

MORGAN STANLEY INCOME SECURITIES INC  
Form DEF 14A  
November 15, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

MORGAN STANLEY INCOME SECURITIES INC.  
MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST

\_\_\_\_\_  
(Names of Registrants as Specified in Their Charters)

\_\_\_\_\_  
(Name of Person(s) Filing Proxy Statement, if Other Than Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - 1) Title of each class of securities to which transaction applies: \_\_\_\_\_
  - 2) Aggregate number of securities to which transaction applies: \_\_\_\_\_
  - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \_\_\_\_\_
  - 4) Proposed maximum aggregate value of transaction: \_\_\_\_\_
  - 5) Total fee paid: \_\_\_\_\_
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by the registration statement number, or the Form or Schedule and the date of its filing.
  - 1) Amount Previously Paid: \_\_\_\_\_
  - 2) Form, Schedule or Registration Statement No.: \_\_\_\_\_
  - 3) Filing Party: \_\_\_\_\_
  - 4) Date Filed: \_\_\_\_\_

MORGAN STANLEY INCOME SECURITIES INC.  
MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST

NOTICE OF ANNUAL MEETINGS OF SHAREHOLDERS  
TO BE HELD DECEMBER 13, 2006

Annual Meetings of Shareholders (“Meeting(s)”) of MORGAN STANLEY INCOME SECURITIES INC., a corporation organized under the laws of Maryland, and MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST, an unincorporated business trust organized under the laws of the Commonwealth of Massachusetts (individually, a “Fund” and, collectively, the “Funds”), will be held jointly in Conference Room 1B, 5th Floor at 1221 Avenue of the Americas, New York, New York 10020, on December 13, 2006 at 8:30 a.m., New York City time, for the following purposes:

1. For Morgan Stanley Income Securities Inc., to elect twelve Directors to serve until the year 2007 Annual Meeting, and for Morgan Stanley Municipal Income Opportunities Trust, to elect two Trustees to serve until the year 2007 Annual Meeting, to elect one Trustee to serve until the year 2008 Annual Meeting and to elect five Trustees to serve until the year 2009 Annual Meeting, or in each case, until their successors shall have been elected and qualified.
2. To transact such other business as may properly come before the Meetings or any adjournments thereof.

Shareholders of record of each Fund as of the close of business on October 13, 2006 are entitled to notice of and to vote at the Meeting. If you cannot be present in person, your management would greatly appreciate your filling in, signing and returning the enclosed proxy promptly in the envelope provided for that purpose. Alternatively, if you are eligible to vote telephonically by touchtone telephone or electronically on the Internet (as discussed in the enclosed Joint Proxy Statement) you may do so in lieu of attending the Meetings in person.

In the event that holders of a majority of a Fund's shares issued and outstanding and entitled to vote (a “Quorum”) are not present in person or by proxy, or the vote required to approve or reject any proposal is not obtained at the Meeting of any Fund, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the applicable Fund's shares present in person or by proxy at the Meeting. The persons named as proxies will vote in favor of such adjournment those proxies which have been received by the date of the Meetings.

MARY E. MULLIN  
Secretary

November 15, 2006  
New York, New York

**IMPORTANT**

You can help avoid the necessity and expense of sending follow-up letters to ensure a Quorum by promptly returning the enclosed Proxy. If you are unable to be present in person, please fill in, sign and return the enclosed Proxy in order that the necessary Quorum may be represented at the Meetings. The enclosed envelope requires no postage if mailed in the United States. Certain shareholders will be able to vote telephonically by touchtone telephone or electronically on the Internet by following instructions contained on their proxy cards or on the enclosed Voting Information Card.

MORGAN STANLEY INCOME SECURITIES INC.  
MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST  
1221 Avenue of the Americas, New York, New York 10020

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JOINT PROXY STATEMENT

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Annual Meetings of Shareholders  
December 13, 2006

This Joint Proxy Statement is furnished in connection with the solicitation of proxies by the Boards of Trustees/Directors (the "Board(s)") of MORGAN STANLEY INCOME SECURITIES INC. ("ICB") and MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST ("OIA") (individually, a "Fund" and, collectively, the "Funds") for use at the Annual Meetings of Shareholders of the Funds to be held jointly on December 13, 2006 (the "Meeting(s)"), and at any adjournments thereof. The first mailing of this Proxy Statement is expected to be made on or about November 16, 2006.

If the enclosed form of proxy is properly executed and returned in time to be voted at the Meetings, the proxies named therein will vote the shares of beneficial interest with respect to ICB and common stock with respect to OIA ("Shares") represented by the proxy in accordance with the instructions marked thereon. Unmarked proxies submitted by shareholders of a Fund ("Shareholders") will be voted for each of the nominees for election as Trustee/Director to be elected by Shareholders of that Fund set forth in the attached Notice of Annual Meetings of Shareholders. A proxy may be revoked at any time prior to its exercise by any of the following: written notice of revocation to the Secretary of the Funds, execution and delivery of a later dated proxy to the Secretary of the Funds (whether by mail or, as discussed below, by touchtone telephone or the Internet) (if returned and received in time to be voted), or attendance and voting at the Meetings. Attendance at the Meetings will not in and of itself revoke a proxy.

Shareholders of record of each Fund as of the close of business on October 13, 2006, the record date for the determination of Shareholders entitled to notice of and to vote at the Meetings (the "Record Date"), are entitled to one vote for each share held and a fractional vote for a fractional share. On the Record Date, there were outstanding 9,719,435.544 shares of common stock of ICB and 19,685,157.605 shares of beneficial interest of OIA outstanding, all with \$0.01 par value. No person was known to own as much as 5% of the outstanding Shares of any of the Funds on that date. The percentage ownership of Shares of each Fund changes from time to time depending on purchases and sales by Shareholders and the total number of Shares outstanding.

The cost of soliciting proxies for the Meeting of each Fund, consisting principally of printing and mailing expenses, will be borne by each respective Fund. The solicitation of proxies will be by mail, which may be supplemented by solicitation by mail, telephone or otherwise through Trustees/Directors, officers of the Funds, or officers and regular employees of Morgan Stanley Investment Advisors Inc. ("Morgan Stanley Investment Advisors" or the "Investment Adviser"), Morgan Stanley Trust ("Transfer Agent"), Morgan Stanley Services Company Inc. ("Morgan Stanley Services" or the "Administrator") and/or Morgan Stanley DW Inc. ("Morgan Stanley DW"), without special compensation therefor. In addition, each Fund may employ Computershare Fund Services, Inc. ("Computershare") to make telephone calls to Shareholders to remind them to vote. Each Fund may also employ Computershare as proxy solicitor if it appears that the required number of votes to achieve a Quorum will not be received.

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Shareholders will be able to vote their Shares on the Voting Information Card accompanying this Joint Proxy Statement and certain Shareholders may be able to vote their Shares by touchtone telephone or by Internet by following the instructions on the proxy card. To vote by touchtone telephone or by Internet, Shareholders can access the website or call the toll-free number listed on the proxy card or noted in the enclosed voting instructions. To vote by touchtone telephone or by Internet, Shareholders will need the number that appears on the proxy card in the shaded box.

In certain instances, the Transfer Agent and/or Computershare, if retained, may call Shareholders to ask if they would be willing to have their votes recorded by telephone. The telephone voting procedure is designed to authenticate Shareholders' identities, to allow Shareholders to authorize the voting of their shares in accordance with their instructions and to confirm that their instructions have been recorded properly. No recommendation will be made as to how a Shareholder should vote on any proposal other than to refer to the recommendations of the Board. The Funds have been advised by counsel that these procedures are consistent with the requirements of applicable law. Shareholders voting by telephone in this manner will be asked for identifying information and will be given an opportunity to authorize proxies to vote their shares in accordance with their instructions. To ensure that the Shareholders' instructions have been recorded correctly they will receive a confirmation of their instructions in the mail. A special toll-free number set forth in the confirmation will be available in case the information contained in the confirmation is incorrect. Although a Shareholder's vote may be taken by telephone, each Shareholder will receive a copy of this Joint Proxy Statement and may vote by mail using the enclosed proxy card or by touchtone telephone or the Internet as set forth above. The last proxy vote received in time to be voted, whether by proxy card, touchtone telephone or Internet, will be the vote that is counted and will revoke all previous votes by the Shareholder. In the event that Computershare is retained as proxy solicitor, Computershare will be paid a project management fee as well as telephone solicitation expenses incurred for reminder calls, outbound telephone voting, confirmation of telephone votes, inbound telephone contact, obtaining Shareholders' telephone numbers, and providing additional materials upon Shareholder request, at an estimated cost of \$2,000, which will be borne by each respective Fund.

This Joint Proxy Statement is being used in order to reduce the preparation, printing, handling and postage expenses that would result from the use of a separate proxy statement for each Fund and, because Shareholders may own shares of more than one Fund, to potentially avoid burdening Shareholders with more than one proxy statement. Shares of a Fund are entitled to one vote each at the respective Fund's Meeting. To the extent information relating to common ownership is available to the Funds, a Shareholder that owns record shares in two or more of the Funds will receive a package containing a Joint Proxy Statement and proxy cards for the Funds in which such Shareholder is a record owner. If the information relating to common ownership is not available to the Funds, a Shareholder that beneficially owns shares in two or more Funds may receive two or more packages each containing a Joint Proxy Statement and a proxy card for each Fund in which such Shareholder is a beneficial owner. If the proposed election of Trustees/Directors is approved by Shareholders of one Fund and disapproved by Shareholders of other Funds, the proposal will be implemented for the Fund that approved the proposal and will not be implemented for any Fund that did not approve the proposal. Thus, it is essential that Shareholders complete, date, sign and return each enclosed proxy card or vote by touchtone telephone or Internet as indicated in each Fund's proxy card.

Only one copy of this Joint Proxy Statement will be delivered to multiple Shareholders sharing an address unless we have received contrary instructions from one or more of the Shareholders. Upon written or oral request, we will deliver a separate copy of this Joint Proxy Statement to a Shareholder at a shared address to which a single copy of this Joint Proxy Statement was delivered. Should any

Shareholder wish to receive a separate proxy statement or should Shareholders sharing an address wish to receive a single proxy statement in the future, please contact (800) 869-NEWS (toll-free).

#### ELECTION OF TRUSTEES/DIRECTORS FOR EACH FUND

The number of Trustees/Directors of each Fund has been fixed by the Trustees/Directors, pursuant to each Fund's Articles of Incorporation or Declaration of Trust, at twelve. There are presently twelve Trustees/Directors for each Fund. Four of these Trustees/Directors, Frank L. Bowman, Kathleen A. Dennis, Michael F. Klein and W. Allen Reed, were appointed by the Boards at the August 1, 2006 meeting. At the Meetings, the following nominees are to be elected to each Fund's Board of Trustees/Directors to serve for the following terms, in accordance with each Fund's Articles of Incorporation or Declaration of Trust, as set forth below:

ICB	OIA
Until the year 2007 Annual Meeting	Until the year 2007 Annual Meeting
Frank L. Bowman	Michael F. Klein
Michael Bozic	W. Allen Reed
Kathleen A. Dennis	
Edwin J. Garn	Until the year 2008 Annual Meeting
Wayne E. Hedien	Frank L. Bowman
James F. Higgins	
Manuel H. Johnson	Until the year 2009 Annual Meeting
Joseph J. Kearns	Kathleen A. Dennis
Michael F. Klein	Wayne E. Hedien
Michael E. Nugent	Manuel H. Johnson
W. Allen Reed	Joseph J. Kearns
Fergus Reid	Fergus Reid

Eleven of the current twelve Trustees/Directors (Frank L. Bowman, Michael Bozic, Kathleen A. Dennis, Edwin J. Garn, Wayne E. Hedien, Manuel H. Johnson, Joseph J. Kearns, Michael F. Klein, Michael E. Nugent, W. Allen Reed and Fergus Reid) are "Independent Trustees" or "Independent Directors," that is, Trustees or Directors who are not "interested persons" of the Funds, as that term is defined in the Investment Company Act of 1940, as amended (the "1940 Act"). The other current Trustee/Director, James F. Higgins, is an "Interested Trustee/Director," that is, a Trustee/Director who is an "interested person" (as that term is defined in the 1940 Act) of the Funds and Morgan Stanley Investment Advisors and thus, is not an Independent Trustee or Independent Director. The nominees for election as Trustee or Director have been proposed by the Trustees or Directors now serving, or, in the case of the nominees for positions as Independent Trustee or Independent Director, by the Independent Trustees or Independent Directors now serving. All of the Trustees, with the exception of Frank L. Bowman, Kathleen A. Dennis, Michael F. Klein and W. Allen Reed, have previously been elected by the Shareholders of the Funds.

The nominees of the Boards of Trustees/Directors for election as Trustee/Director of each Fund are listed below. It is the intention of the persons named in the enclosed form of proxy, unless instructed by proxy to withhold authority to vote for the nominees, to vote all validly executed proxies for the election of these nominees: for ICB—Frank L.

Bowman, Michael Bozic, Kathleen A. Dennis, Edwin J. Garn, Wayne E. Hedien, James F. Higgins, Manuel H. Johnson, Joseph J. Kearns, Michael F. Klein, Michael E. Nugent, W. Allen Reed and Fergus Reid and for OIA—Frank L. Bowman, Kathleen A. Dennis, Wayne

4

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E. Hedien, Manuel H. Johnson, Joseph J. Kearns, Michael F. Klein, W. Allen Reed and Fergus Reid. Should any of the nominees become unable or unwilling to accept nomination or election, the persons named in the proxy will exercise their voting power in favor of such person or persons as the Boards may recommend or, in the case of an Independent Trustee/Director nominee, as the Independent Trustees/Directors of each Fund may recommend. All of the nominees have consented to being named in this Joint Proxy Statement and to serve if elected. The Funds know of no reason why any of the said nominees would be unable or unwilling to accept nomination or election. With respect to each Fund, the election of the nominees listed above requires the approval of a majority of the Shares of the Fund represented and entitled to vote at each Fund's Meeting.

Pursuant to the provisions of the Articles of Incorporation of ICB, the terms of office of each Director will expire each year. Therefore, all of the Directors of the Fund, if elected, will serve until the year 2007 Annual Meeting of ICB, or until their successors shall have been elected and qualified.

Pursuant to the provisions of the Declaration of Trust of OIA, as amended, the Trustees are divided into three separate classes, each class having a term of three years. The term of office of one of each of the three classes will expire each year.

The Board of OIA previously determined that any nominee for election as Trustee for the Fund will stand for election as Trustee and serve as Trustee in one of the three classes of Trustees as follows: Class I—Messrs. Bowman, Bozic and Higgins; Class II—Ms. Dennis and Messrs. Hedien, Johnson, Kearns and Reid; and Class III—Messrs. Garn, Klein, Nugent and Reed. Each nominee will, if elected, serve a term of up to approximately three years running for the period assigned to that class and terminating at the date of the Annual Meeting of Shareholders so designated by the Boards, or any adjournments thereof. As a consequence of this method of election, the replacement of a majority of the Board could be delayed for up to two years. In accordance with the above, one Trustee in Class I, five Trustees in Class II and two Trustees in Class III are standing for election at this Meeting and will, if elected, serve until the Annual Meetings as set forth above or until their successors shall have been elected and qualified.

The current Trustees/Directors of the Funds also serve as trustees/directors for certain of the funds advised by the Investment Adviser (the Retail Funds) and certain of the funds advised by Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP (the "Institutional Funds"). The table below sets forth the following information as of October 30, 2006, unless otherwise noted, regarding the nominees for election as Trustee/Director, and each of the other Trustees/Directors (both the Independent Trustees/Directors and the Interested Trustee/Director) as well as the executive officers of the Funds, and each of their age, address, term of office and length of time served, their principal business occupations during the past five years, the number of portfolios in the Fund Complex (defined below) overseen by each Trustee/Director or nominee Trustee/Director, and other directorships, if any, held by the Trustees/Directors. The Fund Complex includes all open-end and closed-end funds (including all of their portfolios) advised by the Investment Adviser and any funds that have an investment adviser that is an affiliated person of the Investment Adviser (including, but not limited to, Morgan Stanley Investment Management Inc.).

5

Independent Trustees/Directors

Name, Age and Address of Independent Trustee/Director	Position(s) Held with Registrants	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Trustee/Director	Other Directorships Held by Independent Trustee/Director
Frank L. Bowman (61) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees/Directors 1177 Avenue of the Americas New York, NY 10036	Nominee/ Trustee/ Director	Since August 2006	President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (since February 2005); Director or Trustee of various Retail and Institutional Funds (since August 2006); formerly variously, Admiral in the U.S. Navy, Director of Naval Nuclear Propulsion Program and Deputy Administrator—Naval Reactors in the National Nuclear Security Administration at the U.S. Department of Energy (1996-2004). Honorary Knight Commander of the Most Excellent Order of the British Empire.	163	Director of the National Energy Foundation, the U.S. Energy Association, the American Council for Capital Formation and the Armed Services YMCA of the USA.
Michael Bozic (65) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees/Directors 1177 Avenue of the Americas New York, NY 10036	Nominee/ Trustee/ Director	Since April 1994	Private investor; Chairperson of the Valuation, Insurance and Compliance Committee (since October 2006); Director or Trustee of the Retail Funds (since April 1994) and the Institutional Funds (since July 2003); formerly Chairperson of the Insurance Committee	173	Director of various business organizations.

Kathleen A. Dennis (53) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees/Directors 1177 Avenue of the Americas New York, NY 10036	Nominee/ Trustee/ Director	Since August 2006	(July 2006-September 2006), Vice Chairman of Kmart Corporation (December 1998-October 2000), Chairman and Chief Executive Officer of Levitz Furniture Corporation (November 1995-November 1998) and President and Chief Executive Officer of Hills Department Stores (May 1991-July 1995); variously Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1991) of the Sears Merchandise Group of Sears, Roebuck & Co. President, Cedarwood Associates (mutual fund consulting) (since July 2006); Chairperson of the Closed-End, Money Market and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail and Institutional Funds (since August 2006); formerly, Senior Managing Director of Victory Capital Management (1993-2006).	163	None.
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\*This is the earliest date the Trustee/Director began serving the Retail Funds or Institutional Funds. Each Trustee/Director serves an indefinite term, until his or her successor is elected.

6

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Name, Age and Address	Position(s) Held with	Length of Time	Principal Occupation(s) During Past 5 Years	Number of Portfolios in	Other Directorships Held
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of Independent Trustee/Director	Registrants	Served*		Fund Complex Overseen by Independent Trustee/Director	by Independent Trustee/Director
Edwin J. Garn (74) 1031 N. Chartwell Court Salt Lake City, UT 84111-2215	Nominee/ Trustee/ Director	Since January 1993	Consultant; Director or Trustee of the Retail Funds (since January 1993) and the Institutional Funds (since July 2003); member of the Utah Regional Advisory Board of Pacific Corp. (utility company); formerly Managing Director of Summit Ventures LLC (lobbying and consulting firm) (2000-2004), United States Senator (R-Utah) (1974-1992) and Chairman, Senate Banking Committee (1980-1986), Mayor of Salt Lake City, Utah (1971-1974), Astronaut, Space Shuttle Discovery (April 12-19, 1985) and Vice Chairman, Huntsman Corporation (chemical company).	173	Director of Franklin Covey (time management systems), BMW Bank of North America, Inc. (industrial loan corporation), Escrow Bank USA (industrial loan corporation), United Space Alliance (joint venture between Lockheed Martin and the Boeing Company) and Nuskin Asia Pacific (multilevel marketing); member of the boards of various civic and charitable organizations.
Wayne E. Hedien (72) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees/Directors 1177 Avenue of the Americas New York, NY 10036	Nominee/ Trustee/ Director	Since September 1997	Retired; Director or Trustee of the Retail Funds (since September 1997) and the Institutional Funds (since July 2003); formerly associated with the Allstate Companies (1966-1994), most recently as Chairman of The Allstate Corporation (March 1993- December 1994) and Chairman and Chief Executive Officer of its wholly-owned subsidiary, Allstate Insurance Company (July 1989- December 1994).	173	Director of The PMI Group Inc. (private mortgage insurance); Trustee and Vice Chairman of The Field Museum of Natural History; director of various other business and charitable organizations.

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<p>Dr. Manuel H. Johnson (57) c/o Johnson Smick Group Inc. 888 16th Street, NW Suite 740 Washington, D.C. 20006</p>	<p>Nominee/ Trustee/ Director</p>	<p>Since July 1991</p>	<p>Senior Partner, Johnson Smick International, Inc. (consulting firm); Chairperson of the Investment Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2003); Co-Chairman and a founder of the Group of Seven Council (G7C), an international economic commission; formerly Chairman of the Audit Committee (July 1991-September 2006); Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.</p>	<p>173</p>	<p>Director of NVR, Inc. (home construction); Director of KFX Energy; Director of RBS Greenwich Capital Holdings (financial holding company).</p>
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\*This is the earliest date the Trustee/Director began serving the Retail Funds or Institutional Funds. Each Trustee/Director serves an indefinite term, until his or her successor is elected.

7

Name, Age and Address of Independent Trustee/Director	Position(s) Held with Registrants	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Trustee/Director	Other Directorships Held by Independent Trustee/Director
<p>Joseph J. Kearns (64) c/o Kearns &amp; Associates LLC PMB754 23852 Pacific Coast Highway Malibu, CA 90265</p>	<p>Nominee/ Trustee/ Director</p>	<p>Since August 1994</p>	<p>President, Kearns &amp; Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds</p>	<p>174</p>	<p>Director of Electro Rent Corporation (equipment leasing), The Ford Family Foundation and the UCLA Foundation.</p>

<p>Michael F. Klein (47) c/o Kramer Levin Naftalis &amp; Frankel LLP Counsel to the Independent Trustees/Directors 1177 Avenue of the Americas New York, NY 10036</p>	<p>Nominee/ Trustee/ Director</p>	<p>Since August 2006</p>	<p>(since August 1994); formerly Deputy Chairman of the Audit Committee (July 2003-September 2006) and Chairman of the Audit Committee of the Institutional Funds (October 2001-July 2003); formerly CFO of the J. Paul Getty Trust. Chief Operating Officer and Managing Director, Aetos Capital, LLC (since March 2000); Chairperson of the Fixed-Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail and Institutional Funds (since August 2006); formerly Managing Director, Morgan Stanley &amp; Co. Inc. and Morgan Stanley Dean Witter Investment Management, President, Morgan Stanley Institutional Funds (June 1998-March 2000) and Principal, Morgan Stanley &amp; Co. Inc. and Morgan Stanley Dean Witter Investment Management (August 1997-December 1999).</p>	<p>163</p>	<p>Director of certain investment funds managed or sponsored by Aetos Capital LLC.</p>
<p>Michael E. Nugent (70) c/o Triumph Capital, L.P. 445 Park Avenue New York, NY 10022</p>	<p>Chairman of the Boards and Nominee/ Trustee/ Director</p>	<p>Chairman of the Boards since July 2006 and Trustee since July 1991</p>	<p>General Partner of Triumph Capital, L.P., a private investment partnership; Chairman of the Boards of the Retail Funds and Institutional Funds (since July 2006); Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2001);</p>	<p>173</p>	<p>None.</p>

formerly Chairman of the Insurance Committee (until July 2006); Vice President, Bankers Trust Company and BT Capital Corporation (1984-1988).

\*This is the earliest date the Trustee/Director began serving the Retail Funds or Institutional Funds. Each Trustee/Director serves an indefinite term, until his or her successor is elected.

8

Name, Age and Address of Independent Trustee/Director	Position(s) Held with Registrants	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Trustee/Director	Other Directorships Held by Independent Trustee/Director
W. Allen Reed (59) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees/Directors 1177 Avenue of the Americas New York, NY 10036	Nominee/ Trustee/ Director	Since August 2006	Chairperson of the Equity Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail and Institutional Funds (since August 2006); formerly, President and CEO of General Motors Asset Management; Chairman and Chief Executive Officer of the GM Trust Bank and Corporate Vice President of General Motors Corporation (August 1994-December 2005).	163	Director of GMAC (financial services), GMAC Insurance and Temple-Inland Industries (packaging, banking and forrest products); member of the Board of Morgan Stanley Capital International Editorial Board; Director of Legg Mason and various investment fund advisory boards.
Fergus Reid (74) c/o Lumelite Plastics Corporation 85 Charles Colman Blvd. Pawling, NY 12564	Nominee/ Trustee/ Director	Since June 1992	Chairman of Lumelite Plastics Corporation; Chairperson of the Governance Committee and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since June 1992).	174	Trustee and Director of certain investment companies in the JPMorgan Funds complex managed by J.P. Morgan Investment Management Inc.

\*This is the earliest date the Trustee/Director began serving the Retail Funds or Institutional Funds. Each Trustee/Director serves an indefinite term, until his or her successor is elected. Interested Trustee/Director and Executive Officers. The Trustee/Director who is affiliated with the Investment Adviser or affiliates of the Investment Adviser (as set forth below) and executive officers of the Fund, their age, address, term of office and length of time served, their principal business occupations during the past five years, the number of portfolios in the Fund Complex overseen by the Interested Trustee/Director (as of October 30, 2006) and the other directorships, if any, held by the Interested Trustee/Director, are shown below.

## INTERESTED TRUSTEE/DIRECTOR:

Name, Age and Address of Interested Trustee/Director	Position(s) Held with Registrants	Length of Time Served**	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Interested Trustee/Director	Other Directorships Held by Interested Trustee/Director
James F. Higgins (58) c/o Morgan Stanley Trust Harborside Financial Center Plaza Two Jersey City, NJ 07311	Nominee/ Trustee/ Director	Since June 2000	Director or Trustee of the Retail Funds (since June 2000) and the Institutional Funds (since July 2003); Senior Advisor of Morgan Stanley (since August 2000).	173	Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services).

\*\*This is the earliest date the Trustee/Director began serving the Retail Funds or Institutional Funds. Each Trustee/Director serves an indefinite term, until his or her successor is elected.

9

## EXECUTIVE OFFICERS:

Name, Age and Address of Executive Officer	Position(s) Held with Registrants	Length of Time Served***	Principal Occupation(s) During Past 5 Years
Ronald E. Robison (67) 1221 Avenue of the Americas New York, NY	President and Principal Executive Officer	President since September 2005 and Principal	President (since September 2005) and Principal Executive Officer (since May 2003) of funds in the Fund Complex; President (since September 2005) and Principal Executive Officer (since May 2003) of the Van Kampen Funds; Managing Director,

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10020		Executive Officer since May 2003	Director and/or Officer of the Investment Adviser and various entities affiliated with the Investment Adviser; Director of Morgan Stanley SICAV (since May 2004). Formerly, Executive Vice President (July 2003 to September 2005) of funds in the Fund Complex and the Van Kampen Funds; President and Director of the Institutional Funds (March 2001 to July 2003); Chief Global Operating Officer of Morgan Stanley Investment Management Inc.; Chief Administrative Officer of the Investment Adviser; Chief Administrative Officer of Morgan Stanley Services Company Inc.
J. David Germany (52)	Vice President	Since February 2006	Managing Director and (since December 2005) Chief Investment Officer – Global Fixed Income of Morgan Stanley Investment Management; Managing Director and Director of Morgan Stanley Investment Management Limited; Vice President of the Retail and Institutional Funds (since February 2006).
Morgan Stanley Investment Management Limited 25 Cabot Square Canary Wharf, London United Kingdom E144QA			
Dennis F. Shea (53)	Vice President	Since February 2006	Managing Director and (since February 2006) Chief Investment Officer – Global Equity of Morgan Stanley Investment Management; Vice President of the Retail and Institutional Funds (since February 2006). Formerly, Managing Director and Director of Global Equity Research at Morgan Stanley.
1221 Avenue of the Americas New York, NY 10020			
Barry Fink (51)	Vice President	Since February 1997	Managing Director and General Counsel of Morgan Stanley Investment Management; Managing Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Vice President of the Retail Funds and (since July 2003) the Institutional Funds. Formerly, Secretary, General Counsel and/or Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Secretary and General Counsel of the Retail Funds.
1221 Avenue of the Americas New York, NY 10020			
Amy R. Doberman (44)	Vice President	Since July 2004	Managing Director and General Counsel, U.S. Investment Management of Morgan Stanley Investment Management (since July 2004); Vice President of the Retail Funds and the Institutional Funds (since July 2004); Vice President of the Van Kampen Funds (since August 2004); Secretary (since February 2006) and Managing Director (since July 2004) of the Investment Adviser and various entities affiliated with the Investment Adviser. Formerly, Managing Director and General Counsel – Americas, UBS Global Asset Management (July 2000 to July 2004).
1221 Avenue of the Americas New York, NY 10020			

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Carsten Otto (42) 1221 Avenue of the Americas New York, NY 10020	Chief Compliance Officer	Since October 2004	Managing Director and U.S. Director of Compliance for Morgan Stanley Investment Management (since October 2004); Managing Director and Chief Compliance Officer of Morgan Stanley Investment Management. Formerly, Assistant Secretary and Assistant General Counsel of the Retail Funds.
Stefanie V. Chang Yu (39) 1221 Avenue of the Americas New York, NY 10020	Vice President	Since December 1997	Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Vice President of the Retail Funds (since July 2002) and the Institutional Funds (since December 1997). Formerly, Secretary of various entities affiliated with the Investment Adviser.

\*\*\*This is the earliest date the Officer began serving the Retail Funds or Institutional Funds. Each Officer serves an indefinite term, until his or her successor is elected.

10

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Length of Time Served***	Principal Occupation(s) During Past 5 Years
Francis J. Smith (41) c/o Morgan Stanley Trust Harborside Financial Center Plaza Two Jersey City, NJ 07311	Treasurer and Chief Financial Officer	Treasurer since July 2003 and Chief Financial Officer since September 2002	Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Treasurer and Chief Financial Officer of the Retail Funds (since July 2003). Formerly, Vice President of the Retail Funds (September 2002 to July 2003).
Mary E. Mullin (39) 1221 Avenue of the Americas New York, NY 10020	Secretary	Since June 1999	Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Secretary of the Retail Funds (since July 2003) and the Institutional Funds (since June 1999).

\*\*\*This is the earliest date the Officer began serving the Retail Funds or Institutional Funds. Each Officer serves an indefinite term, until his or her successor is elected.

For each Trustee/Director, the dollar range of equity securities beneficially owned by the Trustees/Directors in the Funds and in the Family of Investment Companies (Family of Investment Companies includes all of the registered investment companies advised by the Investment Adviser, Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP) as of December 31, 2005, is shown below. Ms. Dennis and Messrs. Bowman, Klein and Reed did not serve as Trustees/Directors of the Funds during the calendar year ended December 31, 2005.

Name of Trustee/Director	Dollar Range of Equity Securities in the Funds (As of December 31, 2005)	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee/Director in Family of Investment Companies (As of December 31, 2005)
Independent:		
Frank L. Bowman	None	None
Michael Bozic	None	over \$100,000
Kathleen A. Dennis	None	None
Edwin J. Garn	None	over \$100,000
Wayne E. Hedien	None	over \$100,000
Dr. Manuel H. Johnson	None	over \$100,000
Joseph J. Kearns <sup>(1)</sup>	None	over \$100,000
Michael F. Klein	None	over \$100,000
Michael E. Nugent	None	over \$100,000
W. Allen Reed	None	\$10,001 – \$50,000
Fergus Reid <sup>(1)</sup>	None	over \$100,000
Interested:		
James F. Higgins	None	over \$100,000

(1)Includes the total amount of compensation deferred by the Trustee/Director at his election pursuant to a deferred compensation plan. Such deferred compensation is placed in a deferral account and deemed to be invested in one or more of the Retail Funds or Institutional Funds (or portfolio thereof) that are offered as investment options under the plan. As of December 31, 2005, the value (including interest) of the deferral accounts for Messrs. Kearns and Reid was \$786,542 and \$766,622, respectively, pursuant to the deferred compensation plan.

As to each Independent Trustee/Director and his immediate family members, no person owned beneficially or of record securities in an investment adviser or principal underwriter of the Funds, or a person (other than a registered investment company) directly or indirectly controlling, controlled by or under common control with an investment adviser or principal underwriter of the Funds as of the record date.

Independent Trustees/Directors and the Committees. Law and regulation establish both general guidelines and specific duties for the Independent Trustees/Directors. The Funds seek as Independent Trustees/Directors individuals of distinction and experience in business and finance, government service or academia; these are people whose advice and counsel are in demand by others and for whom there is often competition. To accept a position on the Funds' Boards, such individuals may reject other attractive assignments because the Funds make substantial demands on their time. The Board of each Fund has four Committees: (1) Audit Committee, (2) Governance Committee, (3) Valuation, Insurance and Compliance Committee and (4) Investment Committee. The Investment Committee has three Sub-Committees focusing on the Funds' primary areas of investment, namely equities, fixed-income and alternatives, as detailed below. Five of the Independent Trustees/Directors serve as members of the Audit Committee, four



Independent Trustees/Directors serve as members of the Governance Committee, three Trustees/Directors, including two Independent Trustees/Directors, serve as members of the Valuation, Insurance and Compliance Committee and all of the Trustees/Directors serve as members of the Investment Committee.

The Independent Trustees/Directors are charged with recommending to the full Board approval of management, advisory and administration contracts, and distribution and underwriting agreements; continually reviewing Fund performance; checking on the pricing of portfolio securities, brokerage commissions, transfer agent costs and performance, and trading among funds in the same complex; and approving fidelity bond and related insurance coverage and allocations, as well as other matters that arise from time to time.

The Board of Trustees/Directors of each Fund have a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. Each Audit Committee is charged with recommending to the full Board the engagement or discharge of the Funds' independent registered public accounting firm; directing investigations into matters within the scope of the independent registered public accounting firm's duties, including the power to retain outside specialists; reviewing with the independent registered public accounting firm the audit plan and results of the auditing engagement; approving professional services provided by the independent registered public accounting firm and other accounting firms prior to the performance of the services; reviewing the independence of the independent registered public accounting firm; considering the range of audit and non-audit fees; reviewing the adequacy of the Funds' system of internal controls; and preparing and submitting Committee meeting minutes to the full Board.

The members of the Audit Committee of the Fund are currently Frank L. Bowman, Wayne E. Hedien, Joseph J. Kearns, Michael E. Nugent and W. Allen Reed. None of the members of the Funds' Audit Committee is an "interested person," as defined under the 1940 Act, of any of the Funds (with such disinterested Trustees/Directors being "Independent Trustees/Directors" or individually, "Independent Trustee/Director"). Each Independent Trustee/Director is also "independent" from the Funds under the listing standards of the New York Stock Exchange, Inc. ("NYSE"). The Chairperson of the Audit Committee of each of the Funds is Joseph J. Kearns. A copy of the Audit Committee Charter is attached to this Joint Proxy Statement as Appendix A.

The Board of Trustees/Directors of each Fund also have a Governance Committee. The Governance Committee identifies individuals qualified to serve as Independent Trustees/Directors on the Funds' Boards and on committees of such Board and recommends such qualified individuals for nomination by the Funds' Independent Trustees/Directors as candidates for election as Independent Trustees/Directors, advises each Fund's Board with respect to Board composition, procedures and committees, develops and recommends to each Fund's Board a set of corporate governance principles applicable to the Funds, monitors and makes recommendations on corporate governance matters and policies and procedures of

12

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each Fund's Board of Trustees/Directors and any Board committees and oversees periodic evaluations of each Fund's Board and its committees. The members of the Governance Committee of the Funds are currently Kathleen A. Dennis, Edwin J. Garn, Michael F. Klein and Fergus Reid, each of whom is an Independent Trustee/Director. The Chairperson of the Governance Committee is Fergus Reid.

The Board of Trustees/Directors for each Fund has adopted a formal written charter for the Governance Committee, which sets forth the Governance Committee's responsibilities. A copy of the Governance Committee Charter is

attached to this Joint Proxy Statement as Appendix B. The Governance Committee Charter is not available on the Funds' website.

The Funds do not have a separate nominating committee. While each of the Fund's Governance Committee recommends qualified candidates for nominations as Independent Trustees/Directors, the Board of Trustees/Directors of each Fund believes that the task of nominating prospective Independent Trustees/Directors is important enough to require the participation of all current Independent Trustees/Directors, rather than a separate committee consisting of only certain Independent Trustees/Directors. Accordingly, each current Independent Trustee/Director (Frank L. Bowman, Michael Bozic, Kathleen A. Dennis, Edwin J. Garn, Wayne E. Hedien, Manuel H. Johnson, Joseph J. Kearns, Michael F. Klein, Michael E. Nugent, W. Allen Reed and Fergus Reid) for all Funds participates in the election and nomination of candidates for election as Independent Trustees/Directors for the respective Funds for which the Independent Trustee/Director serves. Persons recommended by each of the Fund's Governance Committee as candidates for nomination as Independent Trustees/Directors shall possess such knowledge, experience, skills, expertise and diversity so as to enhance each of the Board's ability to manage and direct the affairs and business of the Funds, including, when applicable, to enhance the ability of committees of each of the Boards to fulfill their duties and/or to satisfy any independence requirements imposed by law, regulation or any listing requirements of the NYSE. While the Independent Trustees/Directors of the Funds expect to be able to continue to identify from their own resources an ample number of qualified candidates for each of the Funds' Boards as they deem appropriate, they will consider nominations from shareholders to the Board. Nominations from shareholders should be in writing and sent to the Independent Trustees/Directors as described below under the caption "Shareholder Communications."

The Board of Trustees/Directors of each Fund have formed a Valuation, Insurance and Compliance Committee to review the valuation process, address insurance coverage and oversee the compliance function for each of the Funds and the Boards. The Valuation, Insurance and Compliance Committee currently consists of Michael Bozic, Manuel H. Johnson and James F. Higgins. Michael Bozic and Manuel H. Johnson who are Independent Trustees/Directors. The Chairperson of the Valuation, Insurance and Compliance Committee is Michael Bozic.

The Investment Committee oversees the portfolio investment process for and reviews the performance of each Fund. The Investment Committee also recommends to each Board to approve or renew the respective Fund's Investment Advisory and Administration Agreements. The members of the Investment Committee are Manuel H. Johnson, Frank L. Bowman, Michael Bozic, Kathleen A. Dennis, Edwin Garn, Wayne Hedien, James Higgins, Joseph Kearns, Michael Klein, Michael Nugent, Fergus Reid and W. Allen Reed. The Chairperson of the Investment Committee is Manuel H. Johnson.

The Investment Committee has three Sub-Committees, each with its own Chairperson. The Sub-Committees and their members are as follows:

- (1) Equity – W. Allen Reed (Chairperson), Michael E. Nugent and Frank L. Bowman.
- (2) Fixed-Income – Michael F. Klein (Chairperson), Fergus Reid, Michael Bozic and Edwin J. Garn.

13

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(3) Closed-End, Money Market and Alternatives – Kathleen A. Dennis (Chairperson), James F. Higgins, Joseph J. Kearns and Wayne E. Hedien.

The following chart sets forth the number of meetings of the Board, the Committee of the Independent Trustees/Directors, the Audit Committee, and the Governance Committee of each Fund during its most recent fiscal year. For the 2006 fiscal year, each Trustee/Director, attended at least seventy-five percent of the aggregate number of meetings of the Board and any Committee on which he or she served during the time such Trustee/Director was a member of the Board.

Number of Board and Committee Meetings Held During Last Fiscal Year

Name of Fund	Fiscal Year-End	Retail Board of Trustees/Directors Meetings	Committee of the Independent Trustees/Directors Meetings	Audit Committee Meetings	Governance Committee Meetings
ICB	9/30/06	9	3	9	2
OIA	5/31/06	15	3	9	2

The Valuation, Insurance and Compliance Committee, the Investment Committee and the Sub-Committees of the Investment Committee were formed in October 2006.

For annual or special shareholder meetings, Trustees/Directors may, but are not required to, attend the meetings; and for each Fund’s last annual shareholder meeting, no Trustees/Directors attended the meeting.

Advantages of Having Same Individuals as Independent Trustees/Directors for the Retail Funds and Institutional Funds

The Independent Trustees/Directors and the Funds’ management believe that having the same Independent Trustees for each of the Retail Funds and Institutional Funds avoids the duplication of effort that would arise from having different groups of individuals serving as Independent Trustees/Directors for each of the funds or even of sub-groups of funds. They believe that having the same individuals serve as Independent Trustees/Directors of all the Retail Funds and Institutional Funds tends to increase their knowledge and expertise regarding matters which affect the Fund Complex generally and enhances their ability to negotiate on behalf of each fund with the fund’s service providers. This arrangement also precludes the possibility of separate groups of Independent Trustees/Directors arriving at conflicting decisions regarding operations and management of the funds and avoids the cost and confusion that would likely ensue. Finally, having the same Independent Trustees/Directors serve on all fund boards enhances the ability of each fund to obtain, at modest cost to each separate fund, the services of Independent Trustees/Directors of the caliber, experience and business acumen of the individuals who serve as Independent Trustees/Directors of the Retail Funds and Institutional Funds.

Shareholder Communications. Shareholders may send communications to each Fund’s Board of Trustees/Directors. Shareholders should send communications intended for each Fund’s Board by addressing the communications directly to that Board (or individual Board members) and/or otherwise clearly indicating in the salutation that the communication is for the Board (or individual Board members) and by sending the communication to either the Fund’s office or directly to such Board member(s) at the address specified for each Trustee/Director previously noted. Other shareholder communications received by each Fund not directly addressed and sent to the Fund’s Board will be reviewed and generally responded to by management, and will be forwarded to the Board only at management’s discretion based on the matters contained therein.

#### Share Ownership by Trustees/Directors

The Trustees/Directors have adopted a policy pursuant to which each Trustee/Director and/or his or her spouse is required to invest at least \$100,000 in any of the funds in the Morgan Stanley Retail Funds and Institutional Funds on whose boards the Trustee/Director serves. In addition, the policy contemplates that the Trustees/Directors will, over time, increase their aggregate investment in the funds above the \$100,000 minimum requirement. The Trustees/Directors may allocate their investments among specific funds in any manner they determine is appropriate based on their individual investment objectives. Any future Trustee/Director will be given a one-year period following his or her election within which to comply with the foregoing. As of the date of this Joint Proxy Statement, each Trustee/Director is in compliance with the policy. As of September 30, 2006, the total value of the investments by the Trustees/Directors and/or their spouses in shares of the Morgan Stanley Retail Funds and Institutional Funds was approximately \$6.1 million. This amount includes compensation deferred by the Trustee/Director at his or her election pursuant to a deferred compensation plan. Such deferred compensation is placed in a deferral account and deemed to be invested in one or more of the Retail Funds or Institutional Funds (or portfolio thereof) that are offered as investment options under the plan.

As of the Record Date for these Meetings, the aggregate number of Shares of each Fund owned by the Fund's officers and Trustees/Directors as a group was less than one percent of each Fund's outstanding shares.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires that each Fund's executive officers and Trustees/Directors, and beneficial owners of more than 10% of its shares, make certain filings on a timely basis under Section 16(a) of the Exchange Act. Based solely on a review of copies of such reports of ownership furnished to the Funds, the Funds believe that during the past fiscal year all of its officers, Trustees/Directors and greater than 10% beneficial holders complied with all applicable filing requirements.

#### Compensation of Trustees/Directors

Each Independent Trustee/Director receives an annual fee of \$180,000 for serving the Retail Funds and Institutional Funds. Prior to October 1, 2005, each Independent Director/Trustee received an annual retainer fee of \$168,000 for serving the Retail Funds and Institutional Funds. In addition, each Independent Trustee/Director received \$2,000 for attending each of the four quarterly board meetings and two performance meetings that occur each year, so that an Independent Trustee/Director who attended all six meetings received total compensation of \$180,000 for serving the Funds.

Prior to October 1, 2006, the Chairperson of the Audit Committee received an additional annual retainer fee of \$60,000. Other Committee Chairpersons and the Deputy Chairperson of the Audit Committee received an additional annual retainer fee of \$30,000. Effective October 1, 2006, the Chairperson of the Audit Committee receives an additional annual retainer fee of \$75,000 and the Investment Committee Chairperson receives an additional annual retainer fee of \$60,000. Other Committee Chairpersons receive an additional annual retainer fee of \$30,000 and the Investment Sub-Committee Chairpersons receive an additional annual retainer fee of \$15,000. The aggregate compensation paid to each Independent Trustee/Director is paid by the Retail Funds and the Institutional Funds, and is allocated on a pro rata basis among each of the operational funds/portfolios of the Retail Funds and the Institutional Funds based on the relative net assets of each of the funds/portfolios. As of July 1, 2006, Charles A. Fiumefreddo resigned as Chairman of the Boards of the Retail Funds and the

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Institutional Funds and was succeeded by Michael E. Nugent. Prior to July 1, 2006, Charles A. Fiumefreddo received an annual fee for his services as Chairman of the Boards of the Retail Funds and the Institutional Funds and for administrative services provided to each Board. As of July 1, 2006, Michael E. Nugent receives a total annual fee of \$360,000 for his services as Chairman.

The Funds also reimburse the Trustees/Directors for travel and other out-of-pocket expenses incurred by them in connection with attending such meetings. Trustees/Directors of the Funds who are or have been employed by the Investment Adviser or an affiliated company receive no compensation or expense reimbursement from the Funds for their services as Trustee/Director.

Effective April 1, 2004, the Funds began a Deferred Compensation Plan (the "DC Plan"), which allows each Independent Trustee/Director to defer payment of all, or a portion, of the fees he or she receives for serving on the Board of Trustees/Directors throughout the year. Each eligible Trustee/Director generally may elect to have the deferred amounts credited with a return equal to the total return on one or more of the Retail Funds or Institutional Funds (or portfolios thereof) that are offered as investment options under the DC Plan. At the Trustee/Director's election, distributions are either in one lump sum payment, or in the form of equal annual installments over a period of five years. The rights of an eligible Trustee/Director and the beneficiaries to the amounts held under the DC Plan are unsecured and such amounts are subject to the claims of the creditors of the Funds.

Prior to April 1, 2004, the Institutional Funds maintained a similar Deferred Compensation Plan (the "Prior DC Plan"), which also allowed each Independent Trustee/Director to defer payment of all, or a portion, of the fees he or she received for serving on the Board of Trustees/Directors throughout the year. The DC Plan amends and supersedes the Prior DC Plan and all amounts payable under the Prior DC Plan are now subject to the terms of the DC Plan (except for amounts paid during the 2004 calendar year which will remain subject to the terms of the Prior DC Plan).

The following table shows aggregate compensation payable to each of the Funds' Trustees/Directors from each Fund for the fiscal year ended September 30, 2006 (ICB) and May 31, 2006 (OIA) and the aggregate compensation payable to each of the Funds' Trustees/Directors by the Fund Complex (which includes all of the Retail Funds and Institutional Funds) for the calendar year ended December 31, 2005. The structure and membership of the Committees have changed since December 31, 2005. Therefore, Committees referenced in the footnotes to the Compensation table in this section may no longer exist, and/or the Trustees/Directors may no longer serve on the Committees noted in the footnotes to the table.

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Name of Independent Trustee/Director	Total Compensation from the Fund		Number of Portfolios in the Fund Complex from which the Trustee/Director Received Compensation <sup>(7)</sup>	Total Compensation from the Fund Complex <sup>(7)</sup>
	ICB	OIA		
Frank L. Bowman <sup>(1)(5)</sup>	\$ 90	None	None	None
Michael Bozic <sup>(2)(4)</sup>	231	\$ 189	170	\$ 180,000
Kathleen A. Dennis <sup>(1)</sup>	103	None	None	None
Edwin J. Garn <sup>(2)(4)</sup>	213	189	170	178,000
Wayne E. Hedien <sup>(2)(3)</sup>	213	189	170	180,000
Dr. Manuel H. Johnson <sup>(2)</sup>	284	253	170	240,000
Joseph J. Kearns <sup>(2)(5)</sup>	262	226	171	217,000
Michael F. Klein <sup>(2)</sup>	103	None	None	None
Michael E. Nugent <sup>(2)(3)(6)</sup>	338	221	170	210,000
W. Allen Reed <sup>(2)(4)</sup>	103	None	None	None
Fergus Reid <sup>(2)(4)</sup>	248	221	171	215,000
Name of Interested Trustee/Director				
James F. Higgins	None	None	170	None

(1)Ms. Dennis and Messrs. Bowman, Klein and Reed did not serve as Trustees/Directors of the Funds until August 1, 2006 and therefore did not receive any compensation from OIA for the Fund's last fiscal year nor did they receive any compensation payable to the Fund's Trustees/Directors by the Fund Complex for the calendar year ended December 31, 2005.

(2)Member of the Audit Committee. Dr. Johnson was the Chairman of the Audit Committee and Mr. Kearns was the Deputy Chairman of the Audit Committee during the relevant period.

(3)Member of the Insurance Committee. Mr. Bozic was the Chairman of the Insurance Committee. Prior to July 1, 2006, Mr. Nugent was the Chairman of the Insurance Committee during the relevant period.

(4)Member of the Governance Committee. Mr. Reid was the Chairman of the Governance Committee during the relevant period.

(5)Includes amounts deferred at the election of the Trustee/Director under the DC Plan.

(6)As of July 1, 2006, Mr. Fiumefreddo resigned as Chairman of the Boards of the Retail Funds and Institutional Funds and was succeeded by Mr. Nugent. As a result, Mr. Nugent receives the annual fee for his services as Chairman of Boards of the Retail Funds and the Institutional Funds from that date.

(7)Because the funds in the Fund Complex have different fiscal year ends, the amounts shown in these columns are presented on a calendar year basis.

Prior to December 31, 2003, 49 of the Retail Funds (the "Adopting Funds"), including the Funds, had adopted a retirement program under which an Independent Trustee/Director who retired after serving for at least five years as an Independent Trustee/Director of any such fund (an "Eligible Trustee/Director") would have been entitled to retirement payments based on factors such as length of service, upon reaching the eligible retirement age. On December 31, 2003, the amount of accrued retirement benefits for each Eligible Trustee/Director was frozen, and will be payable, together with a return of 8% per annum, at or following each such Eligible Trustee/Director's retirement as shown in the table below.

The following tables illustrate the retirement benefits accrued to the Funds' Independent Trustees/Directors by the Funds for the fiscal year ended September 30, 2006 (ICB) and May 31, 2006 (OIA) and by the Adopting Funds for the calendar year ended December 31, 2005, and the estimated retirement benefits for the Independent Trustees/Directors, to commence upon their retirement from the Funds as of each Fund's last fiscal year and from the Adopting Funds as of December 31, 2005. Only the Trustees/Directors listed below participated in the retirement program.

Name of Independent Trustees/Directors	Retirement Benefits Accrued as Expenses		
	By ICB	By OIA	By All Adopting Funds
Michael Bozic	\$ 416	\$ 422	\$ 19,439
Edwin J. Garn <sup>(2)</sup>	(229)	(227)	(10,738)
Wayne E. Hedien	311	532	37,860
Dr. Manuel H. Johnson	407	410	19,701
Michael E. Nugent	725	739	35,471

Name of Independent Trustees/Directors	Estimated Annual Benefits Upon Retirement <sup>(1)</sup>		
	From ICB	From OIA	From All Adopting Funds
Michael Bozic	\$ 997	\$ 997	\$ 46,871
Edwin J. Garn <sup>(2)</sup>	990	984	46,917
Wayne E. Hedien	853	843	40,020
Dr. Manuel H. Johnson	1,451	1,451	68,630
Michael E. Nugent	1,299	1,299	61,377

(1) Total compensation accrued under the retirement plan, together with a return of 8% per annum, will be paid annually commencing upon retirement and continuing for the remainder of the Trustee's/Director's life.

(2) Mr. Garn's retirement expense is negative due to the fact that his retirement date has been extended to October 31, 2007, and therefore the expense had been overaccrued.

Assuming a Quorum is present, approval of the Proposal with respect to each Fund will require the affirmative vote of a majority of each Fund's Shares represented in person or by proxy at the Meetings and entitled to vote at the Meetings.

The Board of Trustees/Directors of each Fund unanimously recommends that Shareholders vote FOR the election of each of the Trustees/Directors nominated for election.

#### The Investment Adviser

Morgan Stanley Investment Advisors Inc. serves as each Fund's investment adviser pursuant to investment advisory agreements. Morgan Stanley Investment Advisors maintains its offices at 1221 Avenue of the Americas, New York, New York 10020. Morgan Stanley Investment Advisors is a wholly-owned subsidiary of Morgan Stanley, a preeminent global financial services firm that maintains leading market positions in each of its three primary businesses—securities, asset management and credit services.

The Principal Executive Officers of Morgan Stanley Investment Advisors are Owen D. Thomas, President and Chief Executive Officer, Ronald E. Robison, Managing Director, Chief Administrative Officer and Director, and Barry Fink, Managing Director, Secretary and Director. Mr. Thomas is currently a Managing Director of Morgan Stanley. The principal occupations of Messrs. Robison and Fink are described under the section "Election of Trustees/Directors

for Each Fund.’’ The business address of the Executive Officer and other Directors is 1221 Avenue of the Americas, New York, New York 10020.

Morgan Stanley Services, a wholly owned subsidiary of the Investment Adviser, serves as the Administrator of each Fund pursuant to an administration agreement. The Investment Adviser and the Administrator serve in various investment management, advisory, management and administrative capacities to investment companies and pension plans and other institutional and individual investors. The address of the Administrator is that of the Investment Adviser set forth above.

18

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Morgan Stanley has its offices at 1585 Broadway, New York, New York 10036. Morgan Stanley is a full service securities firm engaged in securities trading and brokerage activities, as well as providing investment banking, research and analyses, financing and financial advisory services. There are various lawsuits pending against Morgan Stanley involving material amounts which, in the opinion of its management, will be resolved with no material effect on the consolidated financial position of the company.

#### Audit Committee Report

At a meeting held on October 31, 2006 (ICB) and a meeting held on April 28, 2006 (OIA), the Board of Trustees/Directors of each Fund, with the exception of the Trustees of OIA that were not on the Board at April 28, 2006, a majority of the Trustees/Directors who are not ‘‘interested persons,’’ as defined under the 1940 Act, acting on the recommendation of the Audit Committee of each Fund, selected Deloitte & Touche LLP to act as the independent registered public accounting firm for each Fund for the fiscal year ending September 30, 2007 (ICB) and May 31, 2006 (OIA).

The Audit Committee of each Fund has reviewed and discussed the financial statements of each Fund with management as well as with Deloitte & Touche LLP, the independent registered public accounting firm for each Fund. In the course of its discussions, the Audit Committee also discussed with Deloitte & Touche LLP any relevant matters required to be discussed under Statement on Auditing Standards No. 61. Based on this review, the Audit Committee recommended to the Board of Trustees/Directors of each Fund that each Fund's audited financial statements be included in each Fund's Annual Report to Shareholders for the most recent fiscal year for filing with the Securities and Exchange Commission. {t10}The Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required under Independence Standards Board No. 1 and has discussed with the independent registered public accounting firm their independence.

The Audit Committee

Joseph J. Kearns (Chairman)  
Frank L. Bowman

Wayne E. Hedien  
Michael E. Nugent  
W. Allen Reed

Representatives from Deloitte & Touche LLP are not expected to be present at the Meetings but are expected to be available by telephone. Deloitte & Touche LLP will have the opportunity to make a statement if they desire to do so



and the representatives from Deloitte & Touche LLP, if available, will respond to appropriate questions from shareholders.

19

#### FEES PAID TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

##### Audit Fees

The aggregate fees for professional services billed by Deloitte & Touche LLP in connection with the annual audit and review of financial statements of ICB for the fiscal years ended September 30, 2005 and September 30, 2006, and in connection with the annual audit and review of financial statements of OIA for the fiscal years ended May 31, 2005 and May 31, 2006 are set forth below.

	2005	2006
ICB	\$ 32,616	\$ 31,400
OIA	\$ 30,048	\$ 31,132

##### Audit-Related Fees

The aggregate audit-related fees billed by Deloitte & Touche LLP related to the annual audit of each Fund's financial statements for their respective fiscal years ended September 30, 2005 and September 30, 2006 (ICB) and May 31, 2005 and May 31, 2006 (OIA) for the translation of financial statements for data verification and agreed-upon procedures related to asset securitizations and agreed-upon procedures engagements are set forth below.

	2005	2006
ICB	\$ 540	\$ 531
OIA	\$ 540	\$ 531

##### Tax Fees

The aggregate fees billed by Deloitte & Touche LLP in connection with tax compliance, tax advice and tax planning for each Fund for their respective fiscal years ended September 30, 2005 and September 30, 2006 (ICB) and May 31, 2005 and May 31, 2006 (OIA), which represent fees paid for the review of the Federal, state and local tax returns for each Fund are set forth below.

	2005	2006
ICB	\$ 5,148	\$ 5,500
OIA	\$ 4,585	\$ 4,449

##### All Other Fees

There were no fees billed by Deloitte & Touche LLP for any other products and services not set forth above for each Fund for the respective fiscal years ended September 30, 2005 and September 30, 2006 (ICB) and May 31, 2005 and May 31, 2006 (OIA).

#### Audit Committee Pre-approval

Each Fund's Audit Committee's policy is to review and pre-approve all auditing and non-auditing services to be provided to the Fund by the Fund's independent registered public accounting firm. The Audit Committee Audit and Non-Audit Pre-Approval Policy and Procedures requires each Fund's Audit Committee to either generally pre-approve certain services without consideration of specific case-by-case services or requires the specific pre-approval of services by the Audit Committee or its delegate. Under the Policy, unless a type of service has received general pre-approval, it will require specific pre-approval

20

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by the Audit Committee if it is to be provided by the independent registered public accounting firm. Any services that are generally pre-approved may require specific pre-approval by the Audit Committee if the services exceed pre-approved cost levels or budgeted amounts. All of the audit, audit-related and tax services described above for which Deloitte & Touche LLP billed each of the Funds' fees for the fiscal year ended September 30, 2006 (ICB) and May 31, 2006 (OIA) were pre-approved by each Fund's Audit Committee.

#### Aggregate Non-Audit Fees paid by the Investment Adviser and Affiliated Entities

The aggregate fees billed for professional services rendered by Deloitte & Touche LLP for all other services provided to the Investment Adviser and to any entities controlling, controlled by or under common control with the Investment Adviser for the fiscal years ended September 30, 2005 and 2006 (ICB) amounted to approximately \$7.7 million and \$7.0 million, respectively, and for the fiscal years ended May 31, 2005 and 2006 (OIA) amounted to \$8.7 million and \$6.8 million, respectively. Such services for the fiscal years ended September 30, 2005 and September 30, 2006 (ICB) and for the fiscal years ended May 31, 2005 and 2006 (OIA) included: (i) audit-related fees of approximately \$5.3 million, \$5.3 million, \$5.4 million and \$4.8 million, respectively, and (ii) all other fees of approximately \$2.4 million, \$1.6 million, \$3.3 million and \$2.0 million, respectively, related to services such as tax, performance attestation, operational control reviews and the provision of educational seminars.

The Audit Committee of each Fund has considered whether the provision of non-audit services and the provision of services to affiliates of the Investment Adviser is compatible with maintaining the independence of Deloitte & Touche LLP.

#### ADDITIONAL INFORMATION

In the event that the necessary Quorum to transact business or the vote required to approve or reject any proposal for any Fund is not obtained at the Meetings, the persons named as proxies may propose one or more adjournments of the Meeting of the applicable Fund to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the applicable Fund's shares present in person or by proxy at the Meetings. The persons named as proxies will vote in favor of such adjournment those proxies which have been received by the date of the Meetings. Abstentions and broker "non-votes" will not count in favor of or against any such vote for adjournments.

Abstentions and, if applicable, broker “non-votes” will not count as votes in favor of any of the proposals, and broker “non-votes” will not be deemed to be present at the Meeting of any Fund for purposes of determining whether a particular proposal to be voted upon has been approved. Broker “non-votes” are shares held in street name for which the broker indicates that instructions have not been received from the beneficial owners or other persons entitled to vote and for which the broker does not have discretionary voting authority.

21

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## SHAREHOLDER PROPOSALS

Proposals of security holders intended to be presented at the next Annual Meeting of Shareholders of each respective Fund must be received no later than July 13, 2007 for ICB and OIA, for inclusion in the proxy statement and proxy for that meeting. The mere submission of a proposal does not guarantee its inclusion in the proxy materials or its presentation at the meeting. Certain rules under the federal securities laws must be met.

## REPORTS TO SHAREHOLDERS

Each Fund’s most recent Annual Report, and in the case of ICB, the most recent Semi-Annual Report succeeding the Annual Report, have been previously sent to Shareholders and are available without charge upon request from Morgan Stanley Trust, Harborside Financial Center, Plaza Two, 2nd Floor, Jersey City, NJ 07311 (telephone 1-800-869-NEWS) (toll-free).

## INTEREST OF CERTAIN PERSONS

Morgan Stanley, Morgan Stanley Investment Advisors, Morgan Stanley DW, Morgan Stanley Services, and certain of their respective Directors, Officers, and employees, including persons who are Trustees/Directors or Officers of the Funds, may be deemed to have an interest in certain of the proposals described in this Joint Proxy Statement to the extent that certain of such companies and their affiliates have contractual and other arrangements, described elsewhere in this Joint Proxy Statement, pursuant to which they are paid fees by the Funds, and certain of those individuals are compensated for performing services relating to the Funds and may also own shares of Morgan Stanley. Such companies and persons may thus be deemed to derive benefits from the approvals by Shareholders of such proposals.

## OTHER BUSINESS

The management of the Funds knows of no other matters which may be presented at the Meetings. However, if any matters not now known properly come before the Meetings, it is the intention of the persons named in the enclosed form of proxy, or their substitutes, to vote all shares that they are entitled to vote on any such matter, utilizing such proxy in accordance with their best judgment on such matters.

By Order of the Boards of Trustees/Directors  
MARY E. MULLIN  
Secretary

22

APPENDIX A

CHARTER  
OF THE  
AUDIT COMMITTEE  
OF THE  
MORGAN STANLEY RETAIL AND INSTITUTIONAL FUNDS

AS ADOPTED ON JULY 31, 2003

The Board of Directors/Trustees of the investment companies advised or managed by Morgan Stanley Investment Advisors Inc., Morgan Stanley Investment Management Inc., Morgan Stanley Investments LP and Morgan Stanley AIP GP LP listed on the attached Exhibit 1 (each a “Fund” and, collectively, the “Funds”) has adopted and approved this charter for the audit committee of the Board of each Fund (the “Audit Committee”).

1. Structure And Membership of the Audit Committee

1.01. Independent Directors and Trustees

Each member of the Audit Committee shall be an independent director or trustee. A person shall be considered to be independent if he or she: (a) is independent as defined in New York Stock Exchange Listed Company Standard 303.01 (2) and (3); (b) is a “disinterested person” as defined in Section 2(a)(19) of the Investment Company Act of 1940; and (c) does not accept, directly or indirectly, any consulting, advisory or other compensatory fee from any of the Funds or their investment advisor or any affiliated person of the advisor, other than fees from the Funds for serving as a member of the Funds’ Boards or Committees of the Boards.

1.02. Financially Literate

Each member of the Audit Committee shall be “financially literate,” as such term is interpreted by the Fund’s Board in its business judgment.

1.03. Audit Committee Financial Expert

The Audit Committee shall determine whether at least one member of the Audit Committee is an “audit committee financial expert,” as that term is defined in the General Instructions of Form N-SAR, sub-item 102P3(b)(6).

2. Auditor Independence

An independent public accounting firm may serve as a Fund’s auditor (the “Auditor”) only if it complies with all of the following independence requirements, subject to such exceptions, not prohibited by law, as the Audit Committee may allow.

2.01. Independence Certification

(a) The Auditor shall: (i) at least annually, submit to the Audit Committee a certification of its independence, delineating all relationships between the Auditor and the Fund, consistent with Rule 2-01 of Regulation S-X under the Securities Act of 1933 and Independence Standards Board Standard No. 1, and (ii) actively engage in a dialogue with the Audit Committee with respect to any disclosed relationships or services that may affect the objectivity and independence of such independent accountants, including relationships with or services provided to the Fund’s other service providers.

A-1

## 2.02. Employment Relationships

### (a) “Cooling Off” Period

The lead partner, the concurring partner, and any other member of the audit engagement team who provided more than ten hours of audit, review or attest services for a Fund, may not accept a financial reporting oversight role with any entity in the Fund Complex within one year after the commencement of audit procedures for a Fund.

### (b) Definitions

- “audit engagement team” means all partners, principals, shareholders and professional employees participating in an audit, review, or attestation engagement for any of the Funds, including audit partners and all persons who consult with members of the team during the engagement regarding technical or industry-specific issues, transactions or events.
- “audit partner” means a partner of the Auditor who is a member of the audit engagement team and has responsibility for decision-making on significant audit, accounting and reporting matters that affect the financial statements of a Fund or who maintains regular contact with the Funds’ management and the Audit Committee.
- “financial reporting oversight role” means a role in which a person is in a position to, or does, exercise influence over the contents of the financial statements of any of the Funds or anyone who prepares them.
- “Fund Complex” includes the Funds, their investment advisor and persons controlling, controlled by, or under common control with, the investment adviser.

## 2.03. Partner Rotation

The lead partner and the concurring partner of the Auditor may not perform any audit, review or attest services for a Fund after five consecutive years of service for any entity in the Fund Complex and, after rotating out, may not again provide audit services for any Fund until a “time-out” period of five more years has elapsed.

Other audit partners are required to rotate out after seven years of consecutive service for any entity in the Fund Complex and may not return until after a two-year time-out period.

## 2.04. Compensation for Sales Activities

No audit partner, other than a specialty partner, of the Auditor may receive compensation at any point during the engagement period based on the procurement of engagements with any entity in the Fund Complex to provide any products or services other than audit, review or attest services.

## 2.05. Prohibited Non-Audit Services

Neither the Auditor nor any person associated with the Auditor may provide any of the following non-audit services to any of the Funds:

- bookkeeping or other services relating to the accounting records or financial statements of a Fund;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions, or contribution-in-kind reports;

A-2

- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser, or investment banking services;
- legal and expert services unrelated to the audit;
- any other service that the Public Company Accounting Oversight Board (the “PCAOB”) determines, by regulation, is impermissible.

### 3. Registration with PCAOB

The Auditor must be registered with the PCAOB or become registered when the PCAOB is prepared to accept registrations.

### 4. Regulatory Action

Promptly upon initiation against it of any inquiry or investigation by a governmental authority the Auditor shall provide information to the Audit Committee regarding any material issues raised in such inquiry or investigation and any steps taken to deal with them.

### 5. Duties and Powers of Audit Committee

#### 5.01. The Audit Committee shall have the duty and power to:

- make recommendations to the Board regarding selection of the Auditor;
- oversee and evaluate the work of the Auditor;
- require the Auditor to report directly to the Audit Committee;
- determine the compensation of the Auditor for audit and non-audit services provided to the Funds and decide whether to continue to retain the services of the Auditor or to terminate them;
- pre-approve all audit, non-audit and attest services provided to the Funds and any non-audit services provided to the investment adviser of the Funds or to any other entity in the Fund Complex as required by the Sarbanes-Oxley Act of 2002 (the “S-O Act”) and rules promulgated by the Securities and Exchange Commission (the “SEC”) under the S-O Act, or establish policies and procedures pursuant to which any of such services is pre-approved (which are attached hereto as Appendix B); provided that such policies and procedures are detailed as to the particular service and do not delegate any of the Audit Committee’s responsibilities to management but may delegate pre-approval authority to one or more of its members (except with respect to the annual audit of each Fund required by the Securities Exchange Act of 1934 (the “Exchange Act”)); and provided further, that pre-approval of services may be waived pursuant to a de minimis exception allowed by SEC rules, as construed by the Boards’ independent counsel;
- consider whether any services rendered by the Auditor to the investment adviser and other entities in the Fund Complex, which were not pre-approved, is compatible with maintaining the Auditor’s independence;
- review the independence requirements applicable to the Auditor as set forth in section 2 above to satisfy itself that the Auditor is independent under the standards set forth therein;

- require the Auditor to report quarterly to the Audit Committee: (a) all critical accounting policies and practices; (b) any changes in accounting or auditing procedures, principles, practices, standards or financial reporting; (c) any alternative treatments of financial information within generally accepted accounting principles that the Auditor has discussed with management, the ramifications of the use of any such alternative treatment or disclosure, and the treatment preferred by the Auditor; (d) any material issues raised by the most recent internal quality-control review, or peer review, of the Auditor, or by inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Auditor, and any steps taken to deal with any such issue; (e) any other written communications between the Auditor and management, including any management letter or schedule of unadjusted differences; and (f) all non-audit services provided to a non-Fund entity in the Fund Complex which were not pre-approved and associated fees; provided that, if the report is not made within 90 days of the filing of a Fund's financial statements with the SEC, the Auditor shall provide an update of any changes;
- review and discuss with the Auditor: (a) matters required to be communicated by the Auditor to the Audit Committee pursuant to the Statement of Auditing Standards Nos. 61 and 90 and any other standards established by the PCAOB; including, without limitation, any adjustment to a Fund's financial statements recommended by the Auditor, or any other results of any audit; (b) any problems or difficulties encountered in the course of the audit; and (c) any areas of substantial risk in accurate reporting of financial results and operations of the Funds;
- review arrangements for annual and special audits and the scope of such audits with the Fund's independent accountants;
- review and discuss the Fund's audited financial statements with Fund management;
- review final drafts of closed-end Fund annual financial statements, discuss with management and the Auditor and decide whether to recommend that the statements, with or without any revisions, be included in the Fund's annual report;
- to cause to be prepared and to review and submit any report, including any recommendation of the Audit Committee, required by SEC rules to be included in the Fund's proxy statement;
- review legal and regulatory matters presented by counsel and the Fund's independent accountants that may have a material impact on the Fund's financial statements;
- consider with the Auditor their comments with respect to the quality and adequacy of the Fund's accounting and financial reporting policies, practices and internal controls and management's responses thereto, including, without limitation, the effect on the Fund of any recommendation of changes in accounting principles or practices by management or the Auditor;
- receive reports from the principal executive officer and the principal financial officer, or persons performing similar functions, regarding: (i) all significant deficiencies in the design or operation of a Fund's internal controls that could adversely affect the Fund's ability to record, process, summarize, and report financial data and have identified for the Auditor any material weaknesses in internal controls; (ii) any fraud, whether or not material, that involves Fund management or other employees who have a significant role in the Fund's

internal controls; and (iii) whether or not there were significant changes in the Fund's internal controls or in other factors that could significantly affect the Fund's internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses;

- establish procedures for the receipt, retention and treatment of complaints received by a Fund regarding accounting, internal accounting controls or auditing matters;
- establish procedures for the confidential, anonymous submission by employees and officers of Funds of concerns regarding any questionable accounting or audit matter (with such procedures to be established upon the SEC's promulgation of final rules governing such procedures pursuant to the S-O Act);
- establish procedures for the resolution of disagreements between management of a Fund and the Fund's Auditor regarding financial reporting;
- require inside and outside counsel to report to the Audit Committee evidence of any material violation of securities law or breach of fiduciary duty or similar violation by a Fund or any agent of a Fund;
- report its actions to the Boards of Directors/Trustees of the Funds, make and keep minutes of its meetings and provide copies thereof to the Boards;
- perform such other functions consistent with this Audit Committee Charter, the Fund's Articles of Incorporation, the Fund's By-laws, or the Fund's partnership agreement, as applicable, and applicable law, as the Audit Committee or the Board of Directors/Trustees deems necessary or appropriate.

#### 5.02. Authority to Engage Independent Counsel and Advisers

The Audit Committee is authorized to: (a) engage independent counsel, which may also be counsel to the Funds' independent directors/trustees, and other advisers, as it determines to be necessary to carry out its duties; and (b) require the Funds to provide appropriate funding, as determined by the Audit Committee, for payment of compensation to the Auditor, the independent counsel and other advisers.

#### 5.03. Scope of Audit Committee Responsibility

In fulfilling their responsibilities under this Audit Committee Charter, it is recognized that members of the Audit Committee are not full-time employees of the Fund. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures. Each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations inside and outside the Fund from which the Audit Committee receives information and (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations, absent actual knowledge to the contrary (which actual knowledge shall be promptly reported to the Board of Directors/Trustees).

Fund management is responsible for maintaining appropriate systems for accounting. The Auditor is responsible for conducting a proper audit of the Fund's financial statements and is ultimately accountable to the Audit Committee.

A-5

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## 6. Meetings of the Audit Committee



The Audit Committee shall meet at least twice each calendar year, including to approve the scope of the proposed audit of a Fund's financial statements by the Auditors and to review the report of the Auditors following such audit. The Audit Committee shall hold special meetings at such times as the Audit Committee believes appropriate. Members of the Audit Committee may participate in a meeting of the Audit Committee by means of conference call or similar communications equipment by means of which all persons participating in such meeting can hear each other.

7. Review of Charter

- (a) The Audit Committee shall review and assess the adequacy of this Charter annually.
- (b) Any changes to this Charter must be recommended by the Audit Committee and approved by the Board.

A-6

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AUDIT COMMITTEE  
AUDIT AND NON-AUDIT SERVICES  
PRE-APPROVAL POLICY AND PROCEDURES  
OF THE  
MORGAN STANLEY RETAIL AND INSTITUTIONAL FUNDS

AS ADOPTED JULY 31, 2003<sup>1</sup>

1. STATEMENT OF PRINCIPLES

The Audit Committee of the Board is required to review and, in its sole discretion, pre-approve all Covered Services to be provided by the Independent Auditors to the Fund and Covered Entities in order to assure that services performed by the Independent Auditors do not impair the auditor's independence from the Fund.

The SEC has issued rules specifying the types of services that an independent auditor may not provide to its audit client, as well as the audit committee's administration of the engagement of the independent auditor. The SEC's rules establish two different approaches to pre-approving services, which the SEC considers to be equally valid. Proposed services either: may be pre-approved without consideration of specific case-by-case services by the Audit Committee ("general pre-approval"); or require the specific pre-approval of the Audit Committee or its delegate ("specific pre-approval"). The Audit Committee believes that the combination of these two approaches in this Policy will result in an effective and efficient procedure to pre-approve services performed by the Independent Auditors. As set forth in this Policy, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committee (or by any member of the Audit Committee to which pre-approval authority has been delegated) if it is to be provided by the Independent Auditors. Any proposed services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval by the Audit Committee.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the general pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee considers and provides a different period and states otherwise. The Audit Committee will annually review and pre-approve the services that may be provided by the Independent Auditors without obtaining specific pre-approval from the Audit Committee. The Audit Committee will add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

The purpose of this Policy is to set forth the policy and procedures by which the Audit Committee intends to fulfill its responsibilities. It does not delegate the Audit Committee's responsibilities to pre-approve services performed by the Independent Auditors to management.

The Fund's Independent Auditors have reviewed this Policy and believes that implementation of the Policy will not adversely affect the Independent Auditors' independence.

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<sup>1</sup>This Audit Committee Audit and Non-Audit Services Pre-Approval Policy and Procedures (the "Policy"), adopted as of the date above, supercedes and replaces all prior versions that may have been adopted from time to time.

A-7

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## 2. Delegation

As provided in the Act and the SEC's rules, the Audit Committee may delegate either type of pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting

## 3. Audit Services

The annual Audit services engagement terms and fees are subject to the specific pre-approval of the Audit Committee. Audit services include the annual financial statement audit and other procedures required to be performed by the Independent Auditors to be able to form an opinion on the Fund's financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, Fund structure or other items.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant general pre-approval to other Audit services, which are those services that only the Independent Auditors reasonably can provide. Other Audit services may include statutory audits and services associated with SEC registration statements (on Forms N-1A, N-2, N-3, N-4, etc.), periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

The Audit Committee has pre-approved the Audit services in Appendix B.1. All other Audit services not listed in Appendix B.1 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

## 4. Audit-related Services

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Fund's financial statements and, to the extent they are Covered Services, the Covered Entities or that are traditionally performed by the Independent Auditors. Because the Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor and is consistent with the SEC's rules on auditor independence, the Audit Committee may grant general pre-approval to Audit-related services. Audit-related services include, among others, accounting consultations related to accounting, financial reporting or disclosure matters not

classified as “Audit services”; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements under Forms N-SAR and/or N-CSR.

The Audit Committee has pre-approved the Audit-related services in Appendix B.2. All other Audit-related services not listed in Appendix B.2 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

#### 5. Tax Services

The Audit Committee believes that the Independent Auditors can provide Tax services to the Fund and, to the extent they are Covered Services, the Covered Entities, such as tax compliance, tax planning

A-8

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and tax advice without impairing the auditor’s independence, and the SEC has stated that the Independent Auditors may provide such services.

Pursuant to the preceding paragraph, the Audit Committee has pre-approved the Tax Services in Appendix B.3. All Tax services in Appendix B.3 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

#### 6. All Other Services

The Audit Committee believes, based on the SEC’s rules prohibiting the Independent Auditors from providing specific non-audit services, that other types of non-audit services are permitted. Accordingly, the Audit Committee believes it may grant general pre-approval to those permissible non-audit services classified as All Other services that it believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC’s rules on auditor independence.

The Audit Committee has pre-approved the All Other services in Appendix B.4. Permissible All Other services not listed in Appendix B.4 must be specifically pre-approved by the Audit Committee (or by any member of the Audit Committee to which pre-approval has been delegated).

#### 7. Pre-Approval Fee Levels or Budgeted Amounts

Pre-approval fee levels or budgeted amounts for all services to be provided by the Independent Auditors will be established annually by the Audit Committee. Any proposed services exceeding these levels or amounts will require specific pre-approval by the Audit Committee. The Audit Committee is mindful of the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services.

#### 8. Procedures

All requests or applications for services to be provided by the Independent Auditors that do not require specific approval by the Audit Committee will be submitted to the Fund’s Chief Financial Officer and must include a detailed

description of the services to be rendered. The Fund's Chief Financial Officer will determine whether such services are included within the list of services that have received the general pre-approval of the Audit Committee. The Audit Committee will be informed on a timely basis of any such services rendered by the Independent Auditors. Requests or applications to provide services that require specific approval by the Audit Committee will be submitted to the Audit Committee by both the Independent Auditors and the Fund's Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.

The Audit Committee has designated the Fund's Chief Financial Officer to monitor the performance of all services provided by the Independent Auditors and to determine whether such services are in compliance with this Policy. The Fund's Chief Financial Officer will report to the Audit Committee on a periodic basis on the results of its monitoring. Both the Fund's Chief Financial Officer and management will immediately report to the chairman of the Audit Committee any breach of this Policy that comes to the attention of the Fund's Chief Financial Officer or any member of management.

#### 9. Additional Requirements

The Audit Committee has determined to take additional measures on an annual basis to meet its responsibility to oversee the work of the Independent Auditors and to assure the auditor's independence

A-9

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from the Fund, such as reviewing a formal written statement from the Independent Auditors delineating all relationships between the Independent Auditors and the Fund, consistent with Independence Standards Board No. 1, and discussing with the Independent Auditors its methods and procedures for ensuring independence.

#### 10. Covered Entities

Covered Entities include the Fund's investment adviser(s) and any entity controlling, controlled by or under common control with the Fund's investment adviser(s) that provides ongoing services to the Fund(s). Beginning with non-audit service contracts entered into on or after May 6, 2003, the Fund's audit committee must pre-approve non-audit services provided not only to the Fund but also to the Covered Entities if the engagements relate directly to the operations and financial reporting of the Fund. This list of Covered Entities would include:

Morgan Stanley Retail Funds  
Morgan Stanley Investment Advisors Inc.  
Morgan Stanley & Co. Incorporated  
Morgan Stanley DW Inc.  
Morgan Stanley Investment Management  
Morgan Stanley Investments LP  
Van Kampen Asset Management Inc.  
Morgan Stanley Services Company, Inc.  
Morgan Stanley Distributors Inc.  
Morgan Stanley Trust FSB  
Morgan Stanley Institutional Funds  
Morgan Stanley Investment Management Inc.

Morgan Stanley Investments LP  
Morgan Stanley & Co. Incorporated  
Morgan Stanley Distribution, Inc.  
Morgan Stanley AIP GP LP  
Morgan Stanley Alternative Investment Partners LP

A-10

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## APPENDIX B

### JOINT GOVERNANCE COMMITTEE CHARTER OF THE MORGAN STANLEY RETAIL AND INSTITUTIONAL FUNDS

AS ADOPTED ON JULY 31, 2003  
AND AS AMENDED ON  
APRIL 22, 2004

B-1

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#### 1. MISSION STATEMENT

The Governance Committee (the “Governance Committee”) is a committee of the Board of Trustees/Directors (referred to herein as the “Trustees” and collectively as the “Board”) of each Fund listed in the attached Exhibit A. The purpose of the Governance Committee is to: (1) evaluate the suitability of potential candidates for election to the Board and recommend candidates for nomination by the Independent Trustees (as defined below); (2) develop and recommend to the Board a set of corporate governance principles applicable to the Fund, monitor corporate governance matters and make recommendations to the Board and act as the administrative committee with respect to Board policies and procedures, and committee policies and procedures; and (3) oversee periodic evaluations of the Board and any committees of the Board.

#### 2. COMPOSITION

The Governance Committee shall be comprised of three or more Trustees of the Board. Governance Committee members shall be designated by the full Board, and the manner of selection of the Governance Committee chair shall also be designated by the full Board.

Each member of the Governance Committee shall be an independent director or trustee. A person shall be considered to be independent if he or she: (a) is independent as defined in New York Stock Exchange Listed Company Standard 303.01 (2) and (3); (b) is a “disinterested person” as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended; and (c) does not accept, directly or indirectly, any consulting, advisory or other compensatory fee from any of the Funds or their investment advisor or any affiliated person of the advisor, other than fees from the Funds for serving as a member of the Funds’ Boards or Committees of the Boards. Such independent directors or

trustees are referred to herein as the “Independent Trustees.”

### 3. MEETING OF THE GOVERNANCE COMMITTEE

The Governance Committee shall fix its own rules of procedure, which shall be consistent with the Fund’s organizational documents and this Governance Committee Charter. The Governance Committee shall meet at such times as may be determined as appropriate by the Committee. The Governance Committee, in its discretion, may ask Trustees, members of management or others, whose advice and counsel are sought by the Governance Committee, to attend its meetings (or portions thereof) and to provide such pertinent information as the Governance Committee requests.

The Governance Committee shall cause to be maintained minutes of all meetings and records to those meetings and provide copies of such minutes to the Board and the Fund.

### 4. AUTHORITY

The Governance Committee shall have the authority to carry out its duties and responsibilities as set forth in this Governance Committee Charter.

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<sup>1</sup>This Joint Governance Committee Charter has been adopted by each Fund. Solely for the sake of clarity and simplicity, this Joint Governance Committee Charter has been drafted as if there is a single Fund, a single Governance Committee and a single Board. The terms “Governance Committee,” “Trustees” and “Board” mean the Governance Committee, Trustees and the Board of each Fund, respectively, unless the context otherwise requires. The Governance Committee, Trustees and the Board of each Fund, however, shall act separately and in the best interests of its respective Fund.

B-2

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### 5. GOALS, DUTIES AND RESPONSIBILITIES OF THE GOVERNANCE COMMITTEE

In carrying out its duties and responsibilities, the Governance Committee’s policies and procedures will remain flexible, so that it may be in a position to react or respond to changing circumstances or conditions. The following are the duties and responsibilities of the Governance Committee:

#### a. Board Candidates and Nominees

The Governance Committee shall have the following goals and responsibilities with respect to Board candidates and nominees:

- i. evaluate the suitability of potential trustee/director candidates proposed by Trustees, shareholders or others;
- ii. recommend, for nomination by the Independent Trustees, candidates for election as an Independent Trustee by the shareholders or appointment by the Board, as the case may be, pursuant to the Fund’s organizational documents. Persons recommended by the Governance Committee shall possess such knowledge, experience, skills, expertise and diversity so as to enhance the Board’s ability to manage and direct the affairs and business of the Fund, including, when applicable, to enhance the ability of committees of the Board to fulfill their duties and/or to satisfy any independence requirements imposed by law, regulation or any listing requirements of the New York Stock Exchange (“NYSE”) as applicable to the Fund; and
- iii. review the suitability for continued service as a trustee/director of each Independent Trustee when his or her term expires and at such other times as the Governance Committee deems

necessary or appropriate, and to recommend whether or not the Independent Trustee should be re-nominated by the Independent Trustees.

b. Corporate Governance

The Governance Committee shall have the following goals and principles with respect to Board corporate governance:

- i. monitor corporate governance principles for the Fund, which shall be consistent with any applicable laws, regulations and listing standards, considering, but not limited to, the following:
  - (1) trustee/director qualification standards to reflect the independence requirements of the Sarbanes-Oxley Act of 2002, as amended (“SOX”) and the rules thereunder, the Investment Company Act of 1940, as amended (“the 1940 Act”), and the NYSE;
  - (2) trustee/director duties and responsibilities;
  - (3) trustee/director access to management, and, as necessary and appropriate, independent advisers; and
  - (4) trustee/director orientation and continuing education;
- ii. review periodically the corporate governance principles adopted by the Board to assure that they are appropriate for the Fund and comply with the requirements of SOX, the 1940 Act and the NYSE, and to recommend any desirable changes to the Board;

B-3

- iii. consider other corporate governance issues that arise from time to time, and to develop appropriate recommendations for the Board; and

c. Periodic Evaluations

The Governance Committee shall be responsible for overseeing the evaluation of the Board as a whole and each Committee. The Governance Committee shall establish procedures to allow it to exercise this oversight function.

In conducting this review, the Governance Committee shall evaluate whether the Board appropriately addresses the matters that are or should be within its scope pursuant to the set of corporate governance principles adopted by the Governance Committee. The Governance Committee shall address matters that the Governance Committee considers relevant to the Board’s performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by management of the Fund to the Board, and whether the number and length of meetings of the Board were adequate for the Board to complete its work in a thorough and thoughtful manner.

The Governance Committee shall report to the Board on the results of its evaluation, including any recommended changes to the principles of corporate governance, and any recommended changes to the Fund’s or the Board’s or a Committee’s policies or procedures. This report may be written or oral.

**6. EVALUATION OF THE GOVERNANCE COMMITTEE**

The Governance Committee shall, on an annual basis, evaluate its performance under this Joint Governance Committee Charter. In conducting this review, the Governance Committee shall evaluate whether this Joint Governance Committee Charter appropriately addresses the matters that are or should be within its scope. The Governance Committee shall address matters that the Governance Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Governance Committee to the Board, and whether the number and length of meetings of the Governance Committee were adequate for the Governance Committee to complete its work in a thorough and

thoughtful manner.

The Governance Committee shall report to the Board on the results of its evaluation, including any recommended amendments to this Joint Governance Committee Charter, and any recommended changes to the Fund's or the Board's policies or procedures. This report may be written or oral.

#### 7. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS

The Governance Committee may conduct or authorize investigations into or studies of matters within the Governance Committee's scope of responsibilities, and may retain, at the Fund's expense, such independent counsel or other advisers as it deems necessary.

B-4

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#### Exhibit A

#### Fund List

MORGAN STANLEY  
RETAIL AND INSTITUTIONAL FUNDS

at  
October 31, 2006

#### RETAIL FUNDS

Open-End Retail Funds

#### Taxable Money Market Funds

1. Active Assets Government Securities Trust
2. Active Assets Institutional Government Securities Trust
3. Active Assets Institutional Money Trust
4. Active Assets Money Trust
5. Morgan Stanley Liquid Asset Fund Inc.
6. Morgan Stanley U.S. Government Money Market Trust

#### Tax-Exempt Money Market Funds

7. Active Assets California Tax-Free Trust
8. Active Assets Tax-Free Trust
9. Morgan Stanley California Tax-Free Daily Income Trust
10. Morgan Stanley New York Municipal Money Market Trust
11. Morgan Stanley Tax-Free Daily Income Trust

#### Equity Funds



12. Morgan Stanley Aggressive Equity Fund
13. Morgan Stanley Allocator Fund
14. Morgan Stanley American Franchise Fund\*
15. Morgan Stanley Capital Opportunities Trust
16. Morgan Stanley Developing Growth Securities Trust
17. Morgan Stanley Dividend Growth Securities Inc.
18. Morgan Stanley Equally-Weighted S&P 500 Fund
19. Morgan Stanley European Equity Fund Inc.
20. Morgan Stanley Financial Services Trust
21. Morgan Stanley Focus Growth Fund
22. Morgan Stanley Fundamental Value Fund
23. Morgan Stanley Global Advantage Fund
24. Morgan Stanley Global Dividend Growth Securities
25. Morgan Stanley Global Utilities Fund

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\* Have not commenced operations or ceased operations

B-5

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26. Morgan Stanley Health Sciences Trust
27. Morgan Stanley Institutional Strategies Fund
28. Morgan Stanley International Fund
29. Morgan Stanley International SmallCap Fund
30. Morgan Stanley International Value Equity Fund
31. Morgan Stanley Japan Fund
32. Morgan Stanley Mid-Cap Value Fund
33. Morgan Stanley Multi-Asset Class Fund
34. Morgan Stanley Nasdaq-100 Index Fund
35. Morgan Stanley Natural Resource Development Securities Inc.
36. Morgan Stanley Pacific Growth Fund Inc.
37. Morgan Stanley Real Estate Fund
38. Morgan Stanley S&P 500 Index Fund
39. Morgan Stanley Small-Mid Special Value Fund
40. Morgan Stanley Special Growth Fund
41. Morgan Stanley Special Value Fund
42. Morgan Stanley Technology Fund
43. Morgan Stanley Total Market Index Fund
44. Morgan Stanley Utilities Fund
45. Morgan Stanley Value Fund

#### Balanced Funds

50. Morgan Stanley Balanced Fund

#### Asset Allocation Fund

46. Morgan Stanley Strategist Fund

Taxable Fixed-Income Funds

47. Morgan Stanley Convertible Securities Trust
48. Morgan Stanley Flexible Income Trust
49. Morgan Stanley High Yield Securities Inc.
50. Morgan Stanley Income Trust
51. Morgan Stanley Limited Duration Fund
52. Morgan Stanley Limited Duration U.S. Treasury Trust
53. Morgan Stanley Mortgage Securities Trust
54. Morgan Stanley Total Return Income Securities Fund\*
55. Morgan Stanley U.S. Government Securities Trust

Tax-Exempt Fixed-Income Funds

56. Morgan Stanley California Tax-Free Income Fund
57. Morgan Stanley Limited Term Municipal Trust
  
58. Morgan Stanley New York Tax-Free Income Fund
59. Morgan Stanley Tax-Exempt Securities Trust

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\* Have not commenced operations or ceased operations

B-6

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Special Purpose Funds

60. Morgan Stanley Select Dimensions Investment Series

- Balanced Growth Portfolio
- Capital Opportunities Portfolio
- Developing Growth Portfolio
- Dividend Growth Portfolio
- Equally-Weighted S&P 500 Portfolio
- Flexible Income Portfolio
- Focus Growth Portfolio
- Global Equity Portfolio
- Growth Portfolio
- Money Market Portfolio
- Utilities Portfolio

61. Morgan Stanley Variable Investment Series

- Aggressive Equity Portfolio
- Dividend Growth Portfolio

- Equity Portfolio
- European Equity Portfolio
- Global Advantage Portfolio
- Global Dividend Growth Portfolio
- High Yield Portfolio
- Income Builder Portfolio
- Information Portfolio
- Limited Duration Portfolio
- Money Market Portfolio
- Income Plus Portfolio
- S&P 500 Index Portfolio
- Strategist Portfolio
- Utilities Portfolio

Closed-End Retail Funds

Taxable Fixed-Income Closed-End Funds

62. Morgan Stanley Government Income Trust
63. Morgan Stanley Income Securities Inc.
64. Morgan Stanley Prime Income Trust

Tax-Exempt Fixed-Income Closed-End Funds

65. Morgan Stanley California Insured Municipal Income Trust
66. Morgan Stanley California Quality Municipal Securities
67. Morgan Stanley Insured California Municipal Securities
68. Morgan Stanley Insured Municipal Bond Trust
69. Morgan Stanley Insured Municipal Income Trust
70. Morgan Stanley Insured Municipal Securities

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\* Have not commenced operations or ceased operations  
B-7

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71. Morgan Stanley Insured Municipal Trust
  72. Morgan Stanley Municipal Income Opportunities Trust
  73. Morgan Stanley Municipal Income Opportunities Trust II
  74. Morgan Stanley Municipal Income Opportunities Trust III
  75. Morgan Stanley Municipal Premium Income Trust
  76. Morgan Stanley New York Quality Municipal Securities
  77. Morgan Stanley Quality Municipal Income Trust
  78. Morgan Stanley Quality Municipal Investment Trust
  79. Morgan Stanley Quality Municipal Securities

INSTITUTIONAL FUNDS

Open-End Institutional Funds

1. Morgan Stanley Institutional Fund, Inc.

Active Portfolios:

- Active International Allocation Portfolio
- Emerging Markets Portfolio
- Emerging Markets Debt Portfolio
- Focus Equity Portfolio
- Global Franchise Portfolio
- Global Real Estate Portfolio\*
- Global Value Equity Portfolio
- International Growth Equity Portfolio
- International Equity Portfolio
- International Magnum Portfolio
- International Small Cap Portfolio
- Large Cap Relative Value Portfolio
- Money Market Portfolio
- Municipal Money Market Portfolio
- Small Company Growth Portfolio
- Systematic Active Large Cap Core Portfolio
- Systematic Active Small Cap Core Portfolio
- Systematic Active Small Cap Growth Portfolio
- Systematic Active Small Cap Value Portfolio
- U.S. Large Cap Growth Portfolio
- U.S. Real Estate Portfolio

2. Morgan Stanley Institutional Fund Trust

Active Portfolios:

- Advisory Global Fixed Income Portfolio II
- Advisory Global Fixed Income Portfolio

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\* Have not commenced operations or ceased operations

B-8

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- Advisory Mortgage Portfolio
  - Balanced Portfolio
  - Core Fixed Income Portfolio
  - Core Plus Fixed Income Portfolio
  - Equities Plus Portfolio
  - High Yield Portfolio
  - Intermediate Duration Portfolio
  - International Fixed Income Portfolio

- Investment Grade Fixed Income Portfolio
- Limited Duration Portfolio
- Long Duration Fixed Income Portfolio
- Mid-Cap Growth Portfolio
- Municipal Portfolio
- U.S. Mid-Cap Value Portfolio
- U.S. Small-Cap Value Portfolio
- Value Portfolio

Inactive Portfolios\*:

- Advisory Portfolio Series-1
- Advisory Portfolio Series-2

3. The Universal Institutional Funds, Inc.

Active Portfolios:

- Core Plus Fixed Income Portfolio
- Emerging Markets Debt Portfolio
- Emerging Markets Equity Portfolio
- Equity and Income Portfolio
- Equity Growth Portfolio
- Global Franchise Portfolio
- Global Real Estate Portfolio
- Global Value Equity Portfolio
- International Growth Equity Portfolio
- International Magnum Portfolio
- Mid-Cap Growth Portfolio
- Small Company Growth Portfolio
- U.S. Mid-Cap Value Portfolio
- U.S. Real Estate Portfolio
- Value Portfolio

Inactive Portfolios\*:

- Balanced Portfolio
- Core Equity Portfolio
- International Fixed Income Portfolio
- Investment Grade Fixed Income Portfolio
- Multi-Asset Class Portfolio
- Targeted Duration Portfolio

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\* Have not commenced operations or ceased operations

B-9

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4. Morgan Stanley Institutional Liquidity Funds

Active Portfolios:

- Government Portfolio
- Money Market Portfolio
- Prime Portfolio
- Tax-Exempt Portfolio
- Treasury Portfolio

Inactive Portfolios\*:

- Government Securities Portfolio
- Treasury Securities Portfolio

Closed-End Institutional Funds

5. Morgan Stanley Asia-Pacific Fund, Inc.
6. Morgan Stanley China A Share Fund, Inc.
7. Morgan Stanley Eastern Europe Fund, Inc.
8. Morgan Stanley Emerging Markets Debt Fund, Inc.
9. Morgan Stanley Emerging Markets Fund, Inc.
10. Morgan Stanley Global Opportunity Bond Fund, Inc.
11. Morgan Stanley High Yield Fund, Inc.
12. Morgan Stanley Opportunistic Municipal High Income Fund
13. The India Investment Fund, Inc.
14. The Latin American Discovery Fund, Inc.
15. The Malaysia Fund, Inc.
16. The Thai Fund, Inc.
17. The Turkish Investment Fund, Inc.

Closed-End Fund of Hedge Funds

18. Morgan Stanley Institutional Fund of Hedge Funds
19. Morgan Stanley Institutional Fund of Hedge Funds II
20. Alternative Investment Partners Absolute Return Fund
21. Alternative Investment Partners Absolute Return Fund STS

In Registration

Funds of Hedge Funds

22. Morgan Stanley Absolute Return Fund
23. Morgan Stanley Institutional Fund of Hedge Funds II

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\* Have not commenced operations or ceased operations

B-10

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YOUR VOTE IS IMPORTANT! PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD TODAY.  
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EVERY SHAREHOLDER'S VOTE IS IMPORTANT

Your Proxy Vote is important!

And now you can Vote your Proxy on the  
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It saves Money! Telephone and Internet  
voting saves postage costs. Savings which  
can help minimize fund expenses.

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voting is instantaneous — 24 hours a day.

It's Easy! Just follow these simple steps:

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2. Call toll-free 1-866-241-6192 or go to website: <https://vote.proxy-direct.com>
3. Follow the recorded or on-screen directions.
4. Do not mail your Proxy Card when you vote by phone or Internet.

Please detach at perforation before mailing.

PROXY

MORGAN STANLEY INCOME SECURITIES, INC.  
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD DECEMBER 13, 2006  
This Proxy is solicited on behalf of the Board of Directors

PROXY

The undersigned hereby appoints Ronald E. Robison, Barry Fink and Stefanie V. Chang Yu, and each of them, as proxies for the undersigned, with full power of substitution and resubstitution, and hereby authorizes said proxies, and each of them to represent and vote, as designated on the reverse side, all shares of Morgan Stanley Income Securities, Inc. (the "Fund") held of record by the undersigned on October 13, 2006 at the Annual Meeting of Shareholders of the Fund to be held in Conference Room 1B, 5<sup>th</sup> Floor, 1221 Avenue of the Americas, New York, New York 10020 on December 13, 2006 at 8:30 a.m., New York City time, and at any adjournment thereof. The undersigned hereby revokes any and all proxies with respect to such shares heretofore given by the undersigned.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER, AND IN THE DISCRETION OF SUCH PROXIES, UPON ANY AND ALL OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE PROPOSAL.

VOTE VIA THE INTERNET:

<https://vote.proxy-direct.com>

VOTE VIA THE TELEPHONE:

1-866-241-6192

Note: Please sign exactly as your name

appears on this proxy card. All joint owners should sign. When signing as executor, administrator, attorney, trustee or guardian or as custodian for a minor, please give full title as such. If a corporation, please sign in full corporate name and indicate the signer's office. If a partner, sign in the partnership name.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature (if held jointly)

\_\_\_\_\_  
Date

17025\_MSC\_B

EVERY SHAREHOLDER'S VOTE IS IMPORTANT

PLEASE SIGN, DATE AND RETURN YOUR PROXY TODAY

Please detach at perforation before mailing.

TO VOTE BY MAIL, PLEASE COMPLETE AND RETURN THIS CARD.

1. Election of twelve (12) Directors:

- |                        |                      |
|------------------------|----------------------|
| 01. Frank L. Bowman    | 02. Michael Bozic    |
| 03. Kathleen A. Dennis | 04. Edwin J. Garn    |
| 05. Wayne E. Hedien    | 06. James F. Higgins |
| 07. Manuel H. Johnson  | 08. Joseph J. Kearns |

YOU ALSO MAY VOTE A PRO  
BY  
TOUCH-TONE PHONE OR BY  
INTERNET (See enclosed Votin  
Information Card for further  
instructions).

- |                      |                       |
|----------------------|-----------------------|
| 09. Michael F. Klein | 10. Michael E. Nugent |
| 11. W. Allen Reed    | 12. Fergus Reid       |

PLEASE MARK VOTES AS IN  
THIS EXAMPLE:

FOR WITHHOLD EXC  
FO  
A

To withhold your vote for any nominee(s), mark the "For All Except" box and write the nominee's number on the line provided below.

YOUR VOTE IS IMPORTANT! PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD TODAY.

17025\_MSC\_B



YOUR VOTE IS IMPORTANT! PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD TODAY.  
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EVERY SHAREHOLDER'S VOTE IS IMPORTANT

Your Proxy Vote is important!

And now you can Vote your Proxy on the  
PHONE or the INTERNET.

It saves Money! Telephone and Internet  
voting saves postage costs. Savings which  
can help minimize fund expenses.

It saves Time! Telephone and Internet  
voting is instantaneous — 24 hours a day.

It's Easy! Just follow these simple steps:

1. Read your proxy statement and have  
it at hand.
2. Call toll-free 1-866-241-6192 or go to  
website: <https://vote.proxy-direct.com>
3. Follow the recorded or on-screen  
directions.
4. Do not mail your Proxy Card when  
you vote by phone or Internet.

Please detach at perforation before mailing.

PROXY

MORGAN STANLEY MUNICIPAL INCOME OPPORTUNITIES TRUST  
ANNUAL MEETING OF SHAREHOLDERS TO BE HELD DECEMBER 13, 2006

PROXY

This Proxy is solicited on behalf of the Board of Trustees

The undersigned hereby appoints Ronald E. Robison, Barry Fink and Stefanie V. Chang Yu, and each of them, as proxies for the undersigned, with full power of substitution and resubstitution, and hereby authorizes said proxies, and each of them to represent and vote, as designated on the reverse side, all shares of Morgan Stanley Municipal Income Opportunities Trust (the "Trust") held of record by the undersigned on October 13, 2006 at the Annual Meeting of Shareholders of the Trust to be held in Conference Room 1B, 5<sup>th</sup> Floor, 1221 Avenue of the Americas, New York, New York 10020 on December 13, 2006 at 8:30 a.m., New York City time, and at any adjournment thereof. The undersigned hereby revokes any and all proxies with respect to such shares heretofore given by the undersigned.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER, AND IN THE DISCRETION OF SUCH PROXIES, UPON ANY AND ALL OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE PROPOSAL.

VOTE VIA THE INTERNET:

<https://vote.proxy-direct.com>

VOTE VIA THE TELEPHONE:

1-866-241-6192

Note: Please sign exactly as your name appears on this proxy card. All joint owners should sign. When signing as executor, administrator, attorney, trustee or guardian or as custodian for a minor, please give full title as such. If a corporation, please sign in full corporate name and indicate the signer's office. If a partner, sign in the partnership name.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature (if held jointly)

\_\_\_\_\_  
Date

17025\_MSC\_C

EVERY SHAREHOLDER'S VOTE IS IMPORTANT

PLEASE SIGN, DATE AND RETURN YOUR PROXY TODAY

Please detach at perforation before mailing.

TO VOTE BY MAIL, PLEASE COMPLETE AND RETURN THIS CARD.

1. Election of eight (8) Trustees:

- |                      |                        |
|----------------------|------------------------|
| 01. Frank L. Bowman  | 02. Kathleen A. Dennis |
| 03. Wayne E. Hedien  | 04. Manuel H. Johnson  |
| 05. Joseph J. Kearns | 06. Michael F. Klein   |
| 07. W. Allen Reed    | 08. Fergus Reid        |

YOU ALSO MAY VOTE A PROXY BY TOUCH-TONE PHONE OR BY INTERNET (See enclosed Voting Information Card for further instructions).

PLEASE MARK VOTES AS IN THIS EXAMPLE:

	FOR	WITHHOLD	EXCEPT

To withhold your vote for any nominee(s), mark the "For All Except" box and write the nominee's number on the line provided below.

YOUR VOTE IS IMPORTANT! PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD TODAY.  
17025\_MSC\_C

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