

17d-1 thereunder to permit certain joint arrangements.

**SUMMARY OF APPLICATION:** Applications request an order that would permit each applicant investment company to enter into deferred compensation arrangements with its directors who are not interested persons of the company.

**FILING DATES:** The application was filed on November 13, 1995, and amended on December 5, 1995

**HEARING OR NOTIFICATION OF HEARING:** An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicants with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on January 2, 1996, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons who wish to be notified of a hearing may request notification by writing to the SEC's Secretary.

**ADDRESSES:** Secretary, SEC, 450 Fifth Street, N.W., Washington, D.C. 20549. Applicants, 1221 Avenue of the Americas, New York, New York, 10020.

**FOR FURTHER INFORMATION CONTACT:** Elaine M. Boggs, Staff Attorney, at (202) 942-0572, or C. David Messman, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

**SUPPLEMENTARY INFORMATION:** The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch.

#### Applicants' Representations

1. Each of the Funds is a Maryland corporation registered under the Act as an open-end management investment company. The PCS Cash Fund, Inc. consist of three series, the PCS Money Market Portfolio, PCS Tax-Free Money Market Portfolio, and PCS Government Obligations Money Market Portfolio. The Morgan Stanley Money Market Fund is a series of the Morgan Stanley Fund, Inc. The Money Market Portfolio and Municipal Money Market Portfolios are series of the Morgan Stanley Institutional Fund, Inc. (Shares of the PCS Tax-Free Money Market Portfolio and the Morgan Stanley Money Market Fund are not currently being offered.) Morgan Stanley Asset Management Inc. ("Morgan Stanley") is the investment adviser to each Fund and is registered

under the Investment Advisers Act of 1940.

2. Each Fund has a board of directors, a majority of the members of which are not "interested persons" of such Fund within the meaning of section 2(a)(19) of the Act. Each of the directors who is not an "interested person" of one or more of the Funds receives annual fees which collectively are, and are expected to continue to be, insignificant in comparison to the total net assets of the Funds. Applicants request an order to permit the directors who are not interested persons of any of the Funds and who receives director's fees from one or more of the Funds (the "Eligible Directors") to elect to defer receipt of all or a portion of their fees pursuant to a deferred compensation plan (the "Plan") and related election agreement entered into between each Eligible Director and the appropriate Fund. Under the Plan, the Eligible Directors could defer payment of directors' fees (the "Deferred Compensation") in order to defer payment of income taxes or for other reasons.

3. Applicants request that relief be extended to any other registered open-end investment company established or acquired in the future, or series thereof, for which Morgan Stanley or any entity controlling, controlled by, or under common control (within the meaning of section 2(a)(9) of the Act) with Morgan Stanley, acts in the future as investment adviser or principal underwriter (the "Future Funds").

4. Under the Plan, the deferred fees payable by a Fund to a participating Eligible Director will be credited to a book reserve account established by the Fund (an "Deferred Fee Account"), as of the first business day following the date such fees would have been paid to the Eligible Director. Each Eligible Director may elect to have the return on his or her deferred fees measured as if the fees had been invested and reinvested in 90-day U.S. Treasury Bills or shares of one or more of the portfolios of the Fund of which he or she is a director (the "Underlying Securities").

5. The initial value of Deferred Compensation credited to a Deferred Fee Account will be effected at the respective current net asset value of each such open-end Fund. In the future, the Plan may be modified so that an Eligible Director may select as Underlying Securities shares of any other Fund besides the one of which he or she is a director.

6. The Funds' respective obligations to make payments of amounts accrued under the Plan will be general unsecured obligations, payable solely from their respective general assets and

property. The Plan provides that the Funds will be under no obligation to purchase, hold or dispose of any investments under the Plan, but, if one or more of the Funds choose to purchase investments to cover their obligations under the Plan, then any and all such investments will continue to be a part of the respective general assets and property of such Funds.

7. Any participating money market series of a Fund that values its assets in accordance with a method prescribed by rule 2a-7 will buy and hold the Underlying Securities that determine the performance of the Deferred Fee Accounts in order to achieve an exact match between such series' liability to pay deferred fees and the assets that offset such liability. In addition, as a matter of prudent risk management, each Fund that is not a money market fund may purchase and hold shares of the Underlying Securities in amounts equal in value to the deemed investments of the Deferred Fee Accounts of its Eligible Directors. Thus, in cases where the Funds purchase shares of the Underlying Securities, liabilities created by the credits to the Deferred Fee Accounts under the Plan are expected to be matched by an equal amount of assets (i.e., a direct investment in Underlying Securities), which assets would not be held by the Fund if directors' fees were paid on a current basis.

8. Payments under the Plan will be made in generally equal annual installments over a five year period beginning on the first day of the year following the year in which the Eligible Director's termination of service occurred. In the event of death prior to the commencement of the distribution of amounts credited to a Deferred Fee Account, the balance of such account will be distributed to the Eligible Director's designated beneficiary in a lump sum as soon as practicable after such director's death. In the event of death after the commencement of the distribution of the Deferred Fee Account, the balance of such account will be distributed to the designated beneficiary over the remaining portion of the five-year period. In all other events, a Eligible Director's right to receive payments will be nontransferable. The Plan provides that the board of directors of the Fund has the right to accelerate or extend payment of amounts in the Deferred Fee Account at any time after the termination of the Eligible Director as a director. In the event of the liquidation, dissolution, or winding up of a Fund or the distribution of all or substantially all of a Fund's assets and property to its