

ACTIVISION INC /NY
Form DEF 14A
July 30, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

ACTIVISION, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**3100 Ocean Park Boulevard
Santa Monica, California 90405**

July 30, 2007

Dear Stockholder:

You are cordially invited to attend the 2007 Annual Meeting of Stockholders of Activision, Inc. The meeting will be held on Thursday, September 27, 2007, beginning at 9:00 a.m., Pacific Daylight Saving Time, at The Beverly Hills Hotel, 9641 Sunset Boulevard, Beverly Hills, California 90210.

Information about the meeting and the matters on which stockholders will act is included in the Notice of Annual Meeting of Stockholders and Proxy Statement that follow. Also included is a proxy card and postage paid return envelope.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend, you are urged to promptly vote your shares by proxy. You may vote electronically using the web site address or toll-free telephone number included on your proxy card. You may also vote by mail. If you choose to vote by mail, please complete, sign, date and return your proxy card in the enclosed envelope as soon as possible. If you are able to attend the meeting and wish to vote in person, you may withdraw your proxy at that time.

Sincerely,

Robert A. Kotick
Chairman and Chief Executive Officer

Brian G. Kelly
Co-Chairman

Michael Griffith
*President and
Chief Executive Officer,
Activision Publishing, Inc.*

3100 Ocean Park Boulevard
Santa Monica, California 90405

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD SEPTEMBER 27, 2007**

To the Stockholders of Activision, Inc.:

The 2007 Annual Meeting of Stockholders of Activision, Inc. (the "Company") will be held at The Beverly Hills Hotel, 9641 Sunset Boulevard, Beverly Hills, California 90210, on Thursday, September 27, 2007, at 9:00 a.m., Pacific Daylight Saving Time, for the following purposes:

1. To elect eight directors of the Company to hold office until the next annual meeting of stockholders and until their respective successors are duly elected and qualified.
2. To approve the Activision, Inc. 2007 Incentive Plan.
3. To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2008.
4. To act upon a stockholder proposal regarding diversity of the Board of Directors.
5. To act upon a stockholder proposal regarding a stockholder advisory vote on executive compensation.

The foregoing items of business are described more fully in the Proxy Statement accompanying this Notice.

The Board of Directors of the Company has fixed the close of business on July 23, 2007 as the record date for determining the stockholders entitled to receive notice of, and to vote at, the Annual Meeting.

STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE MEETING IN PERSON.

YOUR VOTE IS IMPORTANT. ACCORDINGLY, WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE URGED TO PROMPTLY VOTE YOUR SHARES BY PROXY. YOU MAY VOTE ELECTRONICALLY USING THE WEB SITE ADDRESS OR TOLL-FREE TELEPHONE NUMBER INCLUDED ON THE ACCOMPANYING PROXY CARD. YOU MAY ALSO VOTE BY MAIL. IF YOU CHOOSE TO VOTE BY MAIL, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY CARD AS SOON AS POSSIBLE. NO POSTAGE IS REQUIRED IF THE PROXY CARD IS MAILED FROM WITHIN THE UNITED STATES IN THE ENVELOPE PROVIDED. STOCKHOLDERS WHO ARE PRESENT AT THE ANNUAL MEETING MAY WITHDRAW THEIR PROXY AND VOTE IN PERSON IF THEY SO DESIRE. IT IS IMPORTANT THAT YOU PROVIDE YOUR PROXY PROMPTLY SO THAT THE COMPANY CAN AVOID THE ADDITIONAL EXPENSE OF FURTHER SOLICITATION.

By Order of the Board of Directors

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George L. Rose
Secretary

July 30, 2007
Santa Monica, California

**PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON SEPTEMBER 27, 2007**

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PROXY STATEMENT

**ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON SEPTEMBER 27, 2007**

PROCEDURAL MATTERS

General

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the "Board") of Activision, Inc., a Delaware corporation (the "Company"), of proxies from holders ("Stockholders") of the Company's issued and outstanding shares of common stock, par value \$.000001 per share ("Common Stock"). The proxies being solicited will be used at the Annual Meeting of Stockholders to be held on Thursday, September 27, 2007, at The Beverly Hills Hotel, 9641 Sunset Boulevard, Beverly Hills, California 90210, at 9:00 a.m., Pacific Daylight Saving Time, and at any adjournment or postponement of such meeting (the "Annual Meeting"), for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement and enclosed proxy card are first being mailed to Stockholders on or about August 13, 2007.

Record Date and Quorum

Stockholders of record at the close of business on July 23, 2007 are entitled to notice of, and to vote at, the Annual Meeting. On the record date, there were 285,973,312 shares of Common Stock outstanding. Each share of Common Stock outstanding on the record date is entitled to one vote on each matter presented for action at the Annual Meeting. A majority of the outstanding shares of Common Stock must be present in person or by proxy at the Annual Meeting in order for a quorum to be present. Proxies representing abstentions and broker non-votes will be included for purposes of determining whether a quorum is present at the Annual Meeting. A "broker non-vote" occurs when a broker, bank or other nominee who holds shares for a beneficial owner to be represented at the meeting does not vote on a particular proposal because the broker, bank or other nominee does not have discretionary voting power with respect to that item and has not received instructions on point from such beneficial owner.

Required Votes

In the election of directors (Proposal 1), you may either vote "for" each nominee or expressly withhold your vote with respect to a nominee. The directors are elected by a plurality of the votes cast at the Annual Meeting, which means the eight director nominees receiving the highest number of votes will be elected. Accordingly, shares not present and shares present but not voted (because such vote is expressly withheld or is simply not cast) will have no effect on the voting outcome with respect to the election of directors.

Approval of the Activision, Inc. 2007 Incentive Plan (the "2007 Plan") (Proposal 2), ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered accounting firm for the Company's current fiscal year (Proposal 3) and adoption of each Stockholder proposal (Proposals 4 and 5) require the affirmative vote of a majority of the votes cast on the proposal at the Annual Meeting. Accordingly, shares not present and shares present but not voted (because of an express abstention or broker non-vote or because such vote is simply not cast) will have no effect on the voting outcome with respect to these proposals.

Because the election of directors (Proposal 1) and the ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered accounting firm for the

Company's current fiscal year (Proposal 3) are each a routine proposal, if you hold your shares in "street name" and do not give your broker or nominee instructions as to how to vote your shares with respect to this proposal, your broker or nominee will have discretionary authority to vote your shares under applicable rules. Because approval of the 2007 Plan (Proposal 2) and each of the Stockholder proposals (Proposals 4 and 5) are non-routine proposals, if you hold your shares in "street name" and do not give your broker or nominee instructions as to how to vote your shares with respect to any of these three proposals, under applicable rules your broker or nominee will not have discretionary authority to vote your shares, in which case such shares will be considered a broker non-vote with respect to such proposal.

Proxies

Whether or not you are able to attend the Annual Meeting, you are urged to vote your shares by proxy. You may vote electronically using the web site address or toll-free telephone number included on your proxy card. You may also vote by mail. If you choose to vote by mail, please complete, sign, date and return your proxy card as soon as possible. If you are able to attend the meeting and wish to vote in person, you may withdraw your proxy at that time. The Common Stock represented by all proxies received by the Company prior to the Annual Meeting, and not revoked prior to being voted at the Annual Meeting, will be voted at the Annual Meeting as directed. If no directions are specified, such proxies will be voted FOR each of the director nominees named in this Proxy Statement, FOR approval of the 2007 Plan (Proposal 2), FOR ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered accounting firm for the Company's current fiscal year (Proposal 3) and AGAINST adoption of each Stockholder proposal (Proposals 4 and 5). Any Stockholder may revoke or change such Stockholder's proxy at any time before the proxy is voted at the Annual Meeting by (1) sending a written notice of revocation of the proxy to the Secretary of the Company at the Company's principal executive offices, (2) delivering a subsequently dated proxy by telephone, Internet or mail, or (3) voting in person at the Annual Meeting.

Costs of Proxy Solicitation

The Company will bear the entire cost of this proxy solicitation, including the preparation, assembly, printing and mailing of this Proxy Statement, the proxy card and any additional solicitation materials sent by the Company to Stockholders. The Company has hired Morrow & Co. to assist with the distribution of proxy materials and solicitation of votes at a cost of approximately \$7,500 plus any amount for disbursements and out-of-pocket expenses. The Company may reimburse brokerage firms and other persons representing beneficial owners of Common Stock for their expenses in forwarding the proxy materials to such beneficial owners. In addition, proxies may be solicited by directors, officers and regular employees of the Company, without additional compensation, personally or by telephone.

PROPOSALS**PROPOSAL 1
ELECTION OF DIRECTORS****General**

Stockholders will elect eight directors at the Annual Meeting. Those elected will serve until the Company's next annual meeting of Stockholders and until their respective successors are duly elected and qualified.

The Board has nominated each person listed below to stand for election at the Annual Meeting. Except where otherwise instructed, proxies solicited by this Proxy Statement will be voted for the election of each such nominee. However, if any nominee shall become unable to stand for election as a director at the Annual Meeting, the proxy may be voted for a substitute designated by the Board.

Each of the nominees currently serves as a director of the Company and has consented to be named in this Proxy Statement and to continue to serve as a director if elected at the Annual Meeting.

Nominees

The following table sets forth the names of the nominees and certain information about them (including their terms of service):

Name of Nominee	Age	Principal Occupation	Director Since
Robert A. Kotick	44	Chairman and Chief Executive Officer of the Company	1991
Brian G. Kelly	44	Co-Chairman of the Company	1995
Ronald Doornink	53	Senior Advisor to the Company	2003
Robert J. Corti (1)(2)	57	Chairman of the Board of Avon Products Foundation	2003
Barbara S. Isgur (1)(3)	65	Consultant	1991
Robert J. Morgado (1)(2)(3)	64	Chairman of Maroley Media Group	1997
Peter J. Nolan (3)	49	Managing Partner of Leonard Green & Partners, L.P.	2003
Richard Sarnoff (2)	48	Executive Vice President of Random House, Inc.	2005

(1) Member of the Audit Committee.

(2) Member of the Nominating/Corporate Governance Committee.

(3) Member of the Compensation Committee.

Mr. Kotick has been a director, Chairman and Chief Executive Officer of the Company since February 1991. Since March 2003, Mr. Kotick has served on the board of directors of Yahoo! Inc., an Internet content and service provider, and as a member of that board's nominating and corporate governance committee. He is also a member of the Board of Trustees for The Center for Early Education and is chairman of the Committee of Trustees at the Los Angeles County Museum of Art.

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Mr. Kelly has held various positions of responsibility with the Company since 1991, including serving as a director of the Company since July 1995 and Co-Chairman of the Company since

October 1998. Mr. Kelly holds a B.A. degree in accounting from Rutgers University and a J.D. degree from Fordham University School of Law.

Mr. Doornink has been a director of the Company since April 2003 and a Senior Advisor to the Company since December 2005. He previously served as President of the Company from 1998 to December 2005. He also served as Chairman of Activision Publishing, Inc., the Company's only direct operating subsidiary and the holding company for all other active subsidiaries ("Activision Publishing"), from June 2005 to December 2005 and as Chief Executive Officer of Activision Publishing from March 2002 to June 2005. Prior to joining the Company in 1998, Mr. Doornink served as President of the Hunt-Wesson snack food division of ConAgra Foods, Inc. for three years. Prior to that, Mr. Doornink worked at The Procter & Gamble Company, a manufacturer of consumer goods products, for 13 years. Mr. Doornink holds an undergraduate degree in economics from the Hogere Economische School of Arnhem in The Netherlands and an M.B.A. degree from Columbia University.

Mr. Corti has been a director of the Company since December 2003 and serves as chairperson of the Audit Committee. Mr. Corti has more than 25 years of experience at Avon Products, Inc., a global manufacturer and marketer of beauty and related products. Mr. Corti joined Avon Products, Inc.'s tax department as a tax associate in 1976 and held positions of increasing responsibility in Avon Products, Inc.'s finance department throughout his tenure there. He served as the Executive Vice President and Chief Financial Officer of Avon Products, Inc. from 1998 until he retired from his positions as Chief Financial Officer in November 2005 and Executive Vice President in March 2006. Since June 2006, Mr. Corti has served on the board of directors of Bacardi Limited, a wine and spirits group. Mr. Corti also serves as Chairman of the board of directors of the Avon Products Foundation. Mr. Corti holds a B.A. degree in Accounting from Queens College and an M.B.A. degree in Taxation from St. John's University. Mr. Corti is also a certified public accountant.

Ms. Isgur has been a director of the Company since February 1991. Since her retirement in 1998, she has provided consulting services. She previously served as a Senior Vice President of Stratagem, Inc., an investment banking firm specializing in the software industry, from 1993 to 1998, as President of BSI Consulting, a software development and services firm, from 1990 to 1993, as a Vice President of Needham & Co., a high technology investment banking firm, from 1989 to 1990, as a Vice President of Manufacturers Hanover Securities, an investment banking firm, during 1988, as a principal of D.H. Brown Associates, a research and consulting firm, from 1985 to 1988 and as a Vice President and microcomputer industry analyst at Paine Webber, Incorporated from 1981 to 1985.

Mr. Morgado has been a director of the Company since February 1997 and serves as chairperson of both the Compensation Committee and the Nominating/Corporate Governance Committee. Mr. Morgado is Chairman of Maroley Media Group, a media entertainment investment company he established in 1995. He previously served as Chairman and Chief Executive Officer of the Warner Music Group, Inc. from 1985 to 1995. Mr. Morgado serves on the boards of directors of the Maui Arts & Cultural Center and New Milford Hospital in Connecticut. He is also a member of the board of managers of Nest Top, LLC, the controlling shareholder of Nest Family and Nest Learning Systems, a children's entertainment company. Mr. Morgado holds a B.A. degree from Chaminade University of Honolulu and an M.P.A. degree from The State University of New York.

Mr. Nolan has been a director of the Company since December 2003. Mr. Nolan is a managing partner of Leonard Green & Partners, L.P., a private equity firm. Prior to becoming a partner at Leonard Green & Partners, L.P. in 1997, Mr. Nolan served as a Managing Director and Co-Head of Donaldson, Lufkin and Jenrette's Los Angeles Investment Banking Division from 1990 to 1997, as a First Vice President in corporate finance at Drexel Burnham Lambert from 1986 to 1990, and as a Vice President at Prudential Securities, Inc. from 1982 to 1986. Prior to 1986, Mr. Nolan worked at Manufacturers Hanover Trust Company, a financial institution. He serves on the boards of directors of Rand McNally & Company, Inc., a mapping and navigation company, and FTD Group, Inc., a provider

of floral-related products and services. Mr. Nolan also serves on the board of managers of AsianMedia Group LLC, an Asian-language media company in the United States. Mr. Nolan holds both a B.S. degree in Agricultural Economics and Finance and an M.B.A. degree from Cornell University.

Mr. Sarnoff has been a director of the Company since August 2005. Since 1998, Mr. Sarnoff has been Executive Vice President of Random House, Inc., a general trade book publisher. He has also served as President of Random House Corporate Development Group since 2000 and President of Random House Ventures, L.L.C. since 1999. Mr. Sarnoff serves on the supervisory board of Bertelsmann AG, the parent company of Random House, Inc., and is the elected Chairman of the Bertelsmann Management Representative Committee. Since Mr. Sarnoff joined Random House's predecessor company, Bantam Doubleday Dell in 1987, he has held various positions of increasing responsibility, including Director of Marketing of the Bantam Publishing Division, Vice President of Strategic Planning and Senior Vice President and General Manager of the Diversified Publishing Group. Mr. Sarnoff also served as Chief Financial Officer of Bantam Doubleday Dell and later served as Chief Financial Officer of Random House, Inc. after the companies were combined. Mr. Sarnoff serves on the boards of directors of The Princeton Review, Inc., an educational preparation company, Audible, Inc., a provider of spoken audio for computer-based listening or mobile playback, and Oak Hill Capital Fund II, a private equity fund. Mr. Sarnoff holds a B.A. degree from Princeton University and an M.B.A. degree from Harvard Business School.

Required Vote and Board Recommendation

The directors will be elected by a plurality of the votes cast at the Annual Meeting.

**The Board recommends that you vote FOR the election
of each nominee for director.**

PROPOSAL 2
APPROVAL OF THE 2007 INCENTIVE PLAN

General

Equity-based compensation has been a major component of the Company's compensation programs over an extended period of time. The Company's equity-based compensation programs are broad-based, and a substantial majority of the equity awarded under these programs has been and continues to be awarded to employees who are not executive officers. The Board believes that the ability of the Company to grant equity-based compensation has been a significant factor in the Company's ability to achieve its growth objectives and enhance stockholder value. Without a new equity incentive plan, in the near future the Company will no longer have the continuing ability to utilize equity-based compensation as a meaningful component of its compensation programs, putting the Company at a significant competitive disadvantage and compromising the Company's ability to enhance stockholder value. Accordingly, based on the recommendation of the Compensation Committee, on July 27, 2007, the Board, subject to Stockholder approval, adopted the 2007 Plan.

Importance of Equity-Based Compensation

The Board believes that the ability of the Company to utilize equity-based compensation as a meaningful component of its compensation programs is critically important for the continued success of the Company. The principal factors shaping the Board's view in this regard are as follows:

Recruiting and Retention; Expansion through Acquisition. In the industry in which the Company competes, the Company's ability to use equity-based compensation is vital in order for it to attract and retain executive, creative and technical talent and other key employees and to expand through strategic acquisitions. In particular, the market for creative and technical talent is extremely competitive in the interactive entertainment software industry, and, due to its small size relative to the size of the companies with which it competes for talent, the Company has been aggressive in its equity-based compensation program.

Motivation. The Company's ability to use equity-based compensation is fundamental to its ability to motivate its employees to achieve the Company's growth objectives.

Alignment with Stockholder Interests. The Company's ability to use equity-based compensation gives it the most effective means to align the interests of employees with those of Stockholders because equity-based compensation directly links the employee's compensation to an increase in the value of the Common Stock.

The Board believes that the following charts support statistically the favorable impact of the Company's historical use of equity-based compensation on the Company's growth and stockholder value. As these charts illustrate, (1) the Company has had an increase in its annual net revenue from \$572 million in fiscal 2000 to \$1.5 billion in fiscal 2007, reflecting a compound annual growth rate of 15%, (2) the Company has had a cumulative total stockholder return on the Common Stock such that \$100,000 invested in the Common Stock on March 31, 2000 would have grown to approximately \$942,000 on March 31, 2007, based on the closing market price of Common Stock as reported on the Nasdaq on March 30, 2007, and (3) the Company has had an increase in shareholders' equity from \$141 million at the end of fiscal 2000 to \$1.4 billion at the end of fiscal 2007, reflecting a compound annual growth rate of 39%.

Net Revenue
(dollars in millions)

Cumulative Total Return on \$100,000
Invested on March 31, 2000
(dollars)

Shareholders' Equity
(dollars in millions)

Aggressive Management of Dilutive Impact

As the Company has grown, it has become more focused with respect to the impact of its equity grants on Stockholders. The Board recognizes the importance of keeping the dilutive impact of equity-based compensation on Stockholders within a range of reasonableness. The Company is striving for a low rate of dilution as compared to the companies with which it competes. For the last few fiscal years, the Company has generally been limiting the size and frequency of equity grants made to its executive officers. In addition, the Company has established and closely adhered to guidelines for awards to other employees. Most recently, the Company has begun utilizing restricted shares, and intends to use restricted share units, as part of its equity-based compensation program for a portion of its employees. The use of restricted shares and restricted share units, which are more valuable than options exercisable for the same number of shares, as part of the equity-based compensation program helps lower potential dilution because it results in the use of fewer shares in individual grants. During the three-year period including fiscal 2005, fiscal 2006 and fiscal 2007, the Company maintained annual net dilution from equity-based compensation awards (as measured for any particular year by the number of shares of Common Stock issued as or issuable in respect of grants made in such fiscal year, less the number of shares forfeited or that were issuable in respect of awards cancelled in such fiscal year, as a percentage of the total number of shares of Common Stock outstanding at the end of such fiscal year) at an average of 2.05%. The Company's goal is to maintain annual net dilution from equity-based compensation awards at an average of less than 2.0% during the three-year period including fiscal 2008, fiscal 2009 and fiscal 2010. However, circumstances, such as extraordinary recruiting and retention efforts and acquisitions, may result in annual net dilution from equity-based compensation awards exceeding 2.0% for a particular year during such three-year period.

The Board believes that the following chart demonstrates statistically the Company's aggressive management of the dilutive impact of its equity-based compensation programs in recent years.

Net Dilution
(%)

-
- (1) In fiscal 2006, equity awards involving 2,985,809 shares of Common Stock in the aggregate were granted to four new senior executives in connection with the commencement of their employment with the Company. Excluding the effect of such grants, net dilution from equity awards in fiscal 2006 would have been 1.7%.

Effect on Existing Equity Incentive Plans

If the 2007 Plan is approved by Stockholders, the Company will cease to make awards under the following equity incentive plans (collectively, the "Rolled-Up Plans"):

Activision, Inc. 1998 Incentive Plan, as amended;

Activision, Inc. 1999 Incentive Plan, as amended;

Activision, Inc. 2001 Incentive Plan, as amended;

Activision, Inc. 2002 Incentive Plan, as amended;

Activision, Inc. 2002 Executive Incentive Plan, as amended;

Activision, Inc. 2002 Studio Employee Retention Incentive Plan, as amended; and

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Activision, Inc. 2003 Incentive Plan, as amended.

The Rolled Up Plans will remain in effect and continue to govern outstanding awards thereunder.

Pursuant to its terms, the Company may no longer makes awards under the Activision, Inc. 1991 Stock Option and Stock Award Plan, as amended (the "1991 Plan"). The 1991 Plan remains in effect and continues to govern outstanding awards thereunder.

If the 2007 Plan is approved by Stockholders, all future equity awards will be granted under the 2007 Plan, and the Company will not make any new awards under the Rolled-Up Plans. Making future grants under only one plan will enable the Company to establish uniform guidelines for equity awards at all levels and is expected to significantly simplify administration of the Company's equity-based compensation programs.

2007 Plan Appropriately Sized

The Board has reserved 15,000,000 shares of Common Stock for issuance under the 2007 Plan. If Stockholders approve the 2007 Plan, at that time the number of shares reserved for issuance under the 2007 Plan will be increased to reflect the number of shares then reserved for issuance but not subject to outstanding awards under the Rolled-Up Plans. Thereafter, the number of shares reserved for issuance under the 2007 Plan will be further increased from time to time by:

the number of shares relating to awards outstanding under any Rolled-Up Plan at the time the 2007 Plan is approved by Stockholders that:

expire, or are forfeited, terminated or cancelled, without the issuance of shares;

are settled in cash in lieu of shares; or

are exchanged, prior to the issuance of shares of Common Stock, for awards not involving Common Stock; and

if the exercise price of any option outstanding under any Rolled-Up Plan at the time the 2007 Plan is approved by Stockholders is, or the tax withholding requirements with respect to any award outstanding under any Rolled-Up Plan at the time the 2007 Plan is approved by Stockholders are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, the number of shares equal to the withheld or transferred shares.

The following table sets forth for (1) the 2007 Plan, (2) the Rolled-Up Plans, and (3) the 2007 Plan and the Rolled-Up Plans on a combined basis:

the number of shares of Common Stock reserved for issuance thereunder and not subject to outstanding awards;

the number of shares of Common Stock reserved for issuance thereunder in respect of outstanding awards of options;

the number of restricted shares of Common Stock issued thereunder, which are outstanding but subject to forfeiture; and

the total number of all such shares as a percentage of the outstanding shares of Common Stock on a fully diluted basis (see footnote 1 to the table below).

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The information included in the table with respect to the Rolled-Up Plans is as of July 18, 2007.

Plan or Arrangement	Number of Shares of Common Stock Reserved for Issuance		Restricted Shares of Common Stock Outstanding But Subject to Forfeiture (#)	All Such Shares as a Fully Diluted Percentage of Common Stock Outstanding (%) (1)
	Not Subject to Outstanding Option Awards	Subject to Outstanding Option Awards		
	(#)	(#)		
2007 Plan	15,000,000			4.2
Rolled-Up Plans	3,861,079	44,824,598	338,558	13.6
Combined Total	18,861,079	44,824,598	338,558	17.8

(1)

The fully diluted percentage of outstanding Common Stock was calculated by dividing (a) the sum of (i) the number of shares reserved for issuance under the 2007 Plan or the Rolled-Up Plan, as the case may be, and (ii) with respect to the Rolled-Up Plans, the number of restricted shares outstanding but subject to forfeiture, by (b) 359,654,519, the sum of (i) 285,960,477, the total number of shares outstanding as of July 18, 2007, including the 338,558 restricted shares outstanding but subject to forfeiture, (ii) 15,000,000, the number of shares reserved for issuance under the 2007 Plans, (iii) 3,861,079, the number of shares reserved for issuance but not subject to outstanding awards under the Rolled-Up Plans as of July 18, 2007, (iv) 44,824,598, the number of shares reserved for issuance and subject to outstanding awards under the Rolled-Up Plans as of July 18, 2007, (v) 388,845, the number of shares reserved for issuance in respect of options under the 1991 Plan as of July 18, 2007, (vi) 8,304,789, the number of shares reserved for issuance in respect of options held by certain individuals that were not issued under a plan as of July 18, 2007, and (vii) 1,314,731, the number of shares remaining available for issuance under the Company's employee stock purchase plans as of July 18, 2007.

Based on the foregoing, assuming that after July 18, 2007, (1) no further awards are made under the Rolled-Up Plans, (2) all outstanding option awards under the Rolled-Up Plans are cancelled without the issuance of shares of Common Stock, and (3) all outstanding restricted shares of Common Stock issued under the Rolled-Up Plans are forfeited, the maximum number of shares of Common Stock available for issuance under the 2007 Plan (subject to adjustment as provided in the 2007 Plan in the event of stock splits, stock dividends, the issuance of rights and certain other events) would constitute 17.8% of the shares of Common Stock outstanding on a fully diluted basis (see footnote 1).

As a result of the historical increase in the market value of the Common Stock over time, holders of a substantial portion of options issued by the Company have continued to hold a significant portion of their options rather than promptly exercise options after they become exercisable. As of July 18, 2007, based on the \$18.21 per share closing market price of Common Stock as reported on Nasdaq on such date, there were outstanding exercisable, in-the-money options to purchase 33,964,094 shares of Common Stock in the aggregate that had not yet been exercised, including options to purchase 25,270,460 shares of Common Stock outstanding under the Rolled-Up Plans. If all such options outstanding had been exercised as of July 18, 2007, based on the assumptions set forth above the maximum number of shares of Common Stock that could be available for issuance under the 2007 Plan (subject to adjustment as provided in the event of stock splits, stock dividends, the issuance of rights and certain other events) would constitute 10.8% of the shares of Common Stock outstanding on a fully diluted basis.

If the 2007 Plan is approved by Stockholders, the Board currently expects that no new equity incentive plans and no amendments to the 2007 Plan will be required for the next several fiscal years, though such expectations could change depending on, among other things, the recruiting, retention and acquisition efforts during such period.

Importance of Stockholder Approval

The Board believes that approval of the 2007 Plan by Stockholders is critically important for the continued success of the Company and enhancement of stockholder value. If the 2007 Plan is not approved by Stockholders, the Company will soon no longer be able to use equity-based compensation as a meaningful component of compensation. In this regard, the Board believes that the following points are worth noting:

Failure to obtain Stockholder approval would place the Company at a severe disadvantage from a retention and recruitment perspective. In the interactive entertainment software industry, the Company's inability to use equity-based compensation would place it at a severe competitive disadvantage with respect to the recruitment and retention of executive, creative, technical and other talent.

Failure to obtain Stockholder approval would hinder the Company's ability to expand through acquisitions. As the interactive entertainment software industry continues to consolidate and the Company continues to search for additional acquisition opportunities in an increasingly competitive environment, the Company's inability to use equity-based compensation in connection with suitable acquisitions and the integration of acquired businesses into its existing business would hinder the ability of the Company to continue to expand through acquisitions.

Failure to obtain Stockholder approval would significantly increase the Company's cash compensation expense. As a result of limitations on the Company's ability to use equity-based compensation as part of its recruitment, retention and acquisition efforts, the Company would have to increase its use of cash compensation, thereby significantly increasing the Company's cash compensation expense.

Stockholder approval of the 2007 Plan is necessary in order for the Company to (1) meet the stockholder approval requirements of the Nasdaq, (2) take tax deductions for certain compensation resulting from awards granted thereunder qualifying as performance-based compensation under Section 162(m) of the Internal Revenue Code, as amended (the "Code"), and (3) grant incentive stock options ("ISOs") thereunder.

Highlights of the 2007 Plan

The 2007 Plan authorizes the Compensation Committee of the Board (or, if the Board determines, another committee of the Board) to provide equity-based compensation in the form of stock options, share appreciation rights ("SARs"), restricted shares, restricted share units, performance shares, performance units and other performance- or value-based awards structured by the Compensation Committee within parameters set forth in the 2007 Plan ("custom awards"), including custom awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock or factors that may influence the value of Common Stock or that are valued based on performance of the Company or any of its subsidiaries or business units or other factors designated by the Compensation Committee, as well as incentive bonuses, for the purpose of providing the Company's directors, officers, employees and consultants incentives and rewards for superior performance. Some of the key features of the 2007 Plan that reflect the Company's commitment to effective management of incentive compensation are as follows:

Limitations on Grants. Subject to adjustment for stock splits, stock dividends, the issuance of rights and certain other events described in the 2007 Plan, in addition to the annual grant limitations described under "Summary of the 2007 Plan Shares Available Under the 2007 Plan," the 2007 Plan contains the following grant limitations:

Limits on ISOs. The number of shares that may be issued or transferred by the Company upon the exercise of ISOs may not exceed 15,000,000 in the aggregate; and

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Limits on Awards Other than Options and SARs. The number of shares that may be issued or transferred by the Company as or pursuant to awards other than options or SARs may not exceed 7,500,000 in the aggregate, including no more than 3,000,000 in the aggregate as or pursuant to custom awards.

No Repricing or Replacement of Options. The 2007 Plan prohibits the amendment of options to reduce the exercise price or the replacement of options with options having a lower exercise price without Stockholder approval.

No In-the-Money Option or SAR Grants. The 2007 Plan prohibits the grant of options or SARs with an exercise or base price less than the fair market value of the Common Stock on the date of grant.

Section 162(m) Qualification. The 2007 Plan is designed to allow awards made under the 2007 Plan, including incentive bonuses, to qualify as performance-based compensation under Section 162(m) of the Code.

Independent Administration. The Compensation Committee of the Board, which consists of only independent directors, will administer the 2007 Plan if it is approved by Stockholders.

The Company currently anticipates that its equity-based compensation program will primarily utilize a combination of options, restricted shares and restricted share units. Equity grants to executive officers will generally vest on a pro rata basis over three years or will vest in their entirety on the third anniversary of the date of grant, subject to the possible earlier vesting if the Company meets or exceeds corporate operating income targets established by the Compensation Committee. Equity grants to all other employees of the Company will generally vest on a pro rata basis over a three- or five- year period. However, the Company will monitor competitive compensation practices and may from time to time modify its own equity grant practices.

Summary of the 2007 Plan

The following summary of the principal terms and provisions of the 2007 Plan is qualified in its entirety by the terms of the 2007 Plan, which is included as Appendix A attached to this Proxy Statement and incorporated herein by reference.

Shares Available Under the 2007 Plan

Subject to adjustment as provided in the 2007 Plan in the event of stock splits, stock dividends, the issuance of rights and certain other events, the number of shares of Common Stock that may be issued or transferred under the 2007 Plan will not exceed 15,000,000 as such number is increased as described under " 2007 Plan Appropriately Sized" above. Under the 2007 Plan:

shares relating to awards that expire, or are forfeited, terminated or cancelled, without the issuance of shares, awards that are settled in cash in lieu of shares and awards that are exchanged, with the Compensation Committee's permission, prior to the issuance of shares of Common Stock, for awards not involving Common Stock, will again be available for issuance or transfer under the 2007 Plan;

if the exercise price of any option is, or the tax withholding requirements with respect to any award granted under the 2007 Plan are, satisfied by withholding shares otherwise then deliverable in respect of the award or the actual or constructive transfer to the Company of shares already owned, a number of shares equal to the withheld or transferred shares will again be available for issuance or transfer under the 2007 Plan; and

if a SAR is exercised and settled in shares, a number of shares equal to the difference between the total number of shares exercised and the number of shares actually issued or transferred will again be available for issuance or transfer under the 2007 Plan, with the result being that only the number of shares actually issued or transferred upon exercise of the SAR are counted against the maximum number of shares of Common Stock available for issuance or transfer under the 2007 Plan.

Shares utilized under the 2007 Plan may be newly issued shares, treasury shares or a combination of the foregoing.

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In addition to the aggregate limits described in " Highlights of the 2007 Plan," the 2007 Plan contains the following individual annual grant limitations:

Limits on Options and SARs. The number of shares issuable or transferable in respect of options and SARs granted to any one participant in a single fiscal year may not exceed 2,000,000 in the aggregate;

Limits on Restricted Shares and Restricted Share Units. The number of (1) restricted shares granted to any one participant in a single fiscal year and (2) shares issuable or transferable in respect of restricted share units granted to such participant in such year, may not exceed 1,000,000 in the aggregate;

Limits on Performance Shares. The number of performance shares granted to any one participant in a single fiscal year may not exceed 1,500,000 in the aggregate;

Limits on Performance Units. The value of performance units granted to any one participant in a single fiscal year may not exceed \$2,000,000 in the aggregate (with the value of any such grant to be determined as of the date of such grant);

Limits on Incentive Bonuses. The amount of any incentive bonus payable under the 2007 Plan to any one participant for a single fiscal year may not exceed \$4,000,000; and

Limits on Custom Awards. The number of shares issuable or transferable in respect of custom awards granted to any one participant in a single fiscal year may not exceed 1,500,000 in the aggregate and the value of any custom award that does not involve the issuance or transfer of shares may not exceed \$2,000,000 in the aggregate (with the value of any such award to be determined as of the date of such award).

Eligibility

Directors, officers and other employees of and consultants to the Company and its subsidiaries are eligible to participate in the 2007 Plan. We currently estimate that approximately 2,000 individuals will be eligible to be selected by the Compensation Committee to receive awards under the 2007 Plan. This group of eligible participants currently includes 13 directors and executive officers.

Types of Awards Authorized

The 2007 Plan provides for the granting of stock options, SARs, restricted shares, restricted share units, performance shares, performance units, dividend equivalents and custom awards. Awards granted under the 2007 Plan will be upon such terms as may be approved by the Compensation Committee and set forth in an award agreement. An award will contain such terms and provisions, consistent with the 2007 Plan, as the Compensation Committee may approve, including provisions for the acceleration of vesting or the lapse, expiration or termination of restrictions or other conditions upon the occurrence of certain events, including change of control events.

The 2007 Plan also provides that the Compensation Committee may from time to time authorize payment of an incentive bonus to a participant who is, or is determined by the Compensation Committee to be likely to become, a "covered employee" within the meaning of Section 162(m) of the Code (generally, the chief executive officer and the three other highest paid officers other than the chief financial officer), which incentive compensation will become payable upon the achievement of specified Management Objectives, as described below. Such incentive bonuses will be payable upon such terms and conditions as the Compensation Committee may determine in accordance with the terms of the 2007 Plan. The payment of an incentive bonus under the 2007 Plan that becomes payable to a participant may be made in cash, in shares of Common Stock or a combination thereof, as determined by the Compensation Committee.

Management Objectives

The 2007 Plan contemplates that the Compensation Committee will establish "Management Objectives" for purposes of any grants of performance shares, performance units or incentive bonuses. Under the 2007 Plan, the Compensation Committee may also establish Management Objectives in connection with grants of stock options, SARs, restricted shares, restricted share units, dividend credits and custom awards. For example, the Compensation Committee may specify Management Objectives that must be achieved as a condition to exercising options or SARs or to result in termination or early termination of the restrictions applicable to restricted shares or restricted share units.

Subject to the limits described below, Management Objectives may be described in terms of either Company-wide objectives or objectives that are related to the performance of the individual participant or a subsidiary, division, department, region or function. The Compensation Committee may provide, in connection with the setting of Management Objectives, that any evaluation of performance may include or exclude certain items, including, without limitation, asset write downs, litigation or claim judgments or settlements, the effect of changes in tax laws, accounting principles or other laws or provisions affecting reported results, any reorganization and restructuring programs, extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report on Forms 10-K for the applicable year, acquisitions or divestitures and foreign exchange gains and losses. To the extent such inclusions or exclusions affect the awards to "covered employees" within the meaning of Section 162(m) of the Code, they will be prescribed in a form that meets the requirements of Section 162(m) of the Code for deductibility.

Management Objectives applicable to any award to a participant who is, or is determined by the Compensation Committee to be likely to become, a "covered employee" within the meaning of Section 162(m) of the Code, will be limited to specified levels of or relative peer company performance in any one or more of the following objectives, or any combination thereof, as determined by the Compensation Committee in its sole discretion: adjusted net earnings; appreciation in and/or maintenance of the price of Common Stock (or any other publicly-traded securities of the Company), including, without limitation, comparisons with various stock market indices; attainment of strategic and operational initiatives; budget; cash flow (including, without limitation, free cash flow); cost of capital; cost reduction; earnings and earnings growth (including, without limitation, earnings per share, earning before taxes, earnings before interest and taxes and earnings before interest, taxes, depreciation and amortization); market share; market value added; net income; net sales; operating profit and operating income; pretax income before allocation of corporate overhead and bonus; quality; recruitment and development of associates; maintenance of internal controls over financial reporting and corporate governance practices; reductions in costs; return on assets and return on net assets; return on equity; return on invested capital; sales and sales growth; successful acquisition/divestiture; and total stockholder return and improvement of stockholder return.

If the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances, render previously established Management Objectives unsuitable, the Compensation Committee may in its discretion modify such Management Objectives or the minimum acceptable level of achievement, in whole or in part, as the Compensation Committee deems appropriate and equitable, except in the case of a "covered employee" where such action would result in the loss of the otherwise available exemption under Section 162(m) of the Code. In such case, the Compensation Committee may not make any modification of the Management Objectives or minimum acceptable level of achievement with respect to such "covered employee."

Administration and Amendments

The 2007 Plan is to be administered by the Compensation Committee. The Compensation Committee will have sole discretion to interpret any provision of the 2007 Plan or an award

thereunder, make any determination necessary or advisable for the administration of the 2007 Plan and awards thereunder, and waive any condition or right of the Company under an award or discontinue or terminate an award. Without intending to limit the generality or effect of the foregoing, any decision or determination made by the Compensation Committee with respect to the 2007 Plan or an award thereunder will be made by the Compensation Committee in its sole and absolute discretion, subject to the terms of the 2007 Plan. The interpretation and construction by the Compensation Committee of any provision of the 2007 Plan or of any award, and any determination by the Compensation Committee pursuant to any provision of the 2007 Plan or of any such award, will be final and conclusive.

The Compensation Committee may amend the 2007 Plan from time to time without further approval by Stockholders, except where the amendment must be approved by Stockholders in order to comply with applicable legal requirements or the requirements of the principal securities exchange, association or quotation system on which Common Stock is listed or quoted. Without intending to limit the generality or effect of the foregoing, if an amendment to the 2007 Plan would increase the number of shares of Common Stock that may be issued or transferred upon the exercise of ISOs, then such amendment will be subject to Stockholder approval and will not be effective unless and until such approval has been obtained.

Subject to the foregoing, the Compensation Committee may amend the terms of any award granted under the 2007 Plan prospectively or retroactively, except in the case of a covered employee where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. No amendment to any award may materially and adversely affect the rights of any participant taken as a whole without his or her consent.

Change of Control

Awards under the 2007 Plan may provide that, upon a change of control of the Company, such awards will become vested or earned, in whole or in part. For example, an award of options or SARs may provide that unvested options or SARs will become vested and immediately exercisable, either in whole or in part, upon a change of control. Similarly, awards of restricted shares, restricted share units, performance shares and performance units, custom awards and incentive bonuses may provide that the restrictions or other conditions prescribed by the Compensation Committee, if any, with respect thereto will automatically lapse, expire and terminate, and such awards will be deemed to be earned, in whole or in part, upon a change of control.

Transferability

The 2007 Plan expressly provides that, with the Company's consent, which may be granted or withheld in its sole and absolute discretion, a participant may transfer an award for estate planning purposes or pursuant to a domestic relations order, provided the transferee executes an agreement, in form satisfactory to the Company, to be bound by the terms and conditions of the 2007 Plan and the award being transferred. Unless otherwise permitted by the Compensation Committee, except as described in the immediately preceding sentence (1) no award or other derivative security granted under the 2007 Plan is transferable by a participant except, upon death, by will or the laws of descent and distribution and (2) stock options and SARs are exercisable during the optionee's lifetime only by him or her or by his or her guardian or legal representative.

Adjustments

The number of shares authorized under the 2007 Plan, the number of, and, if applicable, amounts payable for, shares subject to outstanding awards and the various limits contained in the 2007 Plan will be adjusted in the event of stock dividends, extraordinary dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations, spin-offs, split-offs, spin-outs, split-ups, reorganizations, liquidations, issuances of rights or warrants, and similar events. In the event of any

such transaction or event or in the event of a change of control, the Compensation Committee, in its discretion, may provide in substitution for any or all outstanding awards under the 2007 Plan such alternative consideration (including cash), if any, as it, in good faith, may determine to be equitable in the circumstances and may require the surrender of all awards so replaced. The Compensation Committee will also make or provide for such adjustments in the number of shares available under the 2007 Plan and the other limitations contained in the 2007 Plan as is appropriate to reflect any transaction or event described above. The 2007 Plan also provides that, without limiting the generality of the foregoing, in the event that the Company issues warrants or other rights to acquire common shares on a pro-rata basis to all Stockholders, the Compensation Committee will make such adjustments in the number of shares authorized under the 2007 Plan and in the limits contained in the 2007 Plan as it may determine to be equitable, including proportionately increasing the number of authorized shares or any such limit.

Withholding Taxes

To the extent that the Company or a subsidiary is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a participant or other person under the 2007 Plan and the amounts available to the Company or subsidiary for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Compensation Committee) may include relinquishment of a portion of such benefit.

Termination

No award will be made under the 2007 Plan more than 10 years after the date on which the 2007 Plan is first approved by Stockholders, but all awards made on or prior to the tenth anniversary of Stockholder approval will continue in effect thereafter subject to the terms of such awards and of the 2007 Plan.

Federal Income Tax Consequences

The following discussion of the principal U.S. federal income tax consequences with respect to awards under the 2007 Plan is based on statutory authority and judicial and administrative interpretations as of the date of this Proxy Statement, which are subject to change at any time (possibly with retroactive effect) and may vary in individual circumstances. Therefore, the following discussion is designed to provide a general understanding of the federal income tax consequences (state, local and other tax consequences are not addressed below). *This discussion assumes that awards granted under the 2007 Plan are exempt from, or comply with, the provisions of Section 409A of the Code. This discussion is limited to the U.S. federal income tax consequences to individuals who are citizens or residents of the U.S. The U.S. federal income tax law is technical and complex and the discussion below represents only a general summary.*

Non-Qualified Stock Options

In general, no income will be recognized by an optionee at the time a non-qualified stock option is granted. At the time of exercise of a non-qualified stock option, ordinary income will be recognized by the optionee in an amount equal to the difference between the exercise price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise. At the time of sale of shares acquired pursuant to the exercise of a non-qualified stock option, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

Incentive Stock Options

No income generally will be recognized by an optionee upon the grant or exercise of an ISO. The exercise of an ISO, however, may result in alternative minimum tax liability. If shares are issued to the optionee pursuant to the exercise of an ISO and no disqualifying disposition of such shares is made by such optionee within two years after the date of grant or within one year after the transfer of such shares to the optionee, then upon sale of such shares any amount realized in excess of the exercise price will be taxed to the optionee as a capital gain and any loss sustained will be a capital loss. If shares acquired upon the exercise of an ISO are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at the time of exercise (or, if less, the amount realized on the disposition of such shares if a sale or exchange) over the exercise price paid for such shares. Any further gain (or loss) realized by the participant generally will be taxed as capital gain (or loss).

Stock Appreciation Rights

Generally, no income will be recognized by a participant in connection with the grant of a SAR. When the SAR is exercised, the participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted shares received on the exercise.

Restricted Shares

A recipient of restricted shares generally will be subject to tax at ordinary income rates on the fair market value of the restricted shares (reduced by any amount paid by the participant for such restricted shares) at such time as the shares are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Code. However, a recipient who makes an election under Section 83(b) of the Code within 30 days of the date of grant of the shares will have taxable ordinary income on the date of grant of the shares equal to the excess of the fair market value of such shares (determined without regard to the restrictions) over the purchase price, if any, of such restricted shares. If a Section 83(b) election has not been made, any dividends received with respect to restricted shares that are subject to the restrictions generally will be treated as compensation that is taxable as ordinary income to the participant.

Restricted Share Units

No income generally will be recognized upon the award of restricted share units. The recipient of a restricted share unit award generally will be subject to tax at ordinary income rates on the fair market value of unrestricted shares on the date that such shares are transferred to the participant under the award (reduced by any amount paid by the participant for such restricted share units), and the capital gains/loss holding period for such shares will also commence on such date.

Performance Shares and Performance Units

No income generally will be recognized upon the grant of performance shares or performance units. Upon payment in respect of the earn-out of performance shares or performance units, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted shares received.

Incentive Bonuses

The participant generally will be required to include as ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any non-restricted shares of Common Stock received as payment of a bonus.

Tax Consequences to the Company or Subsidiary

To the extent that a participant recognizes ordinary income in the circumstances described above, the Company or the subsidiary for which the participant performs services will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an "excess parachute payment" within the meaning of Section 280G of the Code and is not disallowed by the \$1 million limitation on certain compensation of "covered employees" under Section 162(m) of the Code.

Section 409A of the Code

To the extent that any award granted under the 2007 Plan constitutes a deferral of compensation within the meaning of Section 409A of the Code, the Compensation Committee intends to cause the award to comply with the requirements of Section 409A. If an award does not comply with the requirements of Section 409A, penalty taxes and interest may be imposed on the participant receiving the award.

Registration with the SEC

The Company intends to file a Registration Statement on Form S-8 relating to the issuance of shares of Common Stock under the 2007 Plan with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Act of 1933, as amended, as soon as is practicable after approval of the 2007 Plan by Stockholders.

New Plan Benefits

Awards under the 2007 Plan are discretionary. As a consequence, the Company cannot currently determine the number or type of awards that may be granted in the future under the 2007 Plan.

Required Vote and Board Recommendation

The affirmative vote of a majority of the votes cast on Proposal 2 at the Annual Meeting is required for the approval of Proposal 2.

The Board recommends that you vote FOR the approval of the 2007 Plan.

PROPOSAL 3
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has appointed PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the current fiscal year ending March 31, 2008. The Board is requesting ratification by Stockholders at the Annual Meeting of the appointment of PricewaterhouseCoopers LLP.

The Audit Committee has the responsibility for selecting auditors, and Stockholder approval is not required for the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm. However, the Company is requesting that Stockholders ratify such appointment at the Annual Meeting. In the event Stockholders fail to ratify the appointment, the Audit Committee will reconsider its selection for the next fiscal year. Even if the appointment is ratified, the Audit Committee may direct the appointment of a different independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interest of the Company and its Stockholders.

PricewaterhouseCoopers LLP was initially engaged as the Company's independent registered public accounting firm on March 20, 2001. During the Company's three most recently completed fiscal years, there were no disagreements between the Company and PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, and there were no reportable events as described in Item 304 of Regulation S-K promulgated by the SEC.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so. They are also expected to be available to respond to appropriate questions.

Required Vote and Board Recommendation

The affirmative vote of a majority of the votes cast on Proposal 3 at the Annual Meeting is required for approval of Proposal 3.

**The Board recommends that you vote FOR the ratification
of the appointment of PricewaterhouseCoopers LLP.**

PROPOSAL 4
STOCKHOLDER PROPOSAL DIVERSITY ON THE BOARD OF DIRECTORS

Stockholder Proposal

The Fetzer Institute, 9292 West KL Ave., Kalamazoo, Michigan 49009, which purports to own 213 shares of Common Stock and the General Board of Pension and Health Benefits of the United Methodist Church, 1201 Davis Street, Evanston, Illinois 60201, which purports to own 95,398 shares of Common Stock, have notified the Company in writing that they intend to present a resolution for action by Stockholders at the Annual Meeting. The text of the resolution and the supporting statement submitted by these Stockholders are as follows:

"DIVERSITY ON THE BOARD OF DIRECTORS 2007
Activision

WHEREAS

Activision currently has a distinguished board of eight people, all of whom are white and one of whom is female.

We believe that our Board should take every reasonable step to ensure that women and persons from minority racial groups are in the pool from which Board nominees are chosen; therefore be it

RESOLVED that the shareholders request the Board:

1. In connection with its search for suitable Board candidates ensure that women and persons from minority racial groups are among those it considers for nomination to the Board.
2. Publicly commit itself to a policy of board inclusiveness, including steps to be taken and a timeline for implementing that policy.
3. Report to shareholders, at reasonable expense, by December 2006 [*sic*]:
 - a. On its efforts to encourage diversified representation on the board;
 - b. Whether, in the Nominating and Corporate Governance committee's procedures, diversity is included as a criterion in selecting the total membership of the Board.

Supporting Statement

The charter for our company's Nominating and Corporate Governance Committee gives it the responsibility to "actively seek and evaluate individuals qualified to become board members for recommendation to the Board."

In response to the recent corporate scandals, the U.S. Congress (Sarbanes-Oxley Act), the stock exchanges, and the SEC have each taken actions to enhance the independence, accountability and responsiveness of corporate boards, including requiring greater board and committee independence.

As companies seek new board members to meet the new independence standards, there is a unique opportunity to enhance diversity on the board. We believe that the judgments and perspectives that women and members of minority groups bring to board deliberations improve the quality of board decision-making and will enhance business performance by enabling a company to respond more effectively to the needs of customers worldwide.

Increasingly, institutional investors have supported a call for greater board diversity. For example, in 2002 the \$21 billion Connecticut Retirement Plans and Trust Funds launched a Board Diversity Initiative. "It has been shown that added diversity and independence helps a company's bottom line,

and increasing diversity in the boardroom to better reflect a company's workforce, customers and community is ultimately in the best interest of shareholders and our economy," said Connecticut State Treasurer, Denise Nappier.

We urge the Board to enlarge its search for qualified members by casting a wider net."

Company's Statement in Opposition

The Board recommends that Stockholders vote AGAINST Proposal 4 for the following reasons:

Although the Board has established no specific criteria for the selection of director candidates (except as necessary to meet applicable legal, regulatory and securities exchange requirements), the Board has indicated as a general matter that director candidates should:

show evidence of leadership in their particular field of business or expertise;

have broad experience and the ability to exercise sound business judgment;

have specific knowledge about the Company's business; and

have the ability to effectively promote the Company's business.

The Nominating/Corporate Governance Committee has a long-standing policy of (1) evaluating director candidates for recommendation to the Board based on their individual qualifications without specific regard to race, religion, national origin or gender and (2) seeking to identify the best possible director candidates based on the above-referenced criteria and other factors, such as the integrity, personal judgment, general knowledge and experience and unique talents, skills and viewpoints of the candidate. See "Corporate Governance Matters Board of Directors and Committees Criteria Used in the Selection of Director Nominees" below for further information regarding the selection of director nominees.

The Board believes that providing reports relating to its director selection process or establishing formalistic procedures and arbitrary deadlines therefor would not enhance the selection process for director candidates. Rather, the Board believes that such measures would limit the Board's ability to select the most qualified director candidates, would involve cost and time without any commensurate benefits and would not be in the best interests of the Company or its Stockholders.

Required Vote and Board Recommendation

The affirmative vote of a majority of the votes cast on Proposal 4 at the Annual Meeting is required for approval of Proposal 4.

**The Board recommends that you vote AGAINST the proposal
regarding diversity on the Board.**

PROPOSAL 5
STOCKHOLDER PROPOSAL STOCKHOLDER ADVISORY VOTE ON EXECUTIVE COMPENSATION

Stockholder Proposal

As You Sow, 311 California Street, Suite 510, San Francisco, California 94104, on behalf of Kristopher Morrison, who purports to own a number of shares of Common Stock having a value in excess of \$2,000, has notified the Company in writing that it intends to present a resolution for action by Stockholders at the Annual Meeting. The text of the resolution and the supporting statement submitted by this Stockholder are as follows:

"ADVISORY VOTE ON EXECUTIVE COMPENSATION

RESOLVED, that shareholders of Activision Inc. urge the board of directors to adopt a policy that company shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by Activision's management, to ratify the compensation of the named executive officers ("NEOs") set forth in the proxy statement's Summary Compensation Table (the "SCT") and the accompanying narrative disclosure of material factors provided to understand the SCT (but not the Compensation Discussion and Analysis). The proposal submitted to shareholders should make clear that the vote is non-binding and would not affect any compensation paid or awarded to any NEO.

Supporting Statement

Investors are increasingly concerned about mushrooming executive compensation which sometime appears to be insufficiently aligned with the creation of shareholder value. Additionally, recent media attention to questionable dating of stock options grants by companies has raised related investor concerns.

The SEC has created a new rule, with record support from investors, requiring companies to disclose additional information about compensation and perquisites for top executives. The rule goes into effect this year. In establishing the rule the SEC has made it clear that it is the role of market forces, not the SEC, to provide checks and balances on compensation practices.

We believe that existing U.S. corporate governance arrangements, including SEC rules and stock exchange listing standards, do not provide shareholders with enough mechanisms for providing input to boards on senior executive compensation. In contrast to U.S. practices, in the United Kingdom, public companies allow shareholders to cast an advisory vote on the "directors' remuneration report," which discloses executive compensation. Such a vote isn't binding, but gives shareholders a clear voice that could help shape senior executive compensation.

Currently U.S. stock exchange listing standards require shareholder approval of equity-based compensation plans; those plans, however, set general parameters and accord the compensation committee substantial discretion in making awards and establishing performance thresholds for a particular year. Shareholders do not have any mechanism for providing ongoing feedback on the application of those general standards to individual pay packages. (See Lucian Bebchuk & Jesse Fried, Pay Without Performance 49 (2004))

Similarly, performance criteria submitted for shareholder approval to allow a company to deduct compensation in excess of \$1 million are broad and do not constrain compensation committees in setting performance targets for particular senior executives. Withholding votes from compensation committee members who are standing for reelection is a blunt and insufficient instrument for

registering dissatisfaction with the way in which the committee has administered compensation plans and policies in the previous year.

Accordingly, we urge Activision's board to allow shareholders to express their opinion about senior executive compensation at our company by establishing an annual referendum process. The results of such a vote would, we think, provide Activision with useful information about whether="padding:0pt .7pt 0pt 0pt; border:none; border-top:solid windowtext 1pt;border-bottom:double windowtext 2.25pt;">

100.0

%

* Industries and/or investment types representing less than 5% of total investments.

The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Financial Statements

	December 31, 2012
	(000)
Statement of Assets and Liabilities	
Assets:	
Investments in Securities of Unaffiliated Issuers, at Value (Cost \$302,780)	\$ 372,948
Investment in Security of Affiliated Issuer, at Value (Cost \$3,790)	3,790
Total Investments in Securities, at Value (Cost \$306,570)	376,738
Foreign Currency, at Value (Cost \$10,797)	10,809
Dividends Receivable	170
Receivable from Affiliate	@
Other Assets	@
Total Assets	387,717
Liabilities:	
Payable for Advisory Fees	357
Payable for Custodian Fees	83
Payable for Professional Fees	83
Payable for Directors' Fees and Expenses	82
Payable for Administration Fees	12
Payable for Stockholder Servicing Agent Fees	1
Other Liabilities	30
Total Liabilities	648
Net Assets	
Applicable to 18,617,573 Issued and Outstanding \$0.01 Par Value Shares (100,000,000 Shares Authorized)	\$ 387,069
Net Asset Value Per Share	\$ 20.79
Net Assets Consist of:	
Common Stock	\$ 186
Paid-in-Capital	385,921
Accumulated Net Investment Loss	(107)
Accumulated Net Realized Loss	(68,667)
Unrealized Appreciation (Depreciation) on:	
Investments	69,759
Foreign Currency Translations	(23)
Net Assets	\$ 387,069

@ Amount is less than \$500.

The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Financial Statements (cont'd)

	Year Ended December 31, 2012 (000)
Statement of Operations	
Investment Income:	
Dividends from Securities of Unaffiliated Issuers	\$ 5,010
Dividends from Security of Affiliated Issuer	12
Interest from Security of Unaffiliated Issuer	1
Total Investment Income	5,023
Expenses:	
Advisory Fees (Note B)	4,134
Custodian Fees (Note D)	365
Administration Fees (Note C)	311
Professional Fees	274
Directors' Fees and Expenses	152
Tender Offer Fees	114
Stockholder Reporting Expenses	69
Stockholder Servicing Agent Fees	8
Other Expenses	37
Total Expenses	5,464
Waiver of Administration Fees (Note C)	(185)
Rebate from Morgan Stanley Affiliate (Note F)	(9)
Net Expenses	5,270
Net Investment Loss	(247)
Realized Loss:	
Investments Sold	(30,300)
Foreign Currency Transactions	(1,507)
Net Realized Loss	(31,807)
Change in Unrealized Appreciation (Depreciation):	
Investments	130,278
Foreign Currency Translations	1,296
Net Change in Unrealized Appreciation (Depreciation)	131,574
Net Realized Loss and Change in Unrealized Appreciation (Depreciation)	99,767
Net Increase in Net Assets Resulting from Operations	\$ 99,520

The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Financial Statements (cont'd)

	Year Ended December 31, 2012 (000)	Year Ended December 31, 2011 (000)
Statements of Changes in Net Assets		
Increase (Decrease) in Net Assets		
Operations:		
Net Investment Loss	\$ (247)	\$ (1,326)
Net Realized Loss	(31,807)	(37,676)
Net Change in Unrealized Appreciation (Depreciation)	131,574	(197,867)
Net Increase (Decrease) in Net Assets Resulting from Operations	99,520	(236,869)
Distributions from and/or in Excess of:		
Net Realized Gain		(26,306)
Capital Share Transactions:		
Repurchase of Shares (363,688 and 0 shares)	(6,043)	
Common Stock Redeemed through Tender Offers (3,349,634 and 0 shares)	(56,374)	
Net Decrease in Net Assets Resulting from Capital Share Transactions	(62,417)	
Total Increase (Decrease)	37,103	(263,175)
Net Assets:		
Beginning of Period	349,966	613,141
End of Period (Including Accumulated Net Investment Loss of \$(107) and \$(2,492))	\$ 387,069	\$ 349,966

The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Financial Highlights

Selected Per Share Data and Ratios

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Net Asset Value, Beginning of Period	\$ 15.67	\$ 27.46	\$ 23.74	\$ 13.08	\$ 56.81
Net Investment Loss†	(0.01)	(0.06)	(0.03)	(0.04)	(0.16)
Net Realized and Unrealized Gain (Loss)	5.04	(10.55)	6.22	10.90	(33.18)
Total from Investment Operations	5.03	(10.61)	6.19	10.86	(33.34)
Distributions from and/or in excess of:					
Net Investment Income					(0.20)
Net Realized Gain		(1.18)	(2.47)		(10.19)
Total Distributions		(1.18)	(2.47)		(10.39)
Dilutive Effect of Shares Issued through Rights Offering and Offering Costs				(0.20)	
Anti-Dilutive Effect of Share Repurchase Program	0.04				0.00‡
Anti-Dilutive Effect of Tender Offer	0.05				
Net Asset Value, End of Period	\$ 20.79	\$ 15.67	\$ 27.46	\$ 23.74	\$ 13.08
Per Share Market Value,	\$ 18.53	\$ 14.01	\$ 25.65	\$ 22.61	\$ 12.50

End of Period**TOTAL INVESTMENT RETURN:**

Market Value	32.26%	(42.46)%	24.79%	80.88%	(64.72)%
Net Asset Value(1)	32.67%	(39.88)%	27.23%	81.50%	(64.33)%

RATIOS, SUPPLEMENTAL DATA:**Net Assets,****End of Period**

(Thousands)	\$387,069	\$349,966	\$613,141	\$530,115	\$256,021
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Ratio of Expenses to Average Net Assets(2)	1.40%+	1.38%+	1.33%+	1.42%+	1.46%+
Ratio of Net Investment Loss to Average Net Assets(2)	(0.07)%+	(0.28)%+	(0.12)%+	(0.21)%+	(0.51)%+
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.00%§	0.00%§	0.00%§	0.00%§	0.00%§
Portfolio Turnover Rate	69%	45%	66%	91%	60%

(2)

Supplemental Information on the Ratios to Average Net Assets:

Ratios Before Expenses Waived by Administrator:

Ratio of Expenses to Average Net Assets	1.45%	1.43%	1.37%+	1.47%+	1.51%+
Ratio of Net Investment Loss to Average Net Assets	(0.12)%	(0.33)%	(0.16)%+	(0.26)%+	(0.56)%+

(1) Total investment return based on net asset value per share reflects the effects of changes in net asset value on the performance of the Fund during each period, and assumes dividends and distributions, if any, were reinvested. This percentage is not an indication of the performance of a stockholder's investment in the Fund based on market value due to differences between the market price of the stock and the net asset value per share of the Fund.

† Per share amount is based on average shares outstanding.

‡ Amount is less than \$0.005 per share.

+ The Ratios of Expenses and Net Investment Loss reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

§ Amount is less than 0.005%.

The accompanying notes are an integral part of the financial statements.

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Notes to Financial Statements

The Morgan Stanley India Investment Fund, Inc. (the "Fund") was incorporated in Maryland on December 22, 1993, and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "Act"). The adviser, Morgan Stanley Investment Management Inc. (the "Adviser"), and sub-adviser, Morgan Stanley Investment Management Company (the "Sub-Adviser"), seek long-term capital appreciation through investments primarily in equity securities of Indian Issuers.

A. Significant Accounting Policies: The following significant accounting policies are in conformity with U.S. generally accepted accounting principles ("GAAP"). Such policies are consistently followed by the Fund in the preparation of its financial statements. GAAP may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

1. Security Valuation: Securities listed on a foreign exchange are valued at their closing price, except as noted below. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the mean between the last reported bid and ask prices. Equity securities listed on a U.S. exchange are valued at the latest quoted sales price on the valuation date. Equity securities listed or traded on NASDAQ, for which market quotations are available, are valued at the NASDAQ Official Closing Price. Short-term debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, unless the Fund's Board of Directors (the "Directors") determines such valuation does not reflect the securities' fair value, in which case these securities will be valued at their fair value as determined in good faith under procedures adopted by the Directors.

Under procedures approved by the Directors, the Adviser has formed a Valuation Committee. The Valuation Committee provides administration and oversight of the Fund's valuation policies and procedures, which are reviewed at least annually by the Directors. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when arriving at fair value. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Most foreign markets close before the New York Stock Exchange ("NYSE"). Occasionally, developments that could affect the closing prices of securities and other assets may occur between the times at which valuations of such

Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Notes to Financial Statements (cont'd)

securities are determined (that is, close of the foreign market on which the securities trade) and the close of business on the NYSE. If these developments are expected to materially affect the value of the securities, the valuations may be adjusted to reflect the estimated fair value as of the close of the NYSE, as determined in good faith under procedures established by the Directors.

2. Fair Value Measurement: Financial Accounting Standards Board ("FASB") Accounting Standards Codification™ ("ASC") 820, "Fair Value Measurements and Disclosures" ("ASC 820"), defines fair value as the value that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

- Level 1 unadjusted quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 significant unobservable inputs including the Fund's own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2012.

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Common Stocks				
Auto Components	\$	\$ 6,737	\$	\$ 6,737

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Automobiles	10,480	10,480
Chemicals	7,018	7,018
Commercial Banks	82,497	82,497
Construction & Engineering	15,501	15,501
Construction Materials	19,170	19,170
Consumer Finance	15,135	15,135
Diversified Financial Services	4,330	4,330

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Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Notes to Financial Statements (cont'd)

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets: (cont'd)				
Common Stocks (cont'd)				
Food Products	\$	\$ 7,748	\$	\$ 7,748
Health Care Equipment & Supplies		5,166		5,166
Household Products		11,320		11,320
Industrial Conglomerates		8,838		8,838
Information Technology Services	16,735	23,961	137	40,833
Machinery		7,529		7,529
Media		2,050		2,050
Metals & Mining		7,384		7,384
Oil, Gas & Consumable Fuels		20,087		20,087
Personal Products		7,301		7,301
Pharmaceuticals		44,165		44,165
Real Estate Management & Development		8,492		8,492
Software		4,539		4,539
Textiles, Apparel & Luxury Goods		4,551		4,551
Tobacco		19,197		19,197
Wireless Telecommunication Services	2,504	8,730	1,646	12,880
	19,239	351,926	1,783	372,948

**Total
Common
Stocks
Short-Term
Investment**

Investment

Company 3,790 3,790

**Total
Assets** \$ 23,029 \$ 351,926 \$ 1,783 \$376,738

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The Fund recognizes transfers between the levels as of the end of the period. As of December 31, 2012, securities with a total value of approximately \$202,677,000 transferred from Level 1 to Level 2. At December 31, 2012, the fair market value of certain securities were adjusted due to developments which occurred between the time of the close of the foreign markets on which they trade and the close of business on the NYSE which resulted in their Level 2 classification.

Following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value.

	Common Stocks (000)
Beginning Balance	\$ 167
Purchases	2,006
Sales	
Amortization of discount	
Transfers in	
Transfers out	
Corporate action	
Change in unrealized appreciation/depreciation	(390)
Realized gains (losses)	
Ending Balance	\$ 1,783
Net change in unrealized appreciation/ depreciation from investments still held as of December 31, 2012	\$ (390)

Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Notes to Financial Statements (cont'd)

The following table presents additional information about valuation techniques and inputs used for investments that are measured at fair value and categorized within Level 3 as of December 31, 2012.

	Fair Value at December 31, 2012 (000)	Valuation Technique(s)	Unobservable Input	Range	Weighted Average	Impact to Valuation from an Increase in Input
Information Technology Services						
Common Stock	\$ 137	Market transaction	Discount for lack of marketability		50%	Decrease
Wireless Telecommunications Services						
Common Stock	1,646	Market transaction	Discount for lack of marketability		1.67%	Decrease

3. Foreign Currency Translation: The books and records of the Fund are maintained in U.S. dollars. Amounts denominated in Indian rupees are translated into U.S. dollars at the mean of the bid and ask prices of such currencies against U.S. dollars last quoted by a major bank as follows:

investments, other assets and liabilities at the prevailing rate of exchange on the valuation date;

investment transactions and investment income at the prevailing rates of exchange on the dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of securities held at period end. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from sales and maturities of foreign currency exchange contracts, disposition of foreign currency, currency gains (losses) realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on investments and foreign currency translations in the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

A significant portion of the Fund's net assets consist of Indian securities which involve certain considerations and risks not typically associated with investments in the United States. In addition to its smaller size, less liquidity and greater volatility, the Indian securities market is less developed than the U.S. securities market and there is often substantially less publicly available information about Indian issuers than there is about U.S. issuers. Settlement

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Notes to Financial Statements (cont'd)

mechanisms are also less developed and are accomplished, in certain cases, only through physical delivery, which may cause the Fund to experience delays or other difficulties in effecting transactions.

4. Indemnifications: The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

5. Other: Security transactions are accounted for on the date the securities are purchased or sold. Investments in new Indian securities are made by making applications in the public offerings. The issue price, or a portion thereof, is paid at the time of application and reflected as share application money on the Statement of Assets and Liabilities. Upon allotment of the securities, this amount plus any remaining amount of issue price is recorded as cost of investments. Realized gains (losses) on the sale of investment securities are determined on the specific identified cost basis. Interest income is recognized on the accrual basis, if any.

B. Advisory/Sub-Advisory Fees: The Adviser, a wholly-owned subsidiary of Morgan Stanley, provides the Fund with advisory services under the terms of an Investment Advisory Agreement, calculated weekly and payable monthly, at an annual rate of 1.10% of the Fund's average weekly net assets.

The Adviser has entered into a Sub-Advisory Agreement with the Sub-Adviser, a wholly-owned subsidiary of Morgan Stanley. The Sub-Adviser provides the Fund with advisory services subject to the overall supervision of the Adviser and the Fund's Officers and Directors. The Adviser pays the Sub-Adviser on a monthly basis a portion of the net advisory fees the Adviser receives from the Fund.

C. Administration Fees: The Adviser also serves as Administrator to the Fund and provides administrative services pursuant to an Administration Agreement for an annual fee, accrued daily and paid monthly, of 0.08% of the Fund's average weekly net assets. The Adviser has agreed to limit the administration fee through a waiver so that it will be no greater than the previous administration fee of 0.02435% of the Fund's average weekly net assets plus \$24,000 per annum. This waiver may be terminated at any time. For the year ended December 31, 2012, approximately \$185,000 of administration fees were waived pursuant to this arrangement. Under a Sub-Administration Agreement between the Administrator and State Street Bank and Trust Company ("State Street"), State Street provides certain administrative services to the Fund. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Fund.

Cim Fund Services Ltd., (formerly Multiconsult, Ltd.) whose registered office is in Mauritius, provides sub-administrative services to the Fund, including maintaining certain Fund records and preparing certain periodic filings, under an agreement whereby Cim Fund Services Ltd. is paid a fee of \$18,000 per annum plus reimbursement for certain out-of-pocket expenses.

D. Custodian Fees: State Street (the "Custodian") and its affiliates serve as Custodian for the Fund. The Custodian holds cash, securities, and other assets of the Fund as required by the Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

The Fund has entered into an arrangement with its Custodian whereby credits realized on uninvested cash balances may be used to offset a portion of the Fund's expenses. If applicable, these custodian credits are shown as "Expense Offset" in the Statement of Operations.

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Notes to Financial Statements (cont'd)

E. Federal Income Taxes: It is the Fund's intention to continue to qualify as a regulated investment company and distribute all of its taxable income. Accordingly, no provision for Federal income taxes is required in the financial statements.

Dividend income and distributions to stockholders are recorded on the ex-dividend date. Interest income is recognized on an accrual basis. Dividends from net investment income, if any, are declared and paid semiannually. Net realized capital gains, if any, are distributed at least annually.

Effective October 1, 2004 there is no capital gains tax in India for long-term investments in specified securities executed on a recognized stock exchange on which securities transaction tax is paid. The current rate of capital gains tax for short-term investments is 15.836% for transactions conducted through a recognized stock exchange and on which securities transaction tax is paid. The Fund invests in India through a registered branch office established in Mauritius and, as a result, obtains the benefits under the double taxation treaty between Mauritius and India ("Treaty"). To obtain benefits under the Treaty, the Fund must meet certain tests and conditions, including the establishment of Mauritius tax residence and related requirements. The Fund has obtained a tax residence certification from the Mauritian authorities and believes such certification is determinative of its resident status for Treaty purposes. A fund which is a tax resident in Mauritius under the Treaty but has no branch or permanent establishment in India will not be subject to capital gains tax in India on the sale of securities. The dividend income from Indian companies are exempt from Indian income tax.

The Fund currently is subject to and accrues Indian tax on interest earned on Indian securities at 21.115%. The Treaty benefits accorded to foreign investors were challenged by a nongovernmental organization and the matter was litigated before India's Supreme Court (the highest court in India). In October 2003, India's Supreme Court upheld the validity of Treaty benefits accorded to foreign investors on the basis of a

certificate of residence issued by Mauritian authorities (such as the one obtained by the Fund).

The Indian Finance Minister ("FM") announced the introduction of a General Anti Avoidance Rule ("GAAR") in the Indian tax law in the final 2012/2013 Indian Budget, which is designed to prevent certain abuses of local tax law. Subsequent to the announcement of the Budget, comments were submitted to the FM regarding the GAAR. In response to these comments, on May 7, 2012 the FM announced that the GAAR will be effective April 1, 2013, which is a delay of one year from what had been proposed. Furthermore, a committee was formed to issue rules and guidelines governing the implementation of the GAAR. The Committee submitted its report on September 30, 2012. As per the press statement issued dated January 14, 2013, the Government has accepted, with some modification, the major recommendations of the Committee, and it is proposed that implementation of the GAAR will be deferred to the financial year commencing from April 1, 2015. At this time we cannot assess whether the Fund will fall within the scope of the GAAR and, if the GAAR is applicable to the Fund, how it will impact the Fund.

FASB ASC 740-10, *Income Taxes* Overall, sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has concluded there are no significant uncertain tax positions that would require recognition in the financial statements. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in "Interest Expense" and penalties in "Other Expenses" in the Statement of Operations. The Fund files tax returns with the U.S. Internal Revenue Service, New York and various states. Each of the tax years in the four-year period ended December 31, 2012, remains subject to

examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown in the Statements of Changes in Net Assets due to short-term capital gains being treated as

Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Notes to Financial Statements (cont'd)

ordinary income for tax purposes. The tax character of distributions paid during fiscal 2012 and 2011 was as follows:

2012 Distributions Paid From:		2011 Distributions Paid From:	
Ordinary Income (000)	Long-Term Capital Gain (000)	Ordinary Income (000)	Long-Term Capital Gain (000)
\$	\$	\$ 4,113	\$ 22,193

The amount and character of income and gains to be distributed are determined in accordance with income tax regulations which may differ from GAAP. These book/tax differences are either considered temporary or permanent in nature.

Temporary differences are attributable to differing book and tax treatments for the timing of the recognition of gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions and a net operating loss, resulted in the following reclassifications among the components of net assets at December 31, 2012:

Accumulated Net Investment Loss (000)	Accumulated Net Realized Loss (000)	Paid-in- Capital (000)
\$ 2,632	\$ 1,507	\$ (4,139)

At December 31, 2012, the Fund had no distributable earnings on a tax basis.

At December 31, 2012, the aggregate cost for federal income tax purposes is approximately \$311,936,000. The aggregate gross unrealized appreciation is approximately \$88,856,000 and the aggregate gross unrealized depreciation is approximately \$24,054,000 resulting in net unrealized appreciation of approximately \$64,802,000.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Modernization Act") was signed into law. The Modernization Act modernizes several tax provisions related to Regulated Investment Companies ("RICs") and their shareholders. One key change made by the Modernization Act is that capital losses will generally retain their character as short-term or long-term and may be carried forward indefinitely to offset future gains. These losses are utilized before other capital loss carryforwards that expire. Generally, the Modernization Act is effective for taxable years beginning after December 22, 2010.

At December 31, 2012, the Fund had available for Federal income tax purposes unused short term and long term capital losses of approximately \$29,037,000 and \$34,263,000, respectively that do not have an expiration date.

To the extent that capital loss carryforwards are used to offset any future capital gains realized during the carryover period as provided by U.S. Federal income tax regulations, no capital gains tax liability will be incurred by the Fund for gains realized and not distributed. To the extent that capital gains are offset, such gains will not be distributed to

the stockholders.

F. Security Transactions and Transactions with Affiliates: For the year ended December 31, 2012, purchases and sales of investment securities for the Fund, other than long-term U.S. Government securities and short-term investments, were approximately \$245,788,000 and \$296,962,000, respectively. There were no purchases and sales of long-term U.S. Government securities for the year ended December 31, 2012.

The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds Money Market Portfolio (the "Liquidity Funds"), an open-end management investment company managed by the Adviser. Advisory fees paid by the Fund are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Fund due to its investment in the Liquidity Funds. For the year ended December 31, 2012, advisory fees paid were reduced by

Morgan Stanley India Investment Fund, Inc.**December 31, 2012**

Notes to Financial Statements (cont'd)

approximately \$9,000 relating to the Fund's investment in the Liquidity Funds.

A summary of the Fund's transactions in shares of the Liquidity Funds during the year ended December 31, 2012 is as follows:

Value December 31, 2011 (000)	Purchases at Cost (000)	Sales (000)	Dividend Income (000)	Value December 31, 2012 (000)
\$ 986	\$ 99,274	\$96,470	\$ 12	\$ 3,790

During the year ended December 31, 2012, the Fund incurred approximately \$148,000 in brokerage commissions with Morgan Stanley & Co., LLC, an affiliate of the Adviser, Sub-Adviser and Administrator, for portfolio transactions executed on behalf of the Fund.

During the year ended December 31, 2012, the Fund incurred approximately \$61,000 in brokerage commissions with Citigroup, Inc., and its affiliated broker-dealers, which may be deemed affiliates of the Adviser, Sub-Adviser and Administrator under Section 17 of the Act, for portfolio transactions executed on behalf of the Fund.

G. Other: Future economic and political developments in India could adversely affect the liquidity or value, or both, of securities in which the Fund is invested. In addition, the Fund's ability to hedge its currency risk is limited and accordingly, the Fund may be exposed to currency devaluation and other exchange rate fluctuations.

On August 10, 1998, the Fund commenced a share repurchase program for purposes of enhancing stockholder value and reducing the discount at which the Fund's shares trade from their net asset value per share ("NAV"). During the year ended December 31, 2012, the Fund repurchased 363,688 of its shares at an average discount of 11.48% from NAV. Since the inception of the program, the Fund has repurchased 9,305,570 of its shares at an average discount of 26.15% from NAV. The Directors regularly monitor the Fund's share repurchase program

as part of their review and consideration of the Fund's premium/discount history. The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Directors.

On June 13, 2012 the Fund announced the commencement of a tender offer by the Fund to acquire in exchange for cash up to 15% of the Fund's outstanding shares at a price equal to 98.5% of the Fund's NAV as of the close of regular trading on the NYSE on the business day immediately following the day the offer expires. On July 10, 2012, the Fund completed the tender offer. The Fund accepted 3,349,634 shares for payment which represented 15% of the Fund's then outstanding shares. Final payment was made on July 18, 2012 at \$16.83 per share, representing 98.5% of the NAV on July 11, 2012.

H. Results of Annual Meeting of Stockholders (unaudited): On July 24, 2012, an annual meeting of the Fund's stockholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Directors by all stockholders:

	For	Withheld
Joseph J. Kearns	11,437,671	5,966,228
M.J. Marcel Vivian		
Descroizilles	16,575,983	827,921

I. Accounting Pronouncement: In December 2011, FASB issued Accounting Standards Update ("ASU") 2011-11, "Balance Sheet: Disclosures about Offsetting Assets and Liabilities." The pronouncement improves disclosures for recognized financial and derivative instruments that are either offset on the balance sheet in accordance with the offsetting guidance in ASC 210-20-45, "Balance Sheet: Offsetting Other Presentation Matters" or ASC 815-10-45, "Derivatives: Overall Other Presentation Matters" or are subject to enforceable master netting agreements or similar agreements. The Fund will be required to disclose information about rights to offset and related arrangements (such as collateral

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Notes to Financial Statements (cont'd)

agreements) in order to enable financial statement users to understand the effect of those rights and arrangements on its financial position as well as disclose the following (1) gross amounts; (2) amounts offset in the statement of financial position; (3) any other amounts that can be offset in the event of bankruptcy, insolvency or default of any of the parties (including cash and noncash financial collateral); and (4) the Fund's net exposure. The requirements are effective for annual reporting periods beginning on or after January 1, 2013, and must be applied retrospectively. At this time, the Fund's management is evaluating the implications of ASU 2011-11 and its impact, if any, on the financial statements.

For More Information About Portfolio Holdings (unaudited)

The Fund provides a complete schedule of portfolio holdings in its semi-annual and annual reports within 60 days of the end of the Fund's second and fourth fiscal quarters. The semi-annual reports and the annual reports are filed electronically with the Securities and Exchange Commission (SEC) on Form N-CSRS and Form N-CSR, respectively. Morgan Stanley also delivers the semi-annual and annual reports to Fund stockholders and makes these reports available on its public website, www.morganstanley.com/im. Each Morgan Stanley fund also files a complete schedule of portfolio holdings with the SEC for the Fund's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to stockholders, nor are the reports posted to the Morgan Stanley public website. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's website, www.sec.gov. You may also review and copy them at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC toll free at 1(800) SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address (publicinfo@sec.gov) or by writing the public reference section of the SEC, Washington, DC 20549-0102.

In addition to filing a complete schedule of portfolio holdings with the SEC each fiscal quarter, the Fund makes portfolio holdings information available by periodically providing the information on its public website, www.morganstanley.com/im.

The Fund provides a complete schedule of portfolio holdings on the public website on a calendar-quarter basis approximately 31 calendar days after the close of the calendar quarter. The Fund also provides Top 10 holdings information on the public website approximately 15 business days following the end of each month. You may obtain copies of the Fund's monthly or calendar-quarter website postings, by calling toll free 1(800) 231-2608.

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Notes to Financial Statements (cont'd)

Proxy Voting Policy and Procedures and Proxy Voting Record (unaudited)

A copy of (1) the Fund's policies and procedures with respect to the voting of proxies relating to the Fund's portfolio securities; and (2) how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, is available without charge, upon request, by calling toll free 1(800) 548-7786 or by visiting our website at www.morganstanley.com/im. This information is also available on the SEC's web site at www.sec.gov.

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Report of Independent Registered Public Accounting Firm

**To the Stockholders and Board of Directors of
Morgan Stanley India Investment Fund, Inc.**

We have audited the accompanying statement of assets and liabilities of Morgan Stanley India Investment Fund, Inc. (the "Fund"), including the portfolio of investments, as of December 31, 2012, and the related statement of operations for the year then ended, the statements of 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 Fund'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. We were not engaged to perform an audit of the Fund's 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 Fund'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 and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2012, by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. 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 India Investment Fund, Inc. at December 31, 2012, 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 U.S. generally accepted accounting principles.

Boston, Massachusetts
February 25, 2013

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Portfolio Management (unaudited)

The Fund is managed within the Emerging Markets Equity 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 Ashutosh Sinha, a Managing Director of the Sub-Adviser, and Ruchir Sharma, a Managing Director of the Adviser.

Mr. Sinha has been most recently associated with the Sub-Adviser in an investment management capacity since March 2011 and began managing the Fund in May 2012. Mr. Sinha founded and served as the managing partner of Amoeba Capital Partners, Pte (from April 2006 to February 2011). He was previously associated with the Sub-Adviser in an investment management capacity from 1995 to 2006. Mr. Sharma has been associated with the Adviser in an investment management capacity since 1996 and began managing the Fund in January 2001.

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Investment Policy (unaudited)

The Fund may, but is not required to, use derivative instruments for a variety of purposes, including hedging, risk management, portfolio management or to earn income. Derivatives are financial instruments whose value is based on the value of an underlying asset, interest rate, index or financial instrument. A derivative instrument often has risks similar to its underlying asset and may have additional risks, including imperfect correlation between the value of the derivative and the underlying asset, risks of default by the counterparty to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, indices or interest rates to which they relate, and risks that the transactions may not be liquid. The use of derivatives involves risks that are different from, and possibly greater than, the risks associated with other portfolio investments. Derivatives may involve the use of highly specialized instruments that require investment techniques and risk analyses different from those associated with other portfolio investments. Certain derivative transactions may give rise to a form of leverage. Leverage magnifies the potential for gain and risk of loss. Leverage associated with derivative transactions may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable SEC rules and regulations, or may cause the Fund to be more volatile than if the Fund had not been leveraged. Although the Adviser seeks to use derivatives to further the Fund's investment objectives, there is no assurance that the use of derivatives will achieve this result.

Following is a description of the derivative instruments and techniques that the Fund may use and their associated risks:

Foreign Currency Exchange Contracts. In connection with its investments in foreign securities, the Fund also may enter into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future date. A foreign currency exchange contract ("currency contract") is a negotiated agreement between two parties to exchange specified amounts of two or more currencies at a specified future time at a specified rate. The rate specified by the currency contract can be higher or lower than the spot rate between the currencies that are the subject of the contract. Currency contracts may be used to protect against uncertainty in the level of future foreign currency exchange rates or to gain or modify exposure to a particular currency. In addition, the Fund may use cross currency hedging or proxy hedging with respect to currencies in which the Fund has or expects to have portfolio or currency exposure. Cross currency hedges involve the sale of one currency against the positive exposure to a different currency and may be used for hedging purposes or to establish an active exposure to the exchange rate between any two currencies. Hedging the Fund's currency risks involves the risk of mismatching the Fund's objectives under a currency contract with the value of securities denominated in a particular currency. Furthermore, such transactions reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. There is an additional risk to the effect that currency contracts create exposure to currencies in which the Fund's securities are not denominated. Unanticipated changes in currency prices may result in poorer overall performance for the Fund than if it had not entered into such contracts. The use of currency contracts involves the risk of loss from the insolvency or bankruptcy of the counterparty to the contract or the failure of the counterparty to make payments or otherwise comply with the terms of the contract.

Futures. A futures contract is a standardized, exchange-traded agreement to buy or sell a specific quantity of an underlying asset, reference rate or index at a specific price at a specific future time. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Investment Policy (unaudited) (cont'd)

the settlement date. A decision as to whether, when and how to use futures involves the exercise of skill and judgment and even a well conceived futures transaction may be unsuccessful because of market behavior or unexpected events. In addition to the derivatives risks discussed above, the prices of futures contracts can be highly volatile, using futures can lower total return, and the potential loss from futures can exceed the Fund's initial investment in such contracts.

Structured Investments. The Fund also may invest a portion of its assets in structured investments. A structured investment is a derivative security designed to offer a return linked to a particular underlying security, currency, commodity or market. Structured investments may come in various forms including notes, warrants and options to purchase securities. The Fund will typically use structured investments to gain exposure to a permitted underlying security, currency, commodity or market when direct access to a market is limited or inefficient from a tax or cost standpoint. Investments in structured investments involve risks including issuer risk, counterparty risk and market risk. Holders of structured investments bear risks of the underlying investment and are subject to issuer or counterparty risk because the Fund is relying on the creditworthiness of such issuer or counterparty and has no rights with respect to the underlying investment. Certain structured investments may be thinly traded or have a limited trading market and may have the effect of increasing the Fund's illiquidity to the extent that the Fund, at a particular point in time, may be unable to find qualified buyers for these securities.

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

Dividend Reinvestment and Cash Repurchase Plan (unaudited)

Pursuant to the Dividend Reinvestment Plan (the Plan), each stockholder will be deemed to have elected, unless Computershare Trust Company, N.A. (the Plan Agent) is otherwise instructed by the stockholder in writing, to have all distributions automatically reinvested in Fund shares. Participants in the Plan have the option of making additional voluntary cash payments to the Plan Agent, quarterly, in any amount from \$100 to \$3,000, for investment in Fund shares.

Dividend and capital gain distributions (Distribution) will be reinvested on the reinvestment date in full and fractional shares. If the market price per share equals or exceeds net asset value per share on the reinvestment date, the Fund will issue shares to participants at net asset value or, if net asset value is less than 95% of the market price on the reinvestment date, shares will be issued at 95% of the market price. If net asset value exceeds the market price on the reinvestment date, participants will receive shares valued at market price. The Fund may purchase shares of its Common Stock in the open market in connection with dividend reinvestment requirements at the discretion of the Board of Directors. Should the Fund declare a Distribution payable only in cash, the Plan Agent will purchase Fund shares for participants in the open market as agent for the participants.

The Plan Agent's fees for the reinvestment of a Distribution will be paid by the Fund. However, each participant's account will be charged a pro rata share of brokerage commissions incurred on any open market purchases effected on such participant's behalf. A participant will also pay brokerage commissions incurred on purchases made by voluntary cash payments. Although stockholders in the Plan may receive no cash distributions, participation in the Plan will not relieve participants of any income tax which may be payable on such dividends or distributions.

In the case of stockholders, such as banks, brokers or nominees, that hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the stockholder as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who are participating in the Plan.

Stockholders who do not wish to have Distributions automatically reinvested should notify the Plan Agent in writing. There is no penalty for non-participation or withdrawal from the Plan, and stockholders who have previously withdrawn from the Plan may rejoin at any time. Requests for additional information or any correspondence concerning the Plan should be directed to the Plan Agent at:

Morgan Stanley India Investment Fund, Inc.
Computershare Trust Company, N.A.
P.O. Box 43078
Providence, Rhode Island 02940-3078
1(800) 231-2608

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

U.S. Privacy Policy (unaudited)

An Important Notice Concerning Our U.S. Privacy Policy

This privacy notice describes the U.S. privacy policy of Morgan Stanley Distribution, Inc., and the Morgan Stanley family of mutual funds ("us", "our", "we").

We are required by federal law to provide you with notice of our U.S. privacy policy ("Policy"). This Policy applies to both our current and former clients unless we state otherwise and is intended for individual clients who purchase products or receive services from us for personal, family or household purposes. This Policy is not applicable to partnerships, corporations, trusts or other non-individual clients or account holders, nor is this Policy applicable to individuals who are either beneficiaries of a trust for which we serve as trustee or participants in an employee benefit plan administered or advised by us. This Policy is, however, applicable to individuals who select us to be a custodian of securities or assets in individual retirement accounts, 401(k) accounts, or accounts subject to the Uniform Gifts to Minors Act.

This notice sets out our business practices to protect your privacy; how we collect and share personal information about you; and how you can limit our sharing or certain uses by others of this information. We may amend this Policy at any time, and will inform you of any changes to our Policy as required by law.

We Respect Your Privacy

We appreciate that you have provided us with your personal financial information and understand your concerns about your information. We strive to safeguard the information our clients entrust to us. Protecting the confidentiality and security of client information is an important part of how we conduct our business.

This notice describes what personal information we collect about you, how we collect it, when we may share it with others, and how certain others may use it. It discusses the steps you may take to limit our sharing of certain information about you with our affiliated companies, including, but not limited to our affiliated banking businesses, brokerage firms and credit service affiliates. It also discloses how you may limit our affiliates' use of shared information for marketing purposes.

Throughout this Policy, we refer to the nonpublic information that personally identifies you as "personal information." We also use the term "affiliated company" in this notice. An affiliated company is a company in our family of companies and includes companies with the Morgan Stanley name. These affiliated companies are financial institutions such as broker-dealers, banks, investment advisers and credit card issuers. We refer to any company that is not an affiliated company as a nonaffiliated third party. For purposes of Section 5 of this notice, and your ability to limit certain uses of personal information by our affiliates, this notice applies to the use of personal information by our affiliated companies.

1. What Personal Information Do We Collect From You?

We may collect the following types of information about you: (i) information provided by you, including information from applications and other forms we receive from you, (ii) information about your transactions with us or our affiliates, (iii) information

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

U.S. Privacy Policy (unaudited) (cont'd)

about your transactions with nonaffiliated third parties, (iv) information from consumer reporting agencies, (v) information obtained from our websites, and (vi) information obtained from other sources. For example:

- We 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.

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

We may disclose personal information we collect about you in each of the categories listed above to affiliated and nonaffiliated third parties.

a. Information We Disclose to Affiliated Companies. We may disclose personal information that we collect about you to our affiliated companies to manage your account(s) effectively, to service and process your transactions, and to let you know about products and services offered by us and affiliated companies, to manage our business, and as otherwise required or permitted by law. Offers for products and services from affiliated companies are developed under conditions designed to safeguard your personal information.

b. Information We Disclose to Third Parties. We may disclose personal information that we collect about you to nonaffiliated third parties to provide marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. We may also disclose all of the information we collect to other nonaffiliated third parties for our everyday business purposes, such as to process transactions, maintain account(s), respond to court orders and legal investigations, report to credit bureaus, offer our own products and services, protect against fraud, for institutional risk control, to perform services on our behalf, and as otherwise required or permitted by law.

When we share personal information about you with a nonaffiliated third party, they are required to limit their use of personal information about you to the particular purpose for which it was shared and they are not allowed to share personal information about you with others except to fulfill that limited purpose or as may be permitted or required by law.

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

We maintain physical, electronic and procedural security measures that comply with applicable law and regulations to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information by

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

U.S. Privacy Policy (unaudited) (cont'd)

employees. Third parties that provide support or marketing services on our behalf may also receive personal information about you, and we require them to adhere to appropriate security standards with respect to such information.

4. How Can You Limit Our Sharing Certain Personal Information About You With Our Affiliated Companies for Eligibility Determination?

By following the opt-out procedures in Section 6 below, you may limit the extent to which we share with our affiliated companies, personal information that was collected to determine your eligibility for products and services such as your credit reports and other information that you have provided to us or that we may obtain from third parties ("eligibility information"). Eligibility information does not include your identification information or personal information pertaining to our transactions or experiences with you. Please note that, even if you direct us not to share eligibility information with our affiliated companies, we may still share your personal information, including eligibility information, with our affiliated companies under circumstances that are permitted under applicable law, such as to process transactions or to service your account.

5. How Can You Limit the Use of Certain Personal Information About You by Our Affiliated Companies for Marketing?

By following the opt-out instructions in Section 6 below, you may limit our affiliated companies from marketing their products or services to you based on personal information we disclose to them. This information may include, for example, your income and account history with us. Please note that, even if you choose to limit our affiliated companies from using personal information about you that we may share with them for marketing their products and services to you, our affiliated companies may use your personal information that they obtain from us to market to you in circumstances permitted by law, such as if the affiliated party has its own relationship with you.

6. How Can You Send Us an Opt-Out Instruction?

If you wish to limit our sharing of eligibility information about you with our affiliated companies, or our affiliated companies' use of personal information for marketing purposes, as described in this notice, you may do so by:

- Calling us at (800) 548-7786
Monday - Friday between 8a.m. and 5p.m. (EST)
- Writing to us at the following address:

Morgan Stanley Services Company Inc.
c/o Privacy Coordinator
201 Plaza Two, 3rd Floor
Jersey City, New Jersey 07311

If you choose to write to us, your request should include: your name, address, telephone number and account number(s) to which the opt-out applies and whether you are opting out with respect to sharing of eligibility information (Section 4 above), or information used for marketing (Section 5 above), or both. Written opt-out requests

should not be sent with any other correspondence. In order to

Morgan Stanley India Investment Fund, Inc.

December 31, 2012

U.S. Privacy Policy (unaudited) (cont'd)

process your request, we require that the request be provided by you directly and not through a third party. Once you have informed us about your privacy preferences, your opt-out preference will remain in effect with respect to this Policy (as it may be amended) until you notify us otherwise. If you are a joint account owner, we will accept instructions from any one of you and apply those instructions to the entire account.

Please understand that if you limit our sharing or our affiliated companies' use of personal information, you and any joint account holder(s) may not receive information about our affiliated companies' products and services, including products or services that could help you manage your financial resources and achieve your investment objectives.

If you have more than one account or relationship with us, please specify the accounts to which you would like us to apply your privacy choices. If you have accounts or relationships with our affiliates, you may receive multiple privacy policies from them, and will need to separately notify those companies of your privacy choices for those accounts or relationships.

7. What if an affiliated company becomes a nonaffiliated third party?

If, at any time in the future, an affiliated company becomes a nonaffiliated third party, further disclosures of personal information made to the former affiliated company will be limited to those described in Section 2(b) above relating to nonaffiliated third parties. If you elected under Section 6 to limit disclosures we make to affiliated companies, or use of personal information by affiliated companies, your election will not apply to use by any former affiliated company of your personal information in their possession once it becomes a nonaffiliated third party.

SPECIAL NOTICE TO RESIDENTS OF VERMONT

The following section supplements our Policy with respect to our individual clients who have a Vermont address and supersedes anything to the contrary in the above Policy with respect to those clients only.

The State of Vermont requires financial institutions to obtain your consent prior to sharing personal information that they collect about you with nonaffiliated third parties, or eligibility information with affiliated companies, other than in certain limited circumstances. Except as permitted by law, we will not share personal information we collect about you with nonaffiliated third parties or eligibility information with affiliated companies, unless you provide us with your written consent to share such information.

SPECIAL NOTICE TO RESIDENTS OF CALIFORNIA

The following section supplements our Policy with respect to our individual clients who have a California address and supersedes anything to the contrary in the above Policy with respect to those clients only.

In response to a California law, if your account has a California home address, your personal information will not be disclosed to nonaffiliated third parties except as permitted by applicable California law, and we will limit sharing such personal information with our affiliates to comply with California privacy laws that apply to us.

Morgan Stanley India Investment Fund, Inc.**December 31, 2011**

Director and Officer Information (unaudited)

Independent Directors:

Name, Age and Address of Independent Director	Position(s) of Held with Registrant*	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Directors***
M.J. Marcel Vivian Descroizilles (63) c/o Cim Fund Services, Ltd. Rogers House 5 President John Kennedy St. Port-Louis, Mauritius	Director	Since 2006	Business Consultant since 2006; formerly, Managing Director of Société du Port (May-November 2006); Consultant, Total Outre Mer SA Paris (January-May 2006); Managing Director and General Manager of Esso Mauritius Ltd., a wholly-owned affiliate of ExxonMobil Corp. (February 1996 - December 2005).	1	Independent director of a number of companies in Mauritius, including publicly quoted Rogers & Co. Ltd.
Josep J. Kearns (70) c/o Kearns & Associates LLC PMB754 22631 Pacific Coast Highway	Director	Since August 1994	President, Kearns & Associates LLC (investment consulting); Chairperson of the Audit Committee (since October 2006) and Director or Trustee of various Morgan Stanley Funds (since August 1994); formerly Deputy Chairperson of the Audit Committee (July 2003-September 2006) and Chairperson of the Audit Committee of various Morgan Stanley Funds since (August 1994); CFO of the J. Paul Getty Trust.	104	Director of Electro Rent Corporation (equipment leasing) and The Ford Family Foundation.

Malibu, CA 90265 Ravindra Santosh Kumar Hazareesing (64) c/o Cim Fund Services, Ltd. Rogers House 5 President John Kennedy St. Port-Louis, Mauritius Mamod Izam Nathadkhan (56) c/o Cim Fund Services, Ltd. Rogers House 5 President John Kennedy St. Port-Louis, Mauritius	Director	Since 2003	Self-employed Management Consultant.	1	None.
Mamod Izam Nathadkhan (56) c/o Cim Fund Services, Ltd. Rogers House 5 President John Kennedy St. Port-Louis, Mauritius	Director	Since 2011	Managing Partner, Nathadkhan Maro Associates (Associated with Jeffreys Henry International) (since 2001); Chairman of Audit Committee and Director of Standard Bank (Mauritius) Ltd (since 2004); Agent of French Companies (since 2006).	1	None.
Fergus Reid (80) c/o Joe Pietryka, Inc. 85 Charles Colman Blvd.	Director	Since 1992	Chairman, Joe Pietryka, Inc.; Chairperson of the Governance Committee and Director or Trustee of various Morgan Stanley Funds (since June 1992).	104	None.

Pawling,
NY
12564

Morgan Stanley India Investment Fund, Inc.

December 31, 2011

Director and Officer Information (unaudited) (cont'd)

Interested Director:

Name, Age and Address of	Position(s) of	Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Interested Director**	Other Directorships Held by Interested Director***
Arthur Lev (51) 522 Fifth Avenue New York, NY 10036	President and Principal Executive Officer Equity and Fixed Income Funds	Since June 2011	President and Principal Executive Officer (since June 2011) of the Equity and Fixed Income Funds in the Fund Complex; Head of the Long Only Business of Morgan Stanley Investment Management (since February 2011); Managing Director of the Adviser and various entities affiliated with the Adviser (since December 2006). Formerly, Chief Strategy Officer of Morgan Stanley Investment Management's Traditional Asset Management business (November 2010-February 2011); General Counsel of Morgan Stanley Investment Management (December 2006-October 2010); Partner and General Counsel of FrontPoint Partners LLC (July 2002-December 2006); Managing Director and General Counsel of Morgan Stanley Investment Management (May 2000-June 2002).	1	None.

* Each Director serves an indefinite term, until his or her successor is elected.

** The Fund Complex (as of December 31, 2012) includes all open-end and closed-end funds (including all of their portfolios) advised by Morgan Stanley Investment Management Inc. (the "Adviser") and any funds that have an adviser that is an affiliated person of the Adviser (including, but not limited to, Morgan Stanley AIP GP LP).

*** This includes any directorships at public companies and registered investment companies held by the Director at any time during the past five years.

Morgan Stanley India Investment Fund, Inc.**December 31, 2011**

Director and Officer Information (unaudited) (cont'd)

Executive Officers:

Name, Age and Address of Executive Officer	Position(s) Held with Registrant	Length of Time Served*	Principal Occupation(s) During Past 5 Years
Arthur Lev (51) 522 Fifth Avenue New York, NY 10036	President and Principal Executive Officer Equity and Fixed Income Funds	Since June 2011	President and Principal Executive Officer (since June 2011) of the Equity and Fixed Income Funds in the Fund Complex; Head of the Long Only Business of Morgan Stanley Investment Management (since February 2011); Managing Director of the Adviser and various entities affiliated with the Adviser (since December 2006). Formerly, Chief Strategy Officer of Morgan Stanley Investment Management's Traditional Asset Management business (November 2010-February 2011); General Counsel of Morgan Stanley Investment Management (December 2006-October 2010); Partner and General Counsel of FrontPoint Partners LLC (July 2002-December 2006); Managing Director and General Counsel of Morgan Stanley Investment Management (May 2000-June 2002).
Mary Ann Picciotto (39) 522 Fifth Avenue New York, NY 10036	Chief Compliance Officer	Since May 2010	Managing Director of the Adviser and various entities affiliated with the Adviser; Chief Compliance Officer of various Morgan Stanley Funds (since May 2010); Chief Compliance Officer of the Adviser (since April 2007).
Stefanie V. Chang Yu (46) 522 Fifth Avenue New York, NY 10036	Vice President	Since December 1997	Managing Director of the Adviser and various entities affiliated with the Adviser; Vice President of various Morgan Stanley Funds (since December 1997).
Francis J. Smith (47) c/o Morgan Stanley Services Company Inc.	Treasurer and Principal Financial Officer	Treasurer since July 2003 and Principal Financial Officer since September 2002	Executive Director of the Adviser and various entities affiliated with the Adviser; Treasurer and Principal Financial Officer of various Morgan Stanley Funds (since July 2003).

Harborside
Financial
Center
201 Plaza
Two
Jersey
City, NJ
07311

Mary E. Mullin (45)
Secretary
522 Fifth
Avenue
New York,
NY 10036

Since
June 1999

Executive Director of the Adviser and various entities
affiliated with the Adviser; Secretary of various Morgan
Stanley Funds (since June 1999).

* Each Officer serves an indefinite term, until his or her successor is elected.

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Item 2. Code of Ethics.

(a) The Trust/Fund 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/Fund 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/Fund s Code of Ethics is attached hereto as Exhibit 12 A.

(2) Not applicable.

(3) Not applicable.

Item 3. Audit Committee Financial Expert.

The Fund 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

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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:

2012

	Registrant	Covered Entities(1)
Audit Fees	\$ 106,900	N/A
Non-Audit Fees		
Audit-Related Fees	\$ (2)	\$ (2)
Tax Fees	\$ 3,380(3)	\$ 3,789,467(4)
All Other Fees	\$	\$ 723,998
Total Non-Audit Fees	\$ 3,380	\$ 4,513,465
Total	\$ 110,280	\$ 4,513,465

2011

	Registrant	Covered Entities(1)
Audit Fees	\$ 106,900	N/A
Non-Audit Fees		
Audit-Related Fees	\$ (2)	\$ (2)
Tax Fees	\$ 3,380(3)	\$ 89,626(4)
All Other Fees	\$	\$ 1,133,094(5)
Total Non-Audit Fees	\$ 3,380	\$ 1,222,720
Total	\$ 110,280	\$ 1,222,720

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.

(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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(1) 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

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Morgan Stanley Investment Management Company

Morgan Stanley Services Company, Inc.

Morgan Stanley Distributors Inc.

Morgan Stanley Trust FSB

Morgan Stanley Institutional Funds

Morgan Stanley Investment Management Inc.

Morgan Stanley Investment Advisors Inc.

Morgan Stanley Investment Management Limited

Morgan Stanley Investment Management Private Limited

Morgan Stanley Asset & Investment Trust Management Co., Limited

Morgan Stanley Investment Management Company

Morgan Stanley & Co. Incorporated

Morgan Stanley Distribution, Inc.

Morgan Stanley AIP GP LP

Morgan Stanley Alternative Investment Partners LP

(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 Fund 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.

(a) See Item 1.

(b) Not applicable.

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

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

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

Morgan Stanley India Investment Fund, Inc.

FUND MANAGEMENT

The Fund is managed by members of the Emerging Markets Equity 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 Ashutosh Sinha, a Managing Director of the Sub-Adviser, and Ruchir Sharma, a Managing Director of the Adviser. Mr. Sinha has been most recently associated with the Sub-Adviser in an investment management capacity since March 2011 and began managing the Fund in May 2012. Mr. Sinha founded and served as the managing partner of Amoeba Capital Partners, Pte (from April 2006 to February 2011). He was previously associated with the Sub-Adviser in an investment management capacity from 1995 to 2006. Mr. Sharma has been associated with the Adviser in an investment management capacity since 1996 and joined the team managing the Fund in January 2001.

The composition of the team may change without notice from time to time.

OTHER ACCOUNTS MANAGED BY THE PORTFOLIO MANAGERS

The following information is as of December 31, 2012:

Mr. Sinha managed one registered investment company with a total of approximately \$387.1 million in assets and four pooled investment vehicles other than registered investment companies with a total of approximately \$213.5 million assets.

Mr. Sharma managed eight registered investment companies with a total of approximately \$3.1 billion in assets; six pooled investment vehicles other than registered investment companies with a total of approximately \$3.6 billion in assets; and 17 other accounts with a total of approximately \$5.7 billion in assets. Of these other accounts, three accounts with a total of approximately \$1.8 billion in assets, had performance based fees.

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 Adviser and/or Sub-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 manager 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 Adviser and/or Sub-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 Adviser's and/or Sub-Adviser's employee benefits and/or deferred compensation plans. The portfolio managers may have an incentive to favor these accounts over others. If the Adviser and/or Sub-Adviser manages accounts that engage in short sales of securities of the type in which the Fund invests, the Adviser and/or Sub-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 Adviser and Sub-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 Adviser and/or Sub-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 plans that are subject to vesting and other conditions. All long term incentive compensation awards are subject to clawback provisions where awards can be cancelled if an employee takes any action, or omits to take any action which; causes a restatement of Morgan Stanley's consolidated financial results; or constitutes a violation of Morgan Stanley's risk policies and standards.
- 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 Adviser and/or Sub-Adviser or their 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 their IMAP deferral account 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. In addition to the clawbacks listed above for long term incentive compensation awards, the provision on IMAP awards is further strengthened such that it may also be triggered if any employee's actions cause substantial financial loss on a trading strategy, investment, commitment or other holding provided that previous gains on those position were relevant to the employees' prior year compensation decisions.

Several factors determine discretionary compensation, which can vary by portfolio management team and circumstances. These factors include:

- Revenues generated by the investment companies, pooled investment vehicles and other accounts managed by the portfolio manager.
- The investment performance of the funds/accounts managed by the portfolio manager.
- Contribution to the business objectives of the Adviser and/or Sub-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 December 31, 2012, 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
June 2012	3,349,643	16.83	N/A	N/A
July 2012	6,608	15.163	N/A	N/A
Aug 2012	131,944	15.331	N/A	N/A
Sep 2012	84,526	17.413	N/A	N/A
Oct 2012	65,368	17.717	N/A	N/A
Nov 2012	18,351	17.795	N/A	N/A
Dec 2012	56,891	18.118	N/A	N/A
Total	3,713,331	16.5828	N/A	N/A

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

Not applicable.

Item 11. Controls and Procedures

(a) The Trust s/Fund s principal executive officer and principal financial officer have concluded that the Trust s/Fund s disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Trust/Fund 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 India Investment Fund, Inc.

/s/ Arthur Lev
Arthur Lev
Principal Executive Officer
February 19, 2013

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/ Arthur Lev
Arthur Lev
Principal Executive Officer
February 19, 2013

/s/ Francis Smith
Francis Smith
Principal Financial Officer
February 19, 2013
