



DIVISION OF
CORPORATION FINANCE

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

May 12, 2006

Paul V. Gerlach, Esq.
Sidley Austin LLP
1501 K Street, N.W.
Washington, DC 20005

**Re: Morgan Stanley & Co. Incorporated – Waiver Request under
Regulation A and Rule 505 of Regulation D**

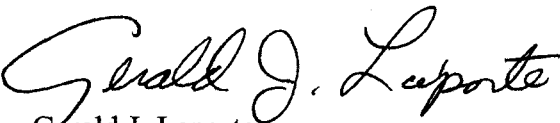
Dear Mr. Gerlach:

This is in response to your letter dated today, written on behalf of Morgan Stanley & Co. Incorporated (the "Firm") 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. You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 of Regulation D that arose by virtue of the entry of orders dated today included in the Final Judgment in *Securities and Exchange Commission v. Morgan Stanley & Co. Incorporated*, No. 06-0882 (D.D.C.), permanently restraining and enjoining the Firm from violating Section 17(b) of the Securities Exchange Act of 1934 and Rule 17a-4(j) under that Act, and ordering the Firm to pay a civil penalty of \$15 million, to adopt and implement certain policies and procedures, to provide certain training and to retain an independent consultant (the "Final Judgment").

For purposes of this letter, we have assumed as facts the representations set forth in your letter and the findings supporting entry of the Final Judgment. We have also assumed that the Firm will comply with the Final Judgment.

On the basis of your letter, I have determined that you 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 because of the entry of the Final Judgment. Accordingly, pursuant to delegated authority, the Firm is granted relief from disqualifications from exemptions otherwise available under Regulation A and Rule 505 of Regulation D that arose as a result of entry of the Final Judgment.

Very truly yours,


Gerald J. Laporte
Chief, Office of Small Business Policy



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FOUNDED 1866

May 12, 2006

By Hand

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, DC 20549-0310

Re: In the Matter of Certain Initial Public Offerings
and Secondary Offerings (File No. HO-01940)

Dear Mr. Laporte:

We submit this letter on behalf of our client, Morgan Stanley & Co. Incorporated ("Morgan Stanley"), and its affiliates, as a result of a settlement between the Securities and Exchange Commission ("Commission") and Morgan Stanley in the above referenced matter, relating to the production of certain documents sought by the Commission.

Morgan Stanley hereby 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 disqualification from exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to Morgan Stanley and any of its affiliates as a result of the entry of the Final Judgment (as defined below) and any related disqualifying order, judgment or decree of a state or territorial court addressing the same conduct as is addressed in the Final Judgment or the allegations in the Complaint (as defined below). Morgan Stanley further requests that these waivers be granted effective May 12, 2006, the date of entry of the Final Judgment.

BACKGROUND

The Staff engaged in settlement discussions with Morgan Stanley in connection with the investigation described above. As a result of these discussions, the Commission filed a complaint (the "Complaint") against Morgan Stanley in the United States District Court for the District of Columbia (the "District Court") in a civil action captioned *Securities and Exchange Commission v. Morgan Stanley & Co. Incorporated*. The Complaint alleged that Morgan Stanley failed to produce and failed promptly to produce e-mail messages sought by Commission subpoenas and other requests in prior investigations, in violation of Section 17(b) of the Exchange Act and Exchange Act Rule 17a-4(j). Morgan Stanley executed a Consent of

Defendant Morgan Stanley & Co. Incorporated (the "Consent") in which Morgan Stanley neither admitted nor denied the allegations in the Complaint, except as to jurisdiction, but consented to the entry of a final judgment by the District Court against Morgan Stanley (the "Final Judgment"). The Final Judgment was entered on May 12, 2006 and, among other things, permanently enjoined Morgan Stanley from violating Section 17(b) and Rule 17a-4(j), and required Morgan Stanley to pay a civil money penalty of \$15 million.

DISCUSSION

Morgan Stanley understands that the entry of the Final Judgment could disqualify it and its affiliated entities from participating in certain offerings otherwise exempt under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as the Final Judgment may be deemed to cause Morgan Stanley or its affiliates to be subject to any order, judgment, or decree of any court of competent jurisdiction temporarily or preliminarily restraining or enjoining Morgan Stanley from engaging in or continuing to engage in any conduct or practice in connection with the purchase or sale of a security or arising out of its conduct as an underwriter, broker, or dealer. 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 Final Judgment may have under Regulation A and Rule 505 of Regulation D with respect to Morgan Stanley or its affiliates on the following grounds:

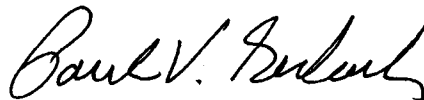
1. Morgan Stanley's conduct to be addressed in the Final Judgment and alleged in the Complaint does not relate to offerings under Regulation A or Regulation D.
2. Morgan Stanley has agreed to institute policies, procedures and training reasonably designed to prevent future violations of 17(b) of the Exchange Act and Exchange Act Rule 17a-4(j). Furthermore, Morgan Stanley has agreed to retain an independent consultant to audit the implementation and effectiveness of such policies, procedures and training and provide a report of its comments, conclusions and recommendations to the Commission.
3. The disqualification of Morgan Stanley and its affiliates from the exemptions under Regulation A and Regulation D would, we believe, have an adverse impact on third parties that have or may retain Morgan Stanley and its affiliates in connection with transactions that rely upon these exemptions.
4. The disqualification of Morgan Stanley and its affiliates from the exemptions available under Regulation A and Regulation D would be unduly and disproportionately severe, given: (i) the fact that the Final Judgment and the Complaint relate to activity that has already been addressed pursuant to the Final Judgment and the Complaint; and (ii) the fact that the Commission staff has negotiated a settlement with Morgan Stanley and reached a satisfactory conclusion to this matter that requires Morgan Stanley to pay \$15 million in settlement of the

matter addressed in the Final Judgment and the Complaint and to comply with the undertakings set forth in the Final Judgment and the Complaint.

In light of the grounds for relief discussed above, we believe that disqualification is not necessary or appropriate, in the public interest, or for the protection of investors, and that it is appropriate under the circumstances that relief should be granted. Accordingly, we respectfully urge the Commission, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(c) of Regulation D, to waive the exclusions contained in these sections to the extent they may be applicable to Morgan Stanley or any of its affiliates as a result of the entry of the Final Judgment, and any related disqualifying order, judgment or decree of a state or territorial court addressing the same conduct as is addressed in the Final Judgment and the allegations in the Complaint.

If you have any questions regarding this request, please contact me at 202-736-8582.

Sincerely,



Paul V. Gerlach