eligible employees, officers, directors, and advisory directors of MSG and its affiliates

FILING DATES: The application was filed on May 2, 1994, and amended on July 20, 1994, September 26, 1994, and January 10, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on February 8, 1995, and should be accompanied by proof of service on the applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street NW., Washington, DC 20549. Applicants, 1251 Avenue of the Americas, New York, NY 10020. FOR FURTHER INFORMATION CONTACT: Marc Duffy, Senior Attorney, at (202) 942–0656, or C. David Messman, Branch Chief, at (202) 942–0564 (Division of Investment Management, Office of Investment Company Regulation). SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

## **Applicants' Representations**

1. MSG and its subsidiaries (collectively, the "Morgan Stanley Group") constitute a global financial services firm. Morgan Stanley & Co. Incorporated ("MS&Co"), a whollyowned subsidiary of MSG, is the principal broker-dealer affiliate of the Morgan Stanley Group and is registered as a broker-dealer under the Securities Exchange Act of 1934 (the "Exchange Act"). MS&Co. and MSG are registered as investment advisers under the Investment Advisors Act of 1940 (the "Advisers Act").

2. The Initial Partnership is a newlyformed Delaware limited partnership and one of several anticipated investment vehicles that are to be formed for the purpose of enabling certain employees, officers, directors, and advisory directors of the Morgan Stanley Group to pool their investment resources and to participate in various types of investment opportunities, including venture capital and private equity investments. The pooling of resources permits diversification and participation in investments that usually would not be offered to individual investors. The goal of the Partnerships is to reward and retain key personnel by enabling them to participate in investment opportunities that would not otherwise be available to them and to attract other individuals to the Morgan Stanley Group.

3. The Partnerships will operate as non-diversified closed-end management investment companies. The Partnerships will seek to achieve a high rate of return through long-term capital appreciation in risk capital opportunities. The Initial Partnership will co-invest alongside two private equity funds (the "Equity Funds") that recently were organized by the Morgan Stanley Group for third-party investors. The Equity Funds are exempt from registration under the Act in reliance upon section 3(c)(1) thereunder.1 Similarly, subsequent Partnerships primarily will co-invest alongside other private investment funds organized by the Morgan Stanley Group for thirdparty investors (such private investment funds, collectively with the Equity Funds, are referred to herein as the ''Investment Funds'').

4. The general partner or other manager of each Partnership (the "General Partner") will be registered as an investment adviser under the Advisers Act. The General Partner of each Partnership also may serve as the general partner or manager of the related Investment Funds.

5. Interests in each Partnership will be offered without registration under a claim of exemption pursuant to section 4(2) of the Securities Act of 1933 (the "Securities Act").2 Interests will be offered and sold only to (a) "Eligible Employees" of the Morgan Stanley Group, or (b) trusts or other investment vehicles for the benefit of such Eligible Employees and/or the benefit of their immediate families ("Limited Partners"). To be an Eligible Employee, an individual must be a current employee, officer, director, or advisory director of an entity within the Morgan Stanley Group and, except for certain individuals described in paragraph 6 below, an "accredited investor" meeting the income requirements set forth in

rule 501(a)(6) of Regulation D under the Securities Act. The limitations on the class of persons who may acquire interests, in conjunction with other characteristics of the Partnership, will qualify the Partnership as an "employees' securities company" under section 2(a)(13) of the Act.

6. Eligible Employees who are not accredited investors but who manage the day-to-day affairs of a Partnership may be permitted to invest their own funds through the General Partner of the Partnership if such individuals had reportable income from all sources in the calendar year immediately preceding such person's participation in excess of \$120,000, and have a reasonable expectation of reportable income in the years in which such person will be required to invest his/her own funds of at least \$150,000. These individuals will have primary responsibility for operating the Partnership. Such responsibility will include, among other things, identifying, investigating, structuring, negotiating, and monitoring investments for the Partnership, communicating with the Limited Partners, maintaining the books and records of the Partnership, and making recommendations with respect to investment decisions. Accordingly, all such individuals will be closely involved with, and knowledgeable with respect to, the Partnership's affairs and the status of Partnership investments.

7. Only a small proportion of the Morgan Stanley Group's personnel qualify as Eligible Employees. The Eligible Employees are experienced professionals in the investment banking, merchant banking, or securities business, or in administrative, financial, accounting, or operational activities related thereto. No Eligible Employee will be required to invest in any Partnership.

8. The management and control of each Partnership, including all investment decisions, will be vested exclusively in the General Partner. The management and control of the General Partner, in turn, will be vested, directly or indirectly, in MSG. Thus, the business and affairs of each Partnership indirectly will be managed by or under the direction of the board of directors or other committee serving similar functions (the "Board") of an entity (the "MS Subsidiary Corporation") that is directly or indirectly controlled by MSG and directly controls the Partnership. Each Board, among other things, will act as the investment committee of the Partnership responsible for approving all investment and valuation decisions. Actions by the Board generally will

<sup>&</sup>lt;sup>1</sup> Section 3(c)(1) exempts from the definition of investment company any issuer whose outstanding securities (other than short-term paper) are beneficially owned by not more than one hundred persons and is not making and does not presently propose to make a public offering of its securities.

<sup>&</sup>lt;sup>2</sup>Section 4(2) exempts transactions by an issuer not involving any public offering from the Securities Act's registration requirement.