MORGAN STANLEY & CO.
Incorporated

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

November 30, 2000
Audited

Independent Auditors' Report

To the Board of Directors
Morgan Stanley & Co. Incorporated

We have audited the accompanying consolidated statement of financial condition of Morgan Stanley & Co. Incorporated and subsidiaries as of November 30, 2000. This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit.

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

In our opinion, such consolidated statement of financial condition presents fairly, in all material respects, the financial position of Morgan Stanley & Co. Incorporated and subsidiaries at November 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

New York, New York
January 12, 2001

(in thousands of dollars, except share data)

Consolidated Statement of Financial Condition

Assets

Cash and cash equivalents	$ 2,809,089
Cash and securities deposited with clearing organizations or segregated under federal and other regulations (securities at fair value of $40,126,780)	43,442,938
Financial instruments owned:	
U.S. government, federal agency and foreign sovereign obligations	15,885,642
Corporate and other debt	13,538,984
Equities	6,567,342
Derivative contracts	2,060,502
Securities purchased under agreements to resell	29,078,160
Receivables for securities provided as collateral	872,025
Securities borrowed	107,179,223
Receivables:	
Customers	8,696,672
Brokers, dealers and clearing organizations	2,540,574
Interest and dividends	768,926
Fees and other	796,164
Property, equipment and leasehold improvements, at cost, net of accumulated depreciation and amortization of $88,597	38,926
Other assets	124,395
Total assets	$234,399,562

Liabilities and Stockholder's Equity

Short-term borrowings:	
Affiliates	$ 13,680,485
Other	406,513
Financial instruments sold, not yet purchased:	
U.S. government, federal agency and foreign sovereign obligations	8,941,747
Corporate and other debt	2,180,946
Equities	2,062,324
Derivative contracts	1,935,409
Securities sold under agreements to repurchase	70,549,759
Obligation to return securities received as collateral	1,514,826
Securities loaned	41,943,724
Payables:	
Customers	72,816,133
Brokers, dealers and clearing organizations	5,215,987
Interest and dividends	953,463
Accrued compensation and benefits	2,632,042
Other liabilities and accrued expenses	2,004,089
	226,837,447
Subordinated liabilities	3,615,250
Stockholder's equity:	
Common stock ($25 par value, 1,000 shares authorized, issued and outstanding)	25
Paid-in capital	260,922
Retained earnings	3,685,918
Total stockholder's equity	3,946,865
Total liabilities and stockholder's equity	$234,399,562

See Notes to Consolidated Statement of Financial Condition.

Notes to Consolidated Statement of Financial Condition

Note 1 – Introduction and Basis of Presentation

The Company

The consolidated statement of financial condition includes the accounts of Morgan Stanley & Co. Incorporated ("MS&Co.") and its wholly owned subsidiaries (collectively the "Company"). MS&Co. and certain of its subsidiaries are registered with the Securities and Exchange Commission ("SEC") as broker-dealers. MS&Co. is also registered as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC"). The Company is a wholly owned subsidiary of Morgan Stanley Dean Witter & Co. ("MSDW").

The Company provides a wide range of financial and securities services. Its businesses include securities underwriting, distribution and trading; merger, acquisition, restructuring, real estate, project finance and other corporate finance advisory activities; brokerage and research services; the trading of foreign exchange and commodities as well as derivatives; and securities lending. The Company's services are provided to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals.

All material intercompany accounts and transactions have been eliminated in consolidation.

The consolidated statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions regarding certain trading inventory valuations, the potential outcome of litigation and other matters that affect the financial statement and related disclosures. Management believes that the estimates utilized in the preparation of the consolidated statement of financial condition are prudent and reasonable. Actual results could differ materially from these estimates.

Related Party Transactions

The Company has transactions with MSDW and its affiliates, including leasing arrangements, the performance of administrative services and the execution of securities transactions with and on behalf of affiliates. At November 30, 2000, balances with affiliates included securities borrowed, securities purchased under agreements to resell (reverse repurchase agreements), receivables from customers and receivables from brokers, dealers and clearing organizations of $27,601,105, $23,795,573, $560,344 and $1,117,783, respectively, and securities loaned, securities sold under agreements to repurchase (repurchase agreements), payables to customers and payables to brokers, dealers and clearing organizations of $21,362,037, $23,785,742, $328,337 and $3,208,242, respectively, and short-term borrowings. In addition, fees and other receivables include $122,350 of related party amounts.

Note 2 - Summary of Significant Accounting Policies

Financial Instruments Used for Trading

Financial instruments, including derivatives (futures, forwards and options), used in the Company's trading activities are recorded at fair value. The fair values of trading positions are generally based on listed market prices. If listed market prices are not available or if liquidating the Company's positions would reasonably be expected to impact market prices, fair value is determined based on other relevant factors, including dealer price quotations and price quotations for similar instruments traded in different markets. Fair values for certain derivative contracts are derived from pricing models which consider current market and contractual prices for the underlying financial instruments or commodities, as well as time value and yield curve or volatility factors underlying the positions. Purchases and sales of financial instruments are recorded in the accounts on trade date. Unrealized gains and losses arising from the Company's dealings in over-the-counter ("OTC") financial instruments, including derivative contracts related to financial instruments and commodities, are presented in the accompanying consolidated statement of financial condition on a net-by-counterparty basis, when appropriate.

Securities Transactions

Clients' securities transactions are recorded on a settlement date basis with related commission revenues and expenses recorded on trade date. Reverse repurchase agreements and repurchase agreements, principally U.S. government and federal agency securities, are treated as financing transactions and are carried at the amounts at which the securities will subsequently be resold or reacquired as specified in the respective agreements; such amounts include accrued interest. Reverse repurchase and repurchase agreements are presented on a net-by-counterparty basis, when appropriate. It is the Company's policy to take possession of securities purchased under agreements to resell. The Company monitors the fair value of the underlying securities as compared to the related receivable or payable, including accrued interest, and, as necessary, requests additional collateral. Where deemed appropriate, the Company's agreements with third parties specify its rights to request additional collateral.

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced and received in connection with the transactions. The Company measures the fair value of the securities borrowed and loaned against collateral on a daily basis. Additional collateral is obtained as necessary to ensure such transactions are adequately collateralized.

Collateral received under securities financing transactions, such as reverse repurchase agreements, is recognized, together with a corresponding obligation to return the collateral, if the collateral provider does not have the contractual right to substitute collateral or redeem collateral on short notice. Collateral transferred under securities financing transactions, such as repurchase agreements, is reclassified from financial instruments owned to receivable for securities provided as collateral if the Company does not have the contractual right to substitute collateral or redeem collateral on short notice.

Investment Banking

Underwriting revenues and fees for mergers and acquisitions and advisory assignments are recorded when services for the transaction are substantially completed. Transaction-related expenses are deferred and later expensed to match revenue recognition.

Property, Equipment and Leasehold Improvements

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, while leasehold improvements are amortized on a straight-line basis over the lesser of the economic useful life of the asset or, where applicable, the remaining term of the lease.

Certain costs incurred in connection with internal-use software projects are capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Income Taxes

Income tax expense is provided using the asset and liability method, under which deferred tax assets and liabilities are determined based upon the temporary differences between the financial statement and income tax bases of assets and liabilities, using currently enacted tax rates.

Translation of Foreign Currencies

Non-U.S. dollar denominated assets and liabilities are translated at year-end rates of exchange.

Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 deferred the effective date of SFAS No. 133 for one year to fiscal years beginning after June 15, 2000. In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of FASB Statement No. 133." The Company adopted SFAS No. 133, as amended by SFAS No. 138, effective December 1, 2000. The adoption of SFAS No. 133 is not material to the Company's consolidated financial condition.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities – a replacement of FASB Statement No. 125." While SFAS No. 140 carries over most of the provisions of SFAS No. 125, it provides new standards for reporting financial assets transferred as collateral, and new standards for the derecognition of financial assets, in particular transactions involving the use of special purpose entities. SFAS No. 140 also prescribes additional disclosures for collateral transactions and for securitization transactions accounted for as sales. The new collateral standards and disclosure requirements are effective for fiscal years ending after December 15, 2000, while the new standards for the derecognition of financial assets are effective for transfers made after March 31, 2001. The Company is in the process of evaluating the impact of adopting SFAS No. 140.

Note 3 - Short-Term Borrowings

Borrowings from affiliates are unsecured, bear interest at prevailing market rates and are payable on demand. Other short-term borrowings consist of loans which are unsecured, generally bear interest at rates based upon the federal funds rate and are payable on demand.

The Company maintains a master collateral facility that enables it to pledge certain collateral to secure loan arrangements, letters of credit and other financial accommodations. As part of this facility, the

Company also maintains a secured committed credit agreement with a group of banks that are parties to the master collateral facility under which such banks are committed to provide up to $1,875,000 for up to 364 days. The credit agreement contains restrictive covenants which require, among other things, that the Company maintain specified levels of consolidated stockholder's equity and Net Capital, as defined. This facility was renewed on May 25, 2000. At November 30, 2000, no borrowings were outstanding under the agreement.

Note 4 - Subordinated Liabilities

Subordinated liabilities consist of a Cash Subordination Agreement and a Subordinated Revolving Credit Agreement with MSDW and a Subordinated Indenture ("Indenture") with Bank One Trust Company (formerly The First National Bank of Chicago), as trustee, dated September 12, 1994, and modified as of November 28, 1995 and April 24, 1997.

The Cash Subordination Agreement is for $1,500,000, bears interest at 7.3% per annum and has a maturity date of April 30, 2002. Additionally, $1,000,000 is payable under the Company's $3,000,000 Subordinated Revolving Credit Agreement which has a commitment termination date and maturity date of April 30, 2001 and April 30, 2002, respectively. Interest on this borrowing is payable at rates based upon the federal funds rate or the London Interbank Offered Rate.

The Indenture is comprised of the following:

Subordinated Notes	Maturity Date	Interest Rate	Amount
Series A	March 1, 2002	8.22%	$ 357,000
Series B	March 1, 2005	8.51%	243,000
Series C	June 1, 2001	6.81%	313,000
Series D	June 1, 2003	7.03%	95,750
Series E	June 1, 2006	7.28%	81,500
Series F	June 1, 2016	7.82%	25,000
Total			$1,115,250

The estimated fair value of the Company's subordinated notes under the Indenture, based on rates available to the Company at November 30, 2000 for debt with similar terms and maturities, was approximately $1,129,115.

The Indenture contains restrictive covenants which require, among other things, that the Company maintain specified levels of Consolidated Tangible Net Worth and Net Capital, each as defined. As of November 30, 2000, the Company was in compliance with all restrictive covenants.

On October 31, 2000, the Company exercised its option to redeem the Series C Subordinated Notes prior to the scheduled maturity. Accordingly, all the Series C Subordinated Notes were subsequently redeemed on December 1, 2000.

Note 5 - Commitments and Contingencies

Leases and Related Commitments

The Company has non-cancelable operating leases covering office space and equipment. At November 30, 2000, future minimum rental commitments under such leases were as follows:

Fiscal Year	Amount
2001	$130,770
2002	101,905
2003	73,455
2004	51,180
2005	45,615
Thereafter	262,794
Total	$665,719

Occupancy lease agreements, in addition to base rentals, generally provide for rent and operating expense escalations resulting from increased assessments for real estate taxes and other charges.

Borrow Versus Pledge

At November 30, 2000, securities with an approximate market value of $13,557,534 had been pledged against borrowed securities with an approximate market value of $13,339,276.

Other Commitments and Contingencies

In the normal course of business, the Company has been named as a defendant in various lawsuits and has been involved in certain investigations and proceedings. Some of these matters involve claims of substantial amounts. Although the ultimate outcome of these matters cannot be ascertained at this time, it is the opinion of management, after consultation with counsel, that the resolution of such matters will not have a material adverse effect on the consolidated financial condition of the Company.

The Company had approximately $1,196,109 of letters of credit outstanding at November 30, 2000 to satisfy various collateral requirements.

Financial instruments sold, not yet purchased represent obligations of the Company to deliver specified financial instruments at contracted prices, thereby creating commitments to purchase the financial instruments in the market at prevailing prices. Consequently, the Company's ultimate obligation to satisfy the sale of financial instruments sold, not yet purchased may exceed the amounts recognized in the consolidated statement of financial condition.

The Company has entered into reverse repurchase and repurchase agreements which begin subsequent to November 30, 2000 with principal amounts of approximately $14,481,182 and $7,003,696, respectively.

Note 6 - Trading Activities

Trading Revenues

The Company's trading activities include providing securities brokerage, derivatives dealing, and underwriting services to clients. While trading activities are generated by client order flow, the Company also takes proprietary positions based on expectations of future market movements and conditions. The Company's trading strategies rely on the integrated management of its client-driven and proprietary transactions, along with the hedging and financing of these positions.

The Company manages its trading businesses by product groupings and therefore has established distinct trading divisions having responsibility for equity, fixed income and foreign exchange products. Because of the integrated nature of the markets for such products, each product area trades cash instruments as well as related derivative products (i.e., options, futures and forwards with respect to such underlying instruments).

The Company's trading portfolios are managed with a view toward the risk and profitability of the portfolios to the Company. The nature of the equities, fixed income and foreign exchange activities conducted by the Company, including the use of derivative products in these businesses, and the market, credit and concentration risk management policies and procedures covering these activities are discussed below.

Equities

The Company makes markets and trades in the global secondary markets for equities and convertible debt and is a dealer in exchange traded and OTC equity options and index futures. The Company's activities as a dealer primarily are client-driven, with the objective of meeting clients' needs while earning a spread between the premiums paid or received on its contracts with clients and the cost of hedging such transactions in the cash or forward market or with other derivative transactions. The Company limits its market risk related to these contracts, which stems primarily from underlying equity/index price and volatility movements, by employing a variety of hedging strategies. The Company also takes proprietary positions in the global equity markets by using derivatives, most commonly

futures and options, in addition to cash positions, intending to profit from market price and volatility movements in the underlying equities or indices positioned.

The counterparties to the Company's equity transactions include commercial banks, investment banks, broker-dealers, investment funds and industrial companies.

Fixed Income

The Company is a market-maker for U.S. government securities, corporate bonds, money-market instruments, medium-term notes, high-yield securities, mortgage- and other asset-backed securities, preferred stock and tax-exempt securities. In addition, the Company is a dealer in listed options on U.S. government bonds. The Company also takes positions in futures and options.

The Company also is an underwriter of and a market-maker in mortgage-backed securities and asset-backed securities. The Company also uses mortgage-backed forward agreements ("TBAs") in its role as a dealer in mortgage-backed securities and facilitates customer trades by taking positions in the TBA market. Typically, these positions are hedged by offsetting TBA contracts or underlying cash positions.

The counterparties to the Company's fixed income transactions include investment advisors, commercial banks, insurance companies, broker-dealers, investment funds and industrial companies.

Foreign Exchange

The Company is a market-maker in a number of foreign currencies. In this business, it actively trades currencies in the spot and forward markets earning a dealer spread. The Company seeks to manage its market risk by entering into offsetting positions. The Company also takes proprietary positions in currencies to profit from market price and volatility movements in the currencies positioned.

The majority of the Company's foreign exchange business relates to major foreign currencies such as yen, euro, pound sterling, Swiss francs and Canadian dollars. The balance of the business covers a broad range of other currencies.

The counterparties to the Company's foreign exchange transactions include commercial banks, investment banks, broker-dealers, investment funds and industrial companies.

Risk Management

The Company's risk management policies and related procedures are integrated with those of MSDW and its other consolidated subsidiaries. These policies and related procedures are administered on a coordinated global basis with consideration given to each subsidiary's, including the Company's, specific capital and regulatory requirements. For the discussion which follows, the term "Company" includes MSDW and its subsidiaries.

Risk management at the Company is a multi-faceted process with independent oversight that requires constant communication, judgment and knowledge of specialized products and markets. The Company's senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. In recognition of the increasingly varied and complex nature of the financial services business, the Company's risk management policies and procedures are evolutionary in nature and are subject to ongoing review and modification. Many of the Company's risk management and control practices are subject to periodic review by the Company's internal auditors as well as to interactions with various regulatory authorities.

The Management Committee, composed of the Company's most senior officers, establishes the overall risk management policies for the Company and reviews the Company's performance relative to these policies. The Management Committee has created several Risk Committees to assist it in monitoring and reviewing the Company's risk management practices. These Risk Committees, as well as other committees established to monitor specific risks, review the risk monitoring and risk management policies and procedures relating to the Company's market and credit risk profile, sales practices, legal enforceability, and operational and systems risks. The Controllers, Treasury, Law, Compliance and Firm Risk Management Departments, which are all independent of the Company's business units, assist senior management and the Risk Committees in monitoring and controlling the Company's risk profile. In addition, the Internal Audit Department, which also reports to senior management, periodically examines and evaluates the Company's operations and control environment. The Company continues to be committed to employing qualified personnel with appropriate expertise in each of its various administrative and business areas to implement effectively the Company's risk management and monitoring systems and processes.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other factors, such as liquidity, will result in losses for a specified position or portfolio.

The Company manages the market risk associated with its trading activities on a Company-wide basis, on a trading division level and on an individual product basis. Market risk limits have been approved for the Company and each major trading division. Additional market risk limits are assigned to trading desks and, as appropriate, products. Trading division risk managers, desk risk managers and the Firm Risk Management Department monitor market risk measures against limits and report excessions to senior management as appropriate.

The Firm Risk Management Department independently reviews the Company's trading portfolios on a regular basis from a market risk perspective utilizing Value-at-Risk and other quantitative and qualitative risk measurements and analyses. The Company's trading businesses also use, as appropriate, measures such as sensitivity to changes in rates, prices, volatilities and time decay to estimate market risk exposures. Stress testing, which measures the impact on the value of existing portfolios of specified changes in market factors, for certain products is performed periodically and is reviewed by trading division risk managers, desk risk managers and the Firm Risk Management Department.

Credit Risk

The Company's exposure to credit risk arises from the possibility that a counterparty to a transaction might fail to perform under its contractual commitment, which could result in the Company incurring losses. The Company has credit guidelines which limit the Company's current and potential credit exposure to any one counterparty. Specific credit risk limits based on the credit guidelines also are in place for each type of counterparty (by rating category).

The Credit Department administers and monitors the credit risk limits among trading divisions. In addition to monitoring credit risk limits, the Company manages the credit exposure relating to its trading activities by reviewing counterparty financial soundness periodically, by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and by limiting the duration of exposure. In certain cases, the Company also may close out transactions or assign them to other counterparties to mitigate credit risk.

Concentration Risk

The Company is subject to concentration risk by holding large positions in certain types of securities or commitments to purchase securities of a single issuer, including sovereign governments and other entities, issuers located in a particular country or geographic area, public and private issuers involving developing countries or issuers engaged in a particular industry. Financial instruments owned by the Company include U.S. government and agency securities and securities issued by other sovereign governments, which, in the aggregate, represented approximately 7% of the Company's total assets at November 30, 2000. In addition, substantially all of the collateral held by the Company for reverse repurchase agreements or bonds borrowed, which together represent approximately 29% of the Company's total assets at November 30, 2000, consists of securities issued by the U.S. government, federal agencies or other sovereign government obligations. Positions taken and commitments made by the Company, including underwritings, often involve substantial amounts and significant exposure to individual issuers and businesses, including non-investment grade issuers. The Company seeks to limit concentration risk through the use of the systems and procedures described in the preceding discussions of market and credit risk.

Customer Activities

The Company's customer activities involve the execution, settlement and financing of various securities and commodities transactions on behalf of customers. Customer securities activities are transacted on either a cash or margin basis. Customer commodities activities, which include the execution of customer transactions in commodity futures (including options on futures), are transacted on a margin basis.

The Company's customer activities may expose it to off-balance sheet credit risk. The Company may have to purchase or sell financial instruments at prevailing market prices in the event of the failure of a customer to settle a trade on its original terms or in the event cash and securities in customer margin accounts are not sufficient to fully cover customer losses. The Company seeks to control the risks associated with customer activities by requiring customers to maintain margin collateral in compliance with various regulations and Company policies.

Notional/Contract Amounts and Fair Values of Derivatives

The gross notional or contract amounts of derivative instruments and fair value (carrying amount) of the related assets and liabilities at November 30, 2000, as well as the average fair value of those assets and liabilities for the period ended November 30, 2000, are presented in the table which follows. Fair value represents the cost of replacing these instruments and is further described in Note 2. Future changes in interest rates, foreign currency exchange rates or the fair values of the financial instruments or indices underlying these contracts ultimately may result in cash settlements exceeding fair value amounts recognized in the consolidated statement of financial condition. Assets represent unrealized gains on purchased exchange traded and OTC options and other contracts (including foreign exchange and other forward contracts), net of any unrealized losses owed to the counterparties on offsetting positions where netting is appropriate. Similarly, liabilities represent net amounts owed to the counterparties. These amounts will vary based on changes in the fair values of underlying financial instruments and/or the volatility of such underlying instruments:

(Dollars in millions)	Gross notional/ contract amount (1)(2)	Year-end fair values (2)(3) Assets	Liabilities	Average fair values (3) Assets	Liabilities
Fixed income securities contracts (including forward and futures contracts and options)	$ 67,197	$ 22	$ 7	$ 8	$ 2
Foreign exchange forward and futures contracts	159,548	754	729	980	997
Equity securities contracts (including futures contracts, warrants and options)	29,309	1,285	1,199	1,652	1,718
Totals	$256,054	$2,061	$1,935	$2,640	$2,717

(1) Notional amounts include purchased and written options of $10,688 and $10,056, respectively.
(2) Gross notional/contract amounts of $34,939 and the related year-end fair values of assets and liabilities of $20 and $244, respectively, represent derivative transactions with affiliates.
(3) These amounts represent carrying value (exclusive of collateral) and do not include receivables or payables related to exchange traded futures contracts.

The gross notional or contract amounts of these instruments are indicative of the Company's degree of use of derivatives for trading purposes but do not represent the Company's exposure to market or credit risk. Credit risk arises from the failure of a counterparty to perform according to the terms of the contract. The Company's exposure to credit risk at any point in time is represented by the fair value of the contracts reported as assets. These amounts are presented on a net-by-counterparty basis when appropriate but are not reported net of collateral, which the Company obtains with respect to certain of these transactions to reduce its exposure to credit losses. The Company monitors the creditworthiness of counterparties to these transactions on an ongoing basis and requests additional collateral when deemed necessary. The Company believes that the ultimate settlement of the transactions outstanding at November 30, 2000 will not have a material effect on the Company's financial condition.

The remaining maturities of the Company's derivative products at November 30, 2000 are summarized in the following table, showing notional values by year of expected maturity:

(Dollars in millions)	Less than 1 year	1 to 5 years	Greater than 5 years	Total
Fixed income securities contracts (including forward and futures contracts and options)	$ 42,529	$ 23,007	$1,661	$ 67,197
Foreign exchange forward and futures contracts	157,956	1,526	66	159,548
Equity securities contracts (including futures contracts, warrants and options)	27,942	1,109	258	29,309
Totals	$228,427	$25,642	$1,985	$256,054
Percent of total	89%	10%	1%	100%

The credit quality of the Company's trading-related derivatives at November 30, 2000 is summarized in the table below, showing the fair value of the related assets by counterparty credit rating. The actual credit ratings are determined by external rating agencies or by equivalent ratings used by the Company's Credit Department:

(Dollars in millions)	AAA	AA (1)	A	BBB	Collateralized Non Investment Grade	Other Non Investment Grade	Totals
Fixed income securities contracts (including forward contracts and options)	$ 8	$ 8	$ –	$ –	$ –	$ 6	$ 22
Foreign exchange forward contracts	19	340	331	12	–	52	754
Equity securities contracts (including warrants and options)	977	273	–	–	35	–	1,285
Totals	$1,004	$ 621	$ 331	$ 12	$ 35	$ 58	$2,061
Percent of total	48%	30%	16%	1%	2%	3%	100%

(1) Includes approximately $243 of derivative transactions with affiliates. The Company also has obtained assets posted as collateral by affiliated investment grade counterparties amounting to $273.

Note 7 - Employee Benefit and Compensation Plans

Employee Benefit Plans

The Company sponsors three pension plans for the majority of its employees and employees of its U.S. affiliates. The Company provides certain other postretirement benefits, primarily health care and life insurance, to eligible employees. The Company also provides certain benefits to former or inactive employees prior to retirement. The following summarizes these plans:

Pension Plans

Substantially all of the employees of the Company and its U.S. affiliates are covered by a non-contributory pension plan that is qualified under Section 401(a) of the Internal Revenue Code (the "Qualified Plan"). Unfunded supplemental plans (the "Supplemental Plans") cover certain executives. These pension plans generally provide pension benefits that are based on each employee's years of credited service and on compensation levels specified in the plans. For the Qualified Plan, the Company's policy is to fund at least the amounts sufficient to meet minimum funding requirements under applicable employee benefit and tax regulations. Liabilities for benefits payable under the Supplementary Plans are accrued by the Company and are funded when paid to the beneficiaries.

The weighted-average discount rate, the rate of increase in future compensation levels and the expected long-term rate of return on plan assets used in determining the projected benefit obligation were 8%, 5% and 9%, respectively.

The following table sets forth the funded status of the plans as of November 30, 2000:

	Qualified Plan	Supplemental Plans
Reconciliation of benefit obligation:		
Benefit obligation at beginning of year	$229,213	$114,462
Service cost	19,328	5,898
Interest cost	17,010	8,645
Actuarial gain	(17,397)	(6,618)
Benefits paid	(4,619)	(2,724)
Benefit obligation at end of year	243,535	119,663
Reconciliation of plan assets:		
Fair value of plan assets at beginning of year	267,623	–
Actual return on plan assets	33,627	–
Employer contributions	–	2,724
Benefits paid	(4,619)	(2,724)
Fair value of plan assets at end of year	296,631	–
Funded status:		
Funded status	53,095	(119,663)
Unrecognized net transition obligation	–	1,558
Unrecognized prior service cost	(557)	3,011
Unrecognized (gain) loss	(62,831)	13,540
Amount contributed	–	475
Net amount recognized	$ (10,293)	$(101,079)

Postretirement Benefits

The Company has unfunded postretirement benefit plans that provide medical and life insurance for eligible retirees, employees and dependents. At November 30, 2000, the Company's accrued postretirement benefit cost was $47,717.

Employee Compensation Plans

Employees of the Company participate in compensation plans sponsored by MSDW. The following summarizes these plans:

Equity-Based Compensation Plans

Certain employees of the Company participate in several MSDW equity-based stock compensation plans. MSDW applies the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for stock options and no expense has been recognized with respect to the granting of these stock options to the participating employees of the Company.

In addition, certain employees of the Company participate in the MSDW Equity Incentive Compensation Plan whereby stock units representing employees' rights to receive unrestricted common shares of MSDW are awarded annually.

Profit Sharing

The Company sponsors a qualified non-contributory profit sharing plan covering substantially all U.S. employees. Contributions are made to eligible employees at the discretion of management based upon the financial performance of the Company.

Employee Stock Ownership Plan

The Company participates in the MSDW and Subsidiaries Employee Stock Ownership Plan ("ESOP") covering substantially all employees. Contributions to the ESOP by the Company and allocation of ESOP shares to employees are made annually at the discretion of MSDW's Board of Directors.

Note 8 - Income Taxes

The Company is included in the consolidated federal income tax return filed by MSDW. Federal income taxes have been provided on a separate entity basis. The Company is included in the combined state and local income tax returns with MSDW and certain other subsidiaries of MSDW. State and local income taxes have been provided on separate entity income at the effective tax rate of the Company's combined filing group.

In accordance with the terms of the Tax Allocation Agreement with MSDW, all current and deferred taxes are offset with all other intercompany balances with MSDW.

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. The Company's net deferred tax asset is $1,007,100 at November 30, 2000 and is primarily attributable to employee benefit plan payables.

Note 9 - Regulatory Requirements

The Company is a registered broker-dealer and futures commission merchant and, accordingly, is subject to the Net Capital rules of the SEC, the CFTC and the New York Stock Exchange ("NYSE"). Under these rules, the Company is required to maintain minimum Net Capital of not less than the greater of 2% of aggregate debit items arising from customer transactions, as defined, plus excess margin collateral on securities purchased under agreements to resell or 4% of funds required to be segregated for customers' regulated commodity accounts, as defined. The NYSE may require a member firm to reduce its business if net capital is less than 4% of such aggregate debit items and may prohibit a firm from expanding its business if net capital is less than 5% of such aggregate debit items. At November 30, 2000, the Company's Net Capital was $4,510,064, which exceeded the minimum requirement by $3,901,672 and included Net Capital of $368,667 and excess Net Capital of $368,417 of MS Securities Services Inc., a broker-dealer and a guaranteed subsidiary of MS&Co.

Advances to MSDW and its affiliates, repayment of subordinated liabilities, dividend payments and other equity withdrawals are subject to certain notification and other provisions of the Net Capital rules of the SEC.

During the fiscal year, the Company performed the computations for the assets in the proprietary accounts of its introducing brokers (commonly referred to as "PAIB") in accordance with the customer reserve computation set forth under SEC Rule 15c3-3 (the Customer Reserve Formula).

A copy of our November 30, 2000 consolidated statement of financial condition filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 is available for examination at the New York Office of the Securities and Exchange Commission or at our principal office at 1585 Broadway, New York, NY 10036.

Morgan Stanley Dean Witter & Co.
Principal Locations

New York
(Corporate Headquarters)
1585 Broadway
New York, New York 10036
Telephone: (212) 761-4000
Fax: (212) 761-0086

Amsterdam
Rembrandt Tower, 11th Floor
Amstelplein 1,1096 HA Amsterdam
The Netherlands
Telephone: (3120) 462-1300
Fax: (3120) 462-1310

Atlanta
Pinnacle Building
3455 Peachtree Road, Northeast
Atlanta, Georgia 30326
Telephone: (404) 949-4100
Fax: Varies by Division

Bangkok
9th Floor, Diethelm Tower A
93/1 Wireless Road
Bangkok, 10330 Thailand
Telephone: (66 2) 627-3330
Fax: (66 2) 627-3311

Beijing
Room 2706
China World Tower II
China World Trade Center
No. 1 Jian Guomen Wai Dajie
Beijing 100004
People's Republic of China
Telephone (86 10) 6505-8383
Fax: (86 10) 6505-8220

Boston
Two International Place, 23rd Floor
Boston, Massachusetts 02110
Telephone: (617) 856-8700
Fax: (617) 856-8019

Buenos Aires
Av. Alicia Moreau de Justo 740
2do. Piso, Oficina 6
1107 — Buenos Aires, Argentina
Telephone: (54 11) 4349-0700
Fax: (54 11) 4349-0707

Chicago
440 South La Salle Street
Chicago, Illinois 60605
Telephone: (312) 706-4000
Fax: (312) 706-4710

Van Kampen Investments
1 Parkview Plaza
Oakbrook Terrace, IL 60181
Telephone: (630) 684-6000
Fax: (630) 684-5997

Frankfurt
Junghofstrasse 13-15
60311 Frankfurt, Germany
Telephone: (49 69) 2166-0
Fax: (49 69) 2166-2099

Geneva
12 Place de la Fusterie
1211 Geneva, Switzerland
Telephone: (41 22) 319-8000
Fax: (41 22) 319-8090

Glasgow
Lanarkshire Operations Centre
3 Hunt Hill
Orchardton Woods
Cumbernauld, Glasgow G68 911
Scotland
Telephone: (44 1236) 797-800

Hong Kong
30/F, 3 Exchange Square Central
Central Hong Kong, SAR
Telephone: (852) 2848-5200
Fax: (852) 2845-1012

Houston
Chase Tower, 600 Travis, Suite 3700
Houston, Texas 77002-2993
Telephone: (713) 512-4400
Fax: Varies by Division

Johannesburg
1st Floor S.W. Wing
160 Jan Smuts Avenue
Rosebank, 2196
South Africa
Telephone: (27 11) 507-0800
Fax: (27 11) 507-0801

London
25 Cabot Square, Canary Wharf
London, E14 4QA England
Telephone: (4420) 7425-8000
Fax: (4420) 7425-8990

Los Angeles
1999 Avenue of the Stars, Suite 2400
Los Angeles, California 90067
Telephone: (310) 788-2000
Fax: (310) 788-2025

Luxembourg
6B, Route de Treves
L-2633 Senningerberg
Luxembourg
Telephone: (352) 3464-6000
Fax: (352) 3464-6363

Madrid
Fortuny 6, Planta 5
28010 Madrid, Spain
Telephone: (34) 91700-7200
Fax: (34) 91700-7299

Melbourne
Level 53
101 Collins Street
Melbourne, Victoria, 3000, Australia
Telephone: (6139) 256-8900
Fax: (6139) 256-8951

Menlo Park
3000 Sand Hill Road, Bldg. 4,
Suite 250
Menlo Park, CA 94025
Telephone: (650) 233-2500
Fax: (650) 233-2626

Mexico City
Andrés Bello No. 10, 8 Piso
Colonia Polanco
11560, Mexico, D.F.
Telephone: (525) 282-6700
Fax: (525) 282-9200

Milan
Palazzo Serbelloni
Corso Venezia, 16
20121 Milan, Italy
Telephone: (3902) 76331
Fax: (3902) 783-057

Montreal
Tour McGill
1501 McGill College Avenue
Suite 2310
Montreal, Quebec, Canada
H3A 3M8
Telephone: (514) 847-7400
Fax: (514) 847-7429

Moscow
Ducat Plaza II, 7 Gasheka Street,
Moscow 123056, Russia
Telephone: (7501) 785-2200
Fax: (7501) 785-2229

Mumbai
4/F, Forbes Building
Charanjit Rai Marg Fort
Mumbai 400 001, India
Telephone: (91 22) 209-6600
Fax: (91 22) 209-6601

Paris
25, rue Balzac
75406 Paris
Cedex 8
Paris, France
Telephone: (331) 5377-7000
Fax: (331) 5377-7099

Philadelphia
Miller Anderson & Sherrerd, LLP
1 Tower Bridge
West Conshohocken, PA 19428-2899
Telephone: (610) 940-5000
Fax: (610) 940-5189

San Francisco
555 California Street, Suite 2200
San Francisco, California 94104
Telephone: (415) 576-2000
Fax: Varies by Division

Miller Anderson & Sherrerd, LLP
580 California Street, Suite 2050
San Francisco, California 94104
Telephone: (415) 397-6565
Fax: (415) 397-6405

São Paolo
Edifico CBS
Av. Pres. Juscelino Kubitschek,
50-8 Andar
04543-000 São Paolo-SP
Brazil
Telephone: (5511) 3048-6000
Fax: (5511) 3048-6099

Seoul
19-F, Kwanghwamoon Building
211-1, Sejongro, Chongro-Ku
Seoul, 110-730. Korea
Telephone: (822) 399-4819
Fax: (822) 399-4873

Shanghai
Suite 700B, 7/F, West Wing
Shanghai Center
1376 Nan Jing Xi Lu
Shanghai 200040,
People's Republic of China
Telephone: (8621) 6279-7150
Fax: (8621) 6279-7157

Singapore
23 Church Street
#16-01 Capital Square
Singapore, 049481
Telephone: (65) 834-6888
Fax: (65) 834-6806

Stockholm
Hovslagargatan 5A
111 48 Stockholm, Sweden
Telephone: (46 8) 678-9600
Fax: (46 8) 678-9601

Sydney
Level 38, The Chifley Tower,
2 Chifley Square
Sydney, NSW 2000, Australia
Telephone: (612) 9770-1111
Fax: (612) 9770-1121

Taipei
22nd Floor, Taipei Metro
207 Tun Hwa South Road, Sec. 2
Taipei 106, Taiwan
Telephone: (88 62) 2730-2800
Fax: (88 62) 2730-2810

Tokyo
Yebisu Garden Place Tower
20-3, Ebisu 4-Chome
Shibuya-Ku, Tokyo 150-6008,
Japan
Telephone: (813) 5424-5000
Fax: (813) 5424-5099

Toronto
BCE Place, 181 Bay Street
Suite 3700
Toronto, Ontario
Canada M5J 2T3
Telephone: (416) 943-8400
Fax: (416) 943-8444

Zurich
Bahnhofstrasse 92
CH-8023 Zurich, Switzerland
Telephone: (411) 220-9111
Fax: (411) 220-9800