

STERLING CHEMICALS INC

Form SC 13D/A

March 24, 2009

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**UNITED STATES  
SECURITIES EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 13D**

(Amendment No. 8 )\*

Under the Securities Exchange Act of 1934

STERLING CHEMICALS, INC.

(Name of Issuer)

Common Stock, par value \$.01 per share

(Title of Class of Securities)

859166100

(CUSIP Number)

Bobby Liu

Senior Vice President and General Counsel

M.D. Sass Investors Services, Inc.

1185 Avenue of the Americas

18th Floor

New York, New York 10036

(212) 843-8980

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

March 24, 2009

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. *See* § 240.13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 859166100

SCHEDULE 13D

NAMES OF REPORTING PERSONS.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY).

1.

Resurgence Asset Management, L.L.C.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP \*

2.

(a)

(b)

SEC USE ONLY

3.

SOURCE OF FUNDS \*

4.

OO

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5.

CITIZENSHIP OR PLACE OF ORGANIZATION

6.

Delaware

SOLE VOTING POWER

7.

NUMBER OF

None

SHARES  
BENEFICIALLY OWNED BY

8.

SHARED VOTING POWER

OWNED BY

3,802,458 /1/

EACH

9.

SOLE DISPOSITIVE POWER

REPORTING

PERSON None

WITH SHARED DISPOSITIVE POWER

10.

3,802,458 /1/

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11.

3,802,458 /1/

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12.

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.

65.6%

TYPE OF REPORTING PERSON:

14.

IA

/1/ SEE ITEM 5 HEREIN.

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CUSIP No. 859166100

SCHEDULE 13D

NAMES OF REPORTING PERSONS.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY).

1.

Resurgence Asset Management International, L.L.C.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP \*

2.

(a)

(b)

SEC USE ONLY

3.

SOURCE OF FUNDS \*

4.

OO

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5.

CITIZENSHIP OR PLACE OF ORGANIZATION

6.

Delaware

SOLE VOTING POWER

7.

NUMBER OF

None

SHARES  
BENEFICIALLY

8.

SHARED VOTING POWER

OWNED BY

1,064,005 /1/

EACH

9.

SOLE DISPOSITIVE POWER

REPORTING

PERSON None

WITH SHARED DISPOSITIVE POWER

10.

1,064,005 /1/

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

11.

1,064,005 /1/

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

12.

o

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

13.

29.1%

TYPE OF REPORTING PERSON:

14.

IA

/1/ SEE ITEM 5 HEREIN.

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CUSIP No. 859166100

SCHEDULE 13D

NAMES OF REPORTING PERSONS.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY).

1.

RE/Enterprise Asset Management, L.L.C.

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP \*

2.

(a)

(b)

SEC USE ONLY

3.

SOURCE OF FUNDS \*

4.

OO

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)

5.

CITIZENSHIP OR PLACE OF ORGANIZATION

6.

Delaware

SOLE VOTING POWER

7.

NUMBER OF

None

SHARES  
BENEFICIALLY OWNED BY

8.

SHARED VOTING POWER

2,242,439 /1/

EACH

SOLE DISPOSITIVE POWER

9.

REPORTING

PERSON None

WITH SHARED DISPOSITIVE POWER

10.

2,242,439 /1/

11.

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,242,439 /1/

12.

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13.

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

49.0%

14.

TYPE OF REPORTING PERSON:

IA

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CUSIP No. 859166100

SCHEDULE 13D

NAMES OF REPORTING PERSONS.

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY).

1.

Martin D. Sass

CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP \*

2.

(a)

(b)

SEC USE ONLY

3.

SOURCE OF FUNDS \*

4.

OO

CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(D) OR 2(E)

5.

CITIZENSHIP OR PLACE OF ORGANIZATION

6.

United States of America

SOLE VOTING POWER

7.

NUMBER OF

None

SHARES  
BENEFICIALLY

8.

SHARED VOTING POWER

OWNED BY

7,108,902 /1/

EACH

9.

SOLE DISPOSITIVE POWER

REPORTING

PERSON None

WITH SHARED DISPOSITIVE POWER

10.

7,108,902 /1/

11.

AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

7,108,902 /1/

12.

CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

o

13.

PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

85.0%

14.

TYPE OF REPORTING PERSON:

IA

/1/ SEE ITEM 5 HEREIN.

\*SEE INSTRUCTIONS BEFORE FILLING OUT

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Item 2. Identity and Background

Item 3. Source and Amount of Funds or Other Consideration

Item 4. Purpose of Transaction

Item 5. Interest in Securities of the Issuer

Item 7. Material to be filed as Exhibits

SIGNATURE

EXHIBIT INDEX

EX-99.A

**AMENDMENT NO. 8**

**SCHEDULE 13D**

This Amendment No. 8 (this Amendment ) to Schedule 13D ( Schedule 13D ) relates to shares of Common Stock, par value \$.01 per share (the Shares ), of Sterling Chemicals, Inc. (the Issuer ). This Amendment No. 8 supplementally amends the initial statement on Schedule 13D, dated December 19, 2002, and all amendments thereto (collectively, the Initial Statement ), filed by the Reporting Persons (as defined herein).

**Item 1. Security and Issuer**

This Statement relates to the Shares. The address of the principal executive office of the Issuer is 333 Clay Street, Suite 3600, Houston, Texas 77002-4109.

**Item 2. Identity and Background**

This Statement is filed on behalf of each of the following persons (collectively, the Reporting Persons ):

- (i) Resurgence Asset Management, L.L.C. ( RAM );
- (ii) Resurgence Asset Management International, L.L.C. ( RAMI );
- (iii) Re/Enterprise Asset Management, L.L.C. ( REAM ); and
- (iv) Mr. Martin D. Sass ( Mr. Sass ).

In its capacity as investment advisor, RAM exercises voting and investment power over the Shares held for the accounts of M.D. Sass Corporate Resurgence Partners, L.P. ( Resurgence I ), M.D. Sass Corporate Resurgence Partners II, L.P. ( Resurgence II ), M.D. Sass Corporate Resurgence Partners III, L.P. ( Resurgence III ), and the Resurgence Asset Management, L.L.C. Employee Retirement Plan (the Plan ). Accordingly, RAM may be deemed to share voting and investment power with Resurgence I, Resurgence II, Resurgence III and the Plan.

In its capacity as investment advisor, RAMI exercises voting and investment power over the Shares held for the account of M.D. Sass Corporate Resurgence International, Ltd. ( Sass Corporate ) and M.D. Sass Re/Enterprise International, Ltd ( Sass International ). Accordingly, RAMI may be deemed to share voting and investment power with Sass Corporate and Sass International.

In its capacity as investment advisor, REAM exercises voting and investment power over the Shares held for the accounts of two employee pension plans (the Pension Plans ), the M.D. Sass Associates, Inc. Employee Profit Sharing Plan (the Sass Plan ), and M.D. Sass Re/Enterprise Portfolio Company, L.P. ( Enterprise ), and M.D. Sass Re/Enterprise II, L.P. ( Enterprise II ). Accordingly, REAM may be deemed to share voting and investment power with each of the Pension Plans, the Sass Plan, Enterprise I and Enterprise II.

Mr. Sass serves as Chairman and Chief Executive Officer of RAM, RAMI and REAM, and as such, may be deemed to beneficially own the Shares held by such entities.

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**Item 3. Source and Amount of Funds or Other Consideration**

This Schedule 13D/A covers securities issued in connection with the Joint Plan of Reorganization under Chapter 11, Title 11, United States Code of Sterling Chemical Holdings, Inc., et al., Debtors, filed with the United States Bankruptcy Court, Southern District of Texas, Houston Division, on October 14, 2002, as amended (the Plan ). The Issuer is the reorganized debtor under the Plan.

At the effective date of the Plan, December 19, 2002 (the Effective Date ), the funds and accounts managed by the Reporting Persons received (1) 2,175,000 shares of Preferred Stock of the Issuer, convertible into 2,175,000 shares of Common Stock, for an investment of \$30,000,000; (2) 1,430,193 shares of Common Stock issued upon exercise of certain rights offered under the Plan to the holders of certain of the Issuer's debt securities for an investment of \$19,727,000 and in exchange for claims; and (3) 231,820 shares of Common Stock and 376,209 Warrants of the Issuer, convertible into 376,209 shares of Common Stock, in exchange for claims under the Plan. In addition, 24,666 shares of Common Stock were issued in connection with the merger of Sterling Chemicals Holdings, Inc. and Sterling Chemicals, Inc. pursuant to the Plan shortly before the Effective Date. Further, the Reporting Persons received 703,331 additional shares of Preferred Stock, convertible into 703,331 shares of Common Stock, from the Issuer as dividends on the shares of Preferred Stock in eight separate share distributions in 2003 and 2004, and 5,480 shares of Common Stock as further distributions under the Plan upon resolution of disputed claims.

This Schedule 13D/A also covers securities issued to the funds and accounts managed by the Reporting Persons on a quarterly basis in accordance with dividend rights of the Company's Series A Preferred Stock (the Preferred Stock ) held by the Reporting Persons. The Initial Statement previously covered warrants to acquire Shares of the Issuer, which expired on December 19, 2008, beneficially owned or which may be deemed beneficially owned by the Reporting Persons in the following amounts: RAM 186,783 Shares; RAMI 52,195 Shares; REAM 109,942 Shares; and Mr. Sass 348,920. In addition, funds which have invested side-by-side with funds managed by RAM and RAMI beneficially owned 4,287 Shares issuable upon conversion of the warrants.

**Item 4. Purpose of Transaction**

See Item 3.

None of the Reporting Persons has formulated any plans or proposals that relate to or otherwise result in any matter required to be disclosed in response to clauses (a) through (j) of Item 4 of Schedule 13D. The Reporting Persons intend to review on a continuing basis their investment in the Issuer and the Issuer's business affairs, financial position and prospects. Based on such evaluation and review, as well as the respective objectives of the Reporting Persons and the Issuer, other business opportunities available to the Reporting Persons and the funds and accounts they manage, general economic and industry conditions, and other factors that the Reporting Persons may deem relevant, the Reporting Persons may consider from time to time various courses of action of the types described in clauses (a) through (j) of Item 4 of Schedule 13D.

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**Item 5. Interest in Securities of the Issuer**

(a) (b) See Rows 7, 9, 11 and 13 of each cover page.

The percentage in Row 13 of each cover page is based on 2,828,460 Shares that were outstanding as of October 31, 2008, as reported in the Issuer's most recently-filed quarterly report on Form 10-Q.

(i) The Shares that RAM may be deemed to beneficially own include Shares that RAM has the current right to acquire upon conversion of shares of Preferred Stock of the Issuer. As of January 31, 2009, funds and accounts managed by RAM held: (A) 837,562 Shares and (B) 2,964,896 Shares issuable upon the conversion of Preferred Stock.

(ii) The Shares that RAMI may be deemed to beneficially own include Shares that RAMI has the current right to acquire upon conversion of shares of Preferred Stock of the Issuer. As of January 31, 2009, funds and accounts managed by RAMI held: (A) 235,481 Shares and (B) 828,524 Shares issuable upon the conversion of Preferred Stock.

(iii) The Shares that REAM may be deemed to beneficially own include Shares that REAM has the current right to acquire upon conversion of shares of Preferred Stock of the Issuer. As of January 31, 2009, funds and accounts managed by REAM held: (A) 497,212 Shares and (B) 1,745,227 Shares issuable upon the conversion of Preferred Stock.

(iv) The Shares that Mr. Sass may be deemed to beneficially own include Shares that Mr. Sass has the current right to acquire upon conversion of shares of Preferred Stock of the Issuer. As of January 31, 2009, funds and accounts managed by Mr. Sass held: (A) 1,570,255 Shares and (B) 5,538,647 Shares issuable upon the conversion of Preferred Stock.

In addition, funds which have invested side-by-side with funds managed by RAM and RAMI beneficially own 19,288 Shares and 68,058 Shares issuable upon the conversion of Preferred Stock.

(c) Except for the receipt by the Reporting Persons of a regularly scheduled dividend of shares of Preferred Stock of the Issuer convertible into Shares, there have been no transactions effected with respect to the Shares during the past 60 days by any of the Reporting Persons.

(d) No person other than those named in Item 2 is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the Shares.

(e) Not applicable.

**Item 7. Material to be filed as Exhibits**

The Exhibit Index is incorporated herein by reference.

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**SIGNATURE**

After reasonable inquiry and to the best of its knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Date: March 24, 2009

**RESURGENCE ASSET MANAGEMENT,  
L.L.C.**

By: /s/ Martin D. Sass  
Name: Martin D. Sass  
Title: Chairman and Chief Executive  
Officer

**RESURGENCE ASSET MANAGEMENT  
INTERNATIONAL, L.L.C.**

By: /s/ Martin D. Sass  
Name: Martin D. Sass  
Title: Chairman and Chief Executive  
Officer

**RE/ENTERPRISE ASSET MANAGEMENT,  
L.L.C.**

By: /s/ Martin D. Sass  
Name: Martin D. Sass  
Title: Chairman and Chief Executive  
Officer

**MARTIN D. SASS**

/s/ Martin D. Sass  
Martin D. Sass

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**EXHIBIT INDEX**

Exhibit	Page No.
A. Joint Filing Agreement, dated March 24, 2009 by and among Resurgence Asset Management, L.L.C., Resurgence Asset Management International, L.L.C., Re/Enterprise Asset Management, L.L.C. and Martin D. Sass	11

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rc="spacer.gif" height="1" width="2">	5.00	01/01/27	3,720,276	3,000	Chicago, Illinois, O'Hare Int'l
Airport 3rd Lien Ser 2005 A (MBIA Insd)	5.25	01/01/26	3,178,440	3,000	Chicago, Illinois, O'Hare Int'l
Airport Passenger Fee Ser 2001 A (AMT) (AMBAC Insd)	5.375	01/01/32	3,063,900	3,000	Illinois Toll
Highway Authority, Priority Refg 1998 Ser A (FSA Insd)	5.50	01/01/15	3,320,130	8,480	Metropolitan
Pier & Exposition Authority, Illinois, McCormick Place Ser 2002 A (MBIA Insd)	0.00	06/15/26	5,718,064		
	19,000,810	<a href="#">Indiana (1.5%)</a>	3,000		Indiana Health & Educational Facility
Financing Authority, Clarian Health Ser 2006 A	5.25	02/15/40	3,029,880		<a href="#">Kansas (1.2%)</a>
2,500 Wyandotte County/Kansas City, Kansas, Ser 2004 B (FSA Insd)	5.00	09/01/28	2,583,825		
<a href="#">Louisiana (0.5%)</a>	1,000				Louisiana Public Facilities Authority, Pennington Medical Foundation Ser
2006	5.00	07/01/31	991,710		<a href="#">Maine (0.0%)</a>
				60	Maine Health & Higher Educational
Facilities Authority,					
Ser 1993 D (FSA Insd)	5.50	07/01/18	60,081		<a href="#">Maryland (3.7%)</a>
1,000					Baltimore
County, Maryland, Oak Crest Village Ser 2007 A	5.00	01/01/37	962,090	1,500	Maryland Health &
Higher Educational Facilities Authority, King Farm Presbyterian Community 2006 Ser B	5.00	01/01/17			
1,463,835					

See Notes to Financial Statements

## Morgan Stanley Quality Municipal Securities

Portfolio of Investments October 31, 2007 continued

DATE	VALUE \$	PRINCIPAL AMOUNT IN THOUSANDS	COUPON RATE	MATURITY
Maryland Health & Higher Educational Facilities Authority, University of Maryland Medical Ser 2001	5.25 %	2,000	07/01/11 †	\$ 2,119,720
Northeast Maryland Waste Disposal Authority, Montgomery County Ser 2003 (AMT) (AMBAC Insd)	5.50	3,000	04/01/16	3,197,250
Michigan Hospital Finance Authority, Henry Ford Health Refg Ser 2006 A	5.25	3,031,770	11/15/46	3,000
Missouri Health & Educational Facilities Authority, Barnes-Jewish/Christian Health Ser 1993 A	5.25	4,295,840	05/15/14	5,000
Nebraska Public Power District, 2003 Ser A (AMBAC Insd)	5.00	5,121,000	01/01/35	3,000
Clark County, Nevada, Airport SubLien Ser 2004 (AMT) (FGIC Insd)	5.50	3,000	07/01/20	3,185,130
Reno, Nevada, Renown Regional Medical Center Ser 2007 A	5.25	1,008,570	06/01/37	1,008,570
Manchester, New Hampshire, Water Works Ser 2003 (FGIC Insd)	5.00	3,074,940	12/01/34	3,000
New Jersey Economic Development Authority, Cigarette Tax Ser 2004#	5.75	3,145,140	06/15/29	1,500
New Jersey Economic Development Authority, Seabrook Village Inc Ser 2006	5.25	1,387,725	11/15/36	3,300
Newark Housing Authority, New Jersey, Port Authority-Port Newark Marine Terminal Ser 2004 (MBIA Insd)	5.00	3,550,470	01/01/14 †	3,000
Tobacco Settlement Financing Corporation, New Jersey, Ser 2007-1A	4.625	2,648,550	06/01/26	3,000
Tobacco Settlement Financing Corporation, New Jersey, Ser 2007-1B	0.00	331,800	06/01/41	11,063,685
New York Metropolitan Transportation Authority, New York, Transportation Ser 2003 B (MBIA Insd)	5.25	5,354,450	11/15/22	3,000
Nassau County Tobacco Settlement Corporation, New York, Ser 2006 A-3	5.125	2,852,670	06/01/46	2,852,670

See Notes to Financial Statements

Morgan Stanley Quality Municipal Securities

Portfolio of Investments October 31, 2007 continued

DATE	VALUE \$	PRINCIPAL AMOUNT IN THOUSANDS	COUPON RATE	MATURITY
(AMBAC Insd) 5.00 % 06/15/28	\$ 3,120,990	6,000		New York City Municipal Water Finance Authority, New York, 2005 Ser B Tobacco Settlement Financing Corporation, New York, State Contingency Ser 2003 B-1C
5.25 11/15/19	3,199,860			20,938,550 North Carolina (1.0%)
5.25 01/01/20	2,104,580	2,000		North Carolina Municipal Power Agency #1, Catawba Ser 1993 (MBIA Insd) Ohio (2.6%)
5.25 01/01/32	5,438,850	5,000		Cuyahoga County, Ohio, Cleveland Clinic Ser 2003 A Pennsylvania (2.0%)
5.375 11/15/40	1,928,200	2,000		Allegheny County Redevelopment Authority, Pennsylvania, West Penn Allegheny Health Ser 2007 A* Rhode Island (0.7%)
5.00 01/01/13 †	2,134,240	1,500		Rhode Island Economic Development Corporation, Airport Refg Ser 2004 A (AMT) (FSA Insd) South Carolina (5.5%)
5.00 07/01/21	1,541,820	2,000		Charleston Educational Excellence Financing Corporation, South Carolina, Charleston County School District Ser 2005
5.25 12/01/29	2,093,040	4,565		Grand Strand Water & Sewer Authority, South Carolina, Refg Ser 2002 (FSA Insd)
5.375 06/01/19	4,871,585	40		Lexington County, South Carolina, Health Services District, Lexmed Inc, Ser 2007 A
5.00 11/01/16	41,647	210		Richland County Enviromental Improvement Revenue, South Carolina, International Paper Company Ser 2007 A
4.60 09/01/12	211,754	4,000		South Carolina Public Service Authority, Santee Cooper Ser 2003 A (AMBAC Insd)
5.00 01/01/27	4,138,840	11,356,866		Tennessee (2.0%)
5.25 09/01/19	4,140,680			Tennessee Energy Acquisition Corporation, Ser 2006 A*

See Notes to Financial Statements

Morgan Stanley Quality Municipal Securities

Portfolio of Investments October 31, 2007 continued

DATE	VALUE	PRINCIPAL AMOUNT IN THOUSANDS	COUPON RATE	MATURITY	ISSUER
		<b>Texas (11.7%)</b>	\$ 2,000		Alliance Airport Authority, Texas, Federal Express Corp
Refg Ser 2006 (AMT) R-574	4.85 %	04/01/21	\$ 1,974,880	1,000	Austin, Texas, Water & Sewer, ROLS RRII
(AMT)	9.615 ‡	05/15/27	1,092,420	2,000	Brazos River Authority, Texas, TXU Electric Co Ser 1999 C
(MBIA Insd)	7.70	03/01/32	2,163,380	5,000	Houston, Texas, Combined Utility First Lien Refg 2004 Ser A
(FSA Insd)	5.25	05/15/25	5,295,050	5,000	Houston, Texas, Water & Sewer Jr Lien Refg Ser 2001 A
Corp.	5.50	12/01/16	5,359,550	1,000	Tarrant County Cultural Educational Facilities Finance
Ser 2002 (FSA Insd)	5.125	05/15/37	964,610	4,000	Tarrant County Regional Water District, Texas, Refg & Impr
	5.25	03/01/17	4,267,480	3,000	West Harris County Regional Water Authority, Texas, Water
Ser 2005 (FSA Insd)	5.00	12/15/24	3,120,990		24,238,360 <b>Utah (1.3%)</b>
2,500 Intermountain Power Agency, Utah, 2003 Ser A (FSA Insd)	5.00	07/01/21	2,632,625		<b>Virginia (10.3%)</b>
2007	5.125	10/01/42	1,201,875	10,000	Fairfax County Economic Development Authority, Virginia, Goodwin House Inc Ser
(AMBAC Insd)	5.375	11/01/23	4,005,080	3,000	Fairfax County Industrial Development Authority, Virginia, Inova Health Refg Ser 1993 A
Water & Sewer Refg Ser 2003	5.00	07/01/19	3,183,030	2,000	Norfolk, Virginia, Water Ser 1993
Authority, Virginia, Water & Sewer Refg Ser 2003	5.00	07/01/21	2,111,220		Prince William County Service Authority, Virginia, Prince William County Service
<b>Washington (2.8%)</b>			1,705		Grant County Public Utility District #2, Washington, Wanapum
Hydroelectric 2005 Ser A (FGIC Insd)	5.00	01/01/34	1,748,750	4,010	Port of Seattle, Washington, Passenger Facility Ser 1998 A
(MBIA Insd)*	5.00	12/01/23	4,074,600		5,823,350 Total Tax-Exempt Municipal
					Bonds (Cost \$311,683,122) 318,069,443

See Notes to Financial Statements

Morgan Stanley Quality Municipal Securities

Portfolio of Investments October 31, 2007 continued

		NUMBER OF		
SHARES (000)	VALUE	Short-Term Investment (a) (0.9%)	Investment Company	1,798
		Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio – Institutional Class		
	( <i>Cost \$1,797,814</i> )	\$ 1,797,814	Total Investments ( <i>Cost \$313,480,936</i> )	319,867,257

		PRINCIPAL AMOUNT IN		
THOUSANDS		Floating Rate Note and Dealer Trusts Obligations Related to Securities Held (–9.5%)		
	\$ (19,510)	Notes with interest rates ranging from 3.49% to 3.54% at October 31, 2007 and contractual maturities of collateral ranging from 01/01/13 to 08/15/42 (See Note 1D)‡‡ ( <i>Cost \$(19,647,560)</i> )		(19,647,560)
		Total Net Investments ( <i>Cost \$293,833,376</i> ) (b) (c)	144.5 %	300,219,697
Liabilities	2.2	4,623,061	Preferred Shares of Beneficial Interest (46.7)	(97,010,212)
			Applicable to Common Shareholders	100.0 %
				\$ 207,832,546

Note: The categories of investments are shown as a percentage of net assets applicable to common shareholders. AMT Alternative Minimum Tax. COPs Certificates of Participation. ROLS Reset Option Longs. # A portion of this security has been physically segregated in connection with open futures contracts in the amount of \$153,320. ‡ Current coupon rate for inverse floating rate municipal obligation (See Note 8). This rate resets periodically as the auction rate on the related security changes. Positions in inverse floating rate municipal obligation has a total value of \$1,092,420 which represents 0.5% of net assets applicable to common shareholders. \* Underlying security related to inverse floaters entered into by the Trust (See Note 1D). ‡‡ Floating rate note obligations related to securities held. The interest rates shown reflect the rates in effect at October 31, 2007. † Prerefunded to call date shown. †† Currently a zero coupon security; will convert to 5.00% on October 1, 2013. ††† Currently a zero coupon security; will convert to 5.75% on June 15, 2017. (a) See Note 3 to the financial statements regarding investments in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio — Institutional Class. (b) Securities have been designated as collateral in an amount equal to \$16,341,688 in connection with open futures contracts. (c) The aggregate cost for federal income tax purposes is \$293,827,926. The aggregate gross unrealized appreciation is \$9,323,229 and the aggregate gross unrealized depreciation is \$2,931,458, resulting in net unrealized appreciation of \$6,391,771. Bond Insurance: AMBAC AMBAC Assurance Corporation. FGIC Financial Guaranty Insurance Company. FSA Financial Security Assurance Inc. MBIA Municipal Bond Investors Assurance Corporation. XLCA XL Capital Assurance Inc.

See Notes to Financial Statements



Morgan Stanley Quality Municipal Securities

Financial Statements

Statement of Assets and Liabilities

October 31, 2007

	Assets:
Investments in securities, at value (cost \$311,683,122)	\$ 318,069,443
Investments in affiliate, at value (cost \$1,797,814)	1,797,814
Receivable for: Interest	4,740,032
Variation margin	115,185
Dividends from affiliate	33,455
Prepaid expenses and other assets	16,110
Total Assets	324,772,039
Liabilities:	
Floating rate note and dealer trusts obligations	19,647,560
Payable for: Investment advisory fee	73,633
Common shares of beneficial interest repurchased	38,276
Administration fee	22,148
Transfer agent fee	1,029
Accrued expenses and other payables	146,635
Total Liabilities	19,929,281
Preferred shares of beneficial interest (at liquidation value) (1,000,000 shares authorized of non-participating \$.01 par value, 1,940 shares outstanding)	97,010,212
Net Assets Applicable to Common Shareholders	\$ 207,832,546
Composition of Net Assets Applicable to Common Shareholders:	
Common shares of beneficial interest (unlimited shares authorized of \$.01 par value, 13,607,023 shares outstanding)	\$ 200,952,651
Net unrealized appreciation	6,356,828
Accumulated undistributed net investment income	743,434
Accumulated net realized loss (220,367)	(220,367)
Net Assets Applicable to Common Shareholders	\$ 207,832,546
Net Asset Value Per Common Share (\$207,832,546 divided by 13,607,023 common shares outstanding)	\$ 15.27

See Notes to Financial Statements

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Morgan Stanley Quality Municipal Securities

Financial Statements continued

Statements of Changes in Net Assets

FOR

THE YEAR  
 ENDED  
 OCTOBER 31, 2007 FOR THE YEAR  
 ENDED

OCTOBER 31, 2006 Increase (Decrease) in Net Assets:	Operations:	Net investment income	\$
13,306,383	\$ 13,556,797	Net realized gain (loss)	(282,163)
		1,319,400	Net change in unrealized
appreciation/depreciation	(9,420,263)	4,544,226	Dividends to preferred shareholders from net investment
income	(3,584,981)	(3,078,918)	Net Increase
		18,976	16,341,505
Common Shareholders from:	Net investment income	(9,911,958)	(11,395,345)
	Net realized gain	(1,046,943)	(3,254,254)
Total Dividends and Distributions	(10,958,901)	(14,649,599)	Decrease from
transactions in common shares of beneficial interest	(4,412,503)	(7,315,184)	Net Decrease
		(15,352,428)	(5,623,278)
Net Assets Applicable to Common Shareholders:	Beginning of period	223,184,974	
	228,808,252	End of Period	
			(Including accumulated undistributed net investment income of \$743,434 and \$935,489, respectively)
			\$ 207,832,546
			\$ 223,184,974

See Notes to Financial Statements

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Morgan Stanley Quality Municipal Securities

Notes to Financial Statements October 31, 2007

1. Organization and Accounting Policies

Morgan Stanley Quality Municipal Securities (the “Trust”) is registered under the Investment Company Act of 1940, as amended, as a diversified, closed-end management investment company. The Trust’s investment objective is to provide current income which is exempt from federal income tax. The Trust was organized as a Massachusetts business trust on March 3, 1993 and commenced operations on September 29, 1993.

The following is a summary of significant accounting policies:

A. Valuation of Investments — (1) portfolio securities are valued by an outside independent pricing service approved by the Trustees. The pricing service uses both a computerized grid matrix of tax-exempt securities and evaluations by its staff, in each case based on information concerning market transactions and quotations from dealers which reflect the mean between the last reported bid and asked price. The portfolio securities are thus valued by reference to a combination of transactions and quotations for the same or other securities believed to be comparable in quality, coupon, maturity, type of issue, call provisions, trading characteristics and other features deemed to be relevant. The Trustees believe that timely and reliable market quotations are generally not readily available for purposes of valuing tax-exempt securities and that the valuations supplied by the pricing service are more likely to approximate the fair value of such securities; (2) futures are valued at the latest sale price on the commodities exchange on which they trade unless it is determined that such price does not reflect their market value, in which case they will be valued at their fair value as determined in good faith under procedures established by and under the supervision of the Trustees; (3) investments in open-end mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value as of the close of each business day; and (4) short-term debt securities having a maturity date of more than sixty days at time of purchase are valued on a mark-to-market basis until sixty days prior to maturity and thereafter at amortized cost based on their value on the 61st day. Short-term debt securities having a maturity date of sixty days or less at the time of purchase are valued at amortized cost.

B. Accounting for Investments — Security transactions are accounted for on the trade date (date the order to buy or sell is executed). Realized gains and losses on security transactions are determined by the identified cost method. Discounts are accreted and premiums are amortized over the life of the respective securities and are included in interest income. Interest income is accrued daily.

C. Futures Contracts — A futures contract is an agreement between two parties to buy and sell financial instruments or contracts based on financial indices at a set price on a future date. Upon entering into such a contract, the Trust is required to pledge to the broker cash, U.S. Government securities or other liquid portfolio securities equal to the minimum initial margin requirements of the applicable futures exchange. Pursuant to the contract, the Trust agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments known as variation margin are recorded by the Trust as unrealized gains and losses. Upon closing of the contract, the Trust realizes a gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

Morgan Stanley Quality Municipal Securities

Notes to Financial Statements October 31, 2007 continued

D. Floating Rate Note and Dealer Trusts Obligations Related to Securities Held — The Trust enters into transactions in which it transfers to Dealer Trusts (“Dealer Trusts”), fixed rate bonds in exchange for cash and residual interests in the Dealer Trusts’ assets and cash flows, which are in the form of inverse floating rate investments. The Dealer Trusts fund the purchases of the fixed rate bonds by issuing floating rate notes to third parties and allowing the Trust to retain residual interest in the bonds. The Trust enters into shortfall agreements with the Dealer Trusts which commit the Trust to pay the Dealer Trusts, in certain circumstances, the difference between the liquidation value of the fixed rate bonds held by the Dealer Trusts and the liquidation value of the floating rate notes held by third parties, as well as any shortfalls in interest cash flows. The residual interests held by the Trust (inverse floating rate investments) include the right of the Trust (1) to cause the holders of the floating rate notes to tender their notes at par at the next interest rate reset date, and (2) to transfer the municipal bond from the Dealer Trusts to the Trust, thereby collapsing the Dealer Trusts. The Trust accounts for the transfer of bonds to the Dealer Trusts as secured borrowings, with the securities transferred remaining in the Trust’s investment assets, and the related floating rate notes reflected as Trust liabilities under the caption “floating rate note and dealer trusts obligations” on the Statement of Assets and Liabilities. The Trust records the interest income from the fixed rate bonds under the caption “Interest Income” and records the expenses related to floating rate note obligations and any administrative expenses of the Dealer Trusts under the caption “Interest and residual trust expenses” in the Trust’s Statement of Operations. The notes issued by the Dealer Trusts have interest rates that reset weekly and the floating rate note holders have the option to tender their notes to the Dealer Trusts for redemption at par at each reset date. At October 31, 2007, Trust investments with a value of \$28,920,180 are held by the Dealer Trusts and serve as collateral for the \$19,647,560 in floating rate and dealer trusts note obligations outstanding at that date. Contractual maturities of the floating rate note obligations and interest rates in effect at October 31, 2007 are presented in the Portfolio of Investments.

E. Federal Income Tax Policy — It is the Trust’s policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable and nontaxable income to its shareholders. Accordingly, no federal income tax provision is required.

F. Dividends and Distributions to Shareholders — Dividends and distributions to shareholders are recorded on the ex-dividend date.

G. Use of Estimates — The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

## 2. Investment Advisory/Administration Agreements

Pursuant to an Investment Advisory Agreement with Morgan Stanley Investment Advisors Inc. (the “Investment Adviser”), the Trust pays an advisory fee, calculated weekly and payable monthly, by applying the annual rate of 0.27% to the Trust’s weekly total net assets including preferred shares.

Morgan Stanley Quality Municipal Securities

Notes to Financial Statements October 31, 2007 continued

Pursuant to an Administration Agreement with Morgan Stanley Services Company Inc. (the “Administrator”), an affiliate of the Investment Adviser, the Trust pays an administration fee, calculated weekly and payable monthly, by applying the annual rate of 0.08% to the Trust’s weekly total net assets including preferred shares.

Under an agreement between the Administrator and State Street Bank and Trust Company (“State Street”), State Street provides certain administrative services to the Trust. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Trust.

3. Security Transactions and Transactions with Affiliates

The Trust invests in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio — Institutional Class, an open-end management investment company managed by the Investment Adviser. Investment advisory fees paid by the Trust are reduced by an amount equal to the advisory and administrative services fees paid by Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio — Institutional Class with respect to assets invested by the Trust in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio — Institutional Class. For the year ended October 31, 2007, advisory fees paid were reduced by \$3,465 relating to the Trust’s investment in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio — Institutional Class. Income distributions earned by the Trust are recorded as dividends from affiliate in the Statement of Operations and totaled \$165,856 for the year ended October 31, 2007. During the year ended October 31, 2007, cost of purchases and sales in investments in Morgan Stanley Institutional Liquidity Tax-Exempt Portfolio — Institutional Class aggregated \$21,241,909 and \$19,444,095, respectively.

The cost of purchases and proceeds from sales of portfolio securities, excluding short-term investments, for the year ended October 31, 2007, aggregated \$48,031,905 and \$45,190,626, respectively.

Effective September 28, 2007, the transfer agent services previously provided to the Trust by Morgan Stanley Trust was assumed by Computershare Trust Company, N.A. (the “Transfer Agent”).

The Trust has an unfunded noncontributory defined benefit pension plan covering certain independent Trustees of the Trust who will have served as independent Trustees for at least five years at the time of retirement. Benefits under this plan are based on factors which include years of service and compensation. The Trustees voted to close the plan to new participants and eliminate the future benefits growth due to increases to compensation after July 31, 2003. Aggregate pension costs for the year ended October 31, 2007, included in Trustees’ fees and expenses in the Statement of Operations amounted to \$4,380. At October 31, 2007, the Trust had an accrued pension liability of \$51,684 which is included in accrued expenses in the Statement of Assets and Liabilities.

The Trust has an unfunded Deferred Compensation Plan (the “Compensation Plan”) which allows each independent Trustee to defer payment of all, or a portion, of the fees he or she receives for serving on the

## Morgan Stanley Quality Municipal Securities

Notes to Financial Statements October 31, 2007 continued

Board of Trustees. 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 Morgan Stanley funds that are offered as investment options under the Compensation Plan. Appreciation/depreciation and distributions received from these investments are recorded with an offsetting increase/decrease in the deferred compensation obligation and do not affect the net asset value of the Trust.

## 4. Preferred Shares of Beneficial Interest

The Trust is authorized to issue up to 1,000,000 non-participating preferred shares of beneficial interest having a par value of \$.01 per share, in one or more series, with rights as determined by the Trustees, without approval of the common shareholders. The Trust has issued Series 1 through 5, Auction Rate Preferred Shares (“preferred shares”) which have a liquidation value of \$50,000 per share plus the redemption premium, if any, plus accumulated but unpaid dividends, whether or not declared, thereon to the date of distribution. The Trust may redeem such shares, in whole or in part, at the original purchase price of \$50,000 per share plus accumulated but unpaid dividends, whether or not declared, thereon to the date of redemption.

Dividends, which are cumulative, are reset through auction procedures.

		SERIES		SHARES*	AMOUNT		
		IN THOUSANDS*		RATE*	RESET DATE	RANGE OF	
DIVIDEND RATES**		1	340	\$17,000	3.45%	11/06/07	2.87% – 4.00%
2.300	15,000	3.60	11/07/07				
3.02 – 4.00	3 300	15,000	3.55	11/08/07	3.10 – 4.00	4 600	30,000
						3.55	11/06/07
						3.15 – 4.00	5 400
				20,000	3.65	11/06/07	2.93 – 3.97

\* As of October 31, 2007. \*\* For the year ended October 31, 2007.

Subsequent to October 31, 2007 and up through December 7, 2007, the Trust paid dividends to Series 1 through 5 at rates ranging from 3.30% to 4.50%, in the aggregate amount of \$341,199.

The Trust is subject to certain restrictions relating to the preferred shares. Failure to comply with these restrictions could preclude the Trust from declaring any distributions to common shareholders or purchasing common shares and/or could trigger the mandatory redemption of preferred shares at liquidation value.

The preferred shares, which are entitled to one vote per share, generally vote with the common shares but vote separately as a class to elect two Trustees and on any matters affecting the rights of the preferred shares.

Morgan Stanley Quality Municipal Securities

Notes to Financial Statements October 31, 2007 continued

5. Common Shares of Beneficial Interest

Transactions in common shares of beneficial interest were as follows:

	SHARES	PAR	VALUE	CAPITAL	PAID IN	EXCESS OF	
PAR VALUE Balance, October 31, 2005	14,423,501	\$	144,235	\$	212,536,103	Treasury shares purchased and retired (weighted average discount 8.81%)*	(510,900) (5,109) (7,310,075)
Balance, October 31, 2006	13,912,601	139,126	205,226,028	Treasury shares purchased and retired (weighted average discount 7.55%)*	(305,578) (3,056) (4,409,447)	Balance, October 31, 2007	13,607,023 \$ 136,070 \$ 200,816,581

\* The Trustees have voted to retire the shares purchased.

6. Dividends to Common Shareholders

On September 25, 2007, the Trust declared the following dividends from net investment income:

	PER SHARE RECORD	AMOUNT
	DATE PAYABLE	
DATE \$0.06	November 9, 2007	November 23, 2007 \$0.06
		December 7, 2007
		December 21, 2007

7. Expense Offset

The expense offset represents a reduction of the fees and expenses for interest earned on cash balances maintained by the Trust with the transfer agent and custodian.

8. Purposes of and Risks Relating to Certain Financial Instruments

The Trust may invest a portion of its assets in inverse floating rate instruments, either through outright purchases of inverse floating rate securities or through the transfer of bonds to a Dealer Trusts in exchange for cash and residual interests in the Dealer Trusts (See Note 1D). These investments are typically used by the Trust in seeking to enhance the yield of the portfolio. These instruments typically involve greater risks than a fixed rate municipal bond. In particular, these instruments are acquired through leverage or may have leverage embedded in them and therefore involve many of the risks associated with leverage. Leverage is a speculative technique that may expose the Trust to greater risk and increased costs. Leverage may cause the Trust's net asset value to be more volatile than if it had not been leveraged because leverage tends to magnify the effect of any increases or decreases in the value of the Trust's portfolio securities. The use of leverage may also cause the Trust to liquidate portfolio positions when it may not be advantageous to do so in order to satisfy its obligations with respect to inverse floating rate instruments.



Morgan Stanley Quality Municipal Securities

Notes to Financial Statements October 31, 2007 continued

To hedge against adverse interest rate changes, the Trust may invest in financial futures contracts or municipal bond index futures contracts (“futures contracts”).

These futures contracts involve elements of market risk in excess of the amount reflected in the Statement of Assets and Liabilities. The Trust bears the risk of an unfavorable change in the value of the underlying securities. Risks may also arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts.

9. Federal Income Tax Status

The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations which may differ from generally accepted accounting principles. These “book/tax” differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassification. Dividends and distributions which exceed net investment income and net realized capital gains for tax purposes are reported as distributions of paid-in-capital.

The tax character of distributions paid was as follows:

		FOR THE YEAR ENDED OCTOBER 31, 2007		FOR THE YEAR ENDED OCTOBER 31, 2006	
		Tax-exempt income	\$ 13,496,801	\$ 14,548,942	Ordinary income —
		Long-term capital gains	1,046,937	3,074,083	Total distributions \$ 14,543,738
As of October 31, 2007, the tax-basis components of accumulated earnings were as follows: Undistributed tax-exempt					
		income	\$ 801,644	Undistributed long-term gains	—
		Net accumulated earnings	801,644	Capital loss carryforward*	(249,765 )
		Net unrealized appreciation	6,391,771	Temporary differences	(63,755 )
				Total accumulated earnings	\$ 6,879,895

\* As of October 31, 2007, the Trust had a net capital loss carryforward of \$249,765 which will expire on October 31, 2015 to offset future capital gains to the extent provided by regulations.

Morgan Stanley Quality Municipal Securities

Notes to Financial Statements October 31, 2007 continued

As of October 31, 2007, the Trust had temporary book/tax differences primarily attributable to book amortization of discounts on debt securities, mark-to-market of open futures contracts and dividend payable.

Permanent differences, due to tax adjustments on debt securities sold by the Trust, resulted in the following reclassifications among the Trust's components of net assets at October 31, 2007:

	UNDISTRIBUTED NET INVESTMENT INCOME ACCUMULATED NET REALIZED	ACCUMULATED
LOSS PAID-IN-CAPITAL	\$(1,499)	\$ 1,499 —

10. Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation 48, Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement 109 (FIN 48). FIN 48 clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position must meet before being recognized in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the effective date. The impact to the Trust's financial statements, if any, is currently being assessed.

In addition, in September 2006, Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Trust's financial statement disclosures.



Morgan Stanley Quality Municipal Securities

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees of  
Morgan Stanley Quality Municipal Securities:

We have audited the accompanying statement of assets and liabilities of Morgan Stanley Quality Municipal Securities (the "Trust"), including the portfolio of investments, as of October 31, 2007, and the related statements of operations for the year then ended and changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2007, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Morgan Stanley Quality Municipal Securities as of October 31, 2007, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP  
*New York, New York*  
*December 24, 2007*

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Morgan Stanley Quality Municipal Securities

Shareholder Voting Results (unaudited)

On June 19, 2007, an annual meeting of the Trust's shareholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Trustees by all Shareholders:

For	Withheld	Abstain	Frank L. Bowman	12,518,924	278,432	0	Michael Bozic	12,507,981
			James F. Higgins	12,418,162	379,194	0		

Election of Trustees by Preferred Shareholders:

For	Withheld	Abstain	Michael E. Nugent	1,676	1	0
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## Morgan Stanley Quality Municipal Securities

### Portfolio Management/Revised Investment Policy (unaudited)

#### Portfolio Management

As of the date of this report, the Trust is managed within the Morgan Stanley Municipals team. The team consists of portfolio managers and analysts. Current members of the team jointly and primarily responsible for the day-to-day management of the Trust's portfolio are Steven K. Kreider and Neil Stone, each a Managing Director of the Investment Adviser.

#### Revised Investment Policy

To the extent permitted by applicable law and the Trust's investment objectives, policies, and restrictions, the Trust may invest all of some of its short term cash investments in any money market fund advised or managed by the Investment Adviser or its affiliates. In connection with any such investments, the Trust, to the extent permitted by the Investment Company Act, will pay its share of all expenses (other than advisory and administrative fees) of a money market fund in which it invests which may result in the Trust bearing some additional expenses.

#### The Board of Trustees Approved a Clarification in the Investment Policies Discussed Below

The Trust may invest in put and call options and futures on its portfolio securities. The Trust may use options and futures to protect against a decline in the Trust's securities or an increase in prices of securities that may be purchased or to adjust the Trust's yield curve exposure.

If the Trust invests in options and/or futures, its participation in these markets would subject the Trust's portfolio to certain risks. If the Investment Adviser's predictions of movements in the direction of the markets are inaccurate, the adverse consequences to the Trust (e.g., a reduction in the Trust's net asset value or a reduction in the amount of income available for distribution) may leave the Trust in a worse position than if these strategies were not used. Other risks inherent in the use of options and futures include, for example, the possible imperfect correlation between the price of options and futures contracts and movements in the prices of the securities being hedged. With respect to futures contracts, this correlation may be further distorted since the futures contracts that are being used to hedge are not based on municipal obligations. There is also the possibility of an absence of a liquid secondary market for any particular instrument. Certain options may be over-the-counter options which are options negotiated with dealers; there is no secondary market for these investments and therefore may be difficult to value. If the Trust uses an option or futures transaction as an alternative to purchasing or selling an underlying instrument in order to obtain desired exposure, the Trust will be exposed to the same risks as are incurred in purchasing and selling the underlying instrument directly.

## Morgan Stanley Quality Municipal Securities

### Dividend Reinvestment Plan (unaudited)

The dividend reinvestment plan (the “Plan”) offers you a prompt and simple way to reinvest your dividends and capital gains distributions into additional shares of the Trust. Under the Plan, the money you earn from dividends and capital gains distributions will be reinvested automatically in more shares of the Trust, allowing you to potentially increase your investment over time. All shareholders in the Trust are automatically enrolled in the Plan when shares are purchased.

#### Plan benefits

account Add to your

You may increase your shares in the Trust easily and automatically with the Plan.

transaction costs Low

Transaction costs are low because the new shares are bought in blocks and the brokerage commission is shared among all participants.

Convenience

You will receive a detailed account statement from Computershare Trust Company, N.A., which administers the Plan, whenever shares are reinvested for you. The statement shows your total distributions, date of investment, shares acquired, and price per share, as well as the total number of shares in your reinvestment account. You can also access your account via the Internet. To do this, please go to [morganstanley.com](http://morganstanley.com).

Safekeeping

Computershare Trust Company, N.A. will hold the shares it has acquired for you in safekeeping.

#### How to participate in the Plan

If you own shares in your own name, you can participate directly in the Plan. If your shares are held in “street name” – in the name of your brokerage firm, bank, or other financial institution – you must instruct that entity to participate on your behalf. If they are unable to participate on your behalf, you may request that they register your shares in your own name so that you may enroll in the Plan.

If you choose to participate in the Plan, whenever the Trust declares a dividend or capital gains distributions, it will be invested in additional shares of your Trust that are purchased in the open market.

#### How to enroll

To enroll in the Plan, please read the Terms and Conditions in the Plan Brochure. You can obtain a copy of the Plan Brochure and enroll in the Plan by visiting [morganstanley.com](http://morganstanley.com), calling toll-free (888) 421-4015 or notifying us in

writing at Morgan Stanley Closed-End Funds, Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078. Please include the Trust name and account number and ensure that all shareholders listed on the account sign these written instructions. Your participation in the Plan will begin with

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## Morgan Stanley Quality Municipal Securities

### Dividend Reinvestment Plan (unaudited) continued

the next dividend or capital gains distribution payable after Computershare Trust Company, N.A. receives your authorization, as long as they receive it before the “record date,” which is generally ten business days before the dividend is paid. If your authorization arrives after such record date, your participation in the Plan will begin with the following dividend or distribution.

### Costs of the Plan

There is no direct charge to you for reinvesting dividends and capital gains distributions because the Plan’s fees are paid by the Trust. However, when applicable, you will pay your portion of any brokerage commissions incurred when the new shares are purchased on the open market. These brokerage commissions are typically less than the standard brokerage charges for individual transactions, because shares are purchased for all participants in blocks, resulting in lower commissions for each individual participant. Any brokerage commissions or service fees are averaged into the purchase price.

### Tax implications

The automatic reinvestment of dividends and capital gains distributions does not relieve you of any income tax that may be due on dividends or distributions. You will receive tax information annually to help you prepare your federal and state income tax returns.

*Morgan Stanley does not offer tax advice. The tax information contained herein is general and is not exhaustive by nature. It was not intended or written to be used, and it cannot be used by any taxpayer, for avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Federal and state tax laws are complex and constantly changing. Shareholders should always consult a legal or tax advisor for information concerning their individual situation.*

### How to withdraw from the Plan

To withdraw from the Plan, please visit [morganstanley.com](http://morganstanley.com) or call (888) 421-4015 or notify us in writing at the address below.

Morgan Stanley Closed-End Funds  
Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078

Morgan Stanley Quality Municipal Securities

Dividend Reinvestment Plan (unaudited) continued

All shareholders listed on the account must sign any written withdrawal instructions. If you withdraw, you have three options with regard to the shares held in your account:

1. If you opt to continue to hold your non-certificated shares, they will be held by Computershare Trust Company, N.A.
2. If you opt to sell your shares through Morgan Stanley, we will sell all full and fractional shares and send the proceeds via check to your address of record after deducting brokerage commissions.
3. You may sell your shares through your financial advisor through the Direct Registration System (“DRS”). DRS is a service within the securities industry that allows Trust shares to be held in your name in electronic format. You retain full ownership of your shares, without having to hold a stock certificate.

*The Trust and Computershare Trust Company, N.A. may amend or terminate the Plan. Participants will receive written notice at least 30 days before the effective date of any amendment. In the case of termination, Participants will receive written notice at least 30 days before the record date for the payment of any dividend or capital gains distribution by the Trust. In the case of amendment or termination necessary or appropriate to comply with applicable law or the rules and policies of the Securities and Exchange Commission or any other regulatory authority, such written notice will not be required.*

**To obtain a complete copy of the Dividend Reinvestment Plan, please call our Client Relations department at 888-421-4015 or visit [morganstanley.com](http://morganstanley.com).**

Morgan Stanley Quality Municipal Securities

Morgan Stanley Advisor Closed End Funds  
An Important Notice Concerning Our U.S. Privacy Policy

We are required by federal law to provide you with a copy of our Privacy Policy annually.

The following Policy applies to current and former individual investors in Morgan Stanley Advisor closed end funds. This Policy is not applicable to partnerships, corporations, trusts or other non-individual clients or account holders. Please note that we may amend this Policy at any time, and will inform you of any changes to this Policy as required by law.

We Respect Your Privacy

We appreciate that you have provided us with your personal financial information. We strive to maintain the privacy of such information while we help you achieve your financial objectives. This Policy describes what non-public personal information we collect about you, why we collect it, and when we may share it with others. We hope this Policy will help you understand how we collect and share non-public personal information that we gather about you. Throughout this Policy, we refer to the non-public information that personally identifies you or your accounts as “personal information.”

1. What Personal Information Do We Collect About You?

To serve you better and manage our business, it is important that we collect and maintain accurate information about you. We may obtain this information from applications and other forms you submit to us, from your dealings with us, from consumer reporting agencies, from our Web sites and from third parties and other sources.

For example:

- We may collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through applications and other forms you submit to us.
- We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.
- We may obtain information about your creditworthiness and credit history from consumer reporting agencies.
- We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.
- If you interact with us through our public and private Web sites, we may collect information that you provide directly through online communications (such as an e-mail address). We may also collect information about your Internet service provider, your domain name, your computer’s operating system and Web browser, your use of our Web sites and your product and service preferences, through the use



Morgan Stanley Quality Municipal Securities

Morgan Stanley Advisor Closed End Funds  
An Important Notice Concerning Our U.S. Privacy Policy continued

of “cookies.”  
“Cookies” recognize your computer each time you return to one of our sites, and help to improve our sites’ content and personalize your experience on our sites by, for example, suggesting offerings that may interest you. Please consult the Terms of Use of these sites for more details on our use of cookies.

## 2. When Do We Disclose Personal Information We Collect About You?

To provide you with the products and services you request, to serve you better and to manage our business, we may disclose personal information we collect about you to our affiliated companies and to non-affiliated third parties as required or permitted by law.

**A. Information We Disclose to Our Affiliated Companies.** We do not disclose personal information that we collect about you to our affiliated companies except to enable them to provide services on our behalf or as otherwise required or permitted by law.

**B. Information We Disclose to Third Parties.** We do not disclose personal information that we collect about you to non-affiliated third parties except to enable them to provide services on our behalf, to perform joint marketing agreements with other financial institutions, or as otherwise required or permitted by law. For example, some instances where we may disclose information about you to nonaffiliated third parties include: for servicing and processing transactions, to offer our own products and services, to protect against fraud, for institutional risk control, to respond to judicial process or to perform services on our behalf. When we share personal information with these companies, they are required to limit their use of personal information to the particular purpose for which it was shared and they are not allowed to share personal information with others except to fulfill that limited purpose.

## 3. How Do We Protect the Security and Confidentiality of Personal Information We Collect About You?

We maintain physical, electronic and procedural security measures to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information. Third parties that provide support or marketing services on our behalf may also receive personal information, and we require them to adhere to confidentiality standards with respect to such information.

Morgan Stanley Quality Municipal Securities

Trustee and Officer Information (unaudited)

Independent Trustees:

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant Office and Length of Time	Term of Served* During Past 5 Years in Fund Complex Trustee**	Principal Occupation(s) Number of Portfolios Overseen by Independent Other Directorships
Held by Independent Trustee Frank L. Bowman (62) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since	August 2006 President and Chief Executive Officer, Nuclear Energy Institute (policy organization) (since February 2005); Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); Chairperson of the Insurance Sub-Committee of the Valuation, Insurance and Compliance Committee (since February 2007); formerly, variously, Admiral in the U.S. Navy, Director of Naval Nuclear Propulsion Program and Deputy Administrator—Naval Reactors in the National Nuclear Security Administration at the U.S. Department of Energy (1996-2004). Honorary Knight Commander of the Most Excellent Order of the British Empire. 171 Director of the National Energy Foundation, the U.S. Energy Association, the American Council for Capital Formation and the Armed Services YMCA of the USA. Michael Bozic (66)
c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since	April 1994 Private investor; Chairperson of the Valuation, Insurance and Compliance Committee (since October 2006); Director or Trustee of the Retail Funds (since April 1994) and the Institutional Funds (since July 2003); formerly, Chairperson of the Insurance Committee (July 2006-September 2006); Vice Chairman of Kmart Corporation (December 1998-October 2000), Chairman and Chief Executive Officer of Levitz Furniture Corporation (November 1995-November 1998) and President and Chief Executive Officer of Hills Department Stores (May 1991-July 1995); variously Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1991) of the Sears Merchandise Group of Sears, Roebuck & Co. 173 Director of various business organizations.

Morgan Stanley Quality Municipal Securities

Trustee and Officer Information (unaudited) continued

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant Office and Length of Time	Term of
Served* Principal Occupation(s) During Past 5 Years in Fund Complex Overseen by Independent Trustee** Other Directorships	Number of Portfolios Held by Independent Trustee	Number of Portfolios Held by Independent Trustee
Kathleen A. Dennis (54) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since August 2006
President, Cedarwood Associates (mutual fund consulting) (since July 2006); Chairperson of the Money Market and Alternatives Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); formerly, Senior Managing Director of Victory Capital Management (1993-2006).	171	None.
Dr. Manuel H. Johnson (58) c/o Johnson Smick Group, Inc. 888 16th Street, N.W. Suite 740 Washington, D.C. 20006	Trustee	Since July 1991
Senior Partner, Johnson Smick International, Inc. (consulting firm); Chairperson of the Investment Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2003); Co-Chairman and a founder of the Group of Seven Council (G7C) (international economic commission); formerly, Chairperson of the Audit Committee (July 1991-September 2006); Vice Chairman of the Board of Governors of the Federal Reserve System and Assistant Secretary of the U.S. Treasury.	173	Director of NVR, Inc. (home construction); Director of Evergreen Energy.
Joseph J. Kearns (65) c/o Kearns & Associates LLC PMB754 23852 Pacific Coast Highway Malibu, CA 90265	Trustee	Since August 1994
President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since August 1994); formerly, Deputy Chairperson of the Audit Committee (July 2003- September 2006) and Chairperson of the Audit		

Committee of the Institutional Funds (October 2001-July 2003); CFO of the J. Paul Getty Trust. 174 Director of Electro Rent Corporation (equipment leasing), The Ford Family Foundation, and the UCLA Foundation.

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Morgan Stanley Quality Municipal Securities

Trustee and Officer Information (unaudited) continued

Name, Age and Address of Independent Trustee	Position(s) Held with Registrant Office and Length of Time	Term of
Served* Principal Occupation(s) During Past 5 Years in Fund Complex Overseen by Independent Trustee** Other Directorships	Number of Portfolios Held by Independent Trustee	Number of Portfolios Held by Independent Trustee
Michael F. Klein (48)	171	171
c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee	Since
August 2006	Managing Director, Aetos Capital, LLC (since March 2000) and Co-President, Aetos Alternatives Management, LLC (since January 2004); Chairperson of the Fixed-Income Sub-Committee of the Investment Committee (since October 2006) and Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); formerly, Managing Director, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management, President, Morgan Stanley Institutional Funds (June 1998-March 2000) and Principal, Morgan Stanley & Co. Inc. and Morgan Stanley Dean Witter Investment Management (August 1997-December 1999). Director of certain investment funds managed or sponsored by Aetos Capital, LLC. Director of Sanitized AG and Sanitized Marketing AG (specialty chemicals).	Michael E. Nugent (71)
c/o Triumph Capital, L.P. 445 Park Avenue New York, NY 10022	Chairperson of the Board and Trustee Chairperson of the Boards since July 2006 and Trustee since	July 2006
July 1991	General Partner, Triumph Capital, L.P. (private investment partnership); Chairperson of the Boards of the Retail Funds and Institutional Funds (since July 2006); Director or Trustee of the Retail Funds (since July 1991) and the Institutional Funds (since July 2001); formerly, Chairperson of the Insurance Committee (until July 2006); Vice President, Bankers Trust Company and BT Capital Corporation (1984-1988).	None
173	W. Allen Reed (60) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Trustees 1177 Avenue of the Americas New York, NY 10036	Trustee
August 2006	Chairperson of the Equity Sub-Committee of the Investment Committee (since October 2006) and	Since

Director or Trustee of various Retail Funds and Institutional Funds (since August 2006); formerly, President and CEO of General Motors Asset Management; Chairman and Chief Executive Officer of the GM Trust Bank and Corporate Vice President of General Motors Corporation (August 1994-December 2005). 171 Director of GMAC (financial services) and Temple-Inland Industries (packaging, banking and forest products); Director of Legg Mason, Inc. and Director of the Auburn University Foundation. Fergus Reid (75)

c/o Lumelite Plastics Corporation

85 Charles Colman Blvd.

Pawling, NY 12564

Trustee

Since

June 1992

Chairman of Lumelite Plastics Corporation; Chairperson of the Governance Committee and Director or Trustee of the Retail Funds (since July 2003) and the Institutional Funds (since June 1992). 174 Trustee and Director of certain investment companies in the JPMorgan Funds complex managed by J.P. Morgan Investment Management Inc.

Morgan Stanley Quality Municipal Securities

Trustee and Officer Information (unaudited) continued

Interested Trustee:

Name, Age and Address of Interested Trustee	Position(s) Held with Registrant Office and Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Interested Trustee**	Other Directorships Held by Interested Trustee
James F. Higgins (59) c/o Morgan Stanley Trust Harborside Financial Center Plaza Two Jersey City, NJ 07311 Trustee Since June 2000				

Director or Trustee of the Retail Funds (since June 2000) and the Institutional Funds (since July 2003); Senior Advisor of Morgan Stanley (since August 2000). 173 Director of AXA Financial, Inc. and The Equitable Life Assurance Society of the United States (financial services).

\* This is the earliest date the Trustee began serving the funds advised by Morgan Stanley Investment Advisors Inc. (the "Investment Adviser") (the "Retail Funds") or the funds advised by Morgan Stanley Investment Management Inc. and Morgan Stanley AIP GP LP (the "Institutional Funds"). \*\* The Fund Complex includes all open-end and closed-end funds (including all of their portfolios) advised by the Investment Adviser and any funds that have an investment adviser that is an affiliated person of the Investment Adviser (including, but not limited to, Morgan Stanley Investment Management Inc.).

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Morgan Stanley Quality Municipal Securities

Trustee and Officer Information (unaudited) continued

Executive Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Term of Office and Length of Time
Served*	Principal Occupation(s)	During Past 5 Years
<p>Ronald E. Robison (68) 522 Fifth Avenue New York, NY 10036 President and Principal Executive Officer</p> <p>President since September 2005 and Principal Executive Officer since May 2003 President (since September 2005) and Principal Executive Officer (since May 2003) of funds in the Fund Complex; President (since September 2005) and Principal Executive Officer (since May 2003) of the Van Kampen Funds; Managing Director, Director and/or Officer of the Investment Adviser and various entities affiliated with the Investment Adviser; Director of Morgan Stanley SICAV (since May 2004). Formerly, Executive Vice President (July 2003-September 2005) of funds in the Fund Complex and the Van Kampen Funds; President and Director of the Institutional Funds (March 2001-July 2003); Chief Administrative Officer of the Investment Adviser; Chief Administrative Officer of Morgan Stanley Services Company Inc. J. David Germany (53) Morgan Stanley Investment Management Limited 20 Bank Street Canary Wharf, London, England E14 4AD Vice President Since February 2006 Managing Director and (since December 2005) Chief Investment Officer – Global Fixed Income of Morgan Stanley Investment Management; Managing Director and Director of Morgan Stanley Investment Management Limited; Vice President of the Retail Funds and Institutional Funds (since February 2006). Dennis F. Shea (54) 522 Fifth Avenue New York, NY 10036 Vice President Since February 2006 Managing Director and (since February 2006) Chief Investment Officer – Global Equity of Morgan Stanley Investment Management; Vice President of the Retail Funds and Institutional Funds (since February 2006). Formerly, Managing Director and Director of Global Equity Research at Morgan Stanley. Amy R. Doberman (45) 522 Fifth Avenue New York, NY 10036 Vice President Since July 2004 Managing Director and General Counsel, U.S. Investment Management of Morgan Stanley Investment Management (since July 2004); Vice President of the Retail Funds and Institutional Funds (since July 2004); Vice President of the Van Kampen Funds (since August 2004); Secretary (since February 2006) and Managing Director (since July 2004) of the Investment Adviser and various entities affiliated with the Investment Adviser. Formerly, Managing Director and General Counsel – Americas, UBS Global Asset Management (July 2000-July 2004). Carsten Otto (43)</p>		

522 Fifth Avenue  
New York, NY 10036 Chief Compliance  
Officer Since October

2004 Managing Director and Global Director of Compliance for Morgan Stanley Investment Management (since April 2007); Managing Director and Chief Compliance Officer of Morgan Stanley Investment Management. Formerly, U.S. Director of Compliance (October 2004-April 2007) and Assistant Secretary and Assistant General Counsel of the Retail Funds. Stefanie V. Chang Yu (40)

522 Fifth Avenue  
New York, NY 10036  
Vice President  
Since December 1997

Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Vice President of the Retail Funds (since July 2002) and the Institutional Funds (since December 1997). Formerly, Secretary of various entities affiliated with the Investment Adviser.

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Morgan Stanley Quality Municipal Securities

Trustee and Officer Information (unaudited) continued

	Name, Age and Address of
Executive Officer	Position(s)
	Held with
	Registrant
	Term of
	Office and
	Length of
	Time
Served*	Principal Occupation(s) During Past 5 Years
	Francis J. Smith (42)
	c/o Morgan Stanley Trust
	Harborside Financial Center
	Plaza Two
	Jersey City, NJ 07311
	Treasurer and Chief Financial Officer
	Treasurer since July 2003 and Chief Financial Officer since September 2002
	Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Treasurer and Chief Financial Officer of the Retail Funds (since July 2003). Formerly, Vice President of the Retail Funds (September 2002 to July 2003).
	Mary E. Mullin (40)
	522 Fifth Avenue
	New York, NY 10036
	Secretary
	Since June 1999
	Executive Director of the Investment Adviser and various entities affiliated with the Investment Adviser; Secretary of the Retail Funds (since July 2003) and the Institutional Funds (since June 1999).

\* This is the earliest date the Officer began serving the Retail Funds or Institutional Funds.

In accordance with Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, the Trust's Annual CEO Certification certifying as to compliance with NYSE's Corporate Governance Listing Standards was submitted to the Exchange on August 8, 2007.

The Trust's Principal Executive Officer and Principal Financial Officer Certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 were filed with the Trust's N-CSR and are available on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

2007 Federal Tax Notice (unaudited)

For Federal income tax purposes, the following information is furnished with respect to the distributions paid by the Trust during its taxable year ended October 31, 2007. The Trust designated 100% of its income dividends as

tax-exempt income dividends. The Trust designated and paid \$1,046,937 as a long-term capital gain distribution.

In January, the Trust provides tax information to shareholders for the preceding calendar year.

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## **Trustees**

Frank L. Bowman  
Michael Bozic  
Kathleen A. Dennis  
James F. Higgins  
Dr. Manuel H. Johnson  
Joseph J. Kearns  
Michael E. Klein  
Michael E. Nugent  
W. Allen Reed  
Fergus Reid

## **Officers**

Michael E. Nugent  
*Chairperson of the Board*

Ronald E. Robison  
*President and Principal Executive Officer*

J. David Germany  
*Vice President*

Dennis F. Shea  
*Vice President*

Amy R. Doberman  
*Vice President*

Carsten Otto  
*Chief Compliance Officer*

Stefanie V. Chang Yu  
*Vice President*

Francis J. Smith  
*Treasurer and Chief Financial Officer*

Mary E. Mullin  
*Secretary*

## **Transfer Agent**

Computershare Trust Company, N.A.  
P.O. Box 43078  
Providence, RI 02940-3078

**Independent Registered Public Accounting Firm**

Deloitte & Touche LLP  
Two World Financial Center  
New York, New York 10281

**Legal Counsel**

Clifford Chance US LLP  
31 West 52nd Street  
New York, New York 10019

**Counsel to the Independent Trustees**

Kramer Levin Naftalis & Frankel LLP  
1177 Avenue of the Americas  
New York, New York 10036

**Investment Adviser**

Morgan Stanley Investment Advisors Inc.  
522 Fifth Avenue  
New York, New York 10036

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IQMANNIU07-05386P-Y10/07

MORGAN STANLEY FUNDS

Morgan Stanley  
Quality Municipal  
Securities

Annual Report  
October 31, 2007



Item 2. Code of Ethics.

(a) The Trust has adopted a code of ethics (the Code of Ethics ) that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these individuals are employed by the Trust or a third party.

(b) No information need be disclosed pursuant to this paragraph.

(c) Not applicable.

(d) Not applicable.

(e) Not applicable.

(f)

(1)

The Trust's Code of Ethics is attached hereto as Exhibit 12 A.

(2)

Not applicable.

(3)

Not applicable.

Item 3. Audit Committee Financial Expert.

The Trust's Board of Trustees has determined that Joseph J. Kearns, an independent Trustee, is an audit committee financial expert serving on its audit committee. Under applicable securities laws, a person who is determined to be an audit committee financial expert will not be deemed an expert for any purpose, including without limitation for the purposes of Section 11 of the Securities Act of 1933, as a result of being designated or identified as an audit committee financial expert. The designation or identification of a person as an audit committee financial expert does not impose on such person any duties, obligations, or liabilities that are greater than the duties, obligations, and liabilities imposed on such person as a member of the audit committee and Board of Trustees in the absence of such designation or identification.





Item 4. Principal Accountant Fees and Services.

(a)(b)(c)(d) and (g). Based on fees billed for the periods shown:

**2007**

**Registrant**

**Covered Entities(1)**

**Audit Fees**

\$28,750

N/A

**Non-Audit Fees**

**Audit-Related Fees**

\$5,750(2)

\$5,041,000(2)

**Tax Fees**

\$5,047(3)

\$761,000(4)

**All Other Fees**

\$

\$

**Total Non-Audit Fees**

\$10,797

\$5,802,000

**Total**

\$39,547

\$5,802,000

**2006**

**Registrant**

**Covered Entities(1)**

**Audit Fees**

\$28,800

N/A

**Non-Audit Fees**

**Audit-Related Fees**

\$6,096(2)

\$5,217,590(2)

**Tax Fees**

\$4,900(3)

\$1,472,895 (4)

**All Other Fees**

\$

\$ (5)

**Total Non-Audit Fees**

\$10,996

\$6,690,485

**Total**

\$39,796

\$6,690,485

N/A- Not applicable, as not required by Item 4.

(1)

Covered Entities include the Adviser (excluding sub-advisors) and any entity controlling, controlled by or under common control with the Adviser that provides ongoing services to the Registrant.

(2)

Audit-Related Fees represent assurance and related services provided that are reasonably related to the performance of the audit of the financial statements of the Covered Entities and funds advised by the Adviser or its affiliates, specifically data verification and agreed-upon procedures related to asset securitizations and agreed-upon procedures engagements.

(3)

Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the preparation and review of the Registrant's tax returns.

(4)

Tax Fees represent tax compliance, tax planning and tax advice services provided in connection with the review of Covered Entities' tax returns.

(5)

All other fees represent project management for future business applications and improving business and operational processes.

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(e)(1) The audit committee's pre-approval policies and procedures are as follows:

**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, 2004,1**

**1. 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.

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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.





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.

## **2. 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.

## **3. 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).

## **4. 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).

## **5. 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).

## **6. 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).

## **7. 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.

## **8. 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.

## **9. 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 Independence Standards Board No. 1, and discussing with the Independent Auditors its methods and procedures for ensuring independence.

## **10. 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

Van Kampen Asset Management

Morgan Stanley Services Company, Inc.

Morgan Stanley Distributors Inc.

Morgan Stanley Trust FSB

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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

(e)(2) Beginning with non-audit service contracts entered into on or after May 6, 2003, the audit committee also is required to pre-approve services to Covered Entities to the extent that the services are determined to have a direct impact on the operations or financial reporting of the Registrant. 100% of such services were pre-approved by the audit committee pursuant to the Audit Committee's pre-approval policies and procedures (attached hereto).

(f) Not applicable.

(g) See table above.

(h) The audit committee of the Board of Trustees has considered whether the provision of services other than audit services performed by the auditors to the Registrant and Covered Entities is compatible with maintaining the auditors independence in performing audit services.

Item 5. Audit Committee of Listed Registrants.

(a) The Trust has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act whose members are:

Joseph Kearns, Michael Nugent and Allen Reed.

(b) Not applicable.

Item 6.

See Item 1.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies.





The Trust invests in exclusively non-voting securities and therefore this item is not applicable.

#### Item 8. Portfolio Managers of Closed-End Management Investment Companies

**PORTFOLIO MANAGEMENT.** As of the date of this report, the Fund is managed within the Morgan Stanley Municipals team. The team consists of portfolio managers and analysts. Current members of the team jointly and primarily responsible for the day-to-day management of the Fund's portfolio are Steven K. Kreider and Neil Stone, each a Managing Director of the Investment Adviser.

Mr. Kreider has been associated with the Investment Adviser in an investment management capacity since February 1988 and began managing the Fund in September 2007. Mr. Stone has been associated with the Investment Adviser in an investment management capacity since March 1995 and began managing the Fund in September 2007.

The composition of the team may change from time to time.

#### **OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS**

The following information is as of October 31, 2007:

Steven K. Kreider managed 45 registered investment companies with a total of approximately \$35.3 billion in assets; no pooled investment vehicles other than registered investment companies; and 68 other accounts (which include separate accounts managed under certain wrap fee programs ) with a total of approximately \$12.9 billion in assets. Of these other accounts, 3 accounts with a total of approximately \$1.0 billion in assets had performance-based fees.

Neil Stone managed 19 registered investment companies with a total of approximately \$7.8 billion in assets; no pooled investment vehicles other than registered investment companies; and 18 other accounts (which include separate accounts managed under certain wrap fee programs ) with a total of approximately \$4.5 billion in assets.

Because the portfolio managers manage assets for other investment companies, pooled investment vehicles and/or other accounts (including institutional clients, pension plans and certain high net worth individuals), there may be an incentive to favor one client over another resulting in conflicts of interest. For instance, the Investment Adviser may receive fees from certain accounts that are higher than the fee it receives from the Fund, or it may receive a performance-based fee on certain accounts. In those instances, the portfolio managers may have an incentive to favor the higher and/or performance-based fee accounts over the Fund. In addition, a conflict of interest could exist to the extent the Investment Adviser has proprietary investments in certain accounts, where portfolio managers have personal investments in certain accounts or when certain accounts are investment options in the Investment Adviser's employee benefits and/or deferred compensation plans. The portfolio manager may have an incentive to favor these accounts over others. If the Investment Adviser manages accounts that engage in short sales of securities of the type in which the Fund invests, the Investment Adviser could be seen as harming the performance of the Fund for the benefit of the accounts engaging in short sales if the short sales cause the market value of the securities to fall. The Investment Adviser has adopted trade allocation and other policies and procedures that it believes are reasonably designed to address these and other conflicts of interest.

#### **PORTFOLIO MANAGER COMPENSATION STRUCTURE**

Portfolio managers receive a combination of base compensation and discretionary compensation, comprising a cash bonus and several deferred compensation programs described below. The methodology used to determine portfolio manager compensation is applied across all funds/accounts managed by the portfolio managers.

BASE SALARY COMPENSATION. Generally, portfolio managers receive base salary compensation based on the level of their position with the Investment Adviser.



**DISCRETIONARY COMPENSATION.** In addition to base compensation, portfolio managers may receive discretionary compensation.

Discretionary compensation can include:

Cash Bonus.

Morgan Stanley's Long Term Incentive Compensation awards - a mandatory program that defers a portion of discretionary year-end compensation into restricted stock units or other awards based on Morgan Stanley common stock or other investments that are subject to vesting and other conditions.

Investment Management Alignment Plan (IMAP) awards - a mandatory program that defers a portion of discretionary year-end compensation and notionally invests it in designated funds advised by the Investment Adviser or its affiliates. The award is subject to vesting and other conditions. Portfolio managers must notionally invest a minimum of 25% to a maximum of 100% of the IMAP deferral into a combination of the designated funds they manage that are included in the IMAP fund menu, which may or may not include the Fund.

Voluntary Deferred Compensation Plans - voluntary programs that permit certain employees to elect to defer a portion of their discretionary year-end compensation and directly or notionally invest the deferred amount: (1) across a range of designated investment funds, including funds advised by the Investment Adviser or its affiliates; and/or (2) in Morgan Stanley stock units.

Several factors determine discretionary compensation, which can vary by portfolio management team and circumstances. In order of relative importance, these factors include:

Investment performance. A portfolio manager's compensation is linked to the pre-tax investment performance of the funds/accounts managed by the portfolio manager. Investment performance is calculated for one-, three- and five-year periods measured against a fund's/account's primary benchmark (as set forth in the fund's prospectus), indices and/or peer groups where applicable. Generally, the greatest weight is placed on the three- and five-year periods.

Revenues generated by the investment companies, pooled investment vehicles and other accounts managed by the portfolio manager.

Contribution to the business objectives of the Investment Adviser.

The dollar amount of assets managed by the portfolio manager.

Market compensation survey research by independent third parties.

Other qualitative factors, such as contributions to client objectives.

Performance of Morgan Stanley and Morgan Stanley Investment Management, and the overall performance of the investment team(s) of which the portfolio manager is a member.

#### SECURITIES OWNERSHIP OF PORTFOLIO MANAGERS

As of October 31, 2007, the portfolio managers did not own any shares of the Fund.



Item 9. Closed-End Fund Repurchases

**REGISTRANT PURCHASE OF EQUITY SECURITIES**

Period

(a) Total Number of Shares (or Units) Purchased

(b) Average Price Paid per Share (or Unit)

(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs

(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs

November 1  
November 30

29,300

14.6410

N/A

N/A

December 1  
December 31

18,700

14.7177

N/A

N/A

January 1  
January 31

26,300

14.6587

N/A

N/A

February 1  
February 28

34,700

14.6633

N/A

N/A

March 1  
March 31

23,500

14.7344

N/A

N/A

April 1  
April 30

22,000

14.7395

N/A

N/A

May 1  
May 31

24,100

14.7916

N/A

N/A

June 1  
June 30

37,600

14.3516

N/A

N/A

July 1  
July 31

22,050

14.1318

N/A

N/A

August 1  
August 31

25,100

13.8319

N/A

N/A

September 1  
September 30

21,200

14.0422

N/A

N/A

October 1  
October 31

21,028

13.8292

N/A

N/A

Total

305,578

14.4278

N/A

N/A

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Item 10. Submission of Matters to a Vote of Security Holders

Not applicable.

Item 11. Controls and Procedures

(a) The Trust's principal executive officer and principal financial officer have concluded that the Trust's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12. Exhibits

(a) The Code of Ethics for Principal Executive and Senior Financial Officers is attached hereto.

(b) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto as part of EX-99.CERT.



## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Morgan Stanley Quality Municipal Securities

/s/ Ronald E. Robison

Ronald E. Robison  
Principal Executive Officer  
December 20, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Ronald E. Robison

Ronald E. Robison  
Principal Executive Officer  
December 20, 2007

/s/ Francis Smith

Francis Smith  
Principal Financial Officer  
December 20, 2007



**EXHIBIT 12 A**

**CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL**

**OFFICERS**

**ADOPTED SEPTEMBER 28, 2004, AS AMENDED SEPTEMBER 20, 2005**

**I.**

This Code of Ethics (the Code ) for the investment companies within the Morgan Stanley complex identified in Exhibit A (collectively, Funds and each, a Fund ) applies to each Fund s Principal Executive Officer, President, Principal Financial Officer and Treasurer (or persons performing similar functions) ( Covered Officers each of whom are set forth in Exhibit B) for the purpose of promoting:

honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

full, fair, accurate, timely and understandable disclosure in reports and documents that a company files with, or submits to, the Securities and Exchange Commission ( SEC ) and in other public communications made by the Fund;

compliance with applicable laws and governmental rules and regulations;

prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code; and

accountability for adherence to the Code.

Each Covered Officer should adhere to a high standard of business ethics and should be sensitive to situations that may give rise to actual as well as apparent conflicts of interest. Any question about the application of the Code should be referred to the General Counsel or his/her designee (who is set forth in Exhibit C).

## **II.**

### **Covered Officers Should Handle Ethically Actual and Apparent Conflicts of Interest**

**Overview.** A conflict of interest occurs when a Covered Officer's private interest interferes, or appears to interfere, with the interests of, or his service to, the Fund. For example, a conflict of interest would arise if a Covered Officer, or a member of his family, receives improper personal benefits as a result of his position with the Fund.

Certain conflicts of interest arise out of the relationships between Covered Officers and the Fund and already are subject to conflict of interest provisions in the



Investment Company Act of 1940 ( Investment Company Act ) and the Investment Advisers Act of 1940 ( Investment Advisers Act ). For example, Covered Officers may not individually engage in certain transactions (such as the purchase or sale of securities or other property) with the Fund because of their status as affiliated persons (as defined in the Investment Company Act) of the Fund. The Fund's and its investment adviser's compliance programs and procedures are designed to prevent, or identify and correct, violations of these provisions. This Code does not, and is not intended to, repeat or replace these programs and procedures, and such conflicts fall outside the parameters of this Code, unless or until the General Counsel determines that any violation of such programs and procedures is also a violation of this Code.

Although typically not presenting an opportunity for improper personal benefit, conflicts may arise from, or as a result of, the contractual relationship between the Fund and its investment adviser of which the Covered Officers are also officers or employees. As a result, this Code recognizes that the Covered Officers will, in the normal course of their duties (whether formally for the Fund or for the investment adviser, or for both), be involved in establishing policies and implementing decisions that will have different effects on the Fund and its investment adviser. The participation of the Covered Officers in such activities is inherent in the contractual relationship between the Fund and the investment adviser and is consistent with the performance by the Covered Officers of their duties as officers of the Fund. Thus, if performed in conformity with the provisions of the Investment Company Act and the Investment Advisers Act, such activities will be deemed to have been handled ethically. In addition, it is recognized by the Funds Boards of Directors/Trustees ( Boards ) that the Covered Officers may also be officers or employees of one or more other investment companies covered by this or other codes.

Other conflicts of interest are covered by the Code, even if such conflicts of interest are not subject to provisions in the Investment Company Act and the Investment Advisers Act. The following list provides examples of conflicts of interest under the Code, but Covered Officers should keep in mind that these examples are not exhaustive. The overarching principle is that the personal interest of a Covered Officer should not be placed improperly before the interest of the Fund.

Each Covered Officer must not:

use his personal influence or personal relationships improperly to influence investment decisions or financial reporting by the Fund whereby the Covered Officer would benefit personally (directly or indirectly);

cause the Fund to take action, or fail to take action, for the individual personal benefit of the Covered Officer rather than the benefit of the Fund; or

use material non-public knowledge of portfolio transactions made or contemplated for, or actions proposed to be taken by, the Fund to trade personally or cause others to trade personally in contemplation of the market effect of such transactions.



Each Covered Officer must, at the time of signing this Code, report to the General Counsel all affiliations or significant business relationships outside the Morgan Stanley complex and must update the report annually.

Conflict of interest situations should always be approved by the General Counsel and communicated to the relevant Fund or Fund's Board. Any activity or relationship that would present such a conflict for a Covered Officer would likely also present a conflict for the Covered Officer if an immediate member of the Covered Officer's family living in the same household engages in such an activity or has such a relationship. Examples of these include:

service or significant business relationships as a director on the board of any public or private company;

accepting directly or indirectly, anything of value, including gifts and gratuities in excess of \$100 per year from any person or entity with which the Fund has current or prospective business dealings, not including occasional meals or tickets for theatre or sporting events or other similar entertainment; provided it is business-related, reasonable in cost, appropriate as to time and place, and not so frequent as to raise any question of impropriety;

any ownership interest in, or any consulting or employment relationship with, any of the Fund's service providers, other than its investment adviser, principal underwriter, or any affiliated person thereof; and

a direct or indirect financial interest in commissions, transaction charges or spreads paid by the Fund for effecting portfolio transactions or for selling or redeeming shares other than an interest arising from the Covered Officer's employment, such as compensation or equity ownership.

### **III.**

#### **Disclosure and Compliance**

Each Covered Officer should familiarize himself/herself with the disclosure and compliance requirements generally applicable to the Funds;

each Covered Officer must not knowingly misrepresent, or cause others to misrepresent, facts about the Fund to others, whether within or outside the Fund, including to the Fund's Directors/Trustees and auditors, or to governmental regulators and self-regulatory organizations;

each Covered Officer should, to the extent appropriate within his area of responsibility, consult with other officers and employees of the Funds and their investment advisers with the goal of promoting full, fair, accurate, timely and understandable disclosure in the reports and documents the Funds file with, or submit to, the SEC and in other public communications made by the Funds; and



it is the responsibility of each Covered Officer to promote compliance with the standards and restrictions imposed by applicable laws, rules and regulations.

#### **IV.**

##### **Reporting and Accountability**

Each Covered Officer must:

upon adoption of the Code (thereafter as applicable, upon becoming a Covered Officer), affirm in writing to the Boards that he has received, read and understands the Code;

annually thereafter affirm to the Boards that he has complied with the requirements of the Code;

not retaliate against any other Covered Officer, other officer or any employee of the Funds or their affiliated persons for reports of potential violations that are made in good faith; and

notify the General Counsel promptly if he/she knows or suspects of any violation of this Code. Failure to do so is itself a violation of this Code.

The General Counsel is responsible for applying this Code to specific situations in which questions are presented under it and has the authority to interpret this Code in any particular situation. However, any waivers<sup>2</sup> sought by a Covered Officer must be considered by the Board of the relevant Fund or Funds.

The Funds will follow these procedures in investigating and enforcing this Code:

the General Counsel will take all appropriate action to investigate any potential violations reported to him;

if, after such investigation, the General Counsel believes that no violation has occurred, the General Counsel is not required to take any further action;

any matter that the General Counsel believes is a violation will be reported to the relevant Fund's Audit Committee;

if the directors/trustees/managing general partners who are not interested persons as defined by the Investment Company Act (the Independent Directors/Trustees/Managing General Partners) of the relevant Fund concur that a violation has occurred, they will consider appropriate action,

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Item 2 of Form N-CSR defines waiver as the approval by the registrant of a material departure from a provision of the code of ethics.





which may include review of, and appropriate modifications to, applicable policies and procedures; notification to appropriate personnel of the investment adviser or its board; or a recommendation to dismiss the Covered Officer or other appropriate disciplinary actions;

the Independent Directors/Trustees/Managing General Partners of the relevant Fund will be responsible for granting waivers of this Code, as appropriate; and

any changes to or waivers of this Code will, to the extent required, be disclosed as provided by SEC rules.

## **V.**

### **Other Policies and Procedures**

This Code shall be the sole code of ethics adopted by the Funds for purposes of Section 406 of the Sarbanes-Oxley Act of 2002 and the rules and forms applicable to registered investment companies thereunder. Insofar as other policies or procedures of the Funds, the Funds' investment advisers, principal underwriters, or other service providers govern or purport to govern the behavior or activities of the Covered Officers who are subject to this Code, they are superseded by this Code to the extent that they overlap or conflict with the provisions of this Code unless any provision of this Code conflicts with any applicable federal or state law, in which case the requirements of such law will govern. The Funds and their investment advisers and principal underwriters' codes of ethics under Rule 17j-1 under the Investment Company Act and Morgan Stanley's Code of Ethics are separate requirements applying to the Covered Officers and others, and are not part of this Code.

## **VI.**

### **Amendments**

Any amendments to this Code, other than amendments to Exhibits A, B or C, must be approved or ratified by a majority vote of the Board of each Fund, including a majority of Independent Directors/Trustees/Managing General Partners.

## **VII.**

### **Confidentiality**

All reports and records prepared or maintained pursuant to this Code will be considered confidential and shall be maintained and protected accordingly. Except as otherwise required by law or this Code, such matters shall not be

disclosed to anyone other than the Independent Directors/Trustees/Managing General Partners of the relevant Fund or Funds and their counsel, the relevant Fund or Funds and their counsel and the relevant investment adviser and its counsel.



**VIII.**

**Internal Use**

The Code is intended solely for the internal use by the Funds and does not constitute an admission, by or on behalf of any Fund, as to any fact, circumstance, or legal conclusion

I have read and understand the terms of the above Code. I recognize the responsibilities and obligations incurred by me as a result of my being subject to the Code. I hereby agree to abide by the above Code.

Date:



**Exhibit A**

**Fund List**

at

**October 31, 2007**

**RETAIL FUNDS**

***Open-End Retail Funds***

**Taxable Money Market Funds**

1.

Active Assets Government Securities Trust ( *AA Government* )

2.

Active Assets Institutional Government Securities Trust ( *AA Institutional Government* )

3.

Active Assets Institutional Money Trust ( *AA Institutional Money* )

4.

Active Assets Money Trust ( *AA Money* )

5.

Morgan Stanley Liquid Asset Fund Inc. ( *Liquid Asset* )

6.

Morgan Stanley U.S. Government Money Market Trust ( *Government Money* )

**Tax-Exempt Money Market Funds**

7.

Active Assets California Tax-Free Trust ( *AA California* )

8.

Active Assets Tax-Free Trust ( *AA Tax-Free* )

9.

Morgan Stanley California Tax-Free Daily Income Trust ( *California Tax-Free Daily* )

10.

Morgan Stanley New York Municipal Money Market Trust ( *New York Money* )

11.

Morgan Stanley Tax-Free Daily Income Trust ( *Tax-Free Daily* )

**Equity Funds**

12.

Morgan Stanley Allocator Fund ( *Allocator Fund* )+

13.

Morgan Stanley Capital Opportunities Trust ( *Capital Opportunities* )+

14.

Morgan Stanley Developing Growth Securities Trust ( *Developing Growth* )+

15.

*Morgan Stanley Series Funds Diversified Large Cap Equity*

16.

*Morgan Stanley Series Funds Diversified International Equity Fund*

17.

Morgan Stanley Dividend Growth Securities Inc. ( *Dividend Growth* )+

18.

Morgan Stanley Equally-Weighted S&P 500 Fund ( *Equally-Weighted S&P 500* )+

19.

Morgan Stanley European Equity Fund Inc. ( *European Equity* )+

20.

Morgan Stanley Financial Services Trust ( *Financial Services* )+

21.

Morgan Stanley Focus Growth Fund ( *Focus Growth* )+

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22.

Morgan Stanley Fundamental Value Fund ( *Fundamental Value* )+

23.

Morgan Stanley FX Series FX Alpha Plus Strategy Portfolio ( *Alpha Plus* )+

24.

Morgan Stanley FX Series FX Alpha Strategy Portfolio ( *Alpha* )+

25.

Morgan Stanley Global Advantage Fund ( *Global Advantage* )+

26.

Morgan Stanley Global Dividend Growth Securities ( *Global Dividend Growth* )+

27.

Morgan Stanley Health Sciences Trust ( *Health Sciences* )+

28.

Morgan Stanley Institutional Strategies Fund ( *Institutional Strategies* )+

29.

Morgan Stanley International Fund ( *International Fund* )+

30.

Morgan Stanley International SmallCap Fund ( *International SmallCap* )+

31.

Morgan Stanley International Value Equity Fund ( *International Value* )+

32.

Morgan Stanley Japan Fund ( *Japan Fund* )+

33.

Morgan Stanley Mid-Cap Value Fund ( *Mid-Cap Value* )+

34.

Morgan Stanley Multi-Asset Class Fund ( *Multi-Asset Class* )+

35.

Morgan Stanley Nasdaq-100 Index Fund ( *Nasdaq-100* )+

36.

Morgan Stanley Natural Resource Development Securities Inc. ( *Natural Resource* )+

37.

Morgan Stanley Pacific Growth Fund Inc. ( *Pacific Growth* )+

38.

Morgan Stanley Real Estate Fund ( *Real Estate* )+

39.

Morgan Stanley Small-Mid Special Value Fund ( *Small-Mid Special Value* )+

40.

Morgan Stanley S&P 500 Index Fund ( *S&P 500 Index* )+

41.

Morgan Stanley Special Growth Fund ( *Special Growth* )+

42.

Morgan Stanley Special Value Fund ( *Special Value* )+

43.

Morgan Stanley Technology Fund ( *Technology Fund* )+

44.

Morgan Stanley Total Market Index Fund ( *Total Market Index* )+

45.

Morgan Stanley Utilities Fund ( *Utilities Fund* )+

46.

Morgan Stanley Value Fund ( *Value Fund* )+

**Balanced Funds**

47.

Morgan Stanley Balanced Fund ( *Balanced* )+

**Asset Allocation Fund**

48.

Morgan Stanley Strategist Fund ( *Strategist Fund* )+

**Taxable Fixed-Income Funds**

49.

Morgan Stanley Convertible Securities Trust ( *Convertible Securities* )+

50.

Morgan Stanley Flexible Income Trust ( *Flexible Income* )+

51.

Morgan Stanley Income Trust ( *Income Trust* )+

52.

Morgan Stanley High Yield Securities Inc. ( *High Yield Securities* )+

53.

Morgan Stanley Limited Duration Fund ( *Limited Duration Fund* )

54.

Morgan Stanley Limited Duration U.S. Treasury Trust ( *Limited Duration Treasury* )

55.

Morgan Stanley Mortgage Securities Trust ( *Mortgage Securities* )+

56.

Morgan Stanley U.S. Government Securities Trust ( *Government Securities* )+

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**Tax-Exempt Fixed-Income Funds**

57.

Morgan Stanley California Tax-Free Income Fund ( *California Tax-Free* )+

58.

Morgan Stanley Limited Term Municipal Trust ( *Limited Term Municipal* )

59.

Morgan Stanley New York Tax-Free Income Fund ( *New York Tax-Free* )+

60.

Morgan Stanley Tax-Exempt Securities Trust ( *Tax-Exempt Securities* )+

**Special Purpose Funds**

61.

Morgan Stanley Select Dimensions Investment Series ( *Select Dimensions* )

Balanced Growth Portfolio

Capital Opportunities Portfolio

Developing Growth Portfolio

Dividend Growth Portfolio

Equally-Weighted S&P 500 Portfolio

Flexible Income Portfolio

Focus Growth Portfolio

Global Equity Portfolio

Growth Portfolio

Money Market Portfolio

Utilities Portfolio

62.

Morgan Stanley Variable Investment Series ( *Variable Investment* )

Aggressive Equity Portfolio

Dividend Growth Portfolio

Equity Portfolio

European Equity Portfolio

Global Advantage Portfolio

Global Dividend Growth Portfolio

High Yield Portfolio

Income Builder Portfolio

Limited Duration Portfolio

Money Market Portfolio

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Income Plus Portfolio

S&P 500 Index Portfolio

Strategist Portfolio

Utilities Portfolio

*Closed-End Retail Funds*

**Taxable Fixed-Income Closed-End Funds**

63.

Morgan Stanley Income Securities Inc. ( *Income Securities* )

64.

Morgan Stanley Prime Income Trust ( *Prime Income* )

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**Tax-Exempt Fixed-Income Closed-End Funds**

65.

Morgan Stanley California Insured Municipal Income Trust ( *California Insured Municipal* )

66.

Morgan Stanley California Quality Municipal Securities ( *California Quality Municipal* )

67.

Morgan Stanley Insured California Municipal Securities ( *Insured California Securities* )

68.

Morgan Stanley Insured Municipal Bond Trust ( *Insured Municipal Bond* )

69.

Morgan Stanley Insured Municipal Income Trust ( *Insured Municipal Income* )

70.

Morgan Stanley Insured Municipal Securities ( *Insured Municipal Securities* )

71.

Morgan Stanley Insured Municipal Trust ( *Insured Municipal Trust* )

72.

Morgan Stanley Municipal Income Opportunities Trust ( *Municipal Opportunities* )

73.

Morgan Stanley Municipal Income Opportunities Trust II ( *Municipal Opportunities II* )

74.

Morgan Stanley Municipal Income Opportunities Trust III ( *Municipal Opportunities III* )

75.

Morgan Stanley Municipal Premium Income Trust ( *Municipal Premium* )

76.

Morgan Stanley New York Quality Municipal Securities ( *New York Quality Municipal* )

77.

Morgan Stanley Quality Municipal Income Trust ( *Quality Municipal Income* )

78.

Morgan Stanley Quality Municipal Investment Trust ( *Quality Municipal Investment* )

79.

Morgan Stanley Quality Municipal Securities ( *Quality Municipal Securities* )

+ Denotes Retail Multi-Class Fund

### **INSTITUTIONAL FUNDS**

#### ***Open-End Institutional Funds***

1.

Morgan Stanley Institutional Fund, Inc. ( *Institutional Fund Inc.* )

*Active Portfolios:*

Active International Allocation Portfolio

Emerging Markets Portfolio

Emerging Markets Debt Portfolio

Focus Equity Portfolio

Global Franchise Portfolio

Global Real Estate Portfolio

Global Value Equity Portfolio

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International Equity Portfolio

International Growth Equity Portfolio

International Magnum Portfolio

International Real Estate Portfolio

International Small Cap Portfolio

Large Cap Relative Value Portfolio

Money Market Portfolio

Municipal Money Market Portfolio

Small Company Growth Portfolio

Systematic Active Large Cap Core Portfolio

Systematic Active Small Cap Core Portfolio

Systematic Active Small Cap Growth Portfolio

Systematic Active Small Cap Value Portfolio

U.S. Large Cap Growth Portfolio

U.S. Real Estate Portfolio

*Inactive Portfolios\*:*

China Growth Portfolio

Gold Portfolio

Large Cap Relative Value Portfolio

MicroCap Portfolio

Mortgage-Backed Securities Portfolio

Municipal Bond Portfolio

U.S. Equity Plus Portfolio

2.

Morgan Stanley Institutional Fund Trust ( *Institutional Fund Trust* )

*Active Portfolios:*

Advisory Portfolio

Advisory Foreign Fixed Income II Portfolio

Advisory Foreign Fixed Income Portfolio

Balanced Portfolio

Core Fixed Income Portfolio

Core Plus Fixed Income Portfolio

Equity Portfolio

Equity Plus Portfolio

High Yield Portfolio

Intermediate Duration Portfolio

International Fixed Income Portfolio

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\* Have not commenced or have ceased operations

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Investment Grade Fixed Income Portfolio

Limited Duration Portfolio

Long Duration Fixed Income Portfolio

Mid-Cap Growth Portfolio

Municipal Portfolio

U.S. Mid-Cap Value Portfolio

U.S. Small-Cap Value Portfolio

Value Portfolio

*Inactive Portfolios\*:*

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Balanced Plus Portfolio

Growth Portfolio

Investment Grade Credit Advisory Portfolio

Mortgage Advisory Portfolio

New York Municipal Portfolio

Targeted Duration Portfolio

Value II Portfolio

3.

The Universal Institutional Funds, Inc. ( *Universal Funds* )

*Active Portfolios:*

Core Plus Fixed Income Portfolio

Emerging Markets Debt Portfolio

Emerging Markets Equity Portfolio

Equity and Income Portfolio

Equity Growth Portfolio

Global Franchise Portfolio

Global Real Estate Portfolio

Global Value Equity Portfolio

High Yield Portfolio

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International Growth Equity Portfolio

International Magnum Portfolio

Mid-Cap Growth Portfolio

Small Company Growth Portfolio

U.S. Mid-Cap Value Portfolio

U.S. Real Estate Portfolio

Value Portfolio

*Inactive Portfolios\*:*

Balanced Portfolio

Capital Preservation Portfolio

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Core Equity Portfolio

International Fixed Income Portfolio

Investment Grade Fixed Income Portfolio

Latin American Portfolio

Multi-Asset Class Portfolio

Targeted Duration Portfolio

4.

Morgan Stanley Institutional Liquidity Funds ( *Liquidity Funds* )

*Active Portfolios:*

Government Portfolio

Money Market Portfolio

Prime Portfolio

Tax-Exempt Portfolio

Treasury Portfolio

*Inactive Portfolios\*:*

Government Securities Portfolio

Treasury Securities Portfolio

***Closed-End Institutional Funds***

5.

Morgan Stanley Asia-Pacific Fund, Inc. ( *Asia-Pacific Fund* )

6.

Morgan Stanley Eastern Europe Fund, Inc. ( *Eastern Europe* )

7.

Morgan Stanley Emerging Markets Debt Fund, Inc. ( *Emerging Markets Debt* )

8.

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Morgan Stanley Emerging Markets Fund, Inc. ( *Emerging Markets Fund* )

9.

Morgan Stanley Global Opportunity Bond Fund, Inc. ( *Global Opportunity* )

10.

Morgan Stanley High Yield Fund, Inc. ( *High Yield Fund* )

11.

The Latin American Discovery Fund, Inc. ( *Latin American Discovery* )

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The Malaysia Fund, Inc. ( *Malaysia Fund* )

13.

The Thai Fund, Inc. ( *Thai Fund* )

14.

The Turkish Investment Fund, Inc. ( *Turkish Investment* )

15.

India Investment Fund ( *India Investment* )

**Closed-End Fund of Hedge Funds**

16.

Morgan Stanley Institutional Fund of Hedge Funds ( *Fund of Hedge Funds* )

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\* Have not commenced or have ceased operations

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**In Registration**

**Morgan Stanley Retail Funds**

1.

Morgan Stanley American Franchise Fund

**Funds of Hedge Funds**

1.

Morgan Stanley Absolute Return Fund

2.

Morgan Stanley Institutional Fund of Hedge Funds II

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**EXHIBIT B**

**Institutional Funds**

**Covered Officers**

Ronald E. Robison President and Principal Executive Officer

James W. Garrett Chief Financial Officer and Treasurer

**Retail Funds**

**Covered Officers**

Ronald E. Robison President and Principal Executive Officer

Francis Smith Chief Financial Officer and Treasurer

**Morgan Stanley India Investment Fund, Inc.**

**Covered Officers**

Ronald E. Robison President and Principal Executive Officer

James W. Garrett Chief Financial Officer and Treasurer



**EXHIBIT C**

**General Counsel**

Arthur Lev

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**EXHIBIT 12 B1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

**CERTIFICATIONS**

I, Ronald E. Robison, certify that:

1.

I have reviewed this report on Form N-CSR of Morgan Stanley Quality Municipal Investment Securities;

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4.

The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

a)

designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)

designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)

evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the

filing date of this report based on such evaluation; and

d)

disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.

The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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a)

all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 20, 2007

/s/ Ronald E. Robison

Ronald E. Robison  
Principal Executive Officer

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**EXHIBIT 12 B2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

**CERTIFICATIONS**

I, Francis Smith, certify that:

1.  
I have reviewed this report on Form N-CSR of Morgan Stanley Quality Municipal Securities;

2.  
Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.  
Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4.  
The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

a)  
designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)  
designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)  
evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the

filing date of this report based on such evaluation; and

d)

disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this period that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.

The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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a)

all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: December 20, 2007

/s/ Francis Smith

Francis Smith  
Principal Financial Officer

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**SECTION 906 CERTIFICATION**

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

Morgan Stanley Quality Municipal Securities

In connection with the Report on Form N-CSR (the Report ) of the above-named issuer for the period ended October 31, 2007 that is accompanied by this certification, the undersigned hereby certifies that:

1.

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: December 20, 2007

/s/ Ronald E. Robison

Ronald E. Robison  
Principal Executive Officer

A signed original of this written statement required by Section 906 has been provided to Morgan Stanley Quality Municipal Securities and will be retained by Morgan Stanley Quality Municipal Securities and furnished to the Securities and Exchange Commission or its staff upon request.





**SECTION 906 CERTIFICATION**

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

Morgan Stanley Quality Municipal Securities

In connection with the Report on Form N-CSR (the Report ) of the above-named issuer for the period ended October 31, 2007 that is accompanied by this certification, the undersigned hereby certifies that:

1.

The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2.

The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Issuer.

Date: December 20, 2007

/s/ Francis Smith

Francis Smith  
Principal Financial Officer

A signed original of this written statement required by Section 906 has been provided to Morgan Stanley Quality Municipal Securities will be retained by Morgan Stanley Quality Municipal Securities and furnished to the Securities and Exchange Commission or its staff upon request.

