

**STATISTICAL ANALYSIS OF CASE FILED AGAINST
MORGAN STANLEY INC.
JANUARY 31, 2009**

INTRODUCTION

Security Class Action Cases create trading opportunities. This report will give you an edge on trading Morgan Stanley shares and options. We estimate the cost of the case for Morgan Stanley and the effect on the company's shares and options through 2011.

This report is a statistical analysis of the Security Class Action Case filed against MORGAN STANLEY. (ticker symbol is MS). The case was filed on February 12th, 2008 in Federal Court.

This case is filed under section 10B5 of the Securities Act. MORGAN STANLEY's management is alleged to have failed in properly disclosing exposure to the declining value of subprime mortgage related derivatives. Details of the case may be found on Stanford's website (http://securities.stanford.edu/1039/MS_01/).

Please print this report and have the tables that appear after the table of contents (TABLES I through VI) separated from the rest of the analysis. Throughout the report there are references to these tables and having them in order and to the side makes it easier to follow the analysis.

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**TABLE I
BEST ESTIMATE**

PERCENTILE	COST OF CASE FOR MORGAN STANLEY	SETTLEMENT FOR MORGAN STANLEY	PLAINTIFF LEGAL EXPENSES	DEFENSE LEGAL EXPENSES	TIME TO RESOLVE CASE IN MONTHS
(1)	(2)	(3)	(4)	(5)	(6)
45%	\$290,624,749	\$177,664,081	\$77,234,961	\$77,234,961	32.26
50%	\$345,963,819	\$196,465,264	\$97,678,212	\$97,678,212	34.08
55%	\$454,700,749	\$230,737,561	\$126,778,250	\$126,778,250	37.46
60%	\$577,529,590	\$348,190,044	\$161,168,798	\$161,168,798	40.64
65%	\$813,471,672	\$448,723,600	\$227,314,446	\$227,314,446	44.03
70%	\$1,073,738,105	\$808,726,272	\$279,537,101	\$279,537,101	48.17
75%	\$1,253,116,448	\$953,401,854	\$336,667,112	\$336,667,112	52.55

NOTES:

- (1)** Percentile is the probability that the values shown in columns (2) through (5) are less than or equal to the values shown.
- (2)** Total cost of the case before any insurance coverage
- (3)** Settlement Paid to Plaintiffs
- (4)** Legal expenses for plaintiffs
- (5)** Legal expenses for defendants; also included in column (2).
- (6)** No of months after case is filed for settling or dismissing.

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**TABLE II
ESTIMATE IF CASE IS SETTLED**

PERCENTILE	COST OF CASE FOR MORGAN STANLEY	SETTLEMENT FOR MORGAN STANLEY	PLAINTIFF LEGAL EXPENSES	DEFENSE LEGAL EXPENSES	TIME TO RESOLVE CASE IN MONTHS
(1)	(2)	(3)	(4)	(5)	(6)
45%	\$465,644,303	\$373,598,368	\$77,234,961	\$77,234,961	32.26
50%	\$584,399,843	\$442,160,856	\$97,678,212	\$97,678,212	34.08
55%	\$824,892,322	\$662,384,108	\$126,778,250	\$126,778,250	37.46
60%	\$1,071,102,913	\$833,127,025	\$161,168,798	\$161,168,798	40.64
65%	\$1,183,598,113	\$971,311,113	\$227,314,446	\$227,314,446	44.03
70%	\$1,394,497,079	\$1,095,354,662	\$279,537,101	\$279,537,101	48.17
75%	\$1,626,545,537	\$1,327,322,138	\$336,667,112	\$336,667,112	52.55

NOTES:

- (1) Percentile is the probability that the values shown in columns (2) through (5) are less than or equal to the values shown.
- (2) Total cost of the case before any insurance coverage
- (3) Settlement Paid to Plaintiffs
- (4) Legal expenses for plaintiffs
- (5) Legal expenses for defendants; also included in column (2).
- (6) No of months after case is filed for settling or dismissing.

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**TABLE III
ESTIMATE IF CASE IS DISMISSED**

PERCENTILE	COST OF CASE FOR MORGAN STANLEY	SETTLEMENT FOR MORGAN STANLEY	PLAINTIFF LEGAL EXPENSES	DEFENSE LEGAL EXPENSES	TIME TO RESOLVE CASE IN MONTHS
(1)	(2)	(3)	(4)	(5)	(6)
45%	\$38,192,405	\$0	\$38,192,405	\$38,192,405	18.36
50%	\$44,346,871	\$0	\$44,346,871	\$44,346,871	19.43
55%	\$48,755,293	\$0	\$48,755,293	\$48,755,293	20.76
60%	\$52,652,835	\$0	\$52,652,835	\$52,652,835	22.22
65%	\$56,030,207	\$0	\$56,030,207	\$56,030,207	22.83
70%	\$59,516,614	\$0	\$59,516,614	\$59,516,614	24.64
75%	\$62,728,887	\$0	\$62,728,887	\$62,728,887	28.17

NOTES:

- (1) Percentile is the probability that the values shown in columns (2) through (5) are less than or equal to the values shown.
- (2) Total cost of the case before any insurance coverage
- (3) Settlement Paid to Plaintiffs
- (4) Legal expenses for plaintiffs
- (5) Legal expenses for defendants; also included in column (2).
- (6) No of months after case is filed for settling or dismissing.

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**TABLE IV
PROJECTED SHARE PRICE FOR MORGAN STANLEY**

FUTURE TRADING DATE	PERCENTILE											
	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%
3/1/2009	12.59	12.89	13.80	16.28	18.02	19.21	20.54	22.44	22.87	23.36	24.32	26.83
4/1/2009	12.58	14.00	16.30	16.81	17.87	19.74	22.21	22.70	25.00	27.28	31.15	32.42
5/1/2009	11.71	12.91	14.24	16.16	17.02	18.88	20.57	21.29	22.65	24.72	27.10	27.78
6/1/2009	13.43	14.45	15.37	18.25	19.95	20.97	22.45	23.77	25.36	26.47	28.60	32.57
7/1/2009	12.58	13.89	16.15	17.11	18.94	19.47	22.03	22.60	23.43	28.04	31.31	38.78
8/1/2009	11.68	12.97	14.02	15.92	17.78	19.13	20.19	21.77	24.75	25.76	28.37	31.26
9/1/2009	11.16	13.70	14.72	16.64	18.04	21.31	22.99	23.84	26.15	29.58	31.57	47.84
10/1/2009	11.95	13.25	15.80	16.86	19.40	20.14	20.97	23.57	26.01	27.24	30.16	41.53
11/1/2009	10.57	14.85	17.31	18.36	19.88	20.74	21.96	23.91	25.00	28.56	32.72	46.68
12/1/2009	8.27	11.40	14.15	15.34	16.95	18.05	20.11	21.60	22.44	23.74	27.95	32.06
1/1/2010	10.46	12.51	15.06	17.79	20.55	21.56	22.46	23.09	25.29	31.53	36.45	44.78
4/1/2010	9.25	11.05	14.55	16.45	17.99	20.15	23.12	26.33	29.57	33.58	39.55	50.63
7/30/2010	9.71	14.19	15.68	17.26	19.19	19.64	26.49	29.51	32.03	34.30	39.43	40.20
10/30/2010	11.07	14.05	16.43	20.09	21.57	24.47	27.83	33.81	36.58	38.47	42.55	50.30
2/1/2011	8.79	11.34	14.64	15.87	20.83	21.90	23.84	32.70	41.07	44.98	49.20	52.59
5/30/2011	8.39	10.43	12.05	13.93	17.14	18.71	22.69	30.40	39.54	43.58	48.83	51.07
8/30/2011	9.66	10.82	12.80	13.28	14.65	17.57	22.70	26.75	32.79	42.59	49.08	60.47
10/30/2011	6.03	8.01	11.22	12.33	13.82	15.77	19.01	24.35	28.42	41.69	52.35	64.46
12/1/2011	5.73	8.75	11.14	12.08	12.98	16.45	23.36	34.69	36.37	42.11	47.86	59.32
1/30/2012	4.88	7.78	9.33	10.83	12.31	15.21	16.05	23.30	43.23	47.62	57.53	62.52

Notes:

**THE PROJECTED SHARE PRICE IS BASED ON THE PERCENTAGE
MOVEMENT OF STOCK PRICES FOR SIMILAR CASES.**

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**TABLE V
PROJECTED VALUE OF CALL OPTIONS FOR MORGAN STANLEY EXPIRING ON MARCH 20,2009**

STRIKE PRICE OF OPTION	PERCENTILE											
	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%
15.00	0.00	0.00	0.00	1.43	3.01	4.23	5.45	7.25	7.85	8.37	9.52	11.96
16.00	0.00	0.00	0.00	0.43	2.01	3.23	4.45	6.25	6.85	7.37	8.52	10.96
17.00	0.00	0.00	0.00	0.00	1.01	2.23	3.45	5.25	5.85	6.37	7.52	9.96
18.00	0.00	0.00	0.00	0.00	0.01	1.23	2.45	4.25	4.85	5.37	6.52	8.96
19.00	0.00	0.00	0.00	0.00	0.00	0.23	1.45	3.25	3.85	4.37	5.52	7.96
20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.45	2.25	2.85	3.37	4.52	6.96
21.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.25	1.85	2.37	3.52	5.96
22.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.85	1.37	2.52	4.96
23.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.37	1.52	3.96
24.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	2.96
25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.96
26.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.96
27.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
28.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Notes:

THE PROJECTED PRICE IS BASED ON THE PERCENTAGE MOVEMENT OF STOCK PRICES FOR SIMILAR CASES.

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**TABLE VI
PROJECTED VALUE OF PUT OPTIONS FOR MORGAN STANLEY EXPIRING ON MARCH 20,2009**

STRIKE PRICE OF OPTION	PERCENTILE											
	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%
15.00	0.00	0.00	0.00	0.00	0.00	0.00	0.93	2.11	2.40	3.05	4.29	5.28
16.00	0.00	0.00	0.00	0.00	0.00	0.00	1.93	3.11	3.40	4.05	5.29	6.28
17.00	0.00	0.00	0.00	0.00	0.00	0.57	2.93	4.11	4.40	5.05	6.29	7.28
18.00	0.00	0.00	0.00	0.00	0.00	1.57	3.93	5.11	5.40	6.05	7.29	8.28
19.00	0.00	0.00	0.00	0.00	0.99	2.57	4.93	6.11	6.40	7.05	8.29	9.28
20.00	0.00	0.00	0.00	0.77	1.99	3.57	5.93	7.11	7.40	8.05	9.29	10.28
21.00	0.00	0.00	0.55	1.77	2.99	4.57	6.93	8.11	8.40	9.05	10.29	11.28
22.00	0.00	0.00	1.55	2.77	3.99	5.57	7.93	9.11	9.40	10.05	11.29	12.28
23.00	0.15	0.75	2.55	3.77	4.99	6.57	8.93	10.11	10.40	11.05	12.29	13.28
24.00	1.15	1.75	3.55	4.77	5.99	7.57	9.93	11.11	11.40	12.05	13.29	14.28
25.00	2.15	2.75	4.55	5.77	6.99	8.57	10.93	12.11	12.40	13.05	14.29	15.28
26.00	3.15	3.75	5.55	6.77	7.99	9.57	11.93	13.11	13.40	14.05	15.29	16.28
27.00	4.15	4.75	6.55	7.77	8.99	10.57	12.93	14.11	14.40	15.05	16.29	17.28
28.00	5.15	5.75	7.55	8.77	9.99	11.57	13.93	15.11	15.40	16.05	17.29	18.28
29.00	6.15	6.75	8.55	9.77	10.99	12.57	14.93	16.11	16.40	17.05	18.29	19.28
30.00	7.15	7.75	9.55	10.77	11.99	13.57	15.93	17.11	17.40	18.05	19.29	20.28

Notes:

THE PROJECTED PRICE IS BASED ON THE PERCENTAGE MOVEMENT OF STOCK PRICES FOR SIMILAR CASES.

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CONCLUSIONS

The purpose of this report is to provide a statistical analysis of the expenses associated with this case and the effect of the case on the share price of MORGAN STANLEY. Please refer to Table I, Table II, Table III and Table IV as the conclusions are discussed.

What is the Total Cost of the case to MORGAN STANLEY?

On Table I, Column (2) the statistical range of Total Cost (Settlement and Legal Expenses) that MORGAN STANLEY is expected to pay. \$345 million is the best estimate of the Total Cost that MORGAN STANLEY will pay in this case. \$345 million is the median Total Cost.

What are the Plaintiff's legal expenses for this case?

On Table I, Column (3) the statistical range of Plaintiff's Legal Expenses that MORGAN STANLEY is expected to pay. \$98 million is the best estimate of the Legal Expenses that MORGAN STANLEY will pay in this case. \$98 million is the median Legal Expenses.

What are the Defendant's legal expenses for this case?

On Table I, Column (4) the statistical range of Defendant's Legal Expenses that MORGAN STANLEY is expected to pay. \$98 million is the best estimate of the Legal Expenses that MORGAN STANLEY will pay in this case. \$98 million is the median Legal Expenses.

**What is the effect of the case on the stock price for MORGAN
STANLEY?**

On Table IV, the statistical range of share price for ticker symbol MORGAN STANLEY is shown. \$50 per share was the price of the stock when the case was filed on February 8, 2008. The current price is \$21 at the writing of this report. There is at most a 20% chance of the stock returning to the \$50 value between now and 2011. The share price should trade between \$16 and \$28 during 2009 and 2010.

What is the expected time to settle or dismiss the case?

On Table I, Column (6) the median time to resolve the case is 34 months or 2.8 years.

The conclusions are not a legal opinion or financial advice. The conclusions are based on a statistical analysis of 500 similar Security Class Action Claims.

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The following sections explain the methods and assumptions underlying these conclusions.

What is the Total Cost of the case to MORGAN STANLEY?

Definition of Total Cost

Please refer to Tables I,II and III while reading through this section. These tables summarize the results for the Total Cost of this case.

The Total Cost of the case to MORGAN STANLEY refers to the total costs required to defend and settle the case for MORGAN STANLEY. In each table, there is a column showing Total Cost. Table I is the best estimate of Total Cost. In Table I all possibilities of settlement and dismissal are used to estimate Total Cost. In Table II only the possibility of settlement is used to estimate Total Cost. In Table III only the possibility of dismissal is used to estimate Total Cost.

Definition of Percentile

The Percentile shown in Column 1 of Table I is the probability that the Total Cost shown in Column 2 is that value of Total Cost or less. For example, the Total Cost (shown in Column 2) at 50% (shown in Column 1) is \$345 million. This means that 50% of the time the Total Cost of this case should be \$345 million or less. Also, the Total Cost (shown in Column 2) at 75% (shown in Column 1) is \$1.2 billion. This means that 25% of the time the Total Cost of this case should be \$1.2 billion or more. The same definition of Percentile is used throughout this report.

Derivation of Results

A database of 1000 Security Class Action Cases similar to this case was used to derive the estimates in this report. The Total Costs as a percentage of the maximum damages possible was used to create a statistical distribution that this case should follow. The statistical distribution was used to simulate the Total Costs for this case. A more detailed explanation of how the results were derived is provided in the Methodology section of this report.

Scenarios

The three scenarios shown in Tables I, II, and III are:

1. Total Cost – case is either dismissed or settled.

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2. Total Cost – case is settled.
3. Total Cost – case is dismissed.

The values shown in Columns (2) through (6) are the results of the simulation for each scenario.

Conclusions

The conclusions at the beginning of this report are from scenario 1. At the writing of this report it is unknown if the case will be settled or dismissed. \$345 million was the best estimate because it is the median or middle estimate. 70% of the time, it would be expected that the Total Cost would be below \$1.1 billion. 25% of the time, it would be expected that the damages would exceed \$1.3 billion.

A huge settlement is possible in this case because the damages done to the company are large based on the change in market capitalization during the period mentioned in documents filed for this case.

If the reader is certain that the case will not be dismissed then scenario 2 is where the reader should focus his attention. The values for Total Cost shown in Table II are greater than the other tables because there is no possibility of dismissal at this point.

If the reader is certain that the case will be dismissed then scenario 2 is where the reader should focus his attention. The values for Total Cost shown in Table II are less than the other tables because there is no possibility of settlement at this point.

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What are the Plaintiff's Legal Expenses for the case?

Definition of Legal Expense

Please refer to Tables I, II and III while reading through this section. These tables summarize the results for the Legal Expense of this case.

The Legal Expense for the case refers to the total costs required to pay the lawyers to handle the case for the plaintiffs. In each Table Column (4) shows the estimate of Plaintiff's Legal Expense. All three scenarios for this case are captured in the analysis.

Definition of Percentile

The Percentile shown in Column 1 of Table I is the probability that the Legal Expense shown in Column 4 is that value of Legal Expense or less. For example, the Legal Expense (shown in Column 2) at 50% (shown in Column 1) is \$98 million. This means that 50% of the time the Legal Expense of this case should be \$98 million or less. Also, the Legal Expense (shown in Column 2) at 70% (shown in Column 1) is \$280 million. This means that 70% of the time the Legal Expense of this case should be \$280 million or less. The same definition of Percentile is used throughout this report.

Derivation of Results

A database of 1000 Security Class Action Cases similar to this case was used to derive the estimates in this report. The Legal Expense as a percentage of Settlement was used to create a statistical distribution that this case should follow. The statistical distribution was used to simulate the Legal Expense for this case. A more detailed explanation of how the results were derived is provided in the Methodology section of this report.

Scenarios

The three scenarios shown in Table III (Columns (2) through (4)) are:

1. Legal Expense – case is either dismissed or settled.
2. Legal Expense – case is settled.
3. Legal Expense – case is dismissed.

The values shown in Columns (2) through (6) are the results of the simulation for each scenario.

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Conclusions

The conclusions at the beginning of this report are from scenario 1. At the writing of this report it is unknown if the case will be settled or dismissed. \$98 million was the best estimate because it is the median or middle estimate. 70% of the time, it would be expected that the Legal Expense would be below \$280 million. 25% of the time, it would be expected that the expenses would exceed \$337 million.

If the reader is certain that the case will not be dismissed then scenario 2 is where the reader should focus his attention. The values shown in Column (4) are greater than Columns (2) and (3) because there is no possibility of dismissal at this point.

If the reader is certain that the case will be settled then scenario 2 is where the reader should focus his attention. The values for Legal Expense shown in Table II are greater than Table III because there is no possibility of dismissal at this point.

If the reader is certain that the case will be dismissed then scenario 3 is where the reader should focus his attention. The values for Legal Expense shown in Table III are less than Table I or II because there is no possibility of settlement at this point.

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What are the Defendant's Legal Expenses for the case?

Definition of Legal Expense

Please refer to Table IV while reading through this section. Table IV summarizes the results for the Legal Expenses of this case.

The Legal Expense for the case refers to the total costs required to pay the lawyers to handle the case for the defendants. In Table IV, there are three columns showing Legal Expense, Legal Expense if case is dismissed and Legal Expense if Case is settled. All three scenarios for this case are captured in the analysis.

This section of the report is similar to the previous section discussing the plaintiff's legal expenses. **The assumption made in this report is that both sides of the case will spend the same amount on legal expenses.**

Definition of Percentile

The Percentile shown in Column 1 of Table IV is the probability that the Legal Expense shown in Column 2 is that value of Legal Expense or less. For example, the Legal Expense (shown in Column 2) at 50% (shown in Column 1) is \$98 million. This means that 50% of the time the Legal Expense of this case should be \$98 million or less. Also, the Legal Expense (shown in Column 2) at 70% (shown in Column 1) is \$280 million. This means that 30% of the time the Legal Expense of this case should be \$280 million or more. The same definition of Percentile is used throughout this report.

Derivation of Results

A database of 1000 Security Class Action Cases similar to this case was used to derive the estimates in this report. The Legal Expense as a percentage of Settlement was used to create a statistical distribution that this case should follow. The statistical distribution was used to simulate the Legal Expense for this case.

Scenarios

The three scenarios shown in Table IV (Columns (2) through (4)) are:

4. Legal Expense – case is either dismissed or settled.
5. Legal Expense – case is dismissed.
6. Legal Expense – case is settled.

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The values shown in Columns (2) through (4) are the results of the simulation for each scenario.

Conclusions

The conclusions at the beginning of this report are from scenario 1. At the writing of this report it is unknown if the case will be settled or dismissed. \$97 million was the best estimate because it is the median or middle estimate. 25% of the time, it would be expected that the damages would exceed \$336 million.

If the reader is certain that the case will not be dismissed then scenario 2 is where the reader should focus his attention. If the reader is certain that the case will be dismissed then scenario 2 is where the reader should focus his attention.

Table I, Column (6) shows the distribution of the time it takes to settle or dismiss the case. Defendants and their lawyers should consider using this distribution if they think the estimates for fees are too much or too little.

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What is the effect of the case on the stock price?

Definition of Stock

Please refer to Table IV while reading through this section. Table IV summarizes the results for the projected price of the stock at various future dates.

The ticker symbol MS and the shares associated with this ticker symbol is the stock price this report examines.

Derivation of Results

A database of 1000 Security Class Action Cases similar to this case was used to project the future share prices for the stock. For each case, the closing price of the stock was tracked after the case was filed. The price of the stock at future dates was compared to the closing price on the date the case was filed.

A simulation was performed assuming the stock price would take the same path as one of the cases in the database (the same percentage movements from the stock's closing price on the date the case was filed). Each case was given equal probability. The results of the simulation are shown in Table IV.

Explanation of Table IV

Table IV shows the projected stock prices and their associated probability. For example, at 01/01/10 the probability the stock price is at \$31 or less is 75%. Each entry is read the same way.

Conclusions

The share price should fluctuate between \$15 and \$40 for the next 2 years. It should be noted that none of the cases in our database involved companies which received a bailout or other assistance from the government.

The conclusions about stock price at the beginning of this report are based on this table and methodology.

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What is the expected time to settle or dismiss the case?

Please refer to Table I while reading through this section. Table I summarizes the results for the time it takes to settle or dismiss this case.

Definition of Percentile

The Percentile shown in Column 1 of Table I is the probability that the time to settle or dismiss the case shown in Column 6 is that value or less. For example, the time to settle or dismiss at 50% (shown in Column 1) is 34 months. This means that 50% of the time the case should be concluded within 34 months of the case being filed.

Derivation of Results

A database of 1000 Security Class Action Cases similar to this case was used to derive the estimates in this report. The time it took to settle or dismiss these cases was used to create a statistical distribution that this case should follow. The statistical distribution was used to simulate the time to settle or dismiss this case. A more detailed explanation of how the results were derived is provided in the Methodology section of this report.

Scenarios

The three scenarios shown in Table I, II and III are:

1. Case is either dismissed or settled.
2. Case is settled.
3. Case is dismissed.

The values shown in Columns (2) through (6) are the results of the simulation for each scenario.

Conclusions

The conclusions at the beginning of this report are from scenario 1. At the writing of this report it is unknown if the case will be settled or dismissed. 34 months was the best estimate because it is the median or middle estimate. 30% of the time, it would be expected that the time to settle would be below 12 months.

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What is the effect of the case on Morgan Stanley's stock options?

Please see Table V and Table VI for to see projected values of calls and puts at various strike prices. The expiration date is March 20, 2009.