Partners, on the other hand, is the best insurance against any risk of abuse.

7. Applicants state that a Partnership will not make loans to the related Investment Fund or any other entity within the Morgan Stanley Group, or to any employee, officer, director, or advisory director of the Morgan Stanley Group, with the exception of short-term repurchase agreements or other fully secured loans to an entity within the Morgan Stanley Group. In addition, a Partnership will not sell or lease any property to the related Investment Fund or any other entity within the Morgan Stanley Group, except on terms at least as favorable as those obtainable from unaffiliated third parties.

8. Section 17(d) makes it unlawful for any affiliated person of a registered investment company, acting as principal, to effect any transaction in which the company is a joint or joint and several participant with the affiliated person in contravention of such rules and regulations as the SEC may prescribe for the purpose of limiting or preventing participation by such companies. Rule 17d-1 under section 17(d) prohibits most joint transactions unless approved by order of the SEC. Applicants request an exemption from section 17(d) and rule 17d–1 thereunder to the extent necessary to permit affiliated persons of each Partnership (including without limitation the General Partner, the related Investment Fund, and other entities within the Morgan Stanley Group) or affiliated persons of any of these persons (including without limitation the Non-MS Investment Fund Partners) to participate in, or effect any transaction in connection with, any joint enterprise or other joint arrangement or profit-sharing plan in which such Partnership or a company controlled by such Partnership is a participant. The exemption requested would permit, among other things, coinvestments by each Partnership and individual partners or other investors or employees, officers, directors, or advisory directors of the Morgan Stanley Group making their own individual investment decisions apart from the Morgan Stanley Group.

9. Compliance with section 17(d) would prevent each Partnership from achieving its principal purpose. Because of the number and sophistication of the potential partners of or investors in a Partnership and persons affiliated with such partners or investors, strict compliance with section 17(d) would cause a Partnership to forego investment opportunities simply because a partner or investor or other affiliated person of the Partnership (or any affiliate of such

a person) also had, or contemplated making, a similar investment. In addition, attractive investment opportunities of the types considered by a Partnership often require each participant in the transaction to make available funds in an amount that may be substantially greater than may be available to the Partnership alone. As a result, the only way in which a Partnership may be able to participate in such opportunities may be to co-invest with other persons, including its affiliates. The flexibility to structure coinvestments and joint investments in the manner described above will not involve abuses of the type section 17(d) and rule 17d-1 were designed to prevent. The concern that permitting coinvestments or joint investments by the related Investment Fund or another entity within the Morgan Stanley Group or by the Non-MS Investment Fund Partners on the one hand, and a Partnership on the other, might lead to less advantageous treatment of the Partnership, should be mitigated by the fact that: (a) The Morgan Stanley Group, in addition to its substantial stake as a general partner or manager in such Investment Fund and such Partnership, will be acutely concerned with its relationship with the key personnel who invest in the Partnership; and (b) senior officers and directors of the Morgan Stanley Group will be investing in such Partnership.

10. Section 17(f) provides that the securities and similar investments of a registered management investment company must be placed in the custody of a bank, a member of a national securities exchange, or the company itself in accordance with SEC rules. Applicants request an exemption from section 17(f) and rule 17f-1 to the extent necessary to permit an entity within the Morgan Stanley Group to act as custodian without a written contract. Because there is such a close association between each Partnership and the Morgan Stanley Group, requiring a detailed written contract would expose the Partnership to unnecessary burden and expense. Furthermore, any securities of a Partnership held by the Morgan Stanley Group will have the protection of fidelity bonds. An exemption is requested from the terms of rule 17f-1(b)(4), as applicants do not believe the expense of retaining an independent accountant to conduct periodic verifications is warranted given the community of interest of all the parties involved and the existing requirement for an independent annual audit.

11. Section 17(g) and rule 17g-1 generally require the bonding of officers

and employees of a registered investment company who have access to securities or funds of the company. Applicants request an exemption from section 17(g) and rule 17g–1 to the extent necessary to permit each Partnership to comply with rule 17g–1 without the necessity of having a majority of the members of the related Board who are not "interested persons" take such actions and make such approvals as are set forth in rule 17g–1.

12. Section 17(j) and rule 17j-1 make it unlawful for certain enumerated persons to engage in fraudulent, deceitful, or manipulative practices in connection with the purchase or sale of a security held or to be acquired by an investment company. Rule 17j-1 also requires every registered investment company, its adviser, and its principal underwriter to adopt a written code of ethics with provisions reasonably designed to prevent fraudulent activities, and to institute procedures to prevent violations of the code. Applicants request an exemption from section 17(j) and rule 17j-1 (except rule 17j-1(a)) because the requirements contained therein are burdensome and unnecessary in the context of the Partnerships. Requiring each Partnership to adopt a written code of ethics and requiring access persons to report each of their securities transactions would be time consuming and expensive, and would serve little purpose in light of, among other things, the community of interest among the partners of or investors in such Partnership by virtue of their common association in the Morgan Stanley Group; the substantial and largely overlapping protections afforded by the conditions with which applicants have agreed to comply; the concern of the Morgan Stanley Group that personnel who participate in each Partnership actually receive the benefits they expect to receive when investing in such Partnership; and the fact that the investments of the Partnerships will be investments that usually would not be offered to the investors, including those investors who would be deemed access persons, as individual investors. Accordingly, the requested exemption is consistent with the purposes of the Act, because the dangers against which section 17(j) and rule 17j-1 are intended to guard are not present in the case of any Partnership.

13. Sections 30(a), 30(b) and 30(d), and the rules under those sections, generally require that registered investment companies prepare and file with the SEC and mail to their shareholders certain periodic reports