

SECURITIES AND EXCHANGE COMMISSION

[Investment Company Act Release No. 28125 ; 812-13213]

Morgan Stanley Investment Management Inc., et al., Notice of Application

January 18, 2008

Agency: Securities and Exchange Commission (“Commission”).

Action: Notice of application for an order under sections 6(c) and 17(b) of the Investment Company Act of 1940 (the “Act”) for an exemption from section 17(a) of the Act.

Applicants: Morgan Stanley Investment Management Inc. (“MSIM”), Morgan Stanley Investment Advisors Inc. (“MSIA”), Morgan Stanley AIP GP LP (“MSAIP”), Van Kampen Asset Management (“VKAM”),¹ Active Assets California Tax-Free Trust, Active Assets Government Securities Trust, Active Assets Institutional Government Securities Trust, Active Assets Institutional Money Trust, Active Assets Money Trust, Active Assets Tax-Free Trust, Morgan Stanley California Tax-Free Daily Income Trust, Morgan Stanley New York Municipal Money Market Trust, Morgan Stanley Tax-Free Daily Income Trust, Morgan Stanley Liquid Asset Fund Inc., Morgan Stanley U.S. Government Money Market Trust (each a “Money Market Fund”)², Morgan Stanley Select Dimensions Investment Series, Morgan Stanley Variable

¹ MSIM, MSIA, MSAIP, VKAM are collectively referred to as the Current Advisers. Applicants also seek relief for any other existing or future registered investment adviser which acts as investment adviser or subadviser to a Fund (defined below) and which controls, is controlled by or is under common control (as defined in section 2(a)(9) of the Act) with MS (as defined below) (individually a “Future Adviser” and collectively the “Future Advisers”). The Current Advisers and the Future Advisers are referred to individually as an “Adviser” and collectively as the “Advisers.” Any Adviser that currently intends to rely on the requested order is named as an applicant in the application. Any other Adviser that relies on the order in the future will comply with the terms and conditions of the application.

² Morgan Stanley Institutional Liquidity Funds also offers six series that operate as money market funds subject to rule 2a-7 under the 1940 Act: Government Portfolio, Government Securities Portfolio, Money Market Portfolio, Prime Portfolio, Tax-Exempt Portfolio, Treasury Portfolio and Treasury Securities Portfolio. Van Kampen Equity Trust II offers two money market funds: Van Kampen Reserve Fund and Van Kampen Tax-Free Money Fund. Morgan Stanley Select Dimensions Investment Series offers one money market fund: Money Market Portfolio. Morgan Stanley Variable Investment Series offers one money market fund: Money Market Portfolio. Van Kampen Life Investment Trust offers one money market fund: Money Market Portfolio.

Investment Series, Morgan Stanley Institutional Fund, Inc., Morgan Stanley Institutional Liquidity Funds, The Universal Institutional Funds, Inc., Morgan Stanley Institutional Fund Trust, Morgan Stanley Allocator Fund, Morgan Stanley Capital Opportunities Trust, Morgan Stanley Developing Growth Securities Trust, Morgan Stanley Dividend Growth Securities Inc., Morgan Stanley Equally-Weighted S&P 500 Fund, Morgan Stanley European Equity Fund Inc., Morgan Stanley Financial Services Trust, Morgan Stanley Focus Growth Fund, Morgan Stanley Fundamental Value Fund, Morgan Stanley Global Advantage Fund, Morgan Stanley Global Dividend Growth Securities, Morgan Stanley Health Sciences Trust, Morgan Stanley Institutional Strategies Fund, Morgan Stanley International Fund, Morgan Stanley International SmallCap Fund, Morgan Stanley International Value Equity Fund, Morgan Stanley Japan Fund, Morgan Stanley Mid-Cap Value Fund, Morgan Stanley Multi-Asset Class Fund, Morgan Stanley Nasdaq-100 Index Fund, Morgan Stanley Natural Resource Development Securities Inc., Morgan Stanley Pacific Growth Fund Inc., Morgan Stanley Real Estate Fund, Morgan Stanley Series Funds, Morgan Stanley Small-Mid Special Value Fund, Morgan Stanley S&P 500 Index Fund, Morgan Stanley Special Growth Fund, Morgan Stanley Special Value Fund, Morgan Stanley Technology Fund, Morgan Stanley Total Market Index Fund, Morgan Stanley Utilities Fund, Morgan Stanley Value Fund, Morgan Stanley Balanced Fund, Morgan Stanley Strategist Fund, Morgan Stanley Convertible Securities Trust, Morgan Stanley Flexible Income Trust, Morgan Stanley FX Series Funds, Morgan Stanley High Yield Securities Inc., Morgan Stanley Income Trust, Morgan Stanley Limited Duration Fund, Morgan Stanley Limited Duration U.S. Government Trust, Morgan Stanley Mortgage Securities Trust, Morgan Stanley U.S. Government Securities Trust, Morgan Stanley California Tax-Free Income Fund, Morgan Stanley Limited Term Municipal Trust, Morgan Stanley New York Tax-Free Income Fund,

Morgan Stanley Tax-Exempt Securities Trust, Morgan Stanley Income Securities Inc., Morgan Stanley Prime Income Trust, Morgan Stanley California Insured Municipal Income Trust, Morgan Stanley California Quality Municipal Securities, Morgan Stanley Insured California Municipal Securities, Morgan Stanley Insured Municipal Bond Trust, Morgan Stanley Insured Municipal Income Trust, Morgan Stanley Insured Municipal Securities, Morgan Stanley Insured Municipal Trust, Morgan Stanley Municipal Income Opportunities Trust, Morgan Stanley Municipal Income Opportunities Trust II, Morgan Stanley Municipal Income Opportunities Trust III, Morgan Stanley Municipal Premium Income Trust, Morgan Stanley New York Quality Municipal Securities, Morgan Stanley Quality Municipal Income Trust, Morgan Stanley Quality Municipal Investment Trust, Morgan Stanley Quality Municipal Securities, Morgan Stanley Asia-Pacific Fund, Inc., Morgan Stanley China “A” Share Fund, Morgan Stanley Eastern Europe Fund, Inc., Morgan Stanley Emerging Markets Debt Fund, Inc., Morgan Stanley Emerging Markets Domestic Debt Fund, Inc., Morgan Stanley Emerging Markets Fund, Inc., Morgan Stanley Global Opportunity Bond Fund, Inc., Morgan Stanley High Yield Fund, Inc., Morgan Stanley Opportunistic Municipal High Income Fund, The India Investment Fund, The Latin American Discovery Fund, Inc., The Malaysia Fund, Inc., The Thai Fund, Inc., The Turkish Investment Fund, Inc., Morgan Stanley Institutional Fund of Hedge Funds, Van Kampen U.S. Government Trust, Van Kampen Tax Free Trust, Van Kampen Life Investment Trust, Van Kampen Equity Trust, Van Kampen Equity Trust II, Van Kampen Tax-Exempt Trust, Van Kampen Series Fund, Inc., Van Kampen Trust, Van Kampen Corporate Bond Fund, Van Kampen Government Securities Fund, Van Kampen High Yield Fund, Van Kampen Limited Duration Fund, Van Kampen U.S. Government Trust, Van Kampen Pennsylvania Tax Free Income Fund, Van Kampen Comstock Fund, Van Kampen Enterprise Fund, Van Kampen Equity

and Income Fund, Van Kampen Exchange Fund, Van Kampen Growth and Income Fund, Van Kampen Harbor Fund, Van Kampen Pace Fund, Van Kampen Real Estate Securities Fund, Van Kampen Strategic Growth Fund, Van Kampen Reserve Fund, Van Kampen Tax Free Money Fund, Van Kampen High Income Trust II, Van Kampen Senior Loan Fund, Van Kampen Senior Income Trust, Van Kampen Municipal Trust, Van Kampen Ohio Quality Municipal Trust, Van Kampen Trust For Insured Municipals, Van Kampen Trust For Investment Grade Municipals, Van Kampen Trust For Investment Grade New Jersey Municipals, Van Kampen Trust For Investment Grade New York Municipals, Van Kampen Municipal Opportunity Trust, Van Kampen California Value Municipal Income Trust, Van Kampen Massachusetts Value Municipal Income Trust, Van Kampen Pennsylvania Value Municipal Income Trust, Van Kampen Advantage Municipal Income Trust II, Van Kampen Select Sector Municipal Trust, Van Kampen Bond Fund, Van Kampen Dynamic Credit Opportunities Fund (each a “Current Fund,” collectively, the “Current Funds”), any existing or future registered management investment companies and their series that are advised or subadvised by the Advisers (“Future Funds,” Future Funds and Current Funds are collectively the “Funds”)³, and Morgan Stanley & Co., Inc. (“MS & Co.”).

Summary of Application: Applicants request an order to permit the Funds to engage in principal transactions in certain money market instruments with MS & Co.

³ Any existing or future Funds which are money market funds subject to rule 2a-7 and authorized to invest in Money Market Instruments (as defined below) are also “Money Market Funds.” Any Fund that currently intends to rely on the requested order is named as an applicant in the application. Any other Fund that relies on the order in the future will comply with the terms and conditions of the application.

Filing Dates: The application was filed on July 7, 2005, and amended on October 9, 2007, and December 26, 2007. Applicants have agreed to file an amendment during the notice period, the substance of which is reflected in this notice.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the Commission by 5:30 p.m. on February 12, 2008, 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 Commission's Secretary.

Addresses: Secretary, Commission, 100 F Street, NE, Washington, DC 20549-1090.

Applicants: c/o Amy Doberman, Esq., Morgan Stanley Investment Management, 522 Fifth Avenue New York, New York 10036.

For Further Information Contact: Bruce R. MacNeil, Senior Counsel, (202) 551-6817 or Janet M. Grossnickle, Branch Chief, (202) 551-6821 (Office of Investment Company Regulation, Division of Investment Management).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee from the Commission's Public Reference Branch, 100 F Street, NE, Washington, DC 20549-0102 (tel. 202-551-8090).

Applicants' Representations:

1. Each Fund is an open-end or closed-end management company registered under the Act and is organized as a business trust or corporation under the laws of various states, as specified in the application. The Current Advisers are wholly owned subsidiaries of Morgan Stanley ("MS"), a Delaware corporation. Each Adviser is (or will be) registered under the Investment Advisers Act of 1940. Each Fund has an investment advisory agreement with the applicable Adviser pursuant to which the Adviser provides investment advisory and management services. MS & Co., a wholly owned subsidiary of MS, is registered as a broker-dealer under the Securities Exchange Act of 1934 (the "1934 Act"). MS & Co., a primary dealer in U.S. Government securities, is one of the largest dealers in the United States in commercial paper, repurchase agreements and other money market instruments.

2. Applicants state that the Advisers and MS & Co. are functionally independent of each other and operate as completely separate entities under the umbrella of MS, the parent holding company. While MS & Co. and the Advisers are under common control, each entity has its own separate officers and employees, is separately capitalized, maintains its own separate books and records and operates on different sides of walls of separation with respect to the Funds and Money Market Instruments. The Advisers also maintain offices physically separate from MS & Co.

3. Investment decisions for the Funds are determined solely by the Advisers. The portfolio managers and other employees that are responsible for the investment of the Funds are employed solely by one of the Advisers (and not MS & Co.), and have lines of reporting responsibility solely within the Advisers. The compensation of personnel assigned to an Adviser

will not depend on the volume or nature of trades with MS & Co., except to the extent that such trades may affect the profits and losses of MS and its subsidiaries as a whole.

4. As used in the application, the term Taxable Money Market Instruments refers to taxable securities which are eligible for purchase by money market funds under rule 2a-7, including short-term U.S. Government securities, short-term U.S. Government agency securities, bank money market instruments, bank notes, commercial paper other short-term fixed income instruments and repurchase agreements. The term Tax-Exempt Money Market Instruments refers to tax-exempt securities which are eligible for purchase by money market funds under rule 2a-7, including conventional municipal notes, tax-exempt commercial paper, variable rate demand notes, put bonds and flexible notes. Money Market Instruments consist of Taxable and Tax-Exempt Money Market Instruments. Each Fund that is not a Money Market Fund is authorized to invest in Taxable Money Market Instruments pursuant to its investment objectives and policies.

5. Trading in Money Market Instruments generally takes place in over-the-counter markets consisting of groups of dealers who are primarily major securities firms or large commercial banks. The money market consists of sophisticated and elaborate telephonic and electronic communications networks among buyers and sellers, which generally precludes being able to obtain a single market price for a given instrument at any given time. Applicants state that the money market (for both Taxable and Tax-Exempt Money Market Instruments) tends to be somewhat segmented. The markets for the different types of instruments will vary in terms of price, volatility, liquidity and availability. With respect to any given type of security or instrument, there may be only a few dealers who can be expected to have the security in inventory and be in a position to quote a favorable price. Applicants also state that different

dealers may quote different prices with respect to the same type of instrument because of differing outlooks on future yields, to adjust their inventory or because of competitive pressure (or the lack thereof) to meet other dealers' quotes. Only customers of a dealer may obtain quotations for Money Market Instruments and trade on them.

6. MS & Co. is one of the world's largest dealers in Taxable Money Market Instruments, ranking among the top firms in each of the major markets and product areas. As of September 30, 2007, MS & Co. had become the sixth largest dealer in terms of the number of new U.S. asset-backed commercial paper programs, the most significant part of the commercial paper market by outstanding dollar amounts. Applicants believe that MS & Co. is one of the ten leading dealers in the repurchase agreement market. MS & Co's average outstanding repurchase agreements for December 2006, 2006 to September, 2007 ranged from \$154 billion to \$206 billion. MS & Co. is an active participant in the public auction market for U.S. Treasuries, being one of only 22 primary dealers and receiving on average from 4% to 9% of the primary distribution of U.S. Treasuries. In secondary trading, MS & Co. ranked as one of the top 5 primary dealers for U.S. Treasuries with maturities under three years for each of the last eight quarters (through the third quarter of 2007). MS & Co. also has been an active participant in the secondary market for government agency securities and ranked fourth in underwriting primary issuances in 2006. MS & Co. is also one of the leading participants in the market for medium-term note ("MTNs"). MTNs are offered continuously in public or private offerings, with maturities beginning at nine months. MTNs represent a significant portion of the longer-term money market investment alternatives because commercial paper is not issued with maturities greater than nine months. From July 2006 to July 2007, MS & Co. ranked as the fifth largest manager or co-manager of MTN programs in terms of proceeds (\$88.6 billion) and market share

(8.5%). MS & Co. is also a leading manager of issuances of Extendible Liquidity Securities®, a MS proprietary product, which is another longer-term alternative. From July 2000 through October 1, 2007, MS & Co. served as lead manager on 91 EXLs® issuances, which represented 53% of the total aggregate value of all EXLs® issued during that period.

7. MS & Co. also is a major participant in both the primary new issue market and in the secondary dealer market for Tax-Exempt Money Market Instruments. MS & Co. estimates that its market share in the new issue market for Tax-Exempt Money Market Instruments included 13% of conventional notes, 7% of tax-exempt commercial paper and 8% of variable rate demand notes for the first nine months in 2007. Applicants state that there is no comprehensive information published as to the dollar amount and volume of secondary market transactions executed in Tax-Exempt Money Market Instruments. However, MS & Co. believes that it is generally one of the top five secondary market dealers in Tax-Exempt Money Market Instruments. Based upon MS & Co. estimates, MS & Co. was responsible for 8.7% of the trading volume in variable rate demand notes and tax-exempt commercial paper among MS & Co. and nine other leading dealers as of September 30, 2007. MS & Co. estimates its market share in the put bonds market at 12% as of December 31, 2006.

8. Applicants state that over the past few years, the growth in Money Market Instruments has been substantially outpaced by the growth in portfolios which purchase Money Market Instruments, which has contributed to the limited availability of Money Market Instruments to the Funds.⁴ Applicants further state that because of consolidation in the money market industry, there is a substantially smaller number of major dealers who are active in the

⁴ Applicants state that from 1997 through 2007, the growth of the market in Tax-Exempt Money Market Instruments was 208%, while the growth of tax-exempt money market funds was 276%. For the same period, the growth of Taxable Money Market Instruments was 78%, while the growth of taxable money market funds was 181%.

money market than was the case a decade ago. Applicants state that MS & Co. has remained committed to the taxable and tax-exempt money market, and has moved to fill the void left by departing dealers. As the number of dealers with whom the Funds can transact business has decreased, it has become even more important for the Funds to have meaningful access to all of the major dealers in Money Market Instruments in order to diversify each Fund's investments, to maintain portfolio liquidity, and to increase opportunities for obtaining best price and execution with respect to portfolio trades.

9. Subject to the general supervision of the board of directors/trustees of each of the Funds (each a "Board"), the Advisers are responsible for making investment decisions and for the placement of portfolio transactions. The Funds have no obligation to deal with any dealer or group of dealers in the execution of their portfolio transactions. When placing orders, an Adviser must attempt to obtain the best net price and the most favorable execution of its orders. In doing so, it takes into account such factors as price, the size, type and difficulty of the transaction involved and the dealer's general execution and operational facilities. The transaction costs of the Funds with respect to Money Market Instruments consist primarily of dealer or underwriter spreads. Spreads vary some based on the type of money market security or the occurrence of turbulent market conditions, but generally spread levels for Taxable Money Market Instruments are in the range of 1 to 5 basis points (.01% to .05%), while spreads for Tax-Exempt Money Market Instruments typically are not greater than 12.5 basis points (0.125%).

Applicants' Legal Analysis:

1. Applicants request an order pursuant to sections 6(c) and 17(b) of the Act exempting certain transactions from the provisions of section 17(a) of the Act to permit MS & Co., acting as principal, (a) to sell or purchase Taxable Money Market Instruments to or from the

Funds; and (b) to sell or purchase Tax-Exempt Money Market Instruments to or from the Money Market Funds, subject to the conditions set forth below.

2. Section 17(a) of the Act generally prohibits an affiliated person or principal underwriter of a registered investment company, or any affiliated person of that person, acting as principal, from selling to or purchasing from the registered company, or any company controlled by the registered company, any security or other property. Because an Adviser is an affiliated person of the Funds it advises and MS & Co. and the Advisers are under common control, the Funds are currently prohibited from conducting portfolio transactions with MS & Co. in transactions in which MS & Co. acts as principal.

3. Section 17(b) of the Act provides that the Commission, upon application, may exempt a transaction from the provisions of section 17(a) if evidence establishes that the terms of the proposed transaction, including the consideration to be paid, are reasonable and fair, and do not involve overreaching on the part of any person concerned, and that the proposed transaction is consistent with the policy of the registered investment company concerned and with the general purposes of the Act. Section 6(c) provides that the Commission may conditionally or unconditionally exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions, from any provision or provisions of the Act or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

4. Applicants note the following in support of the requested relief:

(a) With over approximately \$75 billion invested in Money Market Instruments, the Funds are major buyers and sellers in the tax-exempt and taxable money market with a strong

need for access to large quantities of high quality Money Market Instruments. The applicants believe that access to a major dealer as MS & Co. in this market increases the Funds' ability to obtain suitable portfolio securities.

(b) The policy of the Funds of investing in securities with short maturities combined with the active portfolio management techniques employed by the Advisers results in a high level of portfolio activity and the need to make numerous purchases and sales of Money Market Instruments. This high level of portfolio activity emphasizes the importance of increasing opportunities to obtain suitable portfolio securities and best price and execution.

(c) The tax-exempt and taxable money market, including the market for repurchase agreements, is highly competitive, and maintaining a dealer as prominent as MS & Co. in the pool of dealers with which the Funds could conduct principal transactions may provide the Funds with opportunities to purchase and sell Money Market Instruments, including those not available from any other source.

(d) MS & Co. is such a major factor in the tax-exempt and taxable money market that being unable to deal directly with MS & Co. may indirectly deprive the Funds of obtaining best price and execution even when the Funds trade with unaffiliated dealers.

5. Applicants believe that the requested order will provide the Funds with a broader and more complete access to the money market (both taxable and non-taxable) which is necessary to carry out the policies and objectives of each of the Funds in obtaining the best price, execution and quality in all portfolio transactions, and will provide the Funds with important new information sources in the taxable and tax-exempt money market, to the direct benefit of investors in the Funds. Applicants believe that the transactions contemplated by the application are identical to those in which they are currently engaged except for the proposed participation of

MS & Co. and that such transactions are consistent with the policies of the Funds as recited in their registration statements and reports filed under the Act. Applicants further believe that the conditions below and the procedures to be followed with respect to transactions with MS & Co. are structured in such a way as to ensure that the transactions will be, in all instances, reasonable and fair, will not involve overreaching on the part of any person concerned, and that the requested exemption is appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of the Act.

Applicants' Conditions:

Applicants agree that any order granting the requested relief will be subject to the following conditions:

1. The exemption shall be applicable to principal transactions in the secondary market and primary or secondary fixed price dealer offerings not made pursuant to underwriting syndicates. With respect to Tax-Exempt Money Market Instruments, principal purchase or sale transactions will be conducted only in Money Market Instruments that are First Tier Securities as defined in rule 2a-7(a)(12)(i) under the Act. With respect to Taxable Money Market Instruments, the principal purchase or sale transactions which may be conducted pursuant to the exemption will be limited to transactions in Eligible Securities.⁵ Notwithstanding the foregoing, if a Fund purchases a Money Market Instrument meeting the above requirements from MS & Co. and, subsequent to such purchase the security becomes no longer an Eligible Security, the Fund may sell the security to MS & Co. in a manner consistent with the requirements of rule 2a-7(c)(6)(i)(B). To the extent a Fund is subject to rule 2a-7, such Eligible Securities must meet the portfolio maturity and quality requirements of paragraphs (c)(2) and (c)(3) of rule 2a-7. To

⁵ Italicized terms are defined as set forth in paragraph (a) of rule 2a-7 under the Act, unless otherwise indicated.

the extent a Fund is not subject to rule 2a-7, such Eligible Securities must meet the requirements of clauses (i), (iii) and (iv) of paragraph (c)(3) of rule 2a-7. Additionally:

(a) No Fund shall make portfolio purchases pursuant to the exemption that would result directly or indirectly in a Fund investing pursuant to the exemption more than 2% of its Total Assets (or, in the case of a Fund that is not subject to rule 2a-7, more than 2% of the total of its cash, cash items and Eligible Securities) in securities which, when acquired by the Fund (either initially or upon any subsequent rollover) are Second Tier Securities; provided that any Fund may make portfolio sales of Second Tier Securities pursuant to the exemption without regard to this limitation.

(b) The exemption shall not apply to an Unrated Security other than a Government Security.

(c) The Funds may engage in repurchase agreements with MS & Co. only if MS & Co. has: (i) net capital, as defined in rule 15c3-1 under the 1934 Act, of at least \$100 million and (ii) a record (including the record of predecessors) of at least five years continuous operations as a dealer during which time it engaged in repurchase agreements relating to the kind of security subject to the repurchase agreement. MS & Co. shall furnish the Advisers with financial statements for its most recent fiscal year and the most recent semi-annual financial statements made available to its customers. The Advisers shall determine that MS & Co. complies with the above requirements and with other repurchase agreement guidelines adopted by the Board. Each repurchase agreement will be Collateralized Fully.

(d) The exemption shall not apply to any purchase or sale of any security, other than a repurchase agreement, issued by MS or any affiliated person thereof, or to any

security subject to a Demand Feature or Guarantee issued by MS or any affiliated person thereof. For purposes of this requirement, MS will not be considered to be the issuer of a Demand Feature or Guarantee solely by reason of the fact that MS or an affiliate thereof serves as a remarketing agent for a Money Market Instrument.

2. The relevant Adviser (unless the Board decides that the Fund should make these determinations) will determine with respect to each principal transaction conducted by a Fund pursuant to the order, based upon the information available to the Funds and the Advisers, that the price available from MS & Co. is at least as favorable to the Fund as the prices obtained from two other dealer bids in connection with securities falling within the same category of instrument, quality and maturity (but not necessarily the identical security or issuer) (“price test”). In the case of “swaps” involving trades of one security for another, the price test shall be based upon the transaction viewed as a whole and not upon the two components thereof individually. With respect to each transaction involving repurchase agreements, the relevant Adviser will determine (unless the Board decides that the Fund should make these determinations), based upon the information reasonably available to the Fund and the Advisers, that the income to be earned from the repurchase agreement is at least equal to that available from other sources. In the case of variable rate demand notes, for which dealer bids are not ordinarily available, the Funds will only undertake purchases and sales where the rate of interest to be earned from the variable rate demand note is at least equal to that of variable rate demand notes of comparable quality that are available from other dealers. Neither MS nor any other affiliate thereof (other than the Advisers) will have any involvement with respect to proposed transactions between the Funds and the Advisers and, except to the extent set forth in condition

6(d) below, will not attempt to influence or control in any way the placing by the Funds or the Advisers of orders with MS & Co.

3. Before any principal transaction may be conducted pursuant to the order, the relevant Fund or Adviser must obtain such information as it deems reasonably necessary to determine that the price test (as defined in condition (2) above) has been satisfied. In the case of each purchase or sale transaction, the relevant Fund or Adviser must make and document a good faith determination with respect to compliance with the price test based on current price information obtained through the contemporaneous solicitation of bona fide offers in connection with securities falling within the same category of instrument, quality and maturity (but not necessarily the identical security or issuer). With respect to variable rate demand notes, contemporaneous solicitation of a bona fide offer will be construed to mean any bona fide offer solicited during the same trading day. With respect to prospective purchases of securities by a Fund, the dealer firms from which prices are solicited must be those who have securities of the same categories and the type desired in their inventories and who are in a position to quote favorable prices with respect thereto. With respect to the prospective sale of securities by a Fund, these dealer firms must be those who, in the experience of the Funds and the Advisers, are in a position to quote favorable prices. Before any repurchase agreements are entered into pursuant to the exemption, the Fund or the Adviser must obtain and document competitive quotations from at least two other dealers with respect to repurchase agreements comparable to the type of repurchase agreement involved, except that if quotations are unavailable from two such dealers, only one other competitive quotation is required.

4. Principal transactions in all Money Market Instruments other than repurchase agreements conducted by a Fund pursuant to the order shall be limited to no more than (a) an

aggregate of 25% of the direct or indirect purchases and 25% of the direct or indirect sales of Eligible Securities other than repurchase agreements conducted by that Fund and (b) an aggregate of 25% of the purchases or sales, as the case may be, by MS & Co. of Eligible Securities other than repurchase agreements. Repurchase agreements conducted pursuant to the exemption shall be limited to no more than 10% of (a) the repurchase agreements directly or indirectly entered into by the relevant Fund and (b) the repurchase agreements transacted by MS & Co. Principal transactions in Tax-Exempt Money Market Instruments conducted by each Money Market Fund pursuant to the order, shall be limited to no more than an aggregate of 20% of the direct or indirect purchases and 20% of the direct or indirect sales of Tax-Exempt Money Market Instruments by that Money Market Fund. The Adviser or Fund and MS & Co. will measure these limits on an annual basis (the fiscal year of each Fund and of MS & Co.) and shall compute them using the dollar volume of transactions.

5. MS & Co.'s dealer spread regarding any transaction with the Funds will be no greater than its customary dealer spread on similar transactions (with unaffiliated parties) of a similar size during a comparable time period. Its customary dealer spread also will be consistent with the average or standard spread charged by dealers in Money Market Instruments of a similar type and transaction size.

6. The Advisers, on the one hand, and MS & Co. on the other, will operate on different sides of appropriate walls of separation with respect to the Funds and the Money Market Instruments. The walls of separation will include all of the following characteristics, and such others that MS & Co. and the Advisers consider reasonable to facilitate the factual independence of the Advisers from MS & Co.:

- (a) Each of the Advisers will maintain offices physically separate from those of MS & Co.
- (b) The compensation of persons assigned to any of the Advisers (i.e., executive, administrative or investment personnel) will not depend on the volume or nature of trades effected by the Advisers for the Funds with MS & Co. under the exemption, except to the extent that such trades may affect the profits and losses of MS and its subsidiaries as a whole.
- (c) MS & Co. will not compensate the Advisers based upon its profits or losses on transactions conducted pursuant to the exemption, provided that the allocation of the profits by MS to its shareholders and the determination of general firm-wide compensation of officers and employees, will be unaffected by this undertaking.
- (d) Personnel assigned to the Advisers' investment advisory operations on behalf of the Funds will be exclusively devoted to the business and affairs of one or more of the Advisers. Personnel assigned to MS & Co. will not participate in the decision-making process for or otherwise seek to influence the Advisers other than in the normal course of sales and dealer activities of the same nature as are simultaneously being carried out with respect to nonaffiliated institutional clients. Each Adviser, on the one hand, and MS & Co., on the other hand, may nonetheless maintain affiliations other than with respect to the Funds, and in addition with respect to the Funds as follows: (i) Adviser personnel may rely on research, including credit analysis and reports prepared internally by various subsidiaries and divisions of MS & Co.; and (ii) The senior executives of MS that have responsibility for overseeing operations of various divisions, subsidiaries and affiliates of MS are not precluded from exercising those functions over the Advisers because they

oversee MS & Co. as well, provided that such persons shall not have any involvement with respect to proposed transactions pursuant to the exemption and will not in any way attempt to influence or control the placing by the Funds or any Adviser of orders in respect of Money Market Instruments with MS & Co.

7. The Funds and the Advisers will maintain such records with respect to those transactions conducted pursuant to the exemption as may be necessary to confirm compliance with the conditions to the requested relief. To this end, each Fund shall maintain the following:

- (a) An itemized daily record of all purchases and sales of securities pursuant to the exemption showing for each transaction the following: (i) the name and quantity of securities; (ii) the unit purchase or sale price; (iii) the time and date of the transaction; and (iv) whether the security was a First Tier or Second Tier Security. For each transaction (other than variable rate demand notes), these records shall document two quotations received from other dealers for securities falling within the same category of instrument, quality and maturity; including the following: (i) the names of the dealers; (ii) the names of the securities; (iii) the prices quoted; (iv) the times and dates the quotations were received; and (v) whether such securities were First Tier or Second Tier Securities. In the case of variable rate demand notes, the Fund shall maintain the same records except that the rates of return quoted will be substituted for the prices quoted.
- (b) Records sufficient to verify compliance with the volume limitations contained in condition (4) above. MS & Co. will provide the Funds with all records and information necessary to implement this requirement.
- (c) Each Fund shall maintain a ledger or record showing, on a daily basis, the percentage of the Fund's Total Assets (or, in the case of a Fund not subject to rule 2a-7

the percentage of its total cash, cash items and Eligible Securities) represented by Second Tier Securities acquired from MS & Co.

(d) Each Fund shall maintain records sufficient to verify compliance with the repurchase agreement requirements contained in condition 1(c) above.

The records required by this condition (7) will be maintained and preserved in the same manner as records required under rule 31a-1(b)(1) under the Act.

8. The legal and compliance departments of MS & Co. and the Advisers will prepare and administer guidelines for personnel of MS & Co. and the Advisers to make certain that transactions conducted pursuant to the order comply with the conditions set forth in the order and that the parties generally maintain arm's-length relationships. In the training of MS & Co's personnel, particular emphasis will be placed upon the fact that the Funds are to receive rates as favorable as other institutional purchasers buying the same quantities. The legal and compliance departments will periodically monitor the activities of MS & Co. and the Advisers to make certain that the conditions set forth in the order are adhered to.

9. The members of the Board of each of the Funds who are who are not "interested persons" as defined in Section 2(a)(19) of the Act ("Independent Trustees") will approve, periodically review, and update as necessary, guidelines for the Funds and the Advisers that are reasonably designed to make certain that the transactions conducted pursuant to the exemption comply with the conditions set forth herein and that the above procedures are followed in all respects. The Independent Trustees will periodically monitor the activities of the Funds and the Advisers in this regard to ensure that these goals are being accomplished.

10. The Board, including a majority of the Independent Trustees, will have approved each Fund's participation in transactions conducted pursuant to the exemption and determined

that such participation by the Fund is in the best interests of the Fund and its shareholders. The minutes of the meeting of the Board at which this approval was given must reflect in detail the reasons for the Board's determination. The Board will review no less frequently than annually each Fund's participation in transactions conducted pursuant to the exemption during the prior year and determine whether the Fund's participation in such transactions continues to be in the best interests of the Fund and its shareholders. Such review will include (but not be limited to) (a) a comparison of the volume of transactions in each type of security conducted pursuant to the exemption to the market presence of MS & Co. in the market for that type of security, which market data may be based on good faith estimates to the extent that current formal data is not reasonably available, and (b) a determination that the Funds are maintaining appropriate trading relationships with other sources for each type of security to ensure that there are appropriate sources for the quotations required by condition 3. The minutes of the meetings of the Board at which these determinations are made will reflect in detail the reasons for the Board's determinations.

For the Commission, by the Division of Investment Management, under delegated authority.

Florence E. Harmon
Deputy Secretary