain products or services or a donation to supported charities.

Credit. DFS conducts credit reviews to establish that cardmembers meet standards of ability and willingness to pay. Applications that are not pre-selected are evaluated by using a credit scoring system (a statistical evaluation model) based on information provided by applicants and by credit bureaus. Applications screened under the credit scoring system may be selectively reviewed and approved or not approved by DFS's credit analysts.

All applicants receiving pre-selected solicitations satisfy DFS's specified criteria and have been pre-screened through credit bureaus utilizing industry and customized models. Pre-screening involves independent credit reporting agencies that identify individuals satisfying creditworthiness criteria supplied by DFS (in the form of a point scoring model or other screening factors) that are intended to provide a general indication, based on available information, of such person's ability and willingness to pay their financial obligations. Recipients responding to DFS's pre-selected solicitations are post-screened prior to enrollment to confirm continued satisfaction of DFS's criteria.

Cardmembers' credit lines are reviewed at least annually and may be reviewed more frequently if the cardmember requests or if DFS deems more frequent review appropriate. Such reviews include scoring the cardmember's payment behavior on the account and reviewing the cardmember's credit bureau record. Based on the review, the cardmember's credit line may be raised or lowered or the account may be closed. In addition, DFS, on a portfolio basis, performs periodic monitoring and review of consumer behavior and risk profiles.

Operations. DFS performs the functions required to service and operate its proprietary 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 one in Scotland. Systems at computer centers operated by an unaffiliated communication services provider also support DFS's operations.

Competition and Regulation.

Competition. Morgan Stanley's Credit Services business competes in the competitive credit card industry. The credit card market includes other bank-issued credit cards (the vast majority of which bear the MasterCard and/or Visa servicemark) and charge cards and credit cards issued by travel and entertainment companies. Competition centers on merchant acceptance, account acquisition and customer utilization. Merchant acceptance is based on competitive transaction pricing and the volume and usage of credit cards in circulation. Account acquisition and customer utilization are driven by the offering of credit cards with competitive and appealing features, such as no annual fees, low introductory interest rates and other customized features targeting specific consumer groups. The credit card industry has increasingly used advertising, targeted marketing and pricing competition in interest rates, annual fees and reward programs in order to compete effectively and grow. Issuers also seek to attract balances from competing sources of credit via low-priced balance transfer programs.

Regulation. Morgan Stanley conducts substantial portions of its Credit Services business in the U.S. through Discover Bank, a wholly-owned indirect subsidiary. Discover Bank is 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 state banking commissioner and by the FDIC.

Generally, a company that controls a "bank," as defined in the Bank Holding Company Act of 1956 (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. However, pursuant to the BHCA (as amended by the Competitive Equality Banking Act of 1987 (the "CEBA") and more recently by the Gramm Leach Bliley Act of 1999 (the "GLBA")), Discover Bank may only engage in either commercial lending or taking demand deposits (but not both) for Morgan Stanley to maintain its non-bank holding company status under the grandfather provisions of the CEBA and GLBA amendments to the BHCA. Morgan Stanley is also permitted to own Morgan Stanley Bank without registering as a bank holding company because Morgan Stanley Bank is not considered a "bank" under the BHCA (as amended by the GLBA). See also "Securities—Competition and Regulation—Regulation."

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 increase.

Certain acquisitions of Morgan Stanley's common stock may be subject to regulatory approval and notice under federal and state banking law. In addition, Discover Bank would no longer qualify for grandfather rights under the CEBA (as amended by the GLBA) if direct or indirect control of Discover Bank were transferred to an unaffiliated third party. In that event, the third party would have to operate in a manner permissible for a bank holding company under the BHCA (as amended by the GLBA).

Morgan Stanley Dean Witter Bank Limited ("Morgan Stanley Bank Limited"), Morgan Stanley's chartered bank in the U.K., is governed primarily by the U.K.'s Financial Services and Markets Act 2000. Morgan Stanley Bank Limited is subject to regulation related to capital adequacy, consumer protection and deposit protection. Morgan Stanley Bank Limited's activities are supervised by the Financial Services Authority, which conducts periodic examinations of its operations and records, and by the Office of Fair Trading in relation to 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 14, 2002 are set forth below.

Philip J. Purcell (58). Chairman of the Board of Directors and Chief Executive Officer of Morgan Stanley (since the Merger). Chairman of the Board of Directors and Chief Executive Officer of Dean Witter Discover (1986 to the Merger). Director or trustee of approximately 100 registered investment companies for which Morgan Stanley Investment Advisors serves as investment manager or investment adviser. Director of AMR Corporation.

Robert G. Scott (56). President and Chief Operating Officer and Director of Morgan Stanley (since March 2001). Executive Vice President and Chief Financial Officer of Morgan Stanley (the Merger to March 2001). Head of Morgan Stanley Group's Investment Banking Division (1994 to 1996). Managing Director of MS&Co. (since 1979).

Tarek F. Abdel-Meguid (46). Head of Morgan Stanley's Investment Banking Division (since September 2000). Deputy head of Morgan Stanley's Investment Banking Division (1997 to September 2000). Deputy head and then head of Morgan Stanley Group's Corporate Finance Department (June 1995 to the Merger). Managing Director of MS&Co. (since 1991).

Stephen S. Crawford (37). Executive Vice President and Chief Financial Officer of Morgan Stanley (since March 2001). Executive Vice President and Chief Strategic and Administrative Officer of Morgan Stanley (June 2000 to March 2001). Managing Director of MS&Co. (since 1998) and Executive Director of MS&Co. (1995 to 1998).

Zoe Cruz (47). Head of Morgan Stanley's Fixed Income Division (since September 2000). Head of Morgan Stanley's Foreign Exchange Department (August 1993 to September 2000). Managing Director of MS&Co. (since 1990).

John P. Havens (45). Head of Morgan Stanley's Institutional Equity Division (since September 2000). Managing Director of MS&Co. (since 1990).

Roger C. Hochschild (37). Chief Strategic and Administrative Officer of Morgan Stanley (since March 2001). Executive Vice President of DFS (November 1998 to February 2001). Senior executive at MBNA America Bank (1994 to 1998) where his last position was Senior Executive Vice President.

Donald G. Kempf, Jr. (64). Executive Vice President, Chief Legal Officer and Secretary of Morgan Stanley (since December 1999). Partner at the law firm of Kirkland & Ellis (1971 to December 1999) and a member of its management committee (1981 to 1998).

Mitchell M. Merin (48). President and Chief Operating Officer of Morgan Stanley's Investment Management business (since December 1998). President and Director of Morgan Stanley Investment Advisors (since April 1997) and its Chief Executive Officer (since June 1998). Executive Vice President and Chief Administrative Officer of Dean Witter Discover (1994 to the Merger). President of approximately 100 registered investment companies for which Morgan Stanley Investment Advisors serves as investment manager or investment adviser. Director or trustee of approximately 25 registered investment companies for which Van Kampen Advisors Inc. (or a subsidiary thereof) serves as investment manager or investment adviser.

David W. Nelms (40). President and Chief Operating Officer of DFS and Chairman of Discover Bank (since September 1998). Senior executive at MBNA America Bank (1992 to 1998) where his last position was Vice Chairman.

Stephan F. Newhouse (54). Co-President and Chief Operating Officer of Morgan Stanley's Institutional Securities Group (since September 2000) and Chairman of the Board of Morgan Stanley & Co. International Limited (since December 2000). Deputy head of Morgan Stanley's Institutional Securities Group (December 1997 to September 2000). Director and Vice Chairman of MS&Co. (since December 1997) and Managing Director of MS&Co. (since 1988).

Vikram S. Pandit (45). Co-President and Chief Operating Officer of Morgan Stanley's Institutional Securities Group (since September 2000). Head of Morgan Stanley's Institutional Equity Division (the Merger to September 2000). Head of Morgan Stanley Group's Equity Division (January 1997 to the Merger). Managing Director of MS&Co. (since January 1990). Director of Nasdaq Stock Market, Inc.

Joseph R. Perella (60). Chairman of Morgan Stanley's Institutional Securities Group (since September 2000). Head of Morgan Stanley's Investment Banking Division (the Merger to September 2000). Head of Morgan Stanley Group's Investment Banking Division (January 1997 to the Merger). Head of Morgan Stanley Group's Corporate Finance Department (May 1995 to December 1996). Managing Director of MS&Co. (since November 1993).

John H. Schaefer (49). President and Chief Operating Officer of Morgan Stanley's Individual Investor Group (since June 2000). Executive Vice President and Chief Strategic and Administrative Officer of Morgan Stanley (June 1998 to June 2000). Head of Corporate and Strategic Planning for Morgan Stanley (the Merger to June 1998). Executive Vice President and Director of Corporate Finance for Dean Witter Discover (1991 to the Merger).

Item 2. Properties.* Morgan Stanley owns its executive offices, located at 1585 Broadway, New York, New York, where it occupies approximately 958,000 square feet as its New York headquarters. Morgan Stanley also owns a 600,000 square foot building in Riverwoods, Illinois that houses Credit Services' executive offices and an adjacent 45 acre parcel where an additional 500,000 square feet of office space is currently under construction. Morgan Stanley occupies approximately 2,000,000 square feet at various locations in Manhattan under leases expiring between 2002 and 2013. In addition, Morgan Stanley leases approximately 419,000 square feet in Brooklyn, New York under a lease expiring in 2013. In January 2002, Morgan Stanley preliminarily agreed to purchase a 725,000 square feet office building on 107 acres in Westchester County, New York.

Morgan Stanley's London headquarters are located at 25 Cabot Square, Canary Wharf where the firm occupies approximately 451,000 square feet and owns the ground lease obligation and freehold interest in the land and the building. Morgan Stanley also leases approximately 400,000 square feet at 20 Cabot Square and at other locations in Canary Wharf, under lease arrangements expiring between 2002 and 2020. Morgan Stanley is committed to leasing for 25 years an aggregate of approximately 676,000 square feet in two buildings under construction at Canary Wharf. One lease commenced in 2001 and the other is expected to commence in 2003.

Morgan Stanley's Tokyo headquarters are located in Sapporo's Yebisu Garden Place, Ebisu, Shibuya-ku, where the firm occupies approximately 297,000 square feet under a lease expiring in 2002, but renewable at Morgan Stanley's option in two-year increments.

Morgan Stanley's subsidiaries have 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. Facilities owned or occupied by Morgan Stanley and its subsidiaries are believed to be 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:

I. *Term Trust Matters.* A putative class action, *Thomas D. Keeley, et al. v. Morgan Stanley DW Inc., et al.* (the "Keeley Action"), was commenced in the California Superior Court, Orange County, on October 27, 1994 and later consolidated with three similar class actions. Defendants are Morgan Stanley, MSDWI, Morgan Stanley Distributors Inc., Morgan Stanley Investment Advisors, Morgan Stanley Services Company Inc., TCW Management Co., Trust Company of the West, TCW Asset Management Co., Inc., TCW Funds Management, Inc. and eight individuals, including two MSDWI employees. Plaintiffs allege breach of fiduciary duty, unjust enrichment, fraud, deceit and violation of the California Corporation Code in the marketing and selling of the TCW/DW Term Trusts 2000, 2002 and 2003. Plaintiffs seek unspecified compensatory and punitive damages.

* The indicated total aggregate square footage leased is as of January 31, 2002 and does not include space occupied by Morgan Stanley securities branch offices.

The settlement of the Keeley Action was approved on December 7, 2001. On October 13, 1998, three separate state court actions were filed in New Jersey, New York and Florida. The defendants' motions to dismiss the New Jersey and New York actions were granted on February 2, 2000 and May 3, 2000, respectively, and the dismissals were not appealed. The Florida action was removed to the U.S. District Court for the Middle District of Florida on November 10, 1998 and was remanded to state court by order dated October 2, 2000.

On November 20, 2000 the Department of Enforcement of the National Association of Securities Dealers Regulation, Inc. ("NASDR") issued a complaint against MSDWI and two individual respondents alleging violations of certain NASDR Conduct Rules, including misrepresentation and omissions, in connection with the internal marketing relating to the sale of three TCW/DW Term Trusts in 1992 and 1993. The complaint generally requests sanctions, disgorgement and costs that are not specified in detail. All three respondents filed motions to dismiss on the grounds of timeliness that were granted by a hearing panel on December 14, 2001. The matter has been called for review before the National Adjudicatory Council of the NASDR.

II. *In re Merrill Lynch, et al. Securities Litigation.* On January 19, 1995, a putative class action was filed in the U.S. District Court for the District of New Jersey on behalf of all persons who placed market orders to purchase or sell securities listed on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") with MSDWI between November 4, 1992 and November 4, 1994. The complaint, consolidated with another action against other brokerage firms, seeks unspecified damages and alleges that MSDWI failed to provide best execution of customer market orders for NASDAQ securities. The complaint asserts claims for violations of Section 10(b) of the Securities Exchange Act of 1934 (the "Securities Exchange Act") and Rule 10b-5 promulgated thereunder and state law claims for breach of fiduciary duty and unjust enrichment. On November 8, 1999, the district court denied plaintiffs' motion for class certification. On August 6, 2001, the district court decision denying plaintiffs' motion for class certification was affirmed by a three-judge panel of the U.S. Court of Appeals for the Third Circuit. On November 18, 2001, plaintiffs' petition for re-hearing with suggestion of a re-hearing *en banc* was denied.

III. *Penalty Bid Litigation.* On or about August 21, 1998, a purported class action complaint, *Friedman, et al. v. Salomon Smith Barney, et al.*, was filed in the U.S. District Court for the Southern District of New York (the "SDNY") against Morgan Stanley and nine other underwriters of securities. An amended complaint, dated February 15, 1999, was filed against Morgan Stanley and sixteen other underwriters of securities. The amended plaintiff class purports to consist of all retail brokerage customers who purchased securities in public offerings from defendants and their alleged co-conspirators at artificially inflated prices. The amended complaint alleges that defendants and their co-conspirators engaged in anticompetitive activity with respect to the distribution of securities in public offerings by agreeing (i) to discourage retail customers from "flipping" or selling shares purchased in public offerings prior to the expiration of a purported "retail restricted period" (a period alleged to have been arbitrarily set by the syndicate manager during which restraints on retail accounts are imposed), and/or (ii) to penalize retail customers who "flipped," and/or (iii) otherwise to prevent retail customers from "flipping." The amended complaint also alleges that similar restraints were not imposed on institutional purchasers of shares in public offerings. The amended complaint alleges violations of Section 1 of the Sherman Act and breach of fiduciary duty, and seeks compensatory, treble and punitive damages in unspecified amounts, injunctive relief, costs and expenses, including attorneys', accountants' and experts' fees. On December 7, 2000, defendants' motion to dismiss was granted with prejudice. On January 22, 2001, plaintiffs' motion for reconsideration was denied. On February 20, 2001, plaintiffs filed a notice of appeal of the dismissal.

IV. *IPO Fee Litigation.* On March 15, 1999, a consolidated amended complaint (consolidating three purported class action complaints filed in November and December of 1998 in the SDNY), captioned *In re Public Offering Fee Antitrust Litigation*, was filed in the SDNY against Morgan Stanley and 24 other underwriters. The consolidated amended complaint alleges that defendants conspired to fix the "fee" paid by purported class members to buy and sell initial public offering ("IPO") securities of U.S. companies by invariably setting the underwriters' spread 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, as well as costs, including reasonable attorneys' fees. Two additional purported class actions were filed by issuer plaintiffs against Morgan Stanley and other underwriters, captioned *CHS Electronics, Inc. v. Credit Suisse First Boston Corporation, et al.,* (U.S. District Court for the Southern District of Florida on or about August 3, 2000) and *Weinman v. Salomon Smith Barney Inc*., *et al.* (SDNY on or about October 13, 2000), respectively. By court order, both actions were consolidated with *In re Public Offering Fee Antitrust Litigation* on January 12, 2001.

On February 9, 2001, the court in *In re Public Offering Fee Antitrust Litigation* dismissed the consolidated amended complaint with prejudice and also denied plantiffs' motion to further amend the complaint to add an issuer plaintiff. The *CHS Electronics* and *Weinman* actions were not affected by this decision. On March 26, 2001, plaintiffs filed a motion to vacate or in the alternative a motion for reconsideration in *In re Public Offering Fee Antitrust Litigation*. On April 11, 2001, the court entered an order denying plaintiffs' motion to vacate or in the alternative for reconsideration in *In re Public Offering Fee Antitrust Litigation*. On May 10, 2001, plaintiffs filed a notice of appeal.

On May 23, 2001, the court consolidated the issuer plaintiff actions, including *CHS Electronics* and *Weinman*, under a new caption entitled *In re Issuer Plaintiff Initial Public Offering Fee Antitrust Litigation*. On July 6, 2001, plaintiffs filed a consolidated class action complaint. On September 28, 2001, defendants filed a motion to dismiss the consolidated class action complaint.

V. *IPO Allocation Matters.* On or about March 9, 2001, a purported class action complaint, captioned *Billing v. Credit Suisse First Boston Corp., et al.,* was filed in the SDNY against Morgan Stanley and six other underwriters of various IPOs. The complaint alleges that defendants and their co-conspirators conspired to increase underwriters' compensation and the prices at which securities traded after the IPOs in violation of the federal antitrust laws, particularly Section 1 of the Sherman Act. The complaint alleges that defendants required customers who wanted large allocations of IPO securities to pay undisclosed and excessive underwriters' compensation in the form of increased brokerage commissions; required customers to agree to buy shares of securities offered in the IPOs after the IPOs were completed at prices higher than the IPO price ("tie-in purchases"); and required that such tie-in purchases be made at specified escalating price levels designed to increase and inflate the price of the securities in the secondary market. During fiscal 2001, numerous other purported class action complaints making similar factual allegations and alleging violations of federal and/or state antitrust laws were filed against Morgan Stanley and numerous other underwriters in the SDNY. The several purported class action antitrust complaints, purportedly brought on behalf of purchasers of stock in the IPOs or the aftermarket, have been consolidated before one judge in the SDNY.

In addition, during fiscal 2001, numerous purported class actions 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. Many of these complaints make factual allegations similar to the *Billing* complaint, 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 Securities 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. These various purported class action securities complaints have been coordinated for pre-trial purposes before one judge in the SDNY (different from the judge handling the antitrust complaints). A motion to recuse this judge filed by certain co-defendants has been denied, and a writ of mandamus before the U.S. Court of Appeals for the Second Circuit is pending.

During fiscal 2001, various governmental agencies issued subpoenas to Morgan Stanley (as well as certain other underwriters of IPOs) in connection with their investigations of the IPO allocation process. Morgan Stanley is cooperating with the investigations.

VI. *Research Matters.* During fiscal 2001, several purported class action complaints were filed against Morgan Stanley, and in certain cases other financial services firms, in various jurisdictions, including the SDNY and the

Supreme Court of the State of New York. These cases generally allege that analysts' research was improperly influenced in order to obtain investment banking business in violation of federal securities law or state law. Eight of the nine complaints originally filed in the SDNY have been dismissed with prejudice. The New York state court complaints have been removed to federal court; three of the four complaints have been voluntarily dismissed without prejudice, and the fourth is subject to pending motions to dismiss and to remand back to state court.

VII. *Nelson, et al. v. Aim Advisors, Inc., et al.* Effective October 16, 2001, plaintiffs filed a second amended complaint in the United States District Court for the Southern District of Illinois against Morgan Stanley Investment Advisors, Morgan Stanley Distributors Inc., Van Kampen Asset Management Inc., Van Kampen Funds Inc. and approximately two dozen other mutual fund companies. This purported nationwide class action alleges that the distribution and advisor fees paid by the various mutual funds from May 1, 1991 to the present were unlawful and excessive, that each fund complex exercised a controlling influence over statutorily independent directors of each fund and that these fees were thus not properly approved. The complaint alleges that the defendants' actions violated the Investment Company Act of 1940, as well as common law fiduciary duties, and seeks, among other things, actual and punitive damages and declaratory relief. Defendants have moved to sever plaintiffs' claims and transfer venue, and these motions are pending.

VIII. *Mutual Fund Valuation Matters.* On September 28, 2001, a purported class action, *Abrams v. Van Kampen Funds Inc., et al*., was commenced in the United States District Court for the Northern District of Illinois against Van Kampen Funds Inc., Van Kampen Investment Advisory Corp., Van Kampen Prime Rate Income Trust ("Van Kampen Trust") and certain of Van Kampen Trust's officers and trustees. The complaint alleges that during the period between September 30, 1998 and March 26, 2001, defendants violated certain provisions of the Securities Act and common law fiduciary duties by misstating Van Kampen Trust's net asset value in its prospectus, registration statement and financial reports. The complaint seeks rescissionary damages, unspecified damages, interest, fees and costs. An additional purported class action complaint, *Callis v. Van Kampen Funds Inc., et al*., was filed in the same court and was consolidated with the Abrams action by court order on December 5, 2001. On January 22, 2002, defendants moved to dismiss the consolidated complaint in its entirety.

An additional purported class action, *Hicks v. Morgan Stanley & Co., et al*., was filed on November 14, 2001 in the SDNY against Morgan Stanley & Co., Morgan Stanley Dean Witter Services Company Inc., Morgan Stanley Investment Advisors, Morgan Stanley Dean Witter Prime Income Trust ("Morgan Stanley Trust") and certain of Morgan Stanley Trust's officers and trustees. The complaint alleges that during the period between November 1, 1998 and April 26, 2001, defendants violated certain provisions of the Securities Act and common law fiduciary duties by misstating Morgan Stanley Trust's net asset value in its prospectus, registration statement and financial reports. The complaint seeks rescissionary damages, unspecified damages, interest, fees and costs. On December 18, 2001, an additional purported class action complaint, *Holzer v. Morgan Stanley & Co., et al*., was filed against defendants in the SDNY making factual allegations similar to the Hicks complaint.

IX. *Japanese Short Selling Matter*. On February 1, 2002, the Financial Services Agency of Japan ("FSA") announced sanctions against Morgan Stanley Japan Limited ("MSJL"), Morgan Stanley's Tokyo-based broker-dealer subsidiary, for short sale violations and creating an artificial market relating to Japanese equities trades executed on December 4, 2001. MSJL notified the Securities and Exchange Surveillance Commission ("SESC") of this incident, fully cooperated with the SESC's investigation and provided the full details of all relevant trading activity. Based on the SESC's recommendations, the FSA suspended MSJL from trading equities for its proprietary accounts for five weeks between February 4 and March 8, 2002 and ordered Morgan Stanley to submit a business improvement plan. On February 1, 2002, the Japanese Ministry of Finance announced that it had also suspended MSJL from underwriting Japanese government bonds and participating in bond auctions from February 4 to March 8, 2002.

X. *Other.* In addition to the matters described above, Morgan Stanley, including MS&Co. and MSDWI, has been named from time to time as a defendant in various legal actions, including arbitrations, arising in connection with its activities as a global diversified financial services institution, certain of which legal actions include large claims for punitive damages. Morgan Stanley, including MS&Co. and MSDWI, is also involved, from time to time, in investigations and proceedings by governmental and self-regulatory agencies. Some of these legal actions, investigations and proceedings may result in adverse judgments, penalties or fines. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases such as some of those described above in which substantial damages are sought, Morgan Stanley cannot state what the eventual outcome of pending matters will be. Morgan Stanley is contesting the allegations made in each pending matter and believes, based on current knowledge and after consultation with counsel, that the outcome of such matters will not have a material adverse effect on the consolidated financial condition of Morgan Stanley, but may be material to Morgan Stanley's operating results for a particular period, depending, upon other things, on 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 146,000 holders of record at November 30, 2001; however, the number of beneficial owners of common stock is believed to exceed this number.

Set forth below is the low and high sales prices per share of Morgan Stanley's common stock for each full quarterly period within the two most recent fiscal periods and the frequency and amount of any cash dividends declared per share of Morgan Stanley's common stock for the last eight fiscal quarters.

	Low Sale Price	High Sale Price	Dividends
Fiscal 2001:			
Fourth Quarter	$35.75	$ 59.60	$0.23
Third Quarter	$50.10	$ 66.40	$0.23
Second Quarter	$44.10	$ 75.23	$0.23
First Quarter	$61.63	$ 90.49	$0.23
Fiscal 2000:			
Fourth Quarter	$60.63	$110.00	$0.20
Third Quarter	$70.13	$108.50	$0.20
Second Quarter	$62.38	$ 97.38	$0.20
First Quarter	$58.63	$ 71.44	$0.20