

STATE OF WASHINGTON  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
SECURITIES DIVISION

IN THE MATTER OF DETERMINING  
whether there has been a violation  
of the Securities Act of Washington by:

Order Number S-09-401-09-CO01

CONSENT ORDER

MORGAN STANLEY & CO.  
INCORPORATED (CRD #8209)

Respondent.

**INTRODUCTION**

WHEREAS, Morgan Stanley & Co. Incorporated ("Morgan Stanley") is a broker-dealer registered in the State of Washington; and

WHEREAS, coordinated investigations of the activities of Morgan Stanley in connection with the marketing and sale of auction rate securities ("ARS") have been conducted by a multistate task force composed of members of the North American Securities Administrators Association Inc. ("NASAA"); and

WHEREAS, Morgan Stanley has cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations; and

WHEREAS, Morgan Stanley has advised regulators of its agreement to resolve the investigations relating to its marketing and sale of ARS to retail investors; and

WHEREAS, Morgan Stanley agrees to, among other things, reimburse certain purchasers of auction rate securities, implement certain changes with respect to its marketing and sale of ARS, and make certain payments; and

CONSENT ORDER

1

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760

1 WHEREAS, Morgan Stanley elects to permanently waive any right to a hearing and  
2 appeal under RCW 21.20.440 and RCW 34.05 with respect to this Administrative Consent Order  
3 (the "Order");

4 WHEREAS, Morgan Stanley admits the jurisdiction of the Securities Division of the  
5 Washington State Department of Financial Institutions; neither admits nor denies the Findings of  
6 Fact and Conclusions of Law contained in this Order; and consents to the entry of this Order by  
7 the Securities Division of the Washington State Department of Financial Institutions;

8 NOW, THEREFORE, the Securities Administrator, as administrator of the Securities Act  
9 of Washington, RCW 21.20, hereby enters this order:

10 **I.**

11 **FINDINGS OF FACT**

12 **Unethical Practices in the Offer and Sale of Auction Rate Securities**

13 1. Auction rate securities are financial instruments that include auction preferred  
14 shares of closed-end funds, municipal auction rate bonds, and various asset-backed auction rate  
15 bonds (collectively referred to herein as "ARS"). ARS are long-term instruments where the  
16 interest/dividend is reset weekly or monthly.

17 2. Morgan Stanley participated in the marketing and sale of ARS.

18 3. In certain instances, Morgan Stanley, through its salespeople, advised certain  
19 clients that ARS were safe, liquid investments, when in fact auction rate securities had  
20 significant liquidity risks associated with them.

21 4. Representatives of Morgan Stanley represented to certain customers of Morgan  
22 Stanley that ARS were short-term investments. In fact, because ARS are bonds with long-term  
23

1 maturities, their short-term liquidity was dependent on the successful operation of a bidding  
2 process known as a Dutch auction. Certain representatives of Morgan Stanley failed to disclose  
3 to certain customers with short-term liquidity needs that they might be unable to sell their ARS if  
4 the auction process failed.

5 5. In connection with the sale of ARS, certain Morgan Stanley salespeople told  
6 certain investors that ARS were “just like cash” and “liquid with seven days notice.”

7 6. Morgan Stanley marketed ARS to investors within a brochure entitled "Money  
8 Market Instruments." Within this brochure, ARS are listed under the subsection "Other Short-  
9 Term Instruments."

10 7. Since it began participating in the auction rate securities market, Morgan Stanley  
11 submitted support bids—purchase orders for the entirety of an auction rate security issue for  
12 which it acted as the sole or lead broker. Support bids were Morgan Stanley proprietary orders  
13 that would be filled, in whole or in part, if there was otherwise insufficient demand in an auction.  
14 When Morgan Stanley purchased auction rate securities through support bids, auction rate  
15 securities were then owned by Morgan Stanley and the holdings were recorded on Morgan  
16 Stanley's balance sheet. For risk management purposes, Morgan Stanley imposed limits on the  
17 amount of auction rate securities it could hold in inventory.

18 8. Because many investors could not ascertain how much of an auction was filled  
19 through Morgan Stanley proprietary trades, they could not determine if auctions at Morgan  
20 Stanley were clearing because of normal marketplace demand, or because Morgan Stanley was  
21 making up for the lack of demand through support bids. Generally, investors were also not aware  
22 that the liquidity of the auction rate securities as to which Morgan Stanley was the managing  
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1 broker-dealer depended upon Morgan Stanley's continued use of support bids. While Morgan  
2 Stanley could track its own inventory as a measure of the supply and demand for its auction rate  
3 securities, ordinary investors had no comparable ability to assess the operation of Morgan  
4 Stanley's auctions. There was no way for such investors to monitor supply and demand in the  
5 market or to assess when broker-dealers might decide to stop supporting the market, thereby  
6 causing its collapse.

7 9. Starting in August 2007, the credit crisis and other deteriorating market conditions  
8 strained the auction rate securities market. Some institutional investors withdrew from the  
9 market, decreasing demand for auction rate securities.

10 10. The resulting market dislocation should have been evident to Morgan Stanley.  
11 Morgan Stanley's support bids filled the increasing gap in the demand in its auctions for auction  
12 rate securities, sustaining the impression that the demand for auction rate securities had not  
13 decreased. As a result, Morgan Stanley's auction rate securities inventory grew significantly,  
14 requiring Morgan Stanley to raise its risk management limits on its auction rate securities  
15 inventory.

16 11. From the Fall of 2007 through February of 2008, demand for auction rate  
17 securities continued to erode and Morgan Stanley's auction rate securities inventory reached  
18 unprecedented levels. Morgan Stanley eventually became aware of the increasing strains in the  
19 auction rate securities market, and recognized the potential for widespread market failure.  
20 Morgan Stanley never disclosed these increasing risks of owning or purchasing auction rate  
21 securities to its customers.

1 12. In February 2008, Morgan Stanley and other firms stopped supporting the  
2 auctions. Without the benefit of support bids, the auction rate securities market collapsed,  
3 leaving investors who had been led to believe that these securities were cash alternative  
4 investments appropriate for managing short-term cash needs, holding long-term or perpetual  
5 securities that could not be sold at par value until and if the auctions cleared again.

6 **Failure to Supervise**

7 13. Although ARS are complex products, Morgan Stanley did not provide its sales or  
8 marketing staff with the training necessary to adequately explain these products or the mechanics  
9 of the auction process to their customers.

10 14. Morgan Stanley did not adequately train all of its brokers and financial advisers  
11 regarding the potential illiquidity of ARS, including the fact that Morgan Stanley may stop  
12 supporting the market.

13 **II.**

14 **CONCLUSIONS OF LAW**

15 15. The Securities Division of the Washington State Department of Financial  
16 Institutions has jurisdiction over this matter pursuant to the Securities Act of Washington, RCW  
17 21.20 (the "Act").

18 16. The Securities Division of the Washington State Department of Financial  
19 Institutions finds that the above conduct subjects Morgan Stanley to sanctions under RCW  
20 21.20.110(1)(g) and RCW 21.20.110(1)(j).

21 17. The Securities Division of the Washington State Department of Financial  
22 Institutions finds the following relief appropriate and in the public interest.

1 **III.**

2 **ORDER**

3 On the basis of the Findings of Fact, Conclusions of Law, and Morgan Stanley's consent  
4 to the entry of this Order, for the sole purpose of settling this matter prior to a hearing and  
5 without admitting or denying the Findings of Fact or Conclusions of Law,

6 **IT IS HEREBY ORDERED:**

7 1. This Order concludes the investigation by the Securities Division of the  
8 Washington State Department of Financial Institutions and any other action that the Securities  
9 Division of the Washington State Department of Financial Institutions could commence under  
10 applicable Washington State law on behalf of the State of Washington as it relates to Morgan  
11 Stanley's marketing and sale of auction rate securities to Morgan Stanley's Retail ARS Investors,  
12 as defined below. Specifically excluded from and not covered by this paragraph are any claims  
13 by the Securities Division of the Washington State Department of Financial Institutions arising  
14 from or relating to the Order provisions contained herein.

15 2. This Order is entered into solely for the purpose of resolving the investigation into  
16 Morgan Stanley's marketing and sale of auction rate securities, and is not intended to be used for  
17 any other purpose.

18 3. This Order shall be binding upon Respondent Morgan Stanley and its successors  
19 and assigns as well as to successors and assigns of relevant affiliates with respect to all conduct  
20 subject to the provisions above and all future obligations, responsibilities, undertakings,  
21 commitments, limitations, restrictions, events, and conditions.

1 4. Morgan Stanley shall cease and desist from violating the Securities Act of  
2 Washington and shall comply with the Securities Act of Washington.

3 5. Morgan Stanley shall pay the aggregate sum of \$35 million dollars to  
4 participating jurisdictions.

5 6. Within ten (10) calendar days after the entry of this Order, Morgan Stanley shall  
6 pay the sum of \$591,018.50 to the State of Washington as a civil monetary penalty pursuant to  
7 RCW 21.20.110 and RCW 21.20.395, to be deposited in the Securities Prosecution Fund, RCW  
8 43.320.115, which amount constitutes the State of Washington's allocated share of the total  
9 settlement payment described in the preceding paragraph.

10 7. In the event another state securities regulator determines not to accept Morgan  
11 Stanley's settlement offer, the total amount of the payment to the State of Washington shall not  
12 be affected.

13 **Requirement to Repurchase ARS from Retail ARS Investors**

14 8. Morgan Stanley shall provide liquidity to Retail ARS Investors by buying-back, at  
15 par, in the manner described below, Eligible ARS that were not clearing as of September 30,  
16 2008.

17 9. "Eligible ARS," for the purposes of this Order, shall mean auction rate securities  
18 purchased at Morgan Stanley prior to February 13, 2008.

19 10. "Retail ARS Investors," for the purposes of this Order, shall mean:

20 i. Natural persons (including their IRA accounts, testamentary trust and  
21 estate accounts, custodian UGMA and UTMA accounts, and guardianship accounts) who  
22 purchased Eligible ARS at Morgan Stanley;

1           ii. Charities and nonprofits with Internal Revenue Code Section 501(c)(3)  
2 status that purchased Eligible ARS at Morgan Stanley; and

3           iii. Small Businesses that purchased Eligible ARS at Morgan Stanley. For  
4 purposes of this provision, "Small Businesses" shall mean Morgan Stanley customers not  
5 otherwise covered in paragraph 10(i) and (ii) above that had \$10 million or less in assets  
6 in their accounts with Morgan Stanley, net of margin loans, as determined by the  
7 customer's aggregate household position(s) at Morgan Stanley as of August 31, 2008, or,  
8 if the customer was not a customer of Morgan Stanley as of August 31, 2008, as of the  
9 date that the customer terminated its customer relationship with Morgan Stanley.  
10 Notwithstanding any other provision, "Small Businesses" does not include broker-dealers  
11 or banks acting as conduits for their customers.

12           11. Morgan Stanley shall offer to purchase, at par plus accrued and unpaid  
13 dividends/interest, from Retail ARS Investors their Eligible ARS that were not clearing as of  
14 September 30, 2008 ("Buyback Offer"), and explain to such Retail ARS Investors what they  
15 must do to accept, in whole or in part, the Buyback Offer. The Buyback Offer shall remain open  
16 until at least January 11, 2009 ("Offer Period"). Morgan Stanley may in its sole discretion  
17 extend the Offer Period beyond this date.

18           12. Morgan Stanley shall have undertaken its best efforts to identify and provide  
19 notice to Retail ARS Investors who invested in Eligible ARS that were not clearing as of  
20 September 30, 2008, of the relevant terms of this Order by October 20, 2008.

21           13. Retail ARS Investors may accept the Buyback Offer by notifying Morgan Stanley  
22 at any time before midnight, Eastern Time, January 11, 2009, or such later date and time as  
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1 Morgan Stanley may in its sole discretion decide to extend the Offer Period. For Retail ARS  
2 Investors who accept the Buyback Offer prior to December 11, 2008, Morgan Stanley shall have  
3 purchased their Eligible ARS by December 15, 2008. Morgan Stanley shall have purchased the  
4 Eligible ARS of all other Retail ARS Investors who accept the Buyback Offer within the Offer  
5 Period, on or before January 16, 2009.

6 14. If at any time between January 12, 2009, and December 31, 2009, a Retail ARS  
7 Investor who did not accept the Buyback Offer contacts Morgan Stanley and affirms that he or  
8 she did not receive notice of the Buyback Offer prior to January 11, 2009, Morgan Stanley will  
9 purchase the Eligible ARS of such investor.

10 15. No later than October 20, 2008, Morgan Stanley shall have established: a) a  
11 dedicated toll-free telephone assistance line, with appropriate staffing, to provide information  
12 and to respond to questions concerning the terms of this Order; and b) a public Internet page on  
13 its corporate Web site(s), with a prominent link to that page appearing on Morgan Stanley's  
14 relevant homepage(s), to provide information concerning the terms of this Order and, via  
15 reasonable means, to respond to questions concerning the terms of this Order. Morgan Stanley  
16 shall maintain the telephone assistance line and Internet page through December 31, 2009.

17 **Review of Customer Accounts**

18 16. For a period of two years from the date of this Order, upon request from any firm  
19 that is repurchasing auction rate securities, Morgan Stanley shall take reasonable steps to provide  
20 notice of that firm's offer to repurchase auction rate securities to Morgan Stanley customers that  
21 Morgan Stanley can reasonably identify, that hold such auction rate securities subject to the other  
22 firm's repurchase.

1 **Relief for Investors Who Sold Below Par**

2 17. No later than December 11, 2008, Morgan Stanley shall pay any Retail ARS  
3 Investor that Morgan Stanley can reasonably identify who sold Eligible ARS below par between  
4 February 13, 2008, and August 13, 2008, the difference between par and the price at which the  
5 Retail ARS investor sold the Eligible ARS.

6 **Claims for Consequential Damages**

7 18. Notwithstanding this Order, an investor may pursue any claims related to the sale  
8 of auction rate securities via any method normally available to the investor. However, if the  
9 investor is pursuing claims related exclusively to consequential damages, Morgan Stanley shall  
10 provide the investor with the option to proceed in arbitration according to the following  
11 provisions:

12 a. The arbitrations will be conducted by a single public arbitrator in  
13 accordance with FINRA's special arbitration procedures for claims of consequential  
14 damages filed by Retail ARS Investors;

15 b. Morgan Stanley shall pay all applicable FINRA forum and FINRA filing  
16 fees;

17 c. Any Morgan Stanley Retail ARS Investors who choose to pursue such  
18 claims shall bear the burden of proving that they suffered consequential damages and that  
19 such damages were caused by the investors' inability to access funds consisting of  
20 Eligible ARS holdings purchased at Morgan Stanley; and

21 d. Morgan Stanley shall be able to defend itself against such claims;  
22 provided, however, that Morgan Stanley shall not contest liability related to the sale of  
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1 auction rate securities, and provided further that Morgan Stanley shall not be able to use  
2 as part of its defense a Morgan Stanley Retail ARS Investor's decision not to borrow  
3 money from Morgan Stanley.

4 19. Retail ARS Investors who elect to use the special arbitration process provided for  
5 herein shall not be eligible for punitive damages.

6 20. All customers, including but not limited to Retail ARS Investors who avail  
7 themselves of the relief provided pursuant to this Order, may pursue any remedies against  
8 Morgan Stanley available under the law. However, Eligible Investors that elect to utilize the  
9 special arbitration process set forth above are limited to the remedies available in that process  
10 and may not bring or pursue a claim against Morgan Stanley or in any case where Morgan  
11 Stanley is underwriter relating to Eligible ARS in another forum.

12 **Institutional Investors**

13 21. Morgan Stanley shall endeavor to work with issuers and other interested parties,  
14 including regulatory and governmental entities, to expeditiously provide liquidity solutions for  
15 institutional investors that purchased auction rate securities not covered by the Retail ARS  
16 Investor repurchase provisions delineated above.

17 22. Beginning December 11, 2008, and within 45 days of the end of each quarter  
18 thereafter, Morgan Stanley shall submit a written report to a representative specified by NASAA  
19 outlining the efforts in which Morgan Stanley has engaged and the results of those efforts with  
20 respect to Morgan Stanley institutional investors' holdings in Eligible ARS. Morgan Stanley  
21 shall, at the option of the representative specified by NASAA, confer with such representative no  
22 less frequently than quarterly to discuss Morgan Stanley's progress. Such quarterly meetings  
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1 shall continue until no later than December 2009. Following every quarterly meeting, the  
2 representative shall advise Morgan Stanley of any concerns and, in response, Morgan Stanley  
3 shall detail the steps that Morgan Stanley plans to implement to address such concerns. The  
4 reporting or meeting deadlines set forth above may be amended upon Morgan Stanley's request  
5 if written permission is received from the representative specified by NASAA.

6 **Relief for Municipal Issuers**

7 23. Morgan Stanley shall promptly refund to municipal issuers refinancing fees the  
8 issuers paid to Morgan Stanley for the refinancing of their auction rate securities, where such  
9 refinancing occurred between February 11, 2008, and the date of this Order and where Morgan  
10 Stanley acted as underwriter for the primary offering of the auction rate securities between  
11 August 1, 2007, and February 11, 2008. Nothing in this Order precludes the Securities Division  
12 of the Washington State Department of Financial Institutions from pursuing any other civil  
13 action that may arise with regard to auction rate securities other than the marketing and sale of  
14 auction rate securities to retail investors.

15 **Additional Considerations**

16 24. Nothing herein shall preclude the State of Washington, its departments, agencies,  
17 boards, commissions, authorities, political subdivisions and corporations (collectively, "State  
18 Entities"), other than the Securities Division of the Washington State Department of Financial  
19 Institutions and only to the extent set forth in paragraph 1 above, and the officers, agents or  
20 employees of State Entities from asserting any claims, causes of action, or applications for  
21 compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive  
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1 relief against Morgan Stanley in connection with certain auction rate securities practices at  
2 Morgan Stanley.

3 25. This Order shall not disqualify Morgan Stanley or any of its affiliates or current or  
4 former employees from any business that they otherwise are qualified or licensed to perform  
5 under applicable state law and this Order is not intended to form the basis for any  
6 disqualification.

7 26. To the extent applicable, this Order hereby waives any disqualification from  
8 relying upon the registration exemptions or registration safe harbor provisions that may be  
9 contained in the federal securities laws, the rules and regulations thereunder, the rules and  
10 regulations of self regulatory organizations or any states' or U.S. Territories' securities laws. In  
11 addition, this Order is not intended to form the basis for any such disqualifications. In addition,  
12 this Order is not intended to form the basis of a statutory disqualification under Section 3(a)(39)  
13 of the Securities Exchange Act of 1934.

14 27. This Order and any dispute related thereto shall be construed and enforced in  
15 accordance with, and governed by, the laws of the State of Washington without regard to any  
16 choice of law principles.

17 28. Evidence of a violation of this Order proven in a court of competent jurisdiction  
18 shall constitute prima facie proof of a violation of the Securities Act of Washington, in any civil  
19 action or proceeding hereafter commenced by the Securities Division of the Washington State  
20 Department of Financial Institutions against Morgan Stanley.

21 29. Should the Securities Division of the Washington State Department of Financial  
22 Institutions prove in a court of competent jurisdiction that a material breach of this Order by  
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1 Morgan Stanley has occurred, Morgan Stanley shall pay to the Securities Division of the  
2 Washington State Department of Financial Institutions the cost, if any, of such determination and  
3 of enforcing this Order including without limitation legal fees, expenses, and court costs.

4 30. If Morgan Stanley fails to make the payment specified in paragraph 6, the  
5 Securities Division of the Washington State Department of Financial Institutions may, at its sole  
6 discretion, pursue any legal remedies, including but not limited to initiating an action to enforce  
7 the Order, revoking Morgan Stanley's registration within the state, or terminating this Order.

8 31. If in any proceeding, after notice and opportunity for a hearing, a court of  
9 competent jurisdiction, including an administrative proceeding by a state securities administrator,  
10 finds that there was a material breach of this Order, the Securities Division of the Washington  
11 State Department of Financial Institutions, at its sole discretion, may terminate the Order. If  
12 Morgan Stanley defaults on any other obligation under this Order, the Securities Division of the  
13 Washington State Department of Financial Institutions may, at its sole discretion, pursue legal  
14 remedies to enforce the Order or pursue an administrative action, including but not limited to an  
15 action to revoke Morgan Stanley's registration within the state. Morgan Stanley agrees that any  
16 statute of limitations or other time related defenses applicable to the subject of the Order and any  
17 claims arising from or relating thereto are tolled from and after the date of this Order. In the  
18 event of such termination, Morgan Stanley expressly agrees and acknowledges that this Order  
19 shall in no way bar or otherwise preclude the Securities Division of the Washington State  
20 Department of Financial Institutions from commencing, conducting or prosecuting any  
21 investigation, action, or proceeding, however denominated, related to the Order, against Morgan  
22 Stanley, or from using in any way any statements, documents or other materials produced or  
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1 provided by Morgan Stanley prior to or after the date of this Order, including, without limitation,  
2 such statements, documents or other materials, if any, provided for purposes of settlement  
3 negotiations, except as may otherwise be provided in a written agreement with the Securities  
4 Division of the Washington State Department of Financial Institutions.

5 32. Morgan Stanley shall cooperate fully and promptly with the Securities Division of  
6 the Washington State Department of Financial Institutions and shall use its best efforts to ensure  
7 that all the current and former officers, directors, trustees, agents, members, partners, and  
8 employees of Morgan Stanley (and of any of Morgan Stanley's parent companies, subsidiaries, or  
9 affiliates) cooperate fully and promptly with the Securities Division of the Washington State  
10 Department of Financial Institutions in any pending or subsequently initiated investigation,  
11 litigation, or other proceeding relating to auction rate securities and/or the subject matter of the  
12 Order. Such cooperation shall include, without limitation, and on a best efforts basis:

13 a. production, voluntarily and without service of subpoena, upon the request  
14 of the Securities Division of the Washington State Department of Financial Institutions,  
15 of all documents or other tangible evidence requested by the Securities Division of the  
16 Washington State Department of Financial Institutions and any compilations or  
17 summaries of information or data that the Securities Division of the Washington State  
18 Department of Financial Institutions requests that Morgan Stanley (or Morgan Stanley's  
19 parent companies, subsidiaries, or affiliates) prepare, except to the extent such production  
20 would require the disclosure of information protected by the attorney-client and/or work  
21 product privileges;

1           b.       without the necessity of a subpoena, having the current (and making all  
2 reasonable efforts to cause the former) officers, directors, trustees, agents, members,  
3 partners, and employees of Morgan Stanley (and of any of Morgan Stanley's parent  
4 companies, subsidiaries, or affiliates) attend any Proceedings (as hereinafter defined) in  
5 the State of Washington or elsewhere at which the presence of any such persons is  
6 requested by the Securities Division of the Washington State Department of Financial  
7 Institutions and having such current (and making all reasonable efforts to cause the  
8 former) officers, directors, trustees, agents, members, partners, and employees answer  
9 any and all inquiries that may be put by the Securities Division of the Washington State  
10 Department of Financial Institutions to any of them at any proceedings or otherwise,  
11 except to the extent such production would require the disclosure of information  
12 protected by the attorney-client and/or work product privileges. "Proceedings" include,  
13 but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury  
14 proceedings, or other proceedings;

15           c.       fully, fairly, and truthfully disclosing all information and producing all  
16 records and other evidence in its possession, custody, or control (or the possession,  
17 custody, or control of the Morgan Stanley parent companies, subsidiaries, or affiliates)  
18 relevant to all inquiries made by the Securities Division of the Washington State  
19 Department of Financial Institutions concerning the subject matter of the Order, except to  
20 the extent such inquiries call for the disclosure of information protected by the attorney-  
21 client and/or work product privileges; and



1 d. making outside counsel reasonably available to provide comprehensive  
2 presentations concerning any internal investigation relating to all matters in the Order and  
3 to answer questions, except to the extent such presentations or questions call for the  
4 disclosure of information protected by the attorney-client and/or work product privileges.

5 33. In the event Morgan Stanley fails to comply with paragraph 32 of the Order, the  
6 Securities Division of the Washington State Department of Financial Institutions shall be entitled  
7 to specific performance, in addition to any other available remedies.

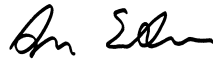
8  
9  
10 Dated and Entered this 13th day of January, 2010.

11 By:

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13 \_\_\_\_\_  
14 MICHAEL E. STEVENSON  
15 Securities Administrator

16 Approved by:

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18 \_\_\_\_\_  
19 Suzanne Sarason  
20 Chief of Enforcement

21 Presented by:

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23 \_\_\_\_\_  
24 Bridgett Fisher  
25 Enforcement Attorney

1  
2 **CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY MORGAN STANLEY &  
3 CO. INCORPORATED**

4 Morgan Stanley & Co. Incorporated ("Morgan Stanley") hereby acknowledges that it has  
5 been served with a copy of this Administrative Order, has read the foregoing Order, is aware of its  
6 right to a hearing and appeal in this matter, and has waived the same.

7 Morgan Stanley admits the jurisdiction of the Securities Division of the Washington State  
8 Department of Financial Institutions, neither admits nor denies the Findings of Fact and  
9 Conclusions of Law contained in this Order, and consents to entry of this Order by the Securities  
10 Division of the Washington State Department of Financial Institutions as settlement of the issues  
11 contained in this Order.

12 Morgan Stanley agrees that it shall not claim, assert, or apply for a tax deduction or tax  
13 credit with regard to any state, federal or local tax for any administrative monetary penalty that  
14 Morgan Stanley shall pay pursuant to this Order.

15 Morgan Stanley states that no promise of any kind or nature whatsoever was made to it to  
16 induce it to enter into this Order and that it has entered into this Order voluntarily.

17 Eric Grossman represents that he/she is Managing Director of Morgan  
18 Stanley and that, as such, has been authorized by Morgan Stanley to enter into this Order for and on  
19 behalf of Morgan Stanley.

20 Dated this 6<sup>th</sup> day of January, 2010.

21 MORGAN STANLEY & CO. INCORPORATED

22 By: /s/ Eric Grossman

23 Title: Managing Director

1 STATE OF New York )  
2 )  
3 County of New York )

4 SUBSCRIBED AND SWORN TO before me this 6th day of January,  
5 2010.

6 /s/ Yoko Nitta  
7 \_\_\_\_\_  
8 Notary Public

9 My commission expires:  
10 7/9/2011