

Morgan Stanley

For Immediate Release

Morgan Stanley to Acquire FrontPoint Partners

Purchase of Premier Multi-Strategy Hedge Fund Firm Adds Significant Scale, Investment Capabilities and Management Talent

Deal is Latest Step in Morgan Stanley's Long-Term Strategy of Growing Alternative Investment Business

NEW YORK, October 31, 2006 – Morgan Stanley (NYSE: MS) announced today that its Investment Management division (MSIM) has reached a definitive agreement to acquire FrontPoint Partners, a leading provider of absolute return investment strategies. FrontPoint has approximately \$5.5 billion in assets under management as of October 1, 2006, with 11 experienced teams pursuing 21 different investment strategies. The transaction is subject to certain consents and regulatory approvals and is expected to close in December 2006.

FrontPoint's investment teams, which employ strategies that seek to deliver risk-adjusted absolute returns uncorrelated to broad market indices, will continue managing their respective funds once this acquisition is complete. The FrontPoint management and investment teams will also invest a significant portion of the proceeds from this deal in the FrontPoint funds. In addition, key members of the firm's management team will assume leadership roles within Morgan Stanley and its asset management business, including:

- Gil Caffray, Managing Partner, will become Vice Chairman of MSIM and remain Portfolio Manager of the FrontPoint Multistrategy Fund;
- Mike Kelly, Partner and Head of Manager Selection, will become the Head and Chief Investment Officer of MSIM's Absolute Return Strategies group;
- Arthur Lev, Partner and General Counsel, will become General Counsel of MSIM;
- Joanne Pace, Partner and COO, will become the Chief Operating Officer of MSIM, working closely with Owen Thomas, President and Chief Operating Officer of MSIM, to lead the division on a day-to-day basis; and
- Daniel Waters, Partner and Head of the Client Advisory Group, will become MSIM's Head of U.S. Institutional Distribution.

Philip Duff, Chairman, will become a consultant to Morgan Stanley working for John Mack on Firm strategy. Paul Ghaffari, Founding Partner, will establish his own independent investment firm.

“Over the past year, we have been actively building out our alternative asset capabilities, bringing in four experienced investment teams to our Absolute Return Strategies Group and launching 17

new alternative investment products,” said Mr. Thomas. “The addition of FrontPoint – with its outstanding track record, management and investment talent, substantial assets under management, and sizeable institutional client base – gives us the strong foundation we need to pursue our ambitious growth plans in alternative assets. Furthermore, this acquisition brings many highly regarded former Morgan Stanley professionals back to the Firm in management positions within MSIM.”

Gil Caffray, FrontPoint Managing Partner, said, “Morgan Stanley is committed to building a world-class alternative investment franchise and FrontPoint will be a cornerstone of that effort. Our investors will enjoy continued access to their current portfolio managers and we will significantly benefit from Morgan Stanley’s investment in our business, allowing us to expand our client-solutions capabilities by leveraging their powerful global platform.”

Stu Bohart, Head of Alternative Investments at MSIM, said, “The addition of FrontPoint to our asset management business will help us realize the significant growth opportunities we see in alternatives. FrontPoint’s deep investment expertise and distinct set of specialized strategies, multi-strategy offerings and portable alpha capabilities will provide our clients with a broader range of compelling alternative investment products. Further, the firm’s outstanding portfolio managers and experienced management team will help complement the strong talent we already have in place throughout the asset management and alternatives businesses.”

About FrontPoint

FrontPoint is an integrated investment management company offering a diverse group of alternative investment strategies on a central platform. Each strategy aims to deliver risk-adjusted absolute returns uncorrelated to broad market indices and is managed by a FrontPoint investment team that specializes on a focused sector or security class. FrontPoint integrates and supports its investment teams through a central infrastructure managed by experienced business professionals who provide trading, risk management operational support, client management and portfolio consulting. FrontPoint provides relationship-focused client service geared towards enabling its clients to make enhanced asset allocation and portfolio construction decisions.

About Morgan Stanley Investment Management

Morgan Stanley Investment Management, together with its investment advisory affiliates, has over 400 investment professionals around the world and \$448 billion in assets under management or supervision as of August 31, 2006. These entities offer investment management services to a diverse client base, which includes governments, institutions, corporations and individuals.

About Morgan Stanley

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, investment management, wealth management and credit services. The Firm's employees serve clients worldwide including corporations, governments, institutions and individuals from more than 600 offices in 30 countries. For further information about Morgan Stanley, please visit www.morganstanley.com.

Forward-Looking Statements

Statements about the expected effects, timing and completion of the proposed transaction and all other statements in this release, other than historical facts, constitute forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they are made and which reflect current estimates, projections and expectations. In making any such statements, Morgan Stanley believes that its expectations are based on reasonable assumptions. However, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected or anticipated. These forward-looking statements are subject to numerous risks and uncertainties.

There are various important factors that could cause actual results to differ materially from those in any such forward-looking statements, many of which are beyond the control of Morgan Stanley and FrontPoint, including without limitation: whether or not the conditions to the completion of the transaction are satisfied, the possibility that the transaction will not close due to a number of factors (including the failure to obtain investor consent and regulatory approvals), risks associated with business combinations, the impact of general economic conditions in regions in which either such company currently does business, industry conditions, capital expenditure requirements, legislative or regulatory requirements, changes in the tax laws and access to capital markets. The actual results or performance by Morgan Stanley and/or FrontPoint could differ materially from those expressed in, or implied by, these forward-looking statements. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of Morgan Stanley or FrontPoint. For a discussion of additional risks and uncertainties that may affect the future results of Morgan Stanley's Investment Management business segment, please see "Forward-Looking Statements" immediately preceding Part I, Item 1, "Competition" and "Regulation" in Part I, Item 1, "Risk Factors" in Part I, Item 1A and "Certain Factors Affecting Results of Operations" in Part II, Item 7 of Morgan Stanley's Annual Report on Form 10-K for the fiscal year ended November 30, 2005, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Morgan Stanley's 2006 Quarterly Reports on Form 10-Q and in other items throughout the Form 10-K, Forms 10-Q and the Morgan Stanley's 2006 Current Reports on Form 8-K.

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