Plaintiff, by his attorneys, for his Class Action Complaint, alleges the following upon personal knowledge as to himself and his own acts, and upon information and belief based upon the investigation of plaintiff's attorneys as to all other matters. The investigation includes the thorough review and analysis of public statements, publicly-filed documents of defendants, press releases and news articles. Plaintiff believes that further substantial evidentiary support will exist for the allegations set forth below after a reasonable opportunity for discovery.

**SUMMARY OF ACTION**

1. This is a securities class action on behalf of public investors who purchased the common stock of Morgan Stanley & Co., Inc. ("Morgan Stanley") during the period from July 1, 1999 through May 6, 2002 (the "Class Period"). Plaintiff complains of a fraudulent scheme and deceptive course of business that injured purchasers of Morgan Stanley & Co., Inc. stock during the Class Period.

2. During the Class Period, defendant Morgan Stanley & Co., Inc. publicly touted its
securities analysts as an objective and unbiased source of stock research. This deceitful illusion began to unravel in the spring of 2001 when the New York State Attorney General, Elliot Spitzer's (the Attorney General) investigation turned up thousands of incriminating documents and emails revealing widespread abuses involving analyst research at another investment banking firm, Merrill Lynch. The release of these documents fueled the worries of investors in each of the big Wall Street investment firms. These fears increased on April 10, 2001 when the Attorney General announced he would include Morgan Stanley & Co., Inc. in his investigation of conflicts of interests among Wall Street securities analysts. Two weeks later, investor confidence was further shaken when the Justice Department, SEC and a special task force created by the North American Securities Administration Association all announced they would conduct probes to examine fraud committed by investment firm securities analysts.

3. The rumors of wrongdoing in Morgan Stanley's securities research department that had been circulating since the Merrill Lynch probe have been confirmed by documentary evidence gathered during a year long investigation by the Attorney General. Exhibits attached to the Attorney General's findings (AG Ex. 1-43) include: pitchbooks that unabashedly market their research analyst's ability to praise the stock of investment banking clients, analyst self-evaluations that detail their involvement in investment banking deals, evaluations of analysts by investment bankers, emails in which analysts were told to alter their research, as well as other internal memos of an incriminating nature.

4. These regulatory investigations established that Morgan Stanley's own corporate policies subjected analysts to inappropriate influence from the firm's investment banking division during the period beginning July 1999 until at least June 2001. Findings by the New York State Attorney General and the SEC conclude that it was Morgan Stanley's practice to use
analyst's research as a marketing tool to drum up investment banking (IB) business. According to a complaint filed by the SEC, Morgan Stanley was compensating analysts based upon their contributions to IB, while security analysts were performing IB functions. Due to these and other corporate practices, the Chinese wall separating investment banking from securities research had been breached, making it virtually impossible for analysts to deliver the honest and objective research reports Morgan Stanley had promised its customers.

5. The investigations launched against Morgan Stanley resulted in numerous charges by government agencies alleging violations of NASD and NYSE rules of conduct. On April 28, 2003, Morgan Stanley settled the claims brought against it by the SEC, NASD, NYSE, the New York Attorney General and other state regulators by paying $125 million in penalties and restitution to investors. As part of the settlement agreement, Morgan Stanley is prohibited from basing analysts' compensation on investment banking revenues, from using analysts to solicit IB business and is required to disclose any investment banking relationship it may have with the issuers its research reports cover. The misconduct uncovered by these government investigations spawned numerous class action suits by investors who had lost millions of dollars after buying stocks the Defendant's analysts had recommended.

6. Not surprisingly, the revelations of blatant misrepresentations by Morgan Stanley and its analysts caused a dramatic decline in the price of Morgan Stanley stock. As news of the conflicts of interest emerged, the price of Morgan Stanley stock declined precipitously, falling from $54.51 on April 10, 2002 to below $51.64 on April 11, 2002, after the New York Attorney General first announced his investigation of the firm. By May 6, 2002 the price had fallen to $45.05 on news of a possible bond rating downgrade in response to the expanding scope of the investigations involving Morgan Stanley.
JURISDICTION AND VENUE

7. This Court has jurisdiction over this action pursuant to Section 27 of the Securities Exchange Act of 1934 (the "1934 Act"), 15 U.S.C. §78aa, as well as pursuant to 28 U.S.C. §§ 1331 and 1337. The claims asserted herein arise under Section 10(b) of the 1934 Act, 15 U.S.C. §§ 78j(b), and Rule 10b-5, 17 C.F.R. §240.10b-5, promulgated thereunder by the SEC.

8. Venue is proper in this District pursuant to Section 27 of the 1934 Act, 15 U.S.C. §78aa, and 28 U.S.C. §1391(b). At least one of the acts giving rise to the violations complained of herein, including the dissemination of false and misleading public statements, occurred in this District. In addition, on information and belief, many Morgan Stanley & Co. purchasers are residents of this District.

9. In connection with the wrongs alleged herein, the defendants used the instrumentalities of interstate commerce, including the United States mails, interstate wire and telephone facilities, and the facilities of the national securities markets.

THE PARTIES

10. Plaintiff Sandip Shah purchased shares of Morgan Stanley common stock during the Class Period as detailed in his certification filed herewith, and was damaged thereby.

11. Defendant Morgan Stanley, a Delaware company, through its wholly owned subsidiary Defendant Morgan Stanley & Co. Incorporated, both headquartered in New York, New York, provides investment banking services and securities brokerage services to corporate and private retail clients. The brokerage services include the dissemination to clients of the rating and recommendations issued by Morgan Stanley analysts with respect to the securities of publicly traded companies. Upon information and belief, Morgan Stanley.
12. Defendant Philip J. Purcell was Chairman and Chief Executive Officer of Morgan Stanley & Co., Inc. and Morgan Stanley during the Class Period.

13. Defendant Mary Meeker was a Morgan Stanley & Co., Inc. senior analyst and managing director between during the Class Period.

CLASS ACTION ALLEGATIONS

14. Plaintiff brings this action as a class action pursuant to Rules 23(a) and 23(b)(3) of the Federal Rules of Civil Procedure, individually and on behalf of all other persons or entities who purchased or acquired Morgan Stanley common stock during the Class Period and were damaged thereby, excluding the defendants herein, their affiliates and any officers or directors of the defendants or their affiliates, and any members of immediate families and their heirs, successors and assigns (the "Class").

15. The Class is so numerous that joinder of all the members of the Class is impracticable. Plaintiff believes there are thousands, if not tens of thousands, of record holders of the Company's common stock located throughout the United States.

16. Plaintiff's claims are typical of the claims of absent Class members. Members of the Class have sustained damages arising out of defendant's wrongful conduct in violation of the federal securities laws in the same way as the damages sustained by plaintiff from the unlawful conduct.

17. Plaintiff will fairly and adequately protect the interests of the Class. He has retained counsel competent and experienced in class and securities litigation.

18. A class action is superior to other available methods for the fair and efficient adjudication of the controversy. The Class is numerous and geographically dispersed. It would be impracticable for each member of the Class to bring a separate action. The individual
damages of any member of the Class may be relatively small when measured against the potential costs of bringing this action, and thus make the expense and burden of this litigation unjustifiable for individual actions. In this class action, the Court can determine the rights of all members of the Class with judicial economy. Plaintiff does not anticipate any difficulty in the management of this suit as a class action.

19. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class. These questions include, but are not limited to, the following:

1. whether defendants' conduct as alleged herein violated the federal securities laws;
2. whether the press releases and statements disseminated to the investing public during the Class Period misrepresented Morgan Stanley's business, including but not limited to the true nature of Morgan Stanley's research analyst's opinions;
3. whether defendants acted knowingly or recklessly in omitting and/or misrepresenting material facts;
4. whether the market price of Morgan Stanley common stock during the Class Period was artificially inflated; and
5. whether the members of the Class have been damaged, and if so, what is the proper measure of damages.

SUBSTANTIVE ALLEGATIONS

20. Morgan Stanley often touted the quality of its research analysts in communications. Mayree Clark, global head of equity research at Morgan Stanley has claimed “We have worked very hard to develop the consistency of our research product worldwide. Our two hallmarks are consistency of quality and the integration of the research product across different regions...” (Mayree Clark, global head of equity research at Morgan Stanley as quoted in an August 9, 1999 Financial Times article.)
21. To this day, Morgan Stanley’s website (www.ms.com) maintains a list of awards and polls that its securities analysts won during the Class Period. It points to these awards as evidence of the quality of their analyst’s research. In spite of a systemic failure to prevent conflicts of interest amongst its securities analysts, Morgan Stanley continually represented to the investing public during the Class Period that the ratings assigned to covered companies resulted from objective unbiased research:

“...Our two hallmarks are consistency of quality and the integration of the research product across different regions...” (Mayree Clark, global head of equity research at Morgan Stanley as quoted in an August 9, 1999 Financial Times article.)

22. These misrepresentations continued even in the face of the governmental investigation that would eventually reveal the extent to which securities analysis at Morgan Stanley was riddled with conflicts of interest:

“Our strategists don't vet or pre-clear their reports with bankers or brokers...or clients for that matter...the markets rightly insist that analysts and strategists be able to express independent, unfiltered, even provocative, opinions. And that is the way Morgan Stanley analysts and strategists write them.” (November 22, 2002 Press Release)

“Our research is thorough and objective” (October 9, 2001 Press Release, Mayree Clark)

23. The disclaimers that were included in Morgan Stanley research reports failed to give any indication of the great extent to which individual conflicts of interest were biasing analyst opinions. One such disclaimer contained in a number of research notes on Amazon.com, during the Class Period, read:

The information and opinions in this report were prepared by Morgan Stanley & Co. Incorporated (“Morgan Stanley Dean Witter”). Morgan Stanley Dean Witter does not undertake to advise you of the changes in its opinion or information. Morgan Stanley Dean Witter and others associated with it may make markets or specialize in, have
positions in and effect transactions in securities of companies mentioned and may also perform or seek to perform investment banking services for those companies.

Within the last three years, Morgan Stanley & Co. Incorporated, Dean Witter Reynolds Inc. and/or their affiliates managed or co-managed a public offering of the securities of Amazon.com.

Morgan Stanley & Co. Incorporated, Dean Witter Reynolds Inc. and/or their affiliates make a market in the securities of Amazon.com.

Morgan Stanley & Co. Incorporated, Dean Witter Reynolds, Inc. and/or their affiliates or their employees have or may have a long or short position or holding in the securities, options on securities or other related investments of issuers mentioned herein.

The investments discussed or recommended in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Where an investment is denominated in a currency other than the investor’s currency, changes in rates of exchange may have an adverse effect on the value price of, or income derived from the investment. Past performance is not necessarily a guide to future performance. Income from investment may fluctuate. The price or value of the investments to which this report relates, either directly or indirectly, may fall or rise against the interests of the investors.

24. The above disclaimer failed to notify investors that Morgan Stanley’s analysts may have been influenced by any of the conflicts of interest alleged below, that Morgan Stanley’s own corporate practices had created.

25. Unbeknownst to the Class, Morgan Stanley’s analysts did not furnish objective or independent ratings and reports. Instead, Morgan Stanley systematically created opportunities for analyst research to be influenced by investment banking concerns. As a result, ratings were frequently inflated and stocks were rarely disparaged even as they fell dramatically in value.

26. The Defendant’s wrongdoing, which investors had begun to anticipate from the beginning of the Merrill Lynch investigation, was confirmed when the SEC along with the New York State Attorney General and other regulators filed a complaint against Morgan Stanley on April 28, 2003, detailing the inappropriate commingling of investment banking and research.
activities at the firm. The plaintiff’s claims are based largely on the evidence uncovered by the government investigation and presented in the SEC’s complaint and the Attorney General’s findings. The plaintiff incorporates by reference into this complaint the entirety of the SEC’s complaint against Morgan Stanley as well as the Attorney General’s findings.

**The Findings of the New York Attorney General and the SEC Complaint**

27. Research analysts were often included as part of the Morgan Stanley “team” responsible for consummating investment banking transactions. They would draft portions of the pitchbooks used to solicit potential investment banking clients. These pitchbooks would list the names of individual analysts on the team and cited the honors and high rankings its analysts had been awarded by various polls and publications. (AG Ex. 1-8)

28. Morgan Stanley, when soliciting investment banking business, impliedly or explicitly offered to initiate coverage of a stock issuer if it was appointed lead underwriter for that issuer’s IPO. Such research coverage was included in the package of services for which Morgan Stanley was compensated by the issuer. The Defendant was awarded the IPO business of iBeam Broadcasting Corp., Transmeta Corp. and others; in each case having used pitchbooks that expressed its commitment to issue regular research reports on these companies at the end of the IPO’s quiet period. (Ag. Ex. 5 at 255981, Ex. 7 at 284727, ) In the case of AT&T Latin America, the pitchbook stated that Morgan Stanley was “committed to bolstering an IPO’s performance in the aftermarket through extensive equity research and active market making.” (emphasis added). (AG Ex. 9)

29. The SEC complaint and the Attorney General’s findings cite several other instances in which the Defendant’s pitchbooks imply that future coverage will be positive. The pitchbook used by Morgan Stanley in its courtship of Loudcloud Inc. referred to two senior
analysts as a, “dream team” who would, “articulate Loudcloud’s story to investors in a way that no other investment bank can match.” (AG Ex. 1 at pg. 4) The Convergys Corp. pitchbook mentioned four times that the company had been the #1 pick of a Morgan Stanley analyst for the two preceding years. (AG Ex. 2 at 044376, 378, 381 and 404). It went even further, claiming that the analyst would act as, “the voice of the issuing company,” who would work, “in tandem” with Convergys management to attract investors. (Id at 044382 and 404.)

30. This policy of using stock coverage as a means to attract investment banking business is further illustrated by Morgan Stanley’s annual evaluations of its analysts and bankers. A number of these employees of the Defendant praised their own ability to obtain banking fees through promising future coverage. The Attorney General’s findings cites one banker who wrote that simply by promising to begin coverage Morgan Stanley had won over $13.4 million in fees from Veritas Corp. (AG Ex. 17.)

31. Once Morgan Stanley consummated an investment banking transaction with client, its commitment to provide research coverage was consistently honored.

32. The SEC complaint chronicles several instances in which investment banking concerns influenced the decision to initiate or continue research coverage of particular companies. In May 2001, securities analysts were issued an order from the IB division directing them to refuse to cover Pilgrim’s Pride, a poultry company, unless they sent Morgan Stanley at least $3-5 million in banking business. (AG Ex. 20.) One senior analyst admitted in a 2000 self-evaluation that the analyst refused to cover Sabre Group until Morgan Stanley was, “mandated on a large investment banking transaction.” (AG Ex. at 0087533.) Coverage was finally initiated after Morgan Stanley was retained by Sabre in connection with its spinoff from AMR Corp. Research coverage of Concord/EFS, Inc. was withheld when the company dropped Morgan
Stanley as bookrunner for its 1999 secondary offering. In an attempt to be retained for another secondary offer by Concord, Morgan Stanley offered the issuer a draft research report (AG Ex. 22), which an analyst told Concord would contain a "strong buy" rating. When Concord did not retain Morgan Stanley, no such research report was issued. (AG Ex. 24.)

33. Research analysts at Morgan Stanley performed a number of banking-related activities in addition to those specified above. The analysts participated in road shows, soliciting sales of IPO and secondary offering securities to institutional investors. They identified potential merger and acquisition transactions for the IB department and also discussed business strategy directly with IB clients. One such analyst, defendant Mary Meeker, was described in a performance evaluation as a relationship manager with various investment banking clients. (AG Ex. 30 at MS0083109.)

34. Morgan Stanley recorded each analyst's contribution to the investment banking division. A "Revenue Share Analysis" was prepared annually, in which individual analysts were credited for their particular levels of involvement in each IB transaction. Analysts also had to rate their own contribution to the investment banking division on a five point scale for each transaction in which they participated. (AG Ex. 31.)

35. Senior analyst and defendant, Mary Meeker, in particular is alleged by the SEC's complaint as having been regarded as essentially, an investment banker. Meeker is quoted in a self-evaluation as stating, "Bottom line, my highest and best use is to help MSDW win the best Internet IPO mandates (and to ensure that we have the appropriate analysts and bankers to serve the companies well)…" (AG Ex. 33 at MS0083161, emphasis in original). The same evaluation lists numerous banking deals in which the Meeker claims to have played a large role. (Id at 162-3)
36. Morgan Stanley created a process by which investment bankers evaluated the performance of research analysts in regards to the IB transactions on which that analyst worked. Investment bankers were asked to assess the analyst’s performance in transactions in which they were involved. These assessments were then consolidated by the liaison between research and IB into a “Transaction Summary Worksheet.” (AG Ex. 34, 26 and 31.) Investment bankers were also asked to submit confidential written opinions of the analysts with whom they worked. (AG Ex. 30 and 32.)

37. The SEC complaint detailed Morgan Stanley’s system for determining each analyst’s compensation for the years 1999 and 2000. In addition to the managing directors input, an analyst’s compensation depended upon nine different factors. Investment banking revenues attributable to that analyst was the most heavily weighted factor, determining 33% of the analyst’s score. (AG Ex. 35 and 36.) The second most important factor, the analyst’s poll ranking from the Institutional Investor, accounted for only 19% of the score. (Id.) As a result of this scoring procedure, the most highly compensated analysts were not those rated the highest in stock-picking skill, but those who were responsible for the most IB revenue. (Id.)

38. Morgan Stanley had failed to adequately supervise its senior research analysts. There was no system in place that allowed for the review of senior analysts’ stock ratings. The Stock Selection Committee only reviewed the stock ratings of non-officer analysts. (AG Ex. 39 at MS0000155.) As a result, misleadingly positive ratings were perpetually reported for stocks whose value was dropping dramatically. During the period from 2000 to 2001, more than one dozen stocks covered by senior Morgan Stanley analysts had fallen by 74%. (AG Ex. 40.) Even though each stock took more than seven months to reach its nadir, the senior analysts during that time never downgraded the rating of the stock from “outperform.” (Id.)
39. The pressure and undue influence on the analysts from the investment banking division was so great that negative stock ratings were almost unheard of. Morgan Stanley’s official rating system throughout most of the Class Period included four categories: strong buy, outperform, neutral and underperform. (AG Ex. 42.) Each year from 1999 to 2001, Morgan Stanley analysts reviewed over 1000 stocks. During that period no more than six stocks were ever rated “underperform” in any given year. The number of stocks given negative ratings each year averaged less than .5% of stocks rated in that year. Despite Morgan Stanley’s representations to investors and the public, the de facto stock rating system included only three categories, the lowest being “neutral.”

**Morgan Stanley Violated NYSE and NASD Rules of Conduct**

40. The SEC charged in its complaint that Morgan Stanley’s actions, described above, constituted violations of the NYSE and NASD Rules discussed below.

41. NASD Conduct Rule 2110 requires that members observe the highest standards of commercial honor and just and equitable principles of trade.

42. NYSE Rule 401 requires that, “every member... shall at all times adhere to the principles of good business practice in the conduct of his or its business affairs.” Rule 476(a)(6) prohibits members from engaging in practices that constitute conduct inconsistent with just and equitable principles of trade.

43. During the Class Period, Morgan Stanley fostered the creation of inappropriate influence by the investment banking division over research analysts. Morgan Stanley did not adequately address the resulting conflicts of interest.

44. By failing to do so, Morgan Stanley violated NASD Conduct Rule 2110 and NYSE Rules 401 and 476(a)(6).
45. NASD Rule 3010(a) require members to, “establish and maintain a system to supervise the activities of each registered representative and associate person that is reasonably designed to achieve compliance with applicable securities laws and regulations...”

46. NYSE Rule 342 requires members to maintain, “supervisory control” over all business activities to ensure compliance with securities regulations, this includes setting up a “separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.”

47. Not only did Morgan Stanley fail to adequately maintain procedures to protect analysts from conflicts of interests, it actively encouraged the development of these conflicts through their evaluation and compensation procedures as well as other corporate practices. As alleged above in paragraph 38, Morgan Stanley did not review the work of senior analysts, the content of their reports, or their stock ratings.

48. By failing to adequately supervise its over its securities analysts, Morgan Stanley violated NASD Rule 3010(a) and NYSE Rule 342.

**Morgan Stanley's Practices Encouraged the Violation of the Ethical Code Governing the Investment Research Profession and Research Objectivity Standards**

49. The Association of Investment Management and Research (AIMR) is an international non-profit association of securities analysts and other investment specialists organized to maintain high levels of ethical conduct within their profession. The AIMR has adopted a Code of Ethics and Standard of Professional Conduct meant to promote integrity, competence, and dignity within the investment community worldwide. Standard IV of the Code governs the relationship between investment professionals and their clients. Section A.2.(a) of Standard IV, entitled, “Research Reports” states: “Members shall...Use reasonable judgment
regarding the inclusion or exclusion of relevant factors in research reports.”

50. Section A.3 requires that, “Members shall use reasonable care and judgment to achieve and maintain independence and objectivity in making recommendations or taking investment action.”

51. Morgan Stanley’s course of conduct during the Class Period acted to inhibit its securities analysts’ ability to comply with the AIMR’s Code of Ethics and Standard of Professional Conduct.

52. In response to the scandals unearthed by the Attorney General’s investigation of the big Wall Street investment firms, including Morgan Stanley, the AIMR has proposed a set of Research Objectivity Standards (ROS) which provides standards, implementation guidelines and recommended practices for investment firms to adopt to ensure the independence and integrity of their analyst’s research.

53. Although the Research Objectivity Standards are still in the process of being drafted by the AIMR, the proposed Standard already prescribes many of the alleged practices attributed to Morgan Stanley during the Class Period.

54. Section 3.0 of the proposed ROS states that at an investment firm, supervisory analyst or review committee, “must be appointed to review and approve all reports and recommendations.” As alleged in paragraph 38 Morgan Stanley had no process in place by which the research of senior analysts, such as Mary Meeker could be reviewed an individual or committee.

55. Section 4.0 of the proposed ROS reads as follows: “Firms that engage in, or collaborate on, investment banking activities must:

(a) Establish and implement effective policies and procedures that:
i. Segregate research analysts from the investment banking department; and
ii. Ensure that investment banking objectives or employees do not have the ability to influence or affect research or recommendations;

(j) Implement reporting structures and review procedures that ensure that research analysts do not report to, and are not supervised or controlled by, investment banking or another department of the firm that could compromise the independence of the analyst; …

56. As alleged in paragraph 36, Morgan Stanley’s review process allowed investment bankers to rate and review securities analysts, potentially breaching both Section 4.0(a) and (b).

57. Section 4.3 of the proposed ROS recommends that “firms prohibit research analysts from participating in marketing activities, including “roadshows,” for IPOs and secondary offerings. As alleged in paragraph 33, Morgan Stanley allowed securities analysts to participate in roadshows and other IPO marketing activities.

58. Section 5.0 of the proposed ROS requires that firms do not link analyst “compensation to investment banking or other corporate activities on which the analyst collaborated…” As alleged in paragraph 37, the amount of investment banking revenues that could be attributed to an analyst was the single largest factor involved in the determination of the analyst’s compensation at Morgan Stanley. At the very least, Section 5.2 requires that “Firms should disclose the extent to which research analyst compensation is dependent upon investment banking revenues.” Morgan Stanley did not include such a disclosure with their research reports.

59. Section 6.0 requires that firms must prohibit research analysts from:

(a) Sharing with, or communicating to, a subject company, prior to publication, any section of a research report that might communicate the research analyst’s proposed recommendation, rating, or price target; and
(b) Directly or indirectly promising a subject company or other corporate issuer a favorable report or a specific price target, or from threatening to change reports, recommendations or price targets.

60. As alleged in paragraph 28 and 29, Morgan Stanley actively marketed their securities analysts' ability to provide favorable research to potential IB clients. As alleged in paragraph 32, Morgan Stanley provided IB clients with tentative research reports and potential ratings, in direct contravention of Section 6.0's prohibitions.

61. Section 10.0 of the proposed ROS requires that, "Firms must provide full and fair disclosure of all conflicts of interest to which the firm or its covered employees are subject." As alleged in paragraphs 19-24, rather than disclosing analyst conflicts of interest, Morgan Stanley consistently touted the objectivity and independence of their research.

62. Although Morgan Stanley's violation of the proposed ROS is not necessary to the Plaintiff's cause of action, the ROS stands as an example of the sort honesty and integrity which investors should be able to expect from an established and prominent investment firm such as Morgan Stanley. Before the startling revelations produced by the Attorney General's investment banking probe, it was reasonable for the investing public to believe that such profound conflicts of interest would not be as pervasive at Morgan Stanley as they eventually turned out to be.

63. Indeed, the public was unaware of the extent to which conflicting interests were tainting the objectivity of Morgan Stanley securities analysts. As alleged in paragraphs 19-24, Morgan Stanley had continuously represented to the public that its research provided honest and valuable guidance. It would take a year-long governmental investigation of immense proportions, involving both federal and state agencies to fully reveal the degree of Morgan Stanley's malféasance.
The Fallout

64. Following the April 10, 2002 announcement of the Attorney General's impending investigation of wrongdoing at Morgan Stanley, investor confidence in Morgan Stanley analysts had been shattered. The negative investor reaction became more widespread with the announcement of Justice Department and SEC involvement on April 23 and April 25, 2002 respectively. The government probe grew more serious as the SEC issued a two week deadline to Morgan Stanley and other investment firms to produce documents relating to analyst conflicts of interest on May 2, 2002. In response, on May 6, 2002 the market threatened to reduce Morgan Stanley's bond rating. Stock prices fell correspondingly as each of these developments were publicized. Between April 9 and May 6, 2002, Morgan Stanley's stock price plummeted from $54.51 to $45.05 per share, a drop of over 18%.

65. The settlement of the government’s charges against Morgan Stanley on April 28, 2003 did not require them to admit to any allegations of wrongdoing. Yet the agreement did force Morgan Stanley to make structural reforms meant to prevent the kinds of undue influence on analyst opinions that Morgan Stanley’s past practices had previously fostered. Morgan Stanley has now agreed to refrain from most of the activities alleged in this complaint. Research analysts may no longer solicit IB business or attend road shows. No amount of an analyst's compensation can be based on investment banking revenue, nor may investment bankers evaluate securities analysts. The agreement also requires Morgan Stanley to disclose on the first page of each research reports its intention to solicit that issuer's investment banking business. The Defendant must also publicly disclose its reasons for dropping coverage of an issuer.

66. In addition to these reforms, Morgan Stanley was required to pay $125 million in fines and investor restitution, as well as the cost of an Independent Monitor appointed to provide
assurance that Morgan Stanley is fulfilling its duty to reform under the agreement.

DEFENDANTS’ MISREPRESENTATIONS PROXIMATELY CAUSED PLAINTIFF’S DAMAGES THROUGH A FRAUD ON THE MARKET

67. Morgan Stanley’s stock is listed and trades on the New York Stock Exchange, the largest stock exchange in the United States. At all relevant times, the market for Morgan Stanley’s securities was an efficient market that promptly digested current information with respect to the Company from all publicly-available sources and reflected such information in Morgan Stanley’s stock price.

68. Morgan Stanley’s stock was actively traded throughout the Class Period, with millions of shares trading on the average day.

69. Throughout the Class Period, Morgan Stanley filed periodic reports with the SEC, and filed registration statements on form S-3.

COUNT I

BREACH OF FIDUCIARY DUTY AGAINST ALL DEFENDANTS

70. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

71. Defendants owed a fiduciary duty to the Class, as purchasers and owners of Morgan Stanley stock.

72. Defendants, by means of their making the foregoing false and misleading statements, breached their fiduciary duty to the Class.
COUNT II

VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT
AND RULE 10b-5 PROMULGATED THEREUNDER

73. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

74. At all relevant times, defendants, directly and indirectly, by the use and means of instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct whereby they recklessly made public representations and/or omitted material information regarding Morgan Stanley’s research analysts. This continuous course of conduct resulted in the defendants publishing public statements which were knowingly or materially false and misleading, and did artificially inflate the market price of Morgan Stanley’s stock. This conduct operated as a fraud and deceit upon the market as a whole and upon Plaintiff and the members of the Class.

75. As a senior analyst and a Managing Director in the internet research department defendant Mary Meeker was liable as a direct participant in the wrongs complained of herein.

76. In ignorance of the adverse facts concerning Morgan Stanley’s analyst operations, and in reliance on the integrity of the market, Plaintiff and members of the Class acquired Morgan Stanley common stock at artificially inflated prices and were damaged thereby.

77. Had Plaintiff and the Class known of the materially adverse information not disclosed by defendants, they would not have purchased Morgan Stanley common stock at all or not at the inflated prices paid.

78. By virtue of the foregoing, defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder.
COUNT III

VIOLATION OF SECTION 20(a) OF THE 1934 ACTION
ON BEHALF OF THE ENTIRE CLASS AGAINST THE DEFENDANT

79. Plaintiff repeats and realleges each and every allegation contained in the above paragraphs, as if fully set forth herein. This claim is asserted against defendant Philip J. Purcell.

80. Defendant Philip Purcell acted as a controlling person of Morgan Stanley within the meaning of Section 20(a) of the 1934 Act, as alleged herein. By virtue of his executive position, he had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which plaintiff contends are false and misleading. Defendant Philip Purcell was provided with or had unlimited access to copies of the Company’s internal reports, press releases, public filings, and other statements alleged by plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

81. In particular, defendant Philip Purcell had direct involvement in the day-to-day operations of the Company and therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, especially by virtue of his senior position, and exercised the same. Certainly, he was aware of the conflicted manner in which Morgan Stanley compensated securities analysts.

82. As set forth above, defendant Philip Purcell violated Section 10(b) and Rule 10b-5 by his acts and omissions as alleged herein. By virtue of his position as controlling person of Morgan Stanley, defendant Philip Purcell is liable pursuant to Section 20(a) of the 1934 Act. As direct and proximate result of defendant Philip Purcell’s wrongful conduct, plaintiff and the
Class suffered damages.

JURY DEMAND

Plaintiff hereby demands trial by jury.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment:

a. Determining that the instant action is a proper class action maintainable under Rule 23 of the Federal Rules of Civil Procedure;

b. Awarding compensatory damages and/or rescission as appropriate against defendants, in favor of Sandip Shah and all members of the Class for damages sustained as a result of defendants' wrongdoing;

c. Awarding Plaintiff and the Class the costs and disbursements of this suit, including reasonable attorneys', accountants' and experts' fees; and

d. Awarding such other and further relief as the Court may deem just and proper.

Dated: July 18, 2003

DICKERSON, DICKERSON, CONSUL AND POCKER

By: Richard J. Pocker

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GLANCY & BINKOW LLP
SWORN CERTIFICATION OF PLAINTIFF SANDIP SHAH
MORGAN STANLEY & CO. INC. SECURITIES LITIGATION

1. SANDIP SHAH, certify that:

1. I have reviewed the Complaint and authorized its filing.

2. I did not purchase MORGAN STANLEY & CO. INC., the security that is the subject of this action, at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.

3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.

4. My transactions in MORGAN STANLEY & CO. INC., during the Class Period set forth in the Complaint are as follows:

   (See attached exhibit "A")

5. I have not served as a representative party on behalf of a class under this title during the last three years.

6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

   I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: 7/2/08

(Please Sign Your Name Above)
SANDIP SHAH