

CHARLOTTE RUSSE HOLDING INC  
Form DEF 14A  
January 04, 2005  
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**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14 of the  
Securities Exchange Act of 1934**

**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-11(c)  
or §240.14a-12

## **Charlotte Russe Holding, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the 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):

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- 1) Amount Previously Paid:
- 2) Form, Schedule or Registration Statement No.:
- 3) Filing Party:
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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON FEBRUARY 8, 2005**

Dear Stockholder:

It is my pleasure to invite you to the Annual Meeting of Stockholders of Charlotte Russe Holding, Inc. to be held at our corporate offices, 4645 Morena Boulevard, San Diego, California, on Tuesday, February 8, 2005, at 9:00 a.m., for the following purposes:

1. To elect seven directors to hold office until the next Annual Meeting of Stockholders and until their successors shall have been duly elected and qualified in accordance with the by-laws of the Company.
2. To transact any and all other business that may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed Monday, January 3, 2005 as the record date for the annual meeting. Only holders of record at the close of business on that day will be entitled to vote at the annual meeting or any adjournment of the annual meeting. All stockholders are invited to attend the meeting.

To insure your representation at the meeting, please complete and mail your Proxy Card in the return envelope provided, as soon as possible.

By Order of the Board of Directors,

JENNIFER L. BOLINGER

*Secretary*

San Diego, California

January 11, 2005

4645 Morena Boulevard; San Diego, California 92117

Phone (858) 587-1500

Fax (858) 875-0330

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**CHARLOTTE RUSSE HOLDING, INC.**

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**PROXY STATEMENT**

**ANNUAL MEETING OF STOCKHOLDERS**

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**GENERAL INFORMATION**

The Board of Directors of Charlotte Russe Holding, Inc., a Delaware corporation, is soliciting the enclosed proxy card from our stockholders. The proxy will be used at our Annual Meeting of Stockholders to be held at 9:00 a.m. on Tuesday, February 8, 2005 at our corporate offices, 4645 Morena Boulevard, San Diego, California 92117.

This proxy statement contains important information regarding our annual meeting. Specifically, it identifies the proposal on which you are being asked to vote, provides information that you may find useful in determining how to vote, and describes voting procedures.

We use several abbreviations in this proxy statement. We refer to our company as Charlotte Russe or the Company. We call our Board of Directors the Board. References to fiscal 2004 mean our 2004 fiscal year, which began on September 28, 2003 and ended on September 25, 2004.

**Who May Attend and Vote?**

Our Board of Directors is sending this proxy statement on or about January 11, 2005 to all of our stockholders as of the record date, January 3, 2005. Stockholders who owned Charlotte Russe common stock at the close of business on January 3, 2005 are entitled to attend and vote at the annual meeting. On the record date, we had approximately 21,979,753 shares of our common stock issued and outstanding each of which is entitled to one vote. We had 19 record stockholders as of the record date, and we believe our common stock is held by more than 1,400 beneficial owners.

**How Do I Vote?**

As a stockholder, you have the right to vote on certain business matters affecting our company. The one proposal that will be presented at the annual meeting, and upon which you are being asked to vote, is discussed in the section entitled Proposal One. Each share of Charlotte Russe common stock you own entitles you to one vote. The enclosed proxy card indicates the number of shares you own.

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By signing and returning the proxy card according to the enclosed instructions, you are enabling the individuals named on the proxy card (known as proxies ) to vote your shares at the meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting. If you attend the meeting, you may deliver your completed proxy card in person or fill out and return a ballot that will be supplied to you. However, if your shares are held in the name of your broker, bank or other nominee, you must bring a statement or letter from the nominee authorizing you to vote the shares you beneficially own and indicating that you are the beneficial owner of the shares on January 3, 2005, the record date of the meeting.

### **What Does the Board of Directors Recommend?**

If you submit the proxy card but do not indicate your voting instructions, the persons named as proxies on your proxy card will vote in accordance with the recommendations of the Board of Directors. The Board recommends that you vote:

***FOR*** the seven nominees for director identified in Proposal One

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### **What Vote Is Required for The Proposal?**

Consistent with Delaware law and the Company's by-laws, the holders of a majority of the shares entitled to be cast on a particular matter, present in person or represented by proxy, constitutes a quorum as to such matter. The seven nominees for directors who receive the greatest number of votes properly cast (known as a plurality of the votes) will be elected as directors. Funds affiliated with Saunders Karp & Megrue Partners, LLC, which own an aggregate of 5,719,829 shares, intend to vote for each nominee recommended by the Board of Directors.

Shares represented by proxies that indicate an abstention or a broker non-vote (that is, shares represented at the Annual Meeting held by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter) will be counted as shares that are present and entitled to vote on the matter for purposes of determining the presence of a quorum. Shares indicating an abstention and shares indicating a broker non-vote, however, will not constitute votes cast at the meeting and thus will have no effect on the outcome.

### **May I Change My Vote After I Return My Proxy Card?**

Yes. Any stockholder has the right to revoke his or her proxy at any time before it is voted by: (1) attending the meeting and voting in person; (2) by filing with our Secretary a written instrument revoking the proxy; or (3) delivering to our Secretary another newly executed proxy bearing a later date.

**Table of Contents****PROPOSAL ONE: ELECTION OF DIRECTORS****The Board of Directors**

Under our current certificate of incorporation and by-laws, our Board of Directors determines the number of our directors. We currently have seven directors.

**The Election**

The seven directors whose regular terms of office expire at the upcoming Annual Meeting have been nominated for reelection to our Board of Directors. Information about these directors is given below. If elected, each director would serve until the next annual meeting, until his successor is elected and qualified, or until his earlier death, removal, or resignation.

The Board of Directors has no reason to believe that any of the listed nominees will not serve if elected. If, however, any nominee cannot or will not serve as a director, the persons named on your proxy card may vote for a substitute nominee designated by the Board.

Set forth below is information concerning each of the nominees for director.

**Experience; Principal Occupation;**

<b>Name</b>	<b>Age</b>	<b>Directorships of Other Public Companies</b>
Bernard Zeichner	60	Mr. Zeichner has been a director since September 1996. He currently serves as Chairman of the Board of Directors, and was our President from May 1996 to June 2001 and our Chief Executive Officer from September 1996 to July 2003. Prior to joining the Company, he was President of the retail division of Guess? from 1993 to 1995. Prior to that, Mr. Zeichner was employed by Contempo Casuals, serving as President from 1982 to 1993 and as Chief Executive Officer from 1989 to 1993. From 1977 to 1982, Mr. Zeichner was Executive Vice President of Joske's of Texas, a department store chain.
Mark A. Hoffman	55	Mr. Hoffman has served as a director since July 2003. Mr. Hoffman was promoted to President and Chief Executive Officer in July 2003, after having served as Senior Executive Vice President and Chief Operating Officer since August 2001. From June 1999 through May 2001, Mr. Hoffman was Chief Operating Officer for Pacific Sunwear of California, Inc. From 1994 to 1999, Mr. Hoffman was employed by Claire's Stores where he was President and Chief Operating Officer of the Claire's Accessories business. Previously, he was President and CEO of Accessory Place from 1990 to 1994 and was Executive Vice President of Country Road Australia from 1988 to 1990. Mr. Hoffman began his retailing career in 1978 with May Department Stores, and he entered specialty retailing in 1984 at Ann Taylor where he held the position of Chief Financial Officer.
Paul R. Del Rossi	62	Mr. Del Rossi has been a Director since January 2000. He currently serves as Chairman for Northfork Partners, LLC. Until 2002, he served as Chairman of General Cinema Theatres and



General Cinema International. From 1983 through 1997, he was President and CEO of General Cinema Theatres. Prior to joining General Cinema, Mr. Del Rossi was Senior Vice President of the Venture Capital Group at The Boston Company and was a management consultant with Arthur D. Little.

**Table of Contents****Experience; Principal Occupation;**

<b>Name</b>	<b>Age</b>	<b>Directorships of Other Public Companies</b>
W. Thomas Gould	58	Mr. Gould has been a Director since January 2000. Mr. Gould began his career with Maas Brothers, a division of Allied Stores Corporation, in 1969 and in 1985 joined Younkers as President. During his time at Younkers, Mr. Gould also served as both the CEO and Chairman until it merged with Proffitt's (now owned by Saks Incorporated) in 1996. He then served as Vice Chairman of Proffitt's until his retirement in April 1997. Mr. Gould also serves on the Board of Directors of Sentry Insurance Company.
Allan W. Karp	49	Mr. Karp has been a Director since September 1996. Since 1990, Mr. Karp has been a Partner of Saunders Karp & Megrue Partners, LLC, or its predecessor, which serves as the general partner of SKM Partners, L.P., which serves as the general partner of SK Equity Fund, L.P. and SK Investment Fund, L.P. Before founding Saunders Karp & Megrue Partners, LLC, Mr. Karp was a Principal in the Merchant Banking Department at Morgan Stanley & Co., Inc. Mr. Karp also serves on boards of directors of Souper Salad, Inc., Accessory Network Group, Inc., S.B. Restaurant Co., Inc., UpToDate, Inc., Miller's Ale House, and Cafe Rio Holding, Inc.
Leonard H. Mogil	58	Mr. Mogil has been a Director since August 2001. Mr. Mogil joined Phillips-Van Heusen Corporation in 1989 and held executive positions until his retirement in August 2001 from the position of Group Executive Vice President of Retail Operations. Prior to joining Phillips-Van Heusen, Mr. Mogil held executive positions at various commercial and retail organizations, including Gertz Department Stores, Block's Department Stores and Joske's of Texas. He began his professional career at the accounting firm of Touche Ross & Co. where he became a Certified Public Accountant.
David J. Oddi	34	Mr. Oddi has been a Director since September 1996. Mr. Oddi joined Saunders Karp & Megrue, L.P. as an Associate in 1994 and is currently a Partner of Saunders Karp & Megrue Partners, LLC, which serves as the general partner of SKM Partners, L.P., which serves as the general partner of SK Equity Fund, L.P. and SK Investment Fund, L.P. Prior to joining Saunders Karp & Megrue, Mr. Oddi was a financial analyst in the Leveraged Finance Group at Salomon Brothers Inc. Mr. Oddi also serves on the boards of directors of Rue 21, Inc., S.B. Restaurant Co., Inc., Ollie's Bargain Outlet, Inc., and Organized Living, Inc.

**Recommendation:**      **Our Board of Directors recommends that you vote   FOR   the election of each nominee named above.**

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### **Information Concerning the Board of Directors and Its Committees**

During fiscal 2004, our Board of Directors held eight meetings. A majority of our Board of Directors of the Company are independent directors as defined in Rule 4200(a)(15) of the listing standards of the National Association of Securities Dealers ( NASD ). Specifically, five of the seven directors are independent, including Messrs. Del Rossi, Gould, Karp, Mogil and Oddi. The Board of Directors has two standing committees: the Audit Committee and the Compensation Committee. Each of our directors attended at least 75% of the aggregate of the meetings of the Board of Directors and of each committee of which he is a member. Although the Company does not have a formal policy regarding attendance by the Board of Directors at the annual meetings of the Company, all members of the Board of Directors attended the 2004 Annual Meeting.

The Audit Committee, which consists of Messrs. Del Rossi, Gould and Mogil, held eight meetings during fiscal 2003. The Board of Directors has determined that all audit committee members qualify as audit committee financial experts as defined by Item 401(h) of Regulation S-K and are independent as defined in the NASD listing standards. The Audit Committee currently assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the financial reports of the Company, its financial policies, procedures and reporting process, the audit process, and the Company's system of financial and operating controls. A copy of the charter of the Audit Committee is attached as Exhibit A to this proxy and can also be found on the Internet on Company's website at [www.charlotte-russe.com](http://www.charlotte-russe.com). The Audit Committee's activities during fiscal 2004 are described in the section entitled Report of the Audit Committee.

The Compensation Committee, which consists of Messrs. Karp and Oddi, held six meetings during fiscal 2004. The duties of the Compensation Committee are (i) to exercise the power of the Board of Directors with respect to the administration of, and grant of awards under, the Company's 1999 Equity Incentive Plan and (ii) to review and establish compensation practices and policies for the officers of the Company.

The Company does not currently have a standing Nominating Committee, nor does it have a charter for a Nominating Committee. The Board of Directors believes that a formal Nominating Committee is not necessary because its size and composition allow it to adequately identify and evaluate qualified candidates for directors. All potential nominees are considered by the entire Board of Directors. The Company does not have a formal policy for consideration of director candidates recommended by stockholders because the Board of Directors believes it can consider any such stockholder-recommended candidates on an *ad hoc* basis. The procedure for suggesting a potential nominee for director is described under the caption Stockholder Proposals, Etc. later in this proxy statement. The Board of Directors will evaluate stockholder-recommended candidates under the same criteria as internally generated candidates. Although the Board does not currently have formal minimum criteria for nominees, substantial relevant business and industry experience would generally be considered important qualifying criteria.

Our non-employee directors currently receive an annual fee of \$15,000 plus \$500 for each board of director meeting attended and \$1,000 for each audit committee meeting attended. Any director may waive these fees, and in fiscal 2004, Messrs. Karp and Oddi waived them. Directors who are employees of the Company are not entitled to any fees or additional compensation for service as members of the Board of Directors or any of its committees. All directors are reimbursed for reasonable travel and other expenses of attending meetings of the Board of Directors and committees of the Board of Directors. In addition, each non-employee director is eligible to participate in the 1999 Equity Incentive Plan. In fiscal 2004, Messrs. Del Rossi, Gould, and Mogil each received options to purchase 2,500 shares of common stock.

Information about ownership of the Company's securities by the nominees for director is included under the heading Security Ownership of Certain Beneficial Owners and Management.

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**EXECUTIVE OFFICERS**

The names and business experience of the executive officers of the Company who are not also directors are set forth below.

<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Position</u></b>
Daniel T. Carter	48	Executive Vice President, Chief Financial Officer

Mr. Carter joined us in June 1998 as our Executive Vice President and Chief Financial Officer. Prior to joining us, from September 1997 through May 1998, Mr. Carter was Chief Financial Officer for Advanced Marketing Services, a publicly traded company that wholesales books to Costco and Sam's Club. From 1986 to September 1997, Mr. Carter was employed by The Price Company, the operator of Price Clubs, and follow-up entities, serving as Senior Vice President for PriceCostco and Chief Financial Officer for Price Enterprises. Mr. Carter is a Certified Public Accountant.

**Table of Contents****Summary Compensation Table**

The following table sets forth all compensation for the last three completed fiscal years awarded to, earned by, or paid to our chief executive officer and those four other executive officers whose total annual salary and bonus was the greatest during fiscal 2004 for all services rendered in all capacities to the Company and its subsidiaries.

Name and Principal Position at Fiscal Year End	Annual Compensation			Long Term Compensation	All Other Compensation(\$)
	Fiscal Year	Salary (\$)	Bonus (\$)	Awards	
				Securities Underlying Options (#)	
Bernard Zeichner Chairman of the Board	2004	200,000	50,000	25,000	54,005(1)
	2003	489,423			58,264(1)
	2002	550,000	5,644	50,000	57,563(1)
Mark A. Hoffman					
President and Chief Executive Officer	2004	556,789	294,306		58,756(2)
	2003	445,000		150,000	9,044(2)
	2002	400,000	100,000	20,000	246,814(2)
Daniel T. Carter					
Executive Vice President, Chief Financial Officer	2004	290,254	71,500		1,918(3)
	2003	278,385	10,000	15,000	1,254(3)
	2002	264,904		20,000	1,100(3)
Donna D. Desrosiers					
Former Executive Vice President, GMM Charlotte Russe	2004(5)	282,692	175,000	50,000	42,887(4)
	2003				
	2002				
R. Tina Kernohan					
Former Executive Vice President, Store Operations	2004(5)	180,928			985(3)
	2003	171,538	10,000	15,000	1,200(3)
	2002	160,097		20,000	1,107(3)

- (1) Amounts represent (i) life insurance premium reimbursement of \$23,942; (ii) value of an automobile leased by the Company for Mr. Zeichner's use of \$7,375, \$7,373 and \$6,998, in fiscal 2004, 2003 and 2002, respectively; (iii) reimbursement for personal income tax impact of these items of \$21,762, \$26,947 and \$26,623 in fiscal 2004, 2003 and 2002, respectively; and, (iv) contributions made by the Company on behalf of the named executive officer to its 401(k) Plan and other compensation of \$2,387, \$845 and \$846 in fiscal 2004, 2003 and 2002, respectively.
- (2) Amounts represent (i) life insurance premium reimbursement of \$25,000 in fiscal 2004; (ii) automobile allowance of \$16,384, \$9,000 and \$8,654, in fiscal 2004, 2003 and 2002, respectively; (iii) relocation expenses paid by the Company of \$24, \$128,011 in fiscal 2003 and 2002, respectively; (iv) reimbursement for personal income tax impact of these items of \$17,372, \$20 and \$110,149 in fiscal 2004, 2003 and 2002, respectively; and, (v) contributions made by the Company on behalf of the named executive officer to its 401(k) Plan of \$2,192

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and \$2,838 in fiscal 2004 and 2003, respectively.

- (3) Amounts represent contributions made by the Company on behalf of the named executive officer to its 401(k) Plan and other compensation.
- (4) Amounts represent relocation expenses paid by the Company of \$25,732 and reimbursement for personal income tax impact of this item of \$17,155.
- (5) Ms. Desrosiers joined the Company in October 2003 and departed in December 2004. Ms. Kernohan left the Company in March 2004.

**Table of Contents****Option Grants in Last Fiscal Year**

The following table sets forth the individual grants of stock options made by the Company during the fiscal year ended September 25, 2004 to our executive officers.

Name	Number of Securities Underlying Options Granted	Percent of Total Options Granted to Employees in Fiscal 2003	Exercise Price	Expiration Date	Potential Realizable Value At Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
Bernard Zeichner	25,000	13.6%	\$ 14.64	11/20/2013	\$ 230,175	\$ 583,310
Donna D. Desrosiers	50,000	27.2%	\$ 12.72	10/13/2013	\$ 399,977	\$ 1,013,620

**Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values**

The following table summarizes for each of our executive officers (i) the total number of shares received upon exercise of stock options during the fiscal year ended September 25, 2004, (ii) the aggregate dollar value realized upon such exercise, (iii) the total number of unexercised options, if any, held at September 25, 2004 and (iv) the value of unexercised in-the-money options, if any, held at September 25, 2004. In-the-money options are options where the fair market value of the underlying securities exceeds the exercise or base price of the option. The aggregate value realized upon exercise of a stock option is the difference between the aggregate exercise price of the option and the fair market value of the underlying stock on the date of exercise. The value of unexercised, in-the-money options at fiscal year-end is the difference between the exercise price of the option and the closing sale price of a share of common stock on September 25, 2004, which was \$12.10. With respect to unexercised, in-the-money options, actual gains, if any, realized on exercise will depend on the value of the common stock on the date of exercise.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at September 25, 2004		Value of Unexercised In-the-Money Options at September 25, 2004	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Bernard Zeichner	400,000	\$ 7,277,500	340,000	25,000	\$ 2,944,500	
Mark A. Hoffman			139,000	206,000	\$ 29,280	\$ 117,120
Daniel T. Carter			86,000	39,000	\$ 390,790	\$ 46,160
Donna D. Desrosiers				50,000		
R. Tina Kernohan	34,000	\$ 368,453				

**Employment Arrangements with Executive Officers**

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On August 31, 2003, we entered into an employment agreement with Mr. Zeichner that remains effective for one year, automatically extended for successive one year terms until terminated by either party. Under the terms of the employment agreement, Mr. Zeichner has agreed to serve as Chairman of the Board and to perform such executive-level duties as assigned by the Company or its Board of Directors. Mr. Zeichner will receive an annual base salary of \$200,000, an annual incentive bonus, and certain medical and other benefits for the term of the agreement. The incentive bonus is determined at the discretion of the Board of Directors. If Mr. Zeichner's employment is terminated without cause or Mr. Zeichner resigns his position as a consequence of material breach of the employment agreement or the Stockholders Agreement, he will be entitled to one year of his base salary at the time of termination, payable in 12 equal monthly installments.

We entered into an employment agreement with Mr. Hoffman dated July 9, 2003 that remains effective through the last day of the Company's 2005 fiscal year. Under the terms of the employment agreement, Mr. Hoffman has agreed to serve as Chief Executive Officer of our operating subsidiary and as a member of the Board of Directors of the Company and each subsidiary. For fiscal 2005, Mr. Hoffman will receive an annual



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base salary of \$577,500, an annual incentive bonus and certain medical and other benefits for fiscal years 2004 and 2005. The incentive bonus will be based on a percentage of up to 0.75% of the Company's earnings before interest, taxes, depreciation and amortization, depending on the growth in such earnings. If Mr. Hoffman's employment is terminated without cause or Mr. Hoffman resigns his position as a consequence of material breach of the employment agreement, he will be entitled to one year of his base salary at the time of termination, payable in 12 equal monthly installments.

We have entered into an at-will employment agreement with Mr. Carter under which he will receive an annual base salary, as adjusted, of \$300,000. He is entitled to participate in the management bonus program and the benefit programs offered to employees of the Company. If Mr. Carter's employment is terminated for a reason other than cause, as defined in his employment contract, he is entitled to six months of severance benefits, subject to reduction in the event of obtaining new employment prior to the end of the severance period.

Ms. Desrosiers' employment terminated in December 2004. She may receive severance payments up to \$100,000 over the next few months pursuant to the terms of an agreement we entered into with her.

## **Compensation Committee Interlocks and Insider Participation**

None of our executive officers has served as a director or member of the compensation committee of another entity, one of whose executive officers served as a director or member of our compensation committee. Messrs. Karp and Oddi, the members of the Compensation Committee, are partners of Saunders Karp & Megrue, LLC, which receives an annual fee of \$250,000 in exchange for its financial advisory services, as set forth in Certain Relationships and Related Transactions.

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### **Compensation Committee Report**

The Compensation Committee of the Board of Directors is currently composed of two outside directors, Messrs. Karp and Oddi. The Compensation Committee is responsible for setting and administering the policies governing executive officer compensation, including cash compensation and stock ownership programs. The goals of the Company's compensation policy are to attract and retain executive officers who contribute to the Company's overall success, by offering compensation that is competitive in the retail apparel industry for similarly sized companies, to motivate executives to achieve business objectives and to reward them for their achievements. The Company generally uses salary, incentive compensation and stock options to meet these goals.

*Salary.* The Compensation Committee sets the salary for the Company's Chief Executive Officer within the range of salary that is competitive for similar positions in comparable companies in the retail apparel industry, based in part on a review of industry salary surveys and other publicly available information. The Committee uses the median of the range of base salaries for comparable companies as a target for the Chief Executive Officer's base salary level, and adjusts this amount based on the Chief Executive Officer's experience, tenure, performance and level of equity ownership in the Company.

*Incentive Compensation.* The Company has developed an incentive bonus program under which the Company's employees are eligible to receive incentive cash bonuses equal to a percentage of their base salary based on annual performance goals set by the Compensation Committee. The Company's Chief Executive Officer approves which employees will be eligible to participate in the incentive bonus program. Generally, bonuses are intended to reward the employees when the Company achieves its business objectives. The Chief Executive Officer is entitled to bonuses in accordance with his employment contract.

*Equity Compensation.* The Compensation Committee believes that employee equity ownership provides additional motivation to maximize value for the Company's stockholders. Since stock options are granted at market price, the value of the stock options is wholly dependent on an increase in the price of the Company's Common stock. The Compensation Committee believes, therefore, that the stock options align the interests of the employees with those of the stockholders. In general, awards to employees are made taking into account the anticipated contributions by such employees in helping the Company achieve its strategic goals and objectives.

Compensation Committee of

The Board of Directors

Allan W. Karp

David J. Oddi

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### **Audit Committee Report**

The Audit Committee of the Board of Directors currently consists of three directors, Messrs. Del Rossi, Gould, and Mogil, each of whom is an independent director as defined in the NASD listing standards. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the financial reports of the Company, its financial policies, procedures and reporting process, the audit process and the Company's system of financial and operating controls. A copy of the charter of the Audit Committee is attached as Exhibit A to this proxy and can also be found on the Internet on the Company's website [www.charlotte-russe.com](http://www.charlotte-russe.com).

The Audit Committee has reviewed and discussed with the Company's management the audited financial statements for fiscal 2004. The Audit Committee has also discussed with Ernst & Young LLP various matters related to the financial statements, including those matters required to be discussed pursuant to SAS 61 (Codification of Statements on Auditing Standards, AU 380). The Audit Committee has also received the written disclosures and the letter from Ernst & Young LLP required by the Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), and has discussed with Ernst & Young LLP its independence.

Based on the review and discussion described in the immediately preceding paragraph, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 25, 2004 for filing with the Securities and Exchange Commission.

Audit Committee of

The Board of Directors

Paul R. Del Rossi

W. Thomas Gould

Leonard H. Mogil

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information regarding the beneficial ownership of the Company's common stock owned as of the close of business on January 3, 2005, by the following persons: (i) each person who is known by the Company to own more than 5% of the outstanding shares of common stock; (ii) each director and executive officer; and (iii) all directors and executive officers as a group. Unless otherwise indicated below, to the Company's knowledge, all persons listed below have sole voting and investment power with respect to their shares of common stock, except to the extent that authority is shared by spouses. Unless otherwise indicated, each person listed below maintains a mailing address of c/o Charlotte Russe Holding, Inc., 4645 Morena Boulevard; San Diego, CA 92117. The information on beneficial ownership in the table and footnotes thereto is based upon data furnished to the Company by, or on behalf of, the persons listed in the table.

Name Of Beneficial Owner	Shares Beneficially Owned	
	Number	Percent
<b>Directors and Executive Officers</b>		
Bernard Zeichner (1)	476,772	2.1%
Mark A. Hoffman (2)	167,000	*
Daniel T. Carter (2)	109,613	*
Paul R. Del Rossi (2)	21,500	*
W. Thomas Gould (2)	33,000	*
Allan W. Karp (3)	112,629	*
Leonard H. Mogil (2)	16,000	*
David J. Oddi (3)	15,000	*
<b>All executive officers and directors as a group, including those named above (9 persons)</b>	<b>951,514</b>	<b>4.2%</b>
<b>Five Percent (5%) Stockholders</b>		
SKM Funds (4)	7,685,269	32.1%
262 Harbor Drive		
Stamford, CT 06902		
RS Investment Management LP (5)	1,288,500	5.9%
388 Market Street		
San Francisco, CA 92111		

\* Denotes less than one percent

- (1) Includes 124,272 shares held by the Living Trust and 352,500 shares of common stock subject to options exercisable within 60 days of January 3, 2005. Mr. Zeichner is the trustee of the Living Trust.
- (2) Includes shares of common stock subject to options exercisable within 60 days of January 3, 2005, as follows: Mr. Hoffman, 143,000 shares; Mr. Carter, 100,000 shares; Mr. Del Rossi, 20,000 shares; Mr. Gould, 20,000 shares; and Mr. Mogil, 15,000 shares.
- (3) Excludes the shares of common stock owned by the SKM Funds. See Note 4.
- (4) Includes (a) 5,660,157 shares of common stock owned by the SK Equity Fund, L.P., (b) 59,672 shares of common stock owned by SK Investment Fund, L.P. (together with SK Equity Fund, L.P., the SKM Funds) and (c) 1,965,440 shares of common stock which may be acquired by the SKM Funds pursuant to the exercise of warrants. SKM Partners, L.P. is the general partner of each of SK Equity Fund, L.P. and SK Investment Fund, L.P. Saunders Karp & Megrue Partners, LLC serves as the general partner of SKM Partners, L.P.
- (5) Information provided is based on filings with the Securities and Exchange Commission made under Section 13(f) of the Securities and Exchange Act of 1934 (the Act). Reflects the number of shares over which the holder has investment discretion, as defined in Section 3(a)(35) of the Act.



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**Stockholder Return Presentation**

Set forth below is a line graph comparing the cumulative total return on the Company's common stock against the cumulative total return of the Standard & Poor's 500 Index and the Standard & Poor's Specialty Retailers Index for the period commencing on October 20, 1999 (the date of pricing of the Company's common stock in its initial public offering) and ending on September 25, 2004, assuming in each case that \$100 was invested on October 20, 1999 and that all dividends were reinvested. The Company's stock price on the Nasdaq National Market was \$12.10 on September 25, 2004.

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### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

#### **Related Party Transactions**

During fiscal 2004, we purchased approximately \$235,000 of merchandise from Slant, Inc., a manufacturer of women's apparel. Mr. Zeichner's daughter is the President and Chief Executive Officer of Slant and his wife is also a principal officer. Mr. Zeichner's wife and daughter also own a majority of the outstanding equity interests in Slant, Inc. We believe these purchases were on terms no less favorable to us than could have been obtained from a disinterested third party.

#### **Stockholders Agreement**

The Company, the SKM Funds and Mr. Bernard Zeichner have entered into a Stockholders Agreement. This agreement provides that (1) so long as the SKM Funds own at least 25% of the total outstanding shares of common stock, they will have the right to nominate three directors and designate the Chairman of the Board of Directors and (2) as long as the SKM Funds own at least 1,820,735 shares of common stock, including shares of stock issuable upon the exercise of outstanding warrants, they will have the right to nominate two directors and include one director elected by the SKM Funds on each committee of the Board of Directors. The Stockholders Agreement grants Mr. Zeichner certain tag along rights in the event of a private sale by the SKM Funds of their shares of common stock. The Stockholders Agreement also grants, subject to limitations and exceptions, demand and piggyback registration rights to the SKM Funds and piggyback registration rights to Mr. Zeichner. The Company is responsible for certain costs of registered offerings in which shares are sold by the SKM Funds and Mr. Zeichner.

The stockholders agreement provides for Saunders Karp & Megrue, LLC, an affiliate of the SKM Funds, to render financial advisory services, including review and analysis of operational results and budgets, to us in exchange for an annual fee of \$250,000, payable in advance, plus reimbursement for out-of-pocket expenses. This fee terminates when the SKM Funds own less than 1,820,735 shares of common stock, including shares of common stock issuable upon exercise of outstanding warrants.

### **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's officers and directors, and persons who own more than ten percent of the Company's common stock to file reports of ownership and changes in ownership on Forms 3, 4 and 5 with the SEC. Officers, directors and greater than ten-percent beneficial stockholders are required by SEC regulation to furnish to the Company copies of all Forms 3, 4 and 5 they file. Based solely on the Company's review of copies of such forms it has received, the Company believes that all of its officers, directors and greater than ten-percent beneficial owners complied on a timely basis with all filing requirements applicable to them with respect to transactions during fiscal 2004, except that Form 4's were filed late for an option grant to Mr. Mogil, acquisitions of stock by Messrs. Oddi and Karp, and sale of stock by the SKM Funds.

### **CODE OF ETHICS**

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We have adopted a code of ethics for our principal executive officer, principal financial officer and other in>over \$100,000 Kathleen A. Dennis None over \$100,000 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<sup>(1)</sup> \$50,001-\$100,000<sup>(2)</sup> over \$100,000 Fergus Reid<sup>(1)</sup> None over \$100,000 **Interested:** James F. Higgins None over \$100,000

<sup>(1)</sup> Includes the total amount of compensation deferred by the Trustee 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.

<sup>(2)</sup> Held in IMS.

As to each Independent Trustee and his or her 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 and the Committees

Law and regulation establish both general guidelines and specific duties for the Independent Trustees. The Retail Funds seek as Independent Trustees 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 Retail Funds' Boards, such individuals may reject other attractive assignments because the Retail Funds make substantial demands on their time. The Board of each Fund has four committees: (1) Audit Committee, (2) Governance Committee, (3) Compliance and Insurance Committee and (4) Investment Committee. Three of the Independent Trustees serve as members of the Audit Committee, three Independent Trustees serve as members of the Governance Committee, four Trustees, including three Independent Trustees, serve as members of the Compliance and Insurance Committee, and all of the Trustees serve as members of the Investment Committee.

The Independent Trustees 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, 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 of each Fund has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). The 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 such 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; reviewing the valuation process; and preparing and submitting committee meeting minutes to the full Board.

The members of the Audit Committee of the Funds are 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 (with such disinterested Trustees being "Independent Trustees" or individually, "Independent Trustee"). Each Independent Trustee 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. The Board of Trustees for each Fund has adopted a formal written charter for the Audit Committee which sets forth the Audit Committee's responsibilities. A copy of the Audit Committee Charter is attached to this Joint Proxy Statement as Exhibit A.

The Board of Trustees of each Fund also has a Governance Committee. The Governance Committee identifies individuals qualified to serve as Independent Trustees on the Funds' Boards and on committees of the Board and recommends such qualified individuals for nomination by the Funds' Independent Trustees as candidates for election as Independent Trustees, 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 each Fund's Board of Trustees and any Board committees, and oversees periodic evaluations of each Fund's Board and its committees. The members of the Governance Committee of each Fund are Kathleen A. Dennis, Michael F. Klein and Fergus Reid, each of whom is an Independent Trustee. The Chairperson of the Governance Committee is Fergus Reid. The Board of Trustees 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 the 2008 Joint Proxy Statement filed for the Funds with the Securities and Exchange Commission (the "SEC") on May 14, 2008.

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, the Board of Trustees of each Fund believes that the task of nominating prospective Independent Trustees is important enough to require the participation of all current Independent Trustees, rather than a separate committee consisting of only certain Independent Trustees. Accordingly, each Independent Trustee (Frank L. Bowman, Michael Bozic, Kathleen A. Dennis, 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 for the respective Funds for which the Independent Trustee serves. Persons recommended by each of the Fund's Governance Committee as

candidates for nomination as Independent Trustees 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 of the Funds expect to be able to continue to identify from their own resources an ample number of qualified candidates for each Fund's 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 as described below under the caption "Shareholder Communications."

The Board of each Fund formed the Compliance and Insurance Committee to address insurance coverage and oversee the compliance function for each of the Funds and its Board. The Compliance and Insurance Committee for each Fund consists of Frank L. Bowman, Michael Bozic, James F. Higgins and Manuel H. Johnson. Frank L. Bowman, Michael Bozic and Manuel H. Johnson are Independent Trustees. The Chairperson of the Compliance and Insurance Committee is Michael Bozic. The Compliance and Insurance Committee has an Insurance Sub-Committee to review and monitor the insurance coverage maintained by the Funds. The Chairperson of each Fund's Insurance Sub-Committee is Frank L. Bowman.

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

The Investment Committee has three Sub-Committees, each with its own Chairperson. Each Sub-Committee focuses on the Funds' primary areas of investment, namely equities, fixed income and alternatives. The Sub-Committees and their members are as follows:

- (1) Equity    W. Allen Reed (Chairperson), Frank L. Bowman and Michael E. Nugent.
- (2) Fixed Income    Michael F. Klein (Chairperson), Michael Bozic and Fergus Reid.
- (3) Money Market and Alternatives    Kathleen A. Dennis (Chairperson), James F. Higgins and Joseph J. Kearns.

The following chart sets forth the number of meetings of the Board, the Audit Committee, the Governance Committee, the Compliance and Insurance Committee and the Investment Committee of each Fund during that Fund's most recent fiscal year. During each Fund's fiscal year ended October 31, 2008 (February 28, 2009 for OIB), each Trustee attended at least seventy-five percent of the aggregate number of meetings of the Board and any committee on which he or she served held during the time such Trustee was a member of the Board.

**Number of Board and Committee Meetings Held During Last Fiscal Year**

During each Fund's fiscal year ended October 31, 2008 (IQC, ICS, IMS, IQN and IQM) and February 28, 2009 (OIB), the Board of Trustees held the following meetings:

	<b>IQC</b>	<b>ICS</b>	<b>IMS</b>	<b>ION</b>	<b>IOM</b>	<b>OIB</b>
Board of Trustees	9	9	9	9	9	7
<u>Committee/Sub-Committee:</u>						
Audit Committee	4	4	4	4	4	4
Governance Committee	4	4	4	4	4	4
Compliance and Insurance Committee	4	4	4	4	4	4
Insurance Sub-Committee	2	2	2	2	2	2
Investment Committee	5	5	5	5	5	5

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

**Shareholder Communications**

Shareholders may send communications to each Fund's Board of Trustees. 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 previously noted. Other shareholder communications received by a 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.

Each of the nominees for Trustee has consented to be named in this Joint Proxy Statement and to serve as a Trustee of the Funds if elected. The Board of Trustees of each Fund has no reason to believe that any of the nominees named above will become unavailable for election as a Trustee, but if that should occur before the Meeting for that Fund, the persons named as proxies on the Proxy Cards will vote for such persons as the Board of Trustees of the Fund may recommend.

**Share Ownership by Trustees**

The Trustees have adopted a policy pursuant to which each Trustee and/or his or her spouse is required to invest at least \$100,000 in any of the funds in the Morgan Stanley Retail and Institutional Funds on whose Boards the Trustee serves. In addition, the policy contemplates that the Trustees will, over time, increase their aggregate investment in the funds above the \$100,000 minimum requirement. The Trustees may allocate their investments among specific funds in any manner they determine is appropriate based on their individual investment objectives. Any future new Trustee 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 is in compliance with the policy.

As of the Record Date for these Meetings, the aggregate number of shares of each Fund owned by the respective Fund's officers and Trustees 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 Exchange Act requires that each Fund's executive officers and Trustees, 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 each Fund's 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 and greater than 10% beneficial holders complied with all applicable filing requirements.

## Compensation of Trustees

Each Trustee (except for the Chairperson of the Boards) receives an annual retainer fee of \$200,000 for serving the Retail Funds and Institutional Funds. 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 Trustee is paid by the Retail Funds and Institutional Funds, and is allocated on a *pro rata* basis among each of the operational funds/portfolios of the Retail Funds and Institutional Funds based on the relative net assets of each of the funds/portfolios. Michael E. Nugent receives a total annual retainer fee of \$400,000 for his services as Chairperson of the Boards of the Retail Funds and Institutional Funds and for administrative services provided to each Board.

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

Effective April 1, 2004, the Funds began a Deferred Compensation Plan (the "DC Plan"), which allows each Trustee to defer payment of all, or a portion, of the fees he or she receives for serving on the Boards of Trustees throughout the year. Each eligible Trustee 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'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 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 to defer payment of all, or a portion, of the fees he or she received for serving on the Boards of Trustees throughout the year. Generally, 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 remain subject to the terms of the Prior DC Plan).

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The following table shows aggregate compensation payable to each of the Fund's Trustees from each Fund for the fiscal year ended October 31, 2008 (IQC, ICS, IMS, IQN and IQM) February 28, 2009 (OIB) and the aggregate compensation payable to each of the Fund's Trustees by the Fund Complex (which includes all of the Retail Funds and Institutional Funds) for the calendar year ended December 31, 2008.

## Compensation<sup>(1)</sup>

Name of Independent Trustee <sup>(1)</sup>	Aggregate Compensation From Each Fund <sup>(2)</sup>						Total Compensation From the Funds and Fund Complex Paid to Trustee <sup>(3)</sup>
	OIB	IQC	ICS	IMS	IQN	IQM	
Frank L. Bowman <sup>(2)</sup>	\$ 171	\$ 255	\$ 62	\$ 121	\$ 103	\$ 363	\$ 215,000
Michael Bozic	\$ 180	\$ 238	\$ 65	\$ 128	\$ 108	\$ 383	\$ 230,000
Kathleen A. Dennis	\$ 171	\$ 225	\$ 62	\$ 121	\$ 103	\$ 363	\$ 215,000
Manuel H. Johnson	\$ 203	\$ 269	\$ 74	\$ 144	\$ 122	\$ 433	\$ 260,000
Joseph J. Kearns <sup>(2)</sup>	\$ 215	\$ 284	\$ 78	\$ 153	\$ 129	\$ 458	\$ 286,250
Michael F. Klein	\$ 171	\$ 225	\$ 62	\$ 121	\$ 103	\$ 363	\$ 215,000
Michael E. Nugent	\$ 312	\$ 413	\$ 113	\$ 222	\$ 188	\$ 666	\$ 400,000
W. Allen Reed <sup>(2)</sup>	\$ 171	\$ 225	\$ 62	\$ 121	\$ 103	\$ 363	\$ 215,000
Fergus Reid	\$ 180	\$ 238	\$ 65	\$ 128	\$ 108	\$ 383	\$ 241,250
<b>Name of Interested Trustee</b>							
James F. Higgins	\$ 156	\$ 207	\$ 57	\$ 111	\$ 94	\$ 333	\$ 200,000

(1) Includes all amounts paid for serving as Trustee of the funds, as well as serving as Chairperson of the Boards or a Chairperson of a Committee or Sub-Committee.

(2) The amounts shown in these columns represent the aggregate compensation before deferral with respect to each Fund's fiscal year. The following Trustees deferred compensation from OIB, and IMS, ICS, IQM, IQC and IQN during the fiscal years ended February 28, 2009 and October 31, 2008, respectively: Mr. Bowman (OIB \$123, IMS \$121, ICS \$62, IQM \$363, IQC \$225, IQN \$103), Mr. Kearns (OIB \$77, IMS \$76, ICS \$39, IQM \$229, IQC \$142, IQN \$65), Mr. Reed (OIB \$171, IMS \$121, ICS \$62, IQM \$363, IQC \$225, IQN \$103).

(3) The amounts shown in this column represent the aggregate compensation paid by all of the funds in the Fund Complex as of December 31, 2008 before deferral by the Trustees under the DC Plan. As of December 31, 2008, the value (including interest) of the deferral accounts across the Fund Complex for Messrs. Bowman, Kearns, Reed and Reid pursuant to the deferred compensation plan was \$397,110, \$761,543, \$332,876 and \$474,242, respectively. Because the funds in the Fund Complex have different fiscal year ends, the amounts shown in this column are presented on a calendar year basis.

Prior to December 31, 2003, 49 of the Retail Funds (the "Adopting Funds"), including OIB, IMS, IQM and IQC, had adopted a retirement program under which an Independent Trustee who retired after serving for at least five years as an Independent Trustee of any such fund (an "Eligible Trustee") 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 was frozen, and will be payable, together with a return of 8% per annum, at or following each such Eligible Trustee's retirement as shown in the table below.

The following table illustrates the retirement benefits accrued to the Funds' Independent Trustees, by OIB, IMS, IQM and IQC for the last fiscal year and the Adopting Funds for the calendar year ended December 31, 2008, and the estimated retirement benefits for the Independent Trustees, from OIB, IMS,



IQM and IQC for their last fiscal year and from the Adopting Funds for each calendar year following retirement. Only the Trustees listed below participated in the retirement program.

Name of Independent Trustee:	Retirement Benefits Accrued as Fund Expenses				Estimated Annual Benefits Upon Retirement <sup>(1)</sup>					
	By OIB	By IMS	By IQM	By IQC	By All Adopting Funds	From OIB	From IMS	From IQM	From IQC	From All Adopting Funds
Michael Bozic	\$ 422	\$ 498	\$ 422	\$ 422	\$ 17,198	\$ 997	\$ 997	\$ 422	\$ 997	\$ 45,874
Manuel H. Johnson	\$ 410	\$ 477	\$ 435	\$ 435	\$ 18,179	\$ 1,451	\$ 1,451	\$ 435	\$ 1,451	\$ 67,179
Michael E. Nugent	\$ 29	\$ 268	\$ 221	\$ 221	\$ 3,512	\$ 1,299	\$ 1,299	\$ 221	\$ 1,299	\$ 60,077

<sup>(1)</sup> 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 life.

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 Meeting and entitled to vote at the Meeting.

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

#### The Investment Adviser

Morgan Stanley Investment Advisors serves as each Fund's investment adviser pursuant to an investment advisory agreement. Morgan Stanley Investment Advisors maintains its offices at 522 Fifth Avenue, New York, New York 10036. Morgan Stanley Investment Advisors is a wholly-owned subsidiary of Morgan Stanley, a Delaware corporation. Morgan Stanley is a preeminent global financial services firm engaged in securities trading and brokerage activities, as well as providing investment banking, research and analysis, financing and financial advisory services.

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 the same as that of the Investment Adviser set forth above.

Morgan Stanley has its offices at 1585 Broadway, New York, New York 10036. 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 February 24, 2009 (OIB) and a meeting held on September 24, 2008 (IQC, ICS, IMS, IQN and IQM), the Board of Trustees of each Fund, including a majority of the Trustees who are not "interested persons" of the Funds, 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 February 28, 2010 (OIB) and October 31, 2009 (IQC, ICS, IMS, IQN and IQM).

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 the Statement on Auditing Standards No. 61. Based on this review, the Audit Committee recommended to the Board of Trustees 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 SEC. The Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required under Public Company Accounting Oversight Board's Ethics & Independence Rule 3526 and has discussed with the independent registered public accounting firm its independence with respect to each Fund. Each Fund knows of no direct financial or material indirect financial interest of Deloitte & Touche LLP in the Fund.

The Audit Committee

Joseph J. Kearns (Chairperson)  
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 will respond to appropriate questions from Shareholders.

#### FEES BILLED BY THE 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 for each Fund for the fiscal years ended October 31, 2007 and October 31, 2008 (for IQC, ICS, IMS, IQN and IQM) and February 29, 2008 and February 28, 2009 (for OIB) are set forth below.

	2007	2008	2009
OIB	\$N/A	\$ 32,500	\$ 40,400
IQC	31,250	38,775	N/A
ICS	31,250	38,775	N/A
IMS	31,200	38,775	N/A
IQN	27,500	35,025	N/A
IQM	28,750	36,275	N/A



**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 October 31, 2007 and October 31, 2008 (for IQC, ICS, IMS, IQN and IQM) and February 29, 2008 and February 28, 2009 (for OIB) are set forth below.

	2007	2008	2009
OIB	\$N/A	\$ 755	\$ 0
IQC	5,750	6,000	N/A
ICS	0	0	N/A
IMS	0	0	N/A
IQN	5,750	6,000	N/A
IQM	5,750	6,000	N/A

**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 October 31, 2007 and 2008 (for IQC, ICS, IMS, IQN and IQM), and February 29, 2008 and February 28, 2009 (for OIB) represent fees paid for the review of the Federal, state and local tax returns for each Fund are set forth below.

	2007	2008	2009
OIB	\$N/A	\$ 4,738	\$ 5,165
IQC	5,047	5,501	N/A
ICS	5,047	5,501	N/A
IMS	5,047	5,501	N/A
IQN	5,047	5,501	N/A
IQM	5,047	5,501	N/A

**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 October 31, 2007 and 2008 (for IQC, ICS, IMS, IQN and IQM), and February 29, 2008 and February 28, 2009 (for OIB).

**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 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 and the tax services described above for which Deloitte & Touche LLP billed each of the Fund's fees for the fiscal year ended October 31, 2008 for IQC, ICS, IMS, IQN and IQM and for the fiscal year ended February 28, 2009 for OIB 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 October 31, 2007 and 2008 (IQC, ICS, IMS, IQN and IQM fiscal year-end) amounted to approximately \$5.8 million and \$7.3 million, respectively, and for the fiscal years ended February 29, 2008 and February 28, 2009 (OIB fiscal year-end) amounted to approximately \$7.2 million and \$7.3 million, respectively.

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 are 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-voters" will not count in favor of or against any such vote for adjournment.

Abstentions and, if applicable, broker "non-votes" will not count as votes in favor of any proposal, 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.

#### **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 January 15, 2010 for each Fund 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 for that Fund's most recent fiscal year end and 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's Client Relations Department, 2800 Post Oak Blvd., 44th Floor, Houston, Texas 77056, (888) 421-4015 (toll-free) or by visiting the Investment Adviser's website at [www.morganstanley.com/im](http://www.morganstanley.com/im).**

**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 Board of Trustees

MARY E. MULLIN  
*Secretary*

**EXHIBIT A**

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

**ADOPTED ON JULY 31, 2003  
AND  
AS AMENDED AND RESTATED ON FEBRUARY 20, 2007  
AND  
AS FURTHER AMENDED ON FEBRUARY 24, 2009**

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

Structure And Membership of the Audit Committee

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 not an "interested 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 Board or Committees of the Board.

The Audit Committee shall consist of not less than two members of the Board.

The Audit Committee shall have a Chairperson. The Chairperson or his/her designee shall set the agenda for, and preside at, each meeting of the Audit Committee and shall engage in such other activities on behalf of the Audit Committee as shall be determined from time to time by the Audit Committee.

The Chairperson and members of the Audit Committee shall be appointed by the Governance Committee of the Funds in consultation with the Board.

Financially Literate

Each member of the Audit Committee shall be "financially literate," as such term is interpreted by the Board in its business judgment.

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

Exhibit A-1

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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).

Auditor Independence

An independent public accounting firm may serve as a Fund's auditor (the "Auditor") only if it complies with all of the independence requirements set forth in Regulation S-X under the Securities Act of 1933 and the Public Company Accounting Oversight Board's ("PCAOB") Ethics and Independence Rule 3526, subject to such exceptions, not prohibited by law, as the Audit Committee may allow. 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 the PCAOB's Ethics and Independence Rule 3526, 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.

Registration with PCAOB

The Auditor must be registered with the PCAOB.

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.

Duties and Powers of Audit Committee

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 "SOX Act") and rules promulgated by the Securities and Exchange Commission (the "SEC") under the SOX 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); 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 Board's independent counsel;

Exhibit A-2

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consider whether any services rendered by the Auditor to the investment adviser and other entities in the Fund Complex, which were not pre-approved, are compatible with maintaining the Auditor's independence;

review the written certification regarding 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, PCAOB 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 Auditor 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

Exhibit A-3

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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 confidential, anonymous submission by employees and officers of the Funds or their affiliates of concerns or complaints regarding any accounting, internal audit controls or audit matter and the retention of records related to the retention and treatment of such concerns in accordance with the requirements of the SOX Act;

be informed of any (a) disagreements and (b) resolutions to such 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; and

perform such other functions consistent with this Audit Committee Charter, the Fund's Articles of Incorporation, the Fund's Declaration of Trust, the Fund's By-laws, or the Fund's partnership agreement, as applicable, and applicable law, as the Audit Committee or the Board deems necessary or appropriate.

#### Valuation

develop a sufficient knowledge of the valuation process and of the Adviser's Valuation and Liquidity Procedures (the "Pricing Procedures") in order to carry out its responsibilities;

review information provided by the Adviser or other advisers regarding industry developments in connection with valuation and pricing. The Committee may make recommendations to the Board of the Funds with respect to the Pricing Procedures based upon such review;

review minutes of all monthly Adviser Valuation Committee and all Adviser Ad Hoc Valuation Committee meetings;

review the reports described in the Pricing Procedures and other information from the Adviser Valuation Committee and Adviser Ad Hoc Valuation Committee regarding fair value determinations made pursuant to the Pricing Procedures. The Committee shall report to and make recommendations to the Board of the Funds in connection with such reports;

review and recommend to the Board any proposed amendments to the Pricing Procedures;

meet at least annually to review the pricing procedures and methodologies utilized in the valuation of portfolio securities of the Funds; and

review, as the Committee is informed by the Adviser, (a) any material changes in the pricing services and/or methodology utilized by a pricing service retained by the Funds and/or (b) any issue or significant problems that may have arisen.

Exhibit A-4

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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.

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, valuation 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).

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

Meetings of the Audit Committee

The Audit Committee shall meet independently at each regularly scheduled Board meeting and at such other times as deemed appropriate by the Audit Committee but no less frequently than quarterly, 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. 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.

Interim Actions by the Audit Committee

From time to time, the Audit Committee may delegate to the Chairperson or other designated Audit Committee member the responsibility to act, on an interim basis between meetings of the Audit Committee or Board, on audit and valuation related matters, including specifically, approval of annual financial statements, provided that the Audit Committee or Board is not required by this Charter or law to take such actions or is not prevented by this Charter or law from delegating such actions. Interim actions may be taken by written consent of the Audit Committee. All other interim actions by the Chairperson or his/her designee will be submitted for ratification at the next meeting of the Audit Committee.

Minutes of Meetings: Reporting the Board

The Audit Committee shall cause to be made and kept minutes of its meetings. The Audit Committee shall report to the Board its activities, findings and recommendations.

Review of Charter

The Audit Committee shall review this Audit Committee Charter at least annually, and shall recommend any changes to the Board. This Audit Committee Charter may be amended only by the Board, with the approval of a majority of the independent Directors/Trustees.

Exhibit A-5

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**APPENDIX A**

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

**AS ADOPTED AND AMENDED JULY 23, 2004,<sup>(2)</sup>**

**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.

<sup>(2)</sup> This Audit Committee Audit and Non-Audit Services Pre-Approval Policy and Procedures (the "Policy"), adopted as of the date above, supersedes and replaces all prior versions that may have been adopted from time to time.

### **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.

### **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).

### **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).

### **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 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).

#### **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).

#### **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.

#### **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.

#### **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 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 the PCAOB's Ethics and Independence Rule 3526, and discussing with the Independent Auditors its methods and procedures for ensuring independence.

## 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 Inc.  
Morgan Stanley Investment Management Limited  
Morgan Stanley Investment Management Private Limited  
Morgan Stanley Asset & Investment Trust Management Co., Limited  
Morgan Stanley Investment Management Company  
Morgan Stanley Services Company, Inc.  
Morgan Stanley Distributors Inc.  
Morgan Stanley Trust FSB

### Morgan Stanley Institutional Funds

Morgan Stanley Investment Management Inc.  
Morgan Stanley Investment Advisors Inc.  
Morgan Stanley Investment Management Limited  
Morgan Stanley Investment Management Private Limited  
Morgan Stanley Asset & Investment Trust Management Co., Limited  
Morgan Stanley Investment Management Company  
Morgan Stanley & Co. Incorporated  
Morgan Stanley Distribution, Inc.  
Morgan Stanley AIP GP LP  
Morgan Stanley Alternative Investment Partners LP  
Morgan Stanley Services Co.



MORGAN STANLEY [ ]

**ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON 06/17/09**

**Your vote is important. Thank you for voting.**

**To vote by Internet**

- 1) Read the Proxy Statement and have the voting instruction form below at hand.
- 2) Go to website [www.proxyvote.com](http://www.proxyvote.com).
- 3) Follow the instructions provided on the website.

**To vote by Telephone**

- 1) Read the Proxy Statement and have the voting instruction form below at hand.
- 2) Call 1-800-454-8683.
- 3) Follow the instructions.

**To vote by Mail**

- 1) Read the Proxy Statement.
- 2) Check the appropriate boxes on the voting instruction form below.
- 3) Sign and date the voting instruction form.
- 4) Return the voting instruction form in the envelope provided.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS  
FOLLOWS:

M14150-Z49174

**Important Notice Regarding the Availability of Proxy  
Materials for the Shareholder Meeting to be held on  
June 17, 2009. The following material is available at  
[www.proxyvote.com](http://www.proxyvote.com):  
Proxy Statement**

<b>This proxy is solicited on behalf of the Board of Trustees.</b>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>
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To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

**1. Election of Three  
Trustees:**

<b>Nominees:</b>	0	0	0
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## Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form DEF 14A

- 01) Frank L. Bowman
- 02) Michael Bozic
- 03) James F. Higgins

PLEASE X HERE ONLY IF YOU PLAN ~~TO~~  
ATTEND THE MEETING AND VOTE  
THESE SHARES IN PERSON

2. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

The Annual Meeting of Shareholders of the above-mentioned Fund will be held on June 17, 2009 at the principal offices of the Fund, 522 Fifth Avenue, New York, New York 10036, to vote on the proposal set forth in the Notice of Annual Meeting.

**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.**

**Note:** Please sign exactly as your name appears on this voting instruction form. 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.

**\*NOTE\* SUCH OTHER BUSINESS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.**

Signature [PLEASE SIGN  
ON LINE]

Date

Signature [Joint Owners] Date

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MORGAN STANLEY [ ]

**ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON 06/17/09**

**Your vote is important. Thank you for voting.**

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- 2) Call 1-800-454-8683.
- 3) Follow the instructions.

**To vote by Mail**

- 1) Read the Proxy Statement.
- 2) Check the appropriate boxes on the voting instruction form below.
- 3) Sign and date the voting instruction form.
- 4) Return the voting instruction form in the envelope provided.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M14151-Z49174

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on June 17, 2009. The following material is available at [www.proxyvote.com](http://www.proxyvote.com):  
Proxy Statement**

<b>This proxy is solicited on behalf of the Board of Trustees.</b>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>
--	----------------	---------------------	-----------------------

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

**1. Election of Four Trustees:**

Nominees:	0	0	0
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## Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form DEF 14A

- 01) Kathleen A. Dennis
- 02) Manuel H. Johnson
- 03) Joseph J. Kearns
- 04) Fergus Reid

PLEASE ☒ HERE ONLY IF YOU PLAN TO  
ATTEND THE MEETING AND VOTE  
THESE SHARES IN PERSON

2. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

The Annual Meeting of Shareholders of the above-mentioned Fund will be held on June 17, 2009 at the principal offices of the Fund, 522 Fifth Avenue, New York, New York 10036, to vote on the proposal set forth in the Notice of Annual Meeting.

**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.**

**Note:** Please sign exactly as your name appears on this voting instruction form. 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.

**\*NOTE\* SUCH OTHER BUSINESS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.**

Signature [PLEASE SIGN  
ON LINE]

Date

Signature [Joint Owners] Date

MORGAN STANLEY [ ]

**ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON 06/17/09**

**Your vote is important. Thank you for voting.**

**To vote by Internet**

- 1) Read the Proxy Statement and have the voting instruction form below at hand.
- 2) Go to website [www.proxyvote.com](http://www.proxyvote.com).
- 3) Follow the instructions provided on the website.

**To vote by Telephone**

- 1) Read the Proxy Statement and have the voting instruction form below at hand.
- 2) Call 1-800-454-8683.
- 3) Follow the instructions.

**To vote by Mail**

- 1) Read the Proxy Statement.
- 2) Check the appropriate boxes on the voting instruction form below.
- 3) Sign and date the voting instruction form.
- 4) Return the voting instruction form in the envelope provided.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M14147-Z49174

**Important Notice Regarding the Availability of Proxy Materials  
for the Shareholder Meeting to be held on June 17, 2009. The  
following material is available at [www.proxyvote.com](http://www.proxyvote.com):  
Proxy Statement**

**This proxy is solicited on behalf of the  
Board of Trustees.**

<b>For</b>	<b>Withhold</b>	<b>For All</b>
<b>All</b>	<b>All</b>	<b>Except</b>

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

**1. Election of Two Trustees:**

<b>Nominees:</b>	0	0	0
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## Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form DEF 14A

- 01) Michael F. Klein
- 02) W. Allen Reed

PLEASE ☒ HERE ONLY IF YOU PLAN TO ☐  
ATTEND THE MEETING AND VOTE THESE  
SHARES IN PERSON

2. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

The Annual Meeting of Shareholders of the above-mentioned Fund will be held on June 17, 2009 at the principal offices of the Fund, 522 Fifth Avenue, New York, New York 10036, to vote on the proposal set forth in the Notice of Annual Meeting.

**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.**

**Note:** Please sign exactly as your name appears on this voting instruction form. 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.

**\*NOTE\* SUCH OTHER BUSINESS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT THEREOF.**

Signature [PLEASE SIGN ON LINE]

Date

Signature [Joint Owners]

Date

---

MORGAN STANLEY [ ]

**ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON 06/17/09**

**Your vote is important. Thank you for voting.**

**To vote by Internet**

- 1) Read the Proxy Statement and have the voting instruction form below at hand.
- 2) Go to website [www.proxyvote.com](http://www.proxyvote.com).
- 3) Follow the instructions provided on the website.

**To vote by Telephone**

- 1) Read the Proxy Statement and have the voting instruction form below at hand.
- 2) Call 1-800-454-8683.
- 3) Follow the instructions.

**To vote by Mail**

- 1) Read the Proxy Statement.
- 2) Check the appropriate boxes on the voting instruction form below.
- 3) Sign and date the voting instruction form.
- 4) Return the voting instruction form in the envelope provided.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M14148-P79629

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held on June 17, 2009. The following material is available at [www.proxyvote.com](http://www.proxyvote.com):  
Proxy Statement**

<b>This proxy is solicited on behalf of the Board of Trustees.</b>	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>
--	----------------	---------------------	-----------------------

To withhold authority to vote for any individual nominee(s), mark **For All Except** and write the number(s) of the nominee(s) on the line below.

<b>1. Election of Two Trustees:</b>			
Nominees:	0	0	0

## Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form DEF 14A

- 01) Michael F. Klein
- 02) W. Allen Reed

PLEASE ☒ HERE ONLY IF YOU PLAN TO ☐  
ATTEND THE  
MEETING AND VOTE THESE SHARES IN  
PERSON

**1. Election of One Preferred  
Trustee:**

**Nominee:**

- 03) Michael E. Nugent

2. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

The Annual Meeting of Shareholders of the above-mentioned Fund will be held on June 17, 2009 at the principal offices of the Fund, 522 Fifth Avenue, New York, New York 10036, to vote on the proposal set forth in the Notice of Annual Meeting.

**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.**

**Note:** Please sign exactly as your name appears on this voting instruction form. 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.

**\*NOTE\* SUCH OTHER BUSINESS MAY PROPERLY COME BEFORE THE MEETING OR ANY  
ADJOURNMENT THEREOF.**

Signature [PLEASE SIGN ON LINE]

Date

Signature [Joint Owners]      Date

MORGAN STANLEY [ ]

### Electronic Voting Instructions

**You can vote by Internet or telephone!**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 10:10 a.m., Eastern Time, on June 17, 2009.**

#### Vote by Internet

- Log on to the Internet and go to **www.investorvote.com/[ ]**
- Follow the steps outlined on the secured website.

#### Vote by telephone

- Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.
- Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in

this example. Please do not write outside the designated areas.

## Annual Meeting Proxy Card

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A Election of Trustees** The Board of Trustees recommends a vote **FOR** all the nominees listed.

#### 1. Nominees:

	For	Withhold		For	Withhold		For	Withhold
01 - Kathleen A. Dennis	[ ]	[ ]	02 - Manuel H. Johnson	[ ]	[ ]	03 - Joseph J. Kearns	[ ]	[ ]
04 - Fergus Reid	[ ]	[ ]						

## Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form DEF 14A

2. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Meeting of Shareholders to be held on June 17, 2009.**

The following material is available at <https://www.proxy-direct.com/msa20183> :

### Proxy Statement

### B Non-Voting Items

**Change of Address** Please print your new address below.


### C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.

Signature 1 - Please keep signature within the box.

Signature 2 - Please keep signature within the box.





## Edgar Filing: CHARLOTTE RUSSE HOLDING INC - Form DEF 14A

be entitled to vote, with all powers the undersigned would possess if personally present, in accordance with the instructions indicated herein. **This proxy is solicited on behalf of the Board of Trustees of the Fund.**

This proxy, when properly executed, will be voted in accordance with the instructions marked by the undersigned on the reverse side. **If no specification is made, this proxy will be voted FOR all of the nominees listed herein and in the discretion of the proxies upon such other business as may properly come before the Meeting.**

**Please vote, date and sign on the reverse side and return promptly in the enclosed envelope. Your signature and return of this proxy card acknowledges receipt of the accompanying Notice of Meeting and Proxy Statement for the Meeting to be held on June 17, 2009.**

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MORGAN STANLEY [ ]

### Electronic Voting Instructions

**You can vote by Internet or telephone!**

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 10:10 a.m., Eastern Time, on June 17, 2009.**

#### Vote by Internet

- Log on to the Internet and go to [www.investorvote.com/\[ \]](http://www.investorvote.com/[ ])
- Follow the steps outlined on the secured website.

#### Vote by telephone

- Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.
- Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in

this example. Please do not write outside the designated areas.

## Annual Meeting Proxy Card

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A Election of Trustees** The Board of Trustees recommends a vote **FOR** all the nominees listed.

1. Nominees:

	For	Withhold		For	Withhold
01 - Michael F. Klein	[ ]	[ ]	02 - W. Allen Reed	[ ]	[ ]

2. To transact such other business as may properly come before the Meeting or any adjournment thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Meeting of Shareholders to be held on June 17, 2009.**

The following material is available at <https://www.proxy-direct.com/msa20183> :

**Proxy Statement**

**B Non-Voting Items**

**Change of Address** Please print your new address below.


**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.

Signature 1 - Please keep signature within the box.

Signature 2 - Please keep signature within the box.

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proxy MORGAN STANLEY [ ]**

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

The undersigned hereby appoints Stefanie V. Chang Yu and Mary E. Mullin and each of them or their respective designees, with full power of substitution and revocation, as proxies to represent the undersigned at the Annual Meeting of Shareholders to be held at the offices of Morgan Stanley Investment Management, 522 Fifth Avenue, New York, New York 10036 on June 17, 2009 at 10:10 a.m. New York City time, and at any and all adjournments thereof (the Meeting), to vote all Shares of Morgan Stanley [ ] (the Fund) which the undersigned would be entitled to vote, with all powers the undersigned would possess if personally present, in accordance with the instructions indicated herein. **This proxy is solicited on behalf of the Board of Trustees of the Fund.**

This proxy, when properly executed, will be voted in accordance with the instructions marked by the undersigned on the reverse side. **If no specification is made, this proxy will be voted FOR all of the nominees listed herein and in the discretion of the proxies upon such other business as may properly come before the Meeting or any adjournment thereof.**

**Please vote, date and sign on the reverse side and return promptly in the enclosed envelope. Your signature and return of this proxy card acknowledges receipt of the accompanying Notice of Meeting and Proxy Statement for the Meeting to be held on June 17, 2009.**

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MORGAN STANLEY [ ]

### Electronic Voting Instructions

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VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 10:10 a.m., Eastern Time, on June 17, 2009.**

#### Vote by Internet

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- Follow the steps outlined on the secured website.

#### Vote by telephone

- Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.
- Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in

this example. Please do not write outside the designated areas.

## Annual Meeting Proxy Card

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**A Proposals** The Board of Trustees recommends a vote FOR all the nominees listed.

1. Nominees:

	For	Withhold		For	Withhold		For	Withhold
01 - Frank L. Bowman	[ ]	[ ]	02 - Micheal Bozic	[ ]	[ ]	03 - James F. Higgins	[ ]	[ ]

2. To consider and act upon any other business as may properly come before the Meeting or any adjournment thereof.

**Important Notice Regarding the Availability of Proxy Materials for the Meeting of Shareholders to be held on June 17, 2009.**

The following material is available at <https://www.proxy-direct.com/msa20183> :

**Proxy Statement**

**B Non-Voting Items**

**Change of Address** Please print your new address below.


**C Authorized Signatures** This section must be completed for your vote to be counted. **Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.

Signature 1 - Please keep signature within the box.

Signature 2 - Please keep signature within the box.

**IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

**Proxy MORGAN STANLEY [ ]**

## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

The undersigned hereby appoints Stefanie V. Chang Yu and Mary E. Mullin and each of them or their respective designees, with full power of substitution and revocation, as proxies to represent the undersigned at the Annual Meeting of Shareholders to be held at the offices of Morgan Stanley Investment Management, 522 Fifth Avenue, New York, New York 10036 on June 17, 2009 at 10:10 a.m. New York City time, and at any and all adjournments thereof (the Meeting), to vote all Shares of Morgan Stanley [ ] (the Fund) which the undersigned would be entitled to vote, with all powers the undersigned would possess if personally present, in accordance with the instructions indicated herein. **This proxy is solicited on behalf of the Board of Trustees of the Fund.**



This proxy, when properly executed, will be voted in accordance with the instructions marked by the undersigned on the reverse side. **If no specification is made, this proxy will be voted FOR all of the nominees listed herein and in the discretion of the proxies upon such other business as may properly come before the Meeting.**

**Please vote, date and sign on the reverse side and return promptly in the enclosed envelope. Your signature and return of this proxy card acknowledges receipt of the accompanying Notice of Meeting and Proxy Statement for the Meeting to be held on June 17, 2009.**

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