



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

May 31, 2006

Steven G. Kobre, Esq.
Kobre & Kim LLP
800 Third Avenue
New York, NY 10022

Re: Morgan Stanley & Co. Incorporated and Morgan Stanley DW Inc., Administrative Proceeding File No. 3-12310—Waiver Request under Regulation A and Rule 505 of Regulation D

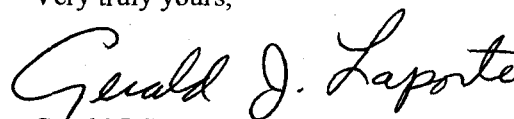
Dear Mr. Kobre:

This is in response to your letter dated today, written on behalf of Morgan Stanley & Co. Incorporated and Morgan Stanley DW Inc. (the "Morgan Stanley Broker-Dealers") and constituting an application for relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D under the Securities Act of 1933 ("Securities Act"). You requested relief for the Morgan Stanley Broker-Dealers from disqualifications from exemptions available under Regulation A and Rule 505 of Regulation D that arose by virtue of the entry of an order dated today against the Morgan Stanley Broker-Dealers and others as respondents by the Securities and Exchange Commission in the referenced administrative proceeding (the "Order"). The disqualifications arose because the Order was issued under Section 15(b) of the Securities Exchange Act of 1934 and contained paragraphs numbered IV.D and IV.E, which ordered the respondents, among other things, to provide written descriptions of their material auction practices and procedures for auction rate securities. The order also was issued under Section 8A of the Securities Act and also censured the Morgan Stanley Broker-Dealers, ordered them to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act, and ordered them to pay a civil money penalty in the amount of \$1,500,000.

For purposes of this letter, we have assumed as facts the representations set forth in your letter and the findings supporting entry of the Order. We have also assumed that the Morgan Stanley Broker-Dealers have complied and will continue to comply with the Order.

On the basis of your letter, I have determined that the Morgan Stanley Broker-Dealers have made a showing of good cause under Rule 262 and Rule 505(b)(2)(iii)(C) that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 of Regulation D by reason of entry of the Order against either of them. Accordingly, pursuant to delegated authority, the Morgan Stanley Broker-Dealers are granted relief from any disqualifications from exemptions otherwise available under Regulation A and Rule 505 of Regulation D that arose as a result of entry of the Order against them.

Very truly yours,


Gerald J. Laporte
Chief, Office of Small Business Policy

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May 31, 2006

BY FAX AND FEDERAL EXPRESS

Gerald J. Laporte, Esq.
Chief, Office of Small Business Policy
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.,
Washington, D.C. 20549-3628

Re: **In the Matter of Certain Auction Rate Securities Practices,
File No. HO-09954**

Dear Mr. Laporte:

We submit this letter on behalf of Morgan Stanley ("Morgan Stanley" or the "Firm")¹ in connection with a settlement arising out of the above-entitled investigation by the Securities and Exchange Commission (the "Commission"). The settlement resulted in the issuance of an order that is described below (the "Order") against Morgan Stanley & Co. Incorporated and Morgan Stanley DW Inc. (collectively, the "Morgan Stanley Broker-Dealers"), wholly owned subsidiaries of Morgan Stanley, and several other broker-dealers.

Morgan Stanley hereby respectfully requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D of the Commission promulgated under the Securities Act of 1933 (the "Securities Act"), a waiver of any disqualifications from private offering exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to Morgan Stanley as a result of the entry of the Order. Morgan Stanley also requests that these waivers be granted effective upon entry of the Order. It is our understanding that the Division of Enforcement does not object to the grant of the requested waivers by the Division of Corporation Finance.

BACKGROUND

The Morgan Stanley Broker-Dealers are part of a group of broker-dealer firms that have reached an agreement with the staff of the Division of Enforcement (the "Staff") on the terms of the Order. As a result of this agreement, each of the firms, including the Morgan Stanley Broker-Dealers, had submitted offers of settlement in which they neither admitted nor

¹ Morgan Stanley includes Morgan Stanley and all of its subsidiaries and collective affiliates.

denied the findings of the Order but consented to its entry in agreed form. The Order finds that each of the firms, including the Morgan Stanley Broker-Dealers, violated Section 17(a)(2) of the Securities Act by managing auctions for auction rate securities in ways that were not adequately disclosed or that did not conform to disclosed procedures. The Order directs that each firm, including the Morgan Stanley Broker-Dealers, (a) be censured, (b) cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act, (c) pay a civil money penalty,² and (d) comply with certain undertakings set forth in the Order.

DISCUSSION

Morgan Stanley understands that the entry of the Order could disqualify it from participating in certain offerings otherwise exempt under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as the Order may be deemed to cause Morgan Stanley to be subject to an order of the Commission entered pursuant to section 15(b), 15B(a), or 15B(c) of the Securities Exchange Act. The Commission has the authority to waive the Regulation A and Rule 505 of Regulation D exemption disqualifications upon a showing of good cause that such disqualifications are not necessary under the circumstances. *See* 17 C.F.R. §§ 230.262 and 230.505(b)(2)(iii)(C). Morgan Stanley requests that the Commission waive any disqualifying effects that the Order may have under Regulation A and Rule 505 of Regulation D with respect to Morgan Stanley on the following grounds:

1. The conduct alleged in the Order is unrelated to offerings under Regulation A or D. Rather, the alleged conduct relates primarily to the Morgan Stanley Broker-Dealers' management of auctions of auction rate securities in ways that were not adequately disclosed or that did not conform to disclosed procedures. Given that the conduct alleged in the Order is not related to securities offerings under Regulation A or D, disqualifying Morgan Stanley under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act would be unwarranted and would not serve the public interest.

2. Morgan Stanley has a strong record of compliance with securities laws. In addition, the Morgan Stanley Broker-Dealers voluntarily cooperated with the Division of Enforcement's above-captioned investigation and agreed to pursue a global settlement of this matter at the request of the Division of Enforcement. Furthermore, pursuant to the Order, the Morgan Stanley Broker-Dealers have agreed to provide written descriptions of their material auction practices and procedures to relevant customers, and to have their Chief Executive Officers or General Counsels certify in writing to the Commission's staff that the firms have provided such written descriptions to customers and have implemented policies and

² Some of the firms, including the Morgan Stanley Broker-Dealers, each agreed to pay a penalty of \$1.5 million (the Morgan Stanley Broker-Dealers agreed to pay a total penalty of \$1.5 million to satisfy the settlement for both Morgan Stanley & Co. Incorporated and Morgan Stanley DW Inc.). Other firms agreed to pay \$125,000 and one firm agreed to pay \$750,000.

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procedures that are reasonably designed to prevent and detect future conduct of the type alleged in the Order.

3. The disqualification of Morgan Stanley from the exemptions under Regulation A and Rule 505 of Regulation D would, we believe, have an adverse impact on third parties that have retained Morgan Stanley in connection with transactions that rely on these exemptions.

4. The disqualification of Morgan Stanley from the exemptions available under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe, given that the Staff has negotiated a settlement with the Morgan Stanley Broker-Dealers and reached a satisfactory conclusion to this matter that will require the Morgan Stanley Broker-Dealers to pay one million five hundred thousand dollars, collectively, in settlement of the matters addressed in the Order.

In light of the foregoing, we believe that disqualification is not necessary, in the public interest or for the protection of investors, and that Morgan Stanley has shown good cause that relief should be granted. Accordingly, we respectfully request the Commission, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D, to waive, effective upon entry of the Order or any related disqualifying order, judgment, or decree of a U.S. state or territorial court based on the same facts and addressing the same conduct as is addressed in the Order, the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent they may be applicable to Morgan Stanley as a result of the entry of the Order and any such order, judgment, or decree.³

³ We note in support of this request that the Commission has in other instances granted relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D for similar reasons. See, e.g., Credit Suisse First Boston Corporation, S.E.C. No-Action Letter (pub. avail. Oct. 31, 2003); Credit Suisse First Boston Corporation, S.E.C. No-Action Letter (pub. avail. Jan. 29, 2002); Dain Rauscher, Incorporated, S.E.C. No-Action Letter (pub. avail. Sept. 27, 2001); Legg Mason Wood Walker, Incorporated, S.E.C. No-Action Letter (pub. avail. Jun. 11, 2001); In the Matter of Certain Market-Making Activities, S.E.C. No-Action Letter (pub. avail. Jan. 11, 1999); Stephens Incorporated, S.E.C. No-Action Letter (pub. avail. Nov. 23, 1998).

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If you have any questions regarding this request, please contact the undersigned at
(212) 488-1202.

Sincerely,



Steven G. Kobre
212.488.1202

cc: Melissa E. Lamb, Esq.
James J. Mangan, Esq.