

)
MORGAN STANLEY EUROPEAN GROWTH)
FUND, MORGAN STANLEY FUND OF FUNDS-)
INTERNATIONAL PORTFOLIO, MORGAN)
STANLEY GLOBAL ADVANTAGE FUND,)
MORGAN STANLEY GLOBAL ADVANTAGE)
FUND, MORGAN STANLEY DIVIDEND)
GROWTH SECURITIES, MORGAN STANLEY)
GLOBAL UTILITIES FUND, MORGAN)
STANLEY INTERNATIONAL FUND, MORGAN)
STANLEY INTERNATIONAL SMALLCAP)
FUND, MORGAN STANLEY INTERNATIONAL)
VALUE EQUITY FUND, MORGAN STANLEY)
JAPAN FUND, MORGAN STANLEY LATIN)
AMERICAN GROWTH FUND, MORGAN)
STANLEY PACIFIC GROWTH FUND,)
MORGAN STANLEY ALLOCATOR FUND,)
MORGAN STANLEY BALANCED GROWTH)
FUND, MORGAN STANLEY BALANCED)
INCOME FUND, MORGAN STANLEY)
CONVERTIBLE SECURITIES TRUST,)
MORGAN STANLEY DIVIDEND GROWTH)
SECURITIES, MORGAN STANLEY EQUITY)
FUND, MORGAN STANLEY FUND OF FUNDS-)
DOMESTIC, MORGAN STANLEY)
FUNDAMENTAL VALUE FUND, MORGAN)
STANLEY INCOME BUILDER FUND,)
MORGAN STANLEY REAL ESTATE FUND,)
MORGAN STANLEY S&P 500 INDEX FUND,)
MORGAN STANLEY STRATEGIST FUND,)
MORGAN STANLEY TOTAL MARKET INDEX)
FUND, MORGAN STANLEY TOTAL RETURN)
TRUST, MORGAN STANLEY UTILITIES FUND,)
MORGAN STANLEY VALUE FUND, MORGAN)
STANLEY VALUE-ADDED MARKET)
SERIES/EQUITY PORTFOLIO, MORGAN)
STANLEY ACTIVE ASSETS CALIFORNIA)
TAX-FREE TRUST, MORGAN STANLEY)
ACTIVE ASSETS INSTITUTIONAL MONEY)
TRUST, MORGAN STANLEY ACTIVE ASSETS)
MONEY TRUST, MORGAN STANLEY ACTIVE)
ASSETS TAX-FREE TRUST, MORGAN)
STANLEY FLEXIBLE INCOME TRUST,)
MORGAN STANLEY FEDERAL SECURITIES)
TRUST,)

[caption continued on next page])
)
 MORGAN STANLEY HIGH YIELD)
 SECURITIES, MORGAN STANLEY QUALITY)
 INCOME TRUST, MORGAN STANLEY)
 LIMITED DURATION FUND, MORGAN)
 STANLEY LIMITED DURATION US)
 TREASURY TRUST, MORGAN STANLEY)
 LIQUID ASSET FUND, MORGAN STANLEY)
 PRIME INCOME TRUST, MORGAN STANLEY)
 US GOVERNMENT SECURITIES TRUST,)
 MORGAN STANLEY CALIFORNIA TAX-FREE)
 DAILY INCOME TRUST, MORGAN STANLEY)
 CALIFORNIA TAX-FREE INCOME FUND,)
 MORGAN STANLEY HAWAII MUNICIPAL)
 TRUST, MORGAN STANLEY LIMITED TERM)
 MUNICIPAL TRUST, MORGAN STANLEY)
 MULTI-STATE MUNICIPAL SERIES TRUST,)
 ARIZONA SERIES, MORGAN STANLEY)
 MULTI-STATE MUNICIPAL SERIES TRUST,)
 FLORIDA SERIES, MORGAN STANLEY)
 MULTI-STATE MUNICIPAL SERIES TRUST,)
 NEW JERSEY SERIES, MORGAN STANLEY)
 MULTI-STATE MUNICIPAL SERIES TRUST,)
 PENNSYLVANIA SERIES, MORGAN STANLEY)
 NEW YORK MUNICIPAL MONEY MARKET)
 TRUST, MORGAN STANLEY NEW YORK)
 TAX-FREE INCOME FUND, MORGAN)
 STANLEY TAX-EXEMPT SECURITIES TRUST,)
 and MORGAN STANLEY TAX-FREE DAILY)
 INCOME TRUST,)
)

Defendants.

Plaintiff, Raymond Russell (“Plaintiff”), by his attorneys, as and for his complaint, alleges the following upon personal knowledge as to himself and his acts and as to all other matters upon information and belief the following:

NATURE OF THE ACTION

1. This is a class action on behalf of a class (the “Class”) of all purchasers, redeemers and holders of the Morgan Stanley family of funds (as defined below), who purchased, held, or otherwise acquired shares between October 1, 1999 and December 31, 2002 (the “Class Period”), seeking to pursue remedies under the Securities Act of 1933 (the “Securities Act”), the Securities Exchange Act of 1934 (the “Exchange Act”), the Investment Company Act of 1940 (the “Investment Company Act”), and for common law breach of fiduciary duties.

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b), and 20(a) of the Exchange Act, [15 U.S.C. §§ 78j(b) and 78t(a)], and Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5]. Additionally, this action arises under Sections 11 and 15 of the Securities Act of 1933 (the “Securities Act”) [15 U.S.C. §§ 77k, 77l(a)(2), and 77(o)] and pursuant to §36 of the Investment Company Act [15 U.S.C. § 80a-35].

3. This Court has jurisdiction over the subject matter of this action pursuant to § 27 of the Exchange Act of 1934 [15 U.S.C. § 78aa]; Section 22 of the Securities Act [15 U.S.C. § 77v]; and §36 of the Investment Company Act [15 U.S.C. § 80a-35].

4. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b), as many of the acts and practices complained of herein occurred in substantial part in this District.

5. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

6. Plaintiff bought and held shares of Morgan Stanley High Income Advantage Trust II during the Class Period and has suffered damages as a result of the wrongful acts of defendants as alleged herein.

7. Defendant Morgan Stanley is a global financial services firm that operates in four business segments: Institutional Securities, Individual Investor Group, Investment Management and Credit Services. Morgan Stanley's principal place of business is located within this judicial district at 1585 Broadway, New York, NY 10036.

8. Defendant Morgan Stanley DW, Inc. ("MSDW") is a registered broker-dealer, which provides various investment services. MSDW's principal place of business is located within this judicial district at 1585 Broadway, New York, NY 10036.

9. Defendant Morgan Stanley Investment Advisors, Inc. is registered as an investment advisor under the Investment Advisers Act and managed and advised the Morgan Stanley Funds during the Class Period. Morgan Stanley Investment Advisors' principal place of business is located within this judicial district at 1221 Avenue of the Americas, New York, NY 10020.

10. Defendant Morgan Stanley Investments LP is registered as an investment advisor under the Investment Advisers Act and managed and advised the Morgan Stanley Funds during the Class Period. Morgan Stanley Investment's principal place of business is located at One Tower Bridge, West Conshohocken, PA.

11. Morgan Stanley Investment Advisors, Inc. and Morgan Stanley Investments LP are collectively referred to as "Morgan Stanley Advisors."

12. Defendants Morgan Stanley 21st Century Trend Fund, Morgan Stanley Aggressive Equity Fund, Morgan Stanley High Income Advantage Trust II, Morgan Stanley All Star Growth Fund, Morgan Stanley American Opportunities Fund, Morgan Stanley Biotechnology Fund, Morgan Stanley Capital Opportunities Trust, Morgan Stanley Developing Growth Securities, Morgan Stanley Growth Fund, Morgan Stanley Health Sciences Trust, Morgan Stanley Information Fund, Morgan Stanley KLD Social Index Fund, Morgan Stanley Market Leader Trust, Morgan Stanley Mid-Cap Value Fund, Morgan Stanley Nasdaq-100 Index Fund, Morgan Stanley Natural Resource Development Securities, Morgan Stanley New Discoveries Fund, Morgan Stanley next Generation Trust, Morgan Stanley Small-mid Special Value Fund, Morgan Stanley Special Growth Fund, Morgan Stanley Special Value Fund, Morgan Stanley Tax-Managed Growth Fund, Morgan Stanley Technology Fund, Morgan Stanley European Growth Fund, Morgan Stanley Fund of Funds-international Portfolio, Morgan Stanley Global Advantage Fund, Morgan Stanley Global Advantage Fund, Morgan Stanley Dividend Growth Securities, Morgan Stanley Global Utilities Fund, Morgan Stanley International Fund, Morgan Stanley International Smallcap Fund, Morgan Stanley International Value Equity Fund, Morgan Stanley Japan Fund, Morgan Stanley Latin American Growth Fund, Morgan Stanley Pacific Growth Fund, Morgan Stanley Allocator Fund, Morgan Stanley Balanced Growth Fund, Morgan Stanley Balanced Income Fund, Morgan Stanley Convertible Securities Trust, Morgan Stanley Dividend Growth Securities, Morgan Stanley Equity Fund, Morgan Stanley Fund of Funds-Domestic, Morgan Stanley Fundamental Value Fund, Morgan Stanley Income Builder Fund, Morgan Stanley Real Estate Fund, Morgan Stanley S&P 500 Index Fund, Morgan Stanley Strategist Fund, Morgan Stanley Total Market Index Fund, Morgan Stanley Total Return Trust, Morgan Stanley Utilities Fund, Morgan Stanley Value Fund, Morgan Stanley

Value-Added Market Series/equity Portfolio, Morgan Stanley Active Assets California Tax-free Trust, Morgan Stanley Active Assets Institutional Money Trust, Morgan Stanley Active Assets Money Trust, Morgan Stanley Active Assets Tax-Free Trust, Morgan Stanley Flexible Income Trust, Morgan Stanley Federal Securities Trust, Morgan Stanley High Yield Securities, Morgan Stanley Quality Income Trust, Morgan Stanley Limited Duration Fund, Morgan Stanley Limited Duration US Treasury Trust, Morgan Stanley Liquid Asset Fund, Morgan Stanley Prime Income Trust, Morgan Stanley US Government Securities Trust, Morgan Stanley California Tax-free Daily Income Trust, Morgan Stanley California Tax-Free Income Fund, Morgan Stanley Hawaii Municipal Trust, Morgan Stanley Limited Term Municipal Trust, Morgan Stanley Multi-State Municipal Series Trust, Arizona Series, Morgan Stanley Multi-State Municipal Series Trust, Florida Series, Morgan Stanley Multi-State Municipal Series Trust, New Jersey Series, Morgan Stanley Multi-State Municipal Series Trust, Pennsylvania Series, Morgan Stanley New York Municipal Money Market Trust, Morgan Stanley New York Tax-Free Income Fund, Morgan Stanley Tax-Exempt Securities Trust, and Morgan Stanley Tax-Free Daily Income Trust are collectively referred to as the “Morgan Stanley Funds” and are mutual funds that are regulated by the Investment Company Act of 1940. The Morgan Stanley Funds are managed by Morgan Stanley Advisors.

CLASS ACTION ALLEGATIONS

13. Plaintiff brings this action as a federal class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a class (the “Class”), consisting of all purchasers, redeemers and holders of the mutual fund shares that are the subject of this lawsuit, who purchased, held, or otherwise acquired shares between October 1, 1999 and December 31, 2002, inclusive, (the “Class Period”) and who were damaged thereby. Excluded from the Class are defendants, the officers and

directors of the Company, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

14. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class.

15. Plaintiff's claims are typical of the claims of the members of the Class, because plaintiffs and all of the Class members sustained damages arising out of defendants' wrongful conduct complained of herein.

16. Plaintiff will fairly and adequately protect the interests of the Class members and has retained counsel who are experienced and competent in class actions and securities litigation.

17. A Class Action is superior to all other available methods for the fair and efficient adjudication of this controversy, since joinder of all members is impracticable. Furthermore, as the damages suffered by individual members of the Class may be relatively small, the expense and burden of individual litigation make it impossible for the members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

18. Questions of law and fact common to the members of the Class predominate over any questions that may affect only individual members, in that defendants have acted on grounds generally applicable to the entire Class. Among the questions of law and fact common to the Class are:

- (a) Whether the federal securities laws were violated by Defendants' acts as alleged herein;
- (b) Whether Defendants breached their fiduciary duties by engaging in fraudulent activity; and
- (c) Whether the members of the Class have sustained damages and, if so, what is the appropriate measure of damages.

SUBSTANTIVE ALLEGATIONS

BACKGROUND

19. This action concerns Morgan Stanley's prohibited sales contests for its brokers and managers to promote the sale of Morgan Stanley mutual funds and a selected few variable annuities. More specifically, during the Class Period, Morgan Stanley cultivated a clandestine culture to aggressively sell the Morgan Stanley Funds above all other funds.

20. During the Class Period, defendants engaged in illegal activities involving high-pressured sales tactics to sell Morgan Stanley Funds over non-proprietary external funds.

21. At the regional and branch levels, these tactics included sales contests, various types of hidden compensation in the form of travel and expense ("T&E") reimbursements, business development dollars, asset retention dollars and most importantly, a higher compensation pay-out for selling Morgan Stanley Funds. The branch managers as well as regional executives received bonus compensation based in part on the successful sale of the Morgan Stanley Funds.

22. During the Class Period, Morgan Stanley failed to disclose any of these financial incentives to Plaintiff and other class members. In fact, in an effort to conceal the potential conflicts

of interest that these incentives formed, Morgan Stanley intentionally sought to prevent any written communication concerning these sales practices.

23. By selling only the Morgan Stanley Funds, Morgan Stanley's profits increased. Morgan Stanley created a conflict of interest by increasing the compensation to its financial advisors and branch managers for selling the Morgan Stanley Funds rather than external funds. While the Morgan Stanley Funds were aggressively sold to client investors, Morgan Stanley did not disclose that its brokers, managers, and the company itself were profiting more for selling these funds than other external funds.

SALES CONTESTS BASED ON THE MORGAN STANLEY FUNDS

24. Systemic to the Morgan Stanley culture was the drive to sell the Morgan Stanley Funds. This was exemplified, during the Class Period, by sales campaigns and contests that were carried out nationally, regionally, and at the branch level with individual financial advisors.

25. Between October 1999 and December 2002, the firm conducted 29 contests, and offered or awarded various forms of non-cash compensation to the winners, including tickets to Britney Spears and Rolling Stones concerts, tickets to the NBA finals, tuition for a high-performance automobile racing school, and trips to resorts.

26. Morgan Stanley conducted at least two national contests, 10 regional contests and 17 branch contests that violated the National Association of Securities Dealers ("NASD") conduct rules. The 29 contests violated regulatory rules because they favored Morgan Stanley's own proprietary mutual funds. The estimated value of the contest rewards totaled \$1 million.

27. For example, in July 2002 the firm initiated a sales campaign called "Finding the Right Fit." The goal of that campaign was to achieve sales of \$5 billion of Morgan Stanley Funds

for the fourth quarter of fiscal year 2002. As part of that campaign, national managers encouraged regional managers to meet specific sales goals. To achieve these national sales goals, four regions each held prohibited sales contests.

28. In one case, the Southeast Region sponsored a contest in which the top-producing branch managers could win a trip to New York City. This contest, which was held on a monthly basis, set a goal of \$100,000 per financial advisor in sales of Morgan Stanley mutual funds.

29. In June 2002, Morgan Stanley conducted a national sales campaign focusing on one of its new mutual funds, the Morgan Stanley Small-Mid Special Value Fund. As part of that campaign, national management set a sales goal of \$500 million within the first month of the campaign. The national managers also required 100 percent participation in the campaign by all regions and branches of the firm. The firm offered rewards including a dinner hosted by senior national management in New York City or travel and entertainment expense reimbursements to the managers of the top producing regions.

30. Regional managers held contests to meet the sales goals. For instance, the Regional Director of the Southeast Region set a sales target of \$75 million in total sales of the Small-Mid Special Value Fund, consisting of \$50,000 for each financial advisor in each branch office in the region. To help achieve that sales target, the Southeast Regional Director offered the top three branch managers a trip to Sea Island, Georgia, for dinner and golf school. In another contest, the Southern California Regional Director offered tickets to a 2002 NBA finals game involving the Los Angeles Lakers, and attendance at a due diligence meeting at a Four Seasons resort.

31. The branch managers, in turn, created their own contests in order to meet their offices' sales goals. They provided rewards to the top-producing financial advisors in their branches. The

branch manager of the Alexandria, VA, office offered all-expenses paid vacations to Hawaii and the Caribbean. However, these rewards ultimately were cancelled. The branch manager of the Santa Ana, CA office offered Britney Spears concert tickets, retail gift certificates and travel and entertainment expense reimbursements.

32. The contests described above were widely publicized with MSDW weekly reports, distributed to Morgan Stanley financial advisors. The reports included a “top twenty” list and detailed gross proprietary mutual fund sales for every MSDW branch and financial advisor.

EXCESSIVE COMMISSION PAID BY THE MORGAN STANLEY FUNDS

33. In conducting its business, the Morgan Stanley Funds regularly trade securities of issuers and pay commissions on such trades to MSDW, which acts as the broker-dealer to the Morgan Stanley Funds. In return for having MSDW steer clients toward the Morgan Stanley Funds, the Morgan Stanley Funds paid MSDW commissions that were in excess of what they would have paid.

34. This practice materially harmed Plaintiff and other class members because they footed the bill for the excess commissions.

ACTIONS BY THE NASD, SEC, AND COMMONWEALTH OF MASSACHUSETTS

35. On August 11, 2003, the Massachusetts Securities Division of Office of the Secretary of the Commonwealth filed an administrative complaint (the “administrative complaint”) against MSDW. The administrative complaint alleged various violations of Massachusetts state securities laws stemming from Morgan Stanley’s illegal activities involving high-pressured sales tactics to sell Morgan Stanley Funds over non-proprietary external funds.

36. The administrative complaint alleged that at the regional and branch levels, these tactics included sales contests, various types of hidden compensation in the form of T&E reimbursements, business development dollars, asset retention dollars and most importantly, a higher compensation pay-out for selling Morgan Stanley Funds. The branch managers as well as regional executives received bonus compensation based in part on the successful sale of the Morgan Stanley Funds. It further alleged that Morgan Stanley failed to disclose any of these financial incentives to Plaintiff and other class members. In fact, in an effort to conceal the potential conflicts of interest that these incentives formed, Morgan Stanley intentionally sought to prevent any written communication concerning these sales practices.

37. Additionally, the administrative complaint alleged that Morgan Stanley violated Section 101 of the Massachusetts Uniform Securities Act. This section is identical to Rule 10b-5 promulgated by the SEC pursuant to Section 10(b) of the Exchange Act.

38. On August 16, 2003, the NASD announced

that it had censured and fined Morgan Stanley DW Inc. \$2 million for conducting prohibited sales contests for its brokers and managers to promote the sale of Morgan Stanley mutual funds and a selected few variable annuities. Between October 1999 and December 2002, the firm conducted 29 contests, and offered or awarded various forms of non-cash compensation to the winners, including tickets to Britney Spears and Rolling Stones concerts, tickets to the NBA finals, tuition for a high-performance automobile racing school, and trips to resorts.

39. A “Letter of Acceptance, Waiver and Consent,” was entered into between the NASD and MSDW. The Letter of Acceptance detailed defendants scheme and stated that MSDW violated NASD Conduct Rules 2830 and 2820, prohibiting non-cash compensation relating to the sales of mutual funds and variable annuities, respectively. Additionally, the Letter of Acceptance stated that

MSDW failed to establish and maintain a proper supervisory system for its financial advisors thereby violating NASD Conduct Rule 3010(a).

40. On October 14, 2003, Morgan Stanley in a current report on Form 8-K announced the following:

On September 23, 2003, the staff of the SEC informed the Company that it is considering recommending enforcement action in connection with the Company's mutual fund sales practices. The staff advised the Company that the proposed action against it would be based upon, among other things, (i) the Company's alleged failure to disclose the sources, types and amounts of compensation received by it from investment companies for selling their products; (ii) the Company's alleged failure to disclose adequately its compensation arrangements for financial advisors; and (iii) the Company's alleged favored sale or distribution of shares of specified investment companies based upon brokerage commissions received or expected from such investment companies. On October 8, 2003, the staff advised the Company that it is also considering recommending enforcement action based upon, among other things, the Company's alleged sales practices in connection with Class B investment company shares.

DEFENDANTS ATTEMPT TO CONCEAL THEIR ILLEGAL SCHEME

41. Defendants attempted to conceal their illegal scheme by ordering employees not to communicate by email or other written means about the contests.

42. By taking such actions, defendants knew or recklessly disregarded that the contests were improper and harmful.

THE MORGAN STANLEY FUNDS' PROSPECTUSES WERE MATERIALLY FALSE AND MISLEADING

43. The Morgan Stanley Funds' Prospectuses failed to disclose the following: (a) that defendants had adopted a policy to reward its brokers and other employees to push Morgan Stanley

Funds above all other mutual fund products; (b) that, pursuant to that policy, Morgan Stanley brokers received valuable cash and/or non-cash compensation for selling more Morgan Stanley Funds; (c) that the Morgan Stanley Funds paid excessive commissions to MSDW in return for MSDW engaging in an aggressive sales campaign; and (d) that the prospectus failed to disclose that the defendants benefitted financially at the expense of Morgan Stanley Funds' investors including plaintiff and other members of the Class.

UNDISCLOSED ADVERSE INFORMATION

44. The market for the Morgan Stanley Funds were open, well-developed and efficient at all relevant times. As a result of these materially false and misleading statements and failures to disclose, the Morgan Stanley Funds traded at distorted prices during the Class Period. Plaintiff and other members of the Class purchased or otherwise acquired the Morgan Stanley Funds relying upon the integrity of the Morgan Stanley Funds and market information relating to the Morgan Stanley Funds, and have been damaged thereby.

45. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by plaintiff and other members of the Class.

ADDITIONAL SCIENTER ALLEGATIONS

46. As alleged herein, defendants acted with scienter in that defendants knew that the public documents and statements issued or disseminated in the name of the Morgan Stanley Funds were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal

securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of information reflecting the true facts regarding Morgan Stanley Funds, their control over, and/or receipt and/or modification of Morgan Stanley Funds allegedly materially misleading misstatements and/or their associations with the Morgan Stanley Funds which made them privy to confidential proprietary information concerning the Morgan Stanley Funds, participated in the fraudulent scheme alleged herein.

47. The defendants were motivated to participate in the wrongful scheme by the enormous profits they derived thereby. They systematically pursued the scheme with full knowledge of its consequences to other investors.

**Applicability Of Presumption Of Reliance:
Fraud-On-The-Market Doctrine**

48. At all relevant times, the market for the Morgan Stanley Funds were an efficient market for the following reasons, among others:

(a) The Morgan Stanley Funds met the requirements for listing, and was listed and actively traded on a highly efficient and automated market;

(b) As a regulated issuer, the Morgan Stanley Funds filed periodic public reports with the SEC;

(c) The Morgan Stanley Funds regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and

(d) The Morgan Stanley Funds were followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

49. As a result of the foregoing, the market for the Morgan Stanley Funds promptly digested current information regarding the Morgan Stanley Funds from all publicly available sources.

NO SAFE HARBOR

50. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this complaint. Many of the specific statements pleaded herein were not identified as “forward-looking statements” when made. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the particular speaker knew that the particular forward-looking statement was false, and/or the forward-looking statement was authorized and/or approved by an executive officer of the defendants who knew that those statements were false when made.

COUNT ONE
AGAINST MORGAN STANLEY FUNDS FOR VIOLATIONS
OF SECTION 11 OF THE SECURITIES ACT

51. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein, except that, for purposes of this claim, plaintiff expressly excludes and disclaims any

allegation that could be construed as alleging fraud or intentional or reckless misconduct and otherwise incorporates the allegations contained above.

52. This claim is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of the plaintiff and other members of the Class against the Morgan Stanley Funds.

53. Each of the Morgan Stanley Funds are the registrants for the Morgan Stanley Funds sold to plaintiff and the other members of the Class and are statutorily liable under Section 11. Morgan Stanley Funds issued, caused to be issued and participated in the issuance of the materially false and misleading written statements and/or omissions of material facts that were contained in the Prospectuses.

54. Plaintiff was provided with the Morgan Stanley High Income Advantage Trust II Prospectus and, similarly, prior to purchasing units of each of the other Morgan Stanley Funds, all Class members likewise received the appropriate prospectus. Plaintiff and other Class members purchased shares of the Morgan Stanley Funds traceable to the relevant false and misleading Prospectuses and were damaged thereby.

55. As set forth herein, the statements contained in the Prospectuses, when they became effective, were materially false and misleading for a number of reasons: (a) that defendants had adopted a policy to reward its brokers and other employees to push Morgan Stanley Funds above all other mutual fund products; (b) that, pursuant to that policy, Morgan Stanley brokers received valuable cash and/or non-cash compensation for selling more Morgan Stanley Funds; (c) that the Morgan Stanley Funds paid excessive commissions to MSDW in return for MSDW engaging in an aggressive sales campaign; and (d) that the prospectus failed to disclose that the defendants

benefitted financially at the expense of Morgan Stanley Funds' investors including plaintiff and other members of the Class.

56. At the time they purchased the Morgan Stanley Funds' shares traceable to the defective Prospectuses, plaintiff and Class members were without knowledge of the facts concerning the false and misleading statements or omissions alleged herein and could not reasonably have possessed such knowledge. This claim was brought within the applicable statute of limitations.

COUNT TWO
AGAINST MORGAN STANLEY, MSDW, AND MORGAN STANLEY ADVISORS AS
CONTROL PERSONS FOR VIOLATIONS OF
SECTION 15 OF THE SECURITIES ACT

57. Plaintiff repeats and realleges each and every allegation contained above, except that for purposes of this claim, plaintiff expressly excludes and disclaims any allegation that could be construed as alleging fraud or intentional reckless misconduct and otherwise incorporates the allegations contained above.

58. This Claim is brought pursuant to Section 15 of the Securities Act against Morgan Stanley, MSDW, and Morgan Stanley Advisors (collectively referred to as "Morgan Stanley") as control persons of Morgan Stanley Funds. It is appropriate to treat these defendants as a group for pleading purposes and to presume that the false, misleading, and incomplete information conveyed in the Morgan Stanley Funds' public filings, press releases and other publications are the actions of Morgan Stanley.

59. Morgan Stanley Funds are liable under Section 11 of the Securities Act as set forth herein.

60. Morgan Stanley is a “control person” of the Morgan Stanley Funds within the meaning of Section 15 of the Securities Act, by virtue of its position of operational control and/or ownership. At the time plaintiff and other members of the Class purchased shares of the Morgan Stanley Funds -- by virtue of their positions of control and authority over Morgan Stanley Funds, directly and indirectly, had the power and authority, and exercised the same, to cause Morgan Stanley Funds to engage in the wrongful conduct complained of herein. Morgan Stanley Funds issued, caused to be issued, and participated in the issuance of materially false and misleading statements in the Prospectuses.

61. Pursuant to Section 15 of the Securities Act, by reason of the foregoing, Morgan Stanley is liable to plaintiff and the other members of the Class for the Morgan Stanley Funds primary violations of Section 11 of the Securities Act.

62. By virtue of the foregoing, plaintiff and the other members of the Class are entitled to damages against Morgan Stanley.

COUNT THREE
VIOLATION OF SECTION 10(b) OF
THE EXCHANGE ACT AND RULE 10b-5
PROMULGATED THEREUNDER AGAINST ALL DEFENDANTS

63. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein except for Claims brought pursuant to the Securities Act.

64. During the Class Period, each of the defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did deceive the investing public, including plaintiff and the other Class members, as alleged herein and cause plaintiff and other members of the Class to purchase Morgan Stanley Funds shares or interests at distorted prices and

otherwise suffered damages. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

65. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Morgan Stanley Funds, including plaintiff and other members of the Class, in an effort to enrich themselves through undisclosed manipulative trading tactics by which they wrongfully appropriated Morgan Stanley Funds' assets and otherwise distorted the pricing of their securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All defendants are sued as primary participants in the wrongful and illegal conduct and scheme charged herein.

66. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the Morgan Stanley Funds operations, as specified herein.

67. These defendants employed devices, schemes and artifices to defraud and a course of conduct and scheme as alleged herein to unlawfully manipulate and profit from secretly timed trading and thereby engaged in transactions, practices and a course of business which operated as a fraud and deceit upon plaintiff and members of the Class.

68. The defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such defendants'

material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing the truth.

69. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of the Morgan Stanley Funds were distorted during the Class Period such that they did not reflect the risks and costs of the continuing course of conduct alleged herein. In ignorance of these facts that market prices of the shares were distorted, and relying directly or indirectly on the false and misleading statements made by the defendants, or upon the integrity of the market in which the securities trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by defendants but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired the shares or interests in the Morgan Stanley Funds during the Class Period at distorted prices and were damaged thereby.

70. At the time of said misrepresentations and omissions, plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had plaintiff, the other members of the Class and the marketplace known of the truth concerning the Morgan Stanley Funds' operations, which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their shares or, if they had acquired such shares or other interests during the Class Period, they would not have done so at the distorted prices which they paid.

71. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

72. As a direct and proximate result of defendants' wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Morgan Stanley Funds shares during the Class Period.

COUNT FOUR
AGAINST MORGAN STANLEY, MSDW, AND MORGAN STANLEY ADVISORS AS A
CONTROL PERSON FOR VIOLATIONS OF SECTION 20(a) OF THE EXCHANGE
ACT

73. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein except for Claims brought pursuant to the Securities Act.

74. This Claim is brought pursuant to Section 20(a) of the Exchange Act against Morgan Stanley as control persons of MSDW, Morgan Stanley Advisors, and Morgan Stanley Funds; against MSDW as control persons of Morgan Stanley Advisors and Morgan Stanley Funds; and against Morgan Stanley Advisors as control person of the Morgan Stanley Funds.

75. It is appropriate to treat these defendants as a group for pleading purposes and to presume that the materially false, misleading, and incomplete information conveyed in the Morgan Stanley Funds' public filings, press releases and other publications are the collective actions of Morgan Stanley, MSDW, and Morgan Stanley Advisors.

76. Morgan Stanley, MSDW, and Morgan Stanley Advisors are controlling persons of the Morgan Stanley Funds within the meaning of Section 20(a) of the Exchange Act for the reasons alleged herein. By virtue of their operational and management control of the Morgan Stanley Funds' respective businesses and systematic involvement in the fraudulent scheme alleged herein, Morgan Stanley, MSDW, and Morgan Stanley Advisors each had the power to influence and control and did influence and control, directly or indirectly, the decision-making and actions of the Morgan Stanley

Funds, including the content and dissemination of the various statements which plaintiff contends are false and misleading. Morgan Stanley, MSDW, and Morgan Stanley Advisors had the ability to prevent the issuance of the statements alleged to be false and misleading or cause such statements to be corrected.

77. In particular, each of Morgan Stanley, MSDW, and Morgan Stanley Advisors had direct and supervisory involvement in the operations of the Morgan Stanley Funds and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

78. As set forth above, Morgan Stanley, MSDW, and Morgan Stanley Advisors each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this complaint. By virtue of their positions as controlling persons, Morgan Stanley, MSDW, and Morgan Stanley Advisors are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, plaintiff and other members of the Class suffered damages in connection with their purchases of Morgan Stanley Funds securities during the Class Period.

COUNT FIVE
VIOLATION OF SECTION 36(a) OF THE INVESTMENT COMPANY ACT OF 1940
AGAINST ALL DEFENDANTS

79. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

80. This claim for relief is brought pursuant to Section 36(a) of the Investment Company Act of 1940 against defendants. Under Section 36(a), an implied private right of action exists. See McLachlan v. Simon, 31 F. Supp.2d 731 (N.D. Cal. 1998).

81. Under Section 36(a) of the Investment Company Act, defendants shall be deemed to owe a fiduciary duty to plaintiff and other class members with respect to the receipt of fees and compensation that defendants receive for services of a material nature.

82. Here, defendants have devised and implemented a scheme to obtain substantial compensation in violation of their fiduciary duties to their customers, i.e., plaintiff and class members.

83. Defendants engaged in such scheme to only benefit itself by adopting a policy where Morgan Stanley brokers and other persons were financially compensations for aggressively pushing Morgan Stanley Funds on the unsuspecting investors.

84. Defendants have breached the fiduciary duties it owes to plaintiff and other class members by, among other things, devising this plan and scheme solely for its own benefit and by failing to reveal to them material facts which would allow them to make informed decisions about the true value and performance of the Fund.

85. Plaintiffs and other class members have been injured as a result of defendants' breach of fiduciary duty and violation of Section 36(a) of the Investment Act of 1940.

COUNT SIX
VIOLATION OF SECTION 36(b) OF THE INVESTMENT COMPANY ACT OF 1940
AGAINST ALL DEFENDANTS

86. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

87. This claim for relief is brought pursuant to Section 36(b) of the Investment Company Act of 1940 against defendants.

88. Under Section 36(b) of the Investment Company Act, defendants shall be deemed to owe a fiduciary duty to plaintiff and other class members with respect to the receipt of fees and compensation that defendants receive for services of a material nature.

89. Here, defendants have devised and implemented a scheme to obtain substantial compensation throughout the Class Period and in violation of their fiduciary duties to their customers, i.e., plaintiff and class members.

90. Defendants engaged in such scheme to only benefit itself by adopting a policy where Morgan Stanley brokers and other persons were financially compensations for aggressively pushing Morgan Stanley Funds on the unsuspecting investors.

91. Defendants have breached the fiduciary duties it owes to plaintiff and other Class members by, among other things, devising this plan and scheme solely for its own benefit and by failing to reveal to them material facts which would allow them to make informed decisions about the true value and performance of the Fund.

92. Plaintiff and other class members have been injured as a result of defendants' breach of fiduciary duty and violation of Section 36(b) of the Investment Act of 1940.

COUNT SEVEN
AGAINST ALL DEFENDANTS
FOR BREACH OF FIDUCIARY DUTIES

93. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

94. Plaintiff and the Class placed their trust and confidence in Morgan Stanley to manage the assets they invested in the Morgan Stanley Funds.

95. Plaintiff and the Class reasonably expected that Morgan Stanley would honor its obligations to the them by, among other things, observing the securities laws and honoring the representations made in the Morgan Stanley Funds' prospectuses.

96. Each of the Defendants was an active participant in the breach of fiduciary duty who participated in the breach for the purpose of advancing their own interests.

97. Plaintiff and the Class have been specially injured by defendants' wrongdoing.

98. As a direct and proximate result of the defendants' foregoing breaches of fiduciary duties, plaintiff and the members of the Class have suffered damages.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff on behalf of himself and of the Class pray for relief and judgment, as follows:

- (a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;
- (b) Awarding plaintiffs and the members of the Class damages in an amount which may be proven at trial, together with interest thereon;
- (c) Awarding plaintiffs and the members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs;
- (d) Awarding such other and further relief as this Court may deem just and proper including any extraordinary equitable and/or injunctive relief as permitted by law or equity to attach, impound or otherwise restrict the defendants' assets to assure plaintiffs have an effective remedy; and

(e) Such other relief as this Court deems appropriate.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: October 28, 2003

Respectfully submitted,

**CAULEY GELLER BOWMAN & RUDMAN,
LLP**

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