and financial statements. The forms prescribed by the SEC for periodic reports have little relevance to a Partnership and would entail administrative and legal costs that outweigh any benefit to partners of or investors in the Partnerships. Exemptive relief is requested to the extent necessary to permit each Partnership to report annually to its investors in the manner described above in paragraph 29. An exemption also is requested from section 30(f) to the extent necessary to exempt the General Partner, the managing general partner or manager, if any, of such General Partner, members of the related Board, and any other persons who may be deemed members of an advisory board of such Partnership from filing reports under section 16 of the Exchange Act with respect to their ownership of interests in the Partnership.

14. Applicants submit that the exemptions requested are consistent with the protection of investors in view of the substantial community of interest among all the parties and the fact that each Partnership is an "employees" securities company" as defined in section 2(a)(13). Each Partnership will be conceived and organized and managed by persons who will be investing, directly or indirectly, or are eligible to invest, in such Partnership, and will not be promoted by persons outside the Morgan Stanley Group seeking to profit from fees or investment advice or from the distribution of securities. Applicants also submit that the terms of the proposed affiliated transactions will be reasonable and fair and free from overreaching.

## **Applicants' Conditions**

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

1. Each proposed transaction otherwise prohibited by section 17(a) or section 17(d) and rule 17d-1 to which a Partnership is a party (the "Section 17 Transactions") will be effected only if the Board, through the General Partner of such Partnership, determines that: (a) The terms of the transaction, including the consideration to be paid or received, are fair and reasonable to the partners of or investors in such Partnership and do not involve overreaching of the Partnership or its partners or investors on the part of any person concerned; and (b) the transaction is consistent with the interests of the partners of or investors in such Partnership, such Partnership's organizational documents and such Partnership's reports to its partners or investors. In addition, the General Partner of each Partnership will record and preserve a description of such affiliated transactions, the Board's findings, the information or materials upon which the Board's findings are based and the basis therefor. All such records will be maintained for the life of such Partnership and at least two years thereafter, and will be subject to examination by the SEC and its staff.<sup>5</sup>

2. In connection with the Section 17 Transactions, the Board, through the General partner, will adopt, and periodically review and update, procedures designed to ensure that reasonable inquiry is made, prior to the consummation of any such transaction, with respect to the possible involvement in the transaction of any affiliated person or promoter of or principal underwriter for such Partnership, or any affiliated person of such a person, promoter, or principal underwriter.

3. The General Partner of each Partnership will not invest the funds of such Partnership in any investment in which a "Co-Investor," as defined below, has or proposes to acquire the same class of securities of the same issuer, where the investment involves a joint enterprise or other joint arrangement within the meaning of rule 17d-1 in which such Partnership and the Co-Investor are participants, unless any such Co-Investor, prior to disposing of all or part of its investment, (a) gives the General Partner sufficient, but not less than one day's, notice of its intent to dispose of its investment; and (b) refrains from disposing of its investment unless such Partnership has the opportunity to dispose of the Partnership's investment prior to or concurrently with, and on the same terms as, and *pro rata* with the Co-Investor. The term "Co-Investor," with respect to any Partnership, means any person who is: (a) An "affiliated person" (as such term is defined in the Act) of such Partnership; (b) an entity within the Morgan Stanley Group; (c) an officer or director of an entity within the Morgan Stanley Group; or (d) a company in which the General Partner of such Partnership acts as a general partner or has a similar capacity to control the sale or other disposition of the company's securities (including without limitation the related Investment Fund). The restrictions contained in this condition, however. shall not be deemed to limit or prevent the disposition of an investment by a Co-Investor: (a) To its direct or indirect wholly-owned subsidiary, to any

company (a "parent") of which the Co-Investor is a direct or indirect whollyowned subsidiary, or to a direct or indirect wholly-owned subsidiary of its parent; (b) to immediate family members of such Co-Investor or a trust or other investment vehicle established for any such family member; (c) when the investment is comprised of securities that are listed on any exchange registered as a national securities exchange under section 6 of the Exchange Act; or (d) when the investment is comprised of securities that are national market system securities under section 11A(a)(2) of the Exchange Act and rule 11Aa2-1 thereunder.

4. Each Partnership and the General Partner or manager of such Partnership will maintain and preserve, for the life of the Partnership and at least two years thereafter, such accounts, books, and other documents as constitute the record forming the basis for the audited financial statements that are to be provided to the partners of or investors in such Partnership, and each annual report of such Partnership required to be sent to such partners or investors, and agree that all such records will be subject to examination by the SEC and its staff.<sup>6</sup>

5. The General Partner of each Partnership will send to each partner of or investor in such Partnership who had an interest in any capital account of such Partnership at any time during the fiscal year then ended Partnership financial statements audited by such Partnership's independent accountants. At the end of each fiscal year, the General Partner will make a valuation or have a valuation made of all of the assets of the Partnership as of such fiscal year end in a manner consistent with customary practice with respect to the valuation of assets of the kind held by the Partnership. In addition, within 90 days after the end of each fiscal year of the Partnership or as soon as practicable thereafter, the General Partner of such Partnership will send a report to each person who was a partner or investor in such Partnership at any time during the fiscal year then ended, setting forth such tax information as shall be necessary for the preparation by the partner or investor of his or its federal and state income tax returns and a report of the investment activities of such Partnership during such year.

6. In any case where purchases or sales are made by a Partnership from or

<sup>&</sup>lt;sup>5</sup> Each Partnership will preserve the accounts, books and other documents required to be maintained in an easily accessible place for the first two years.

<sup>&</sup>lt;sup>6</sup> Each Partnership will preserve the accounts, books and other documents required to be maintained in an easily accessible place for the first two years.