

Morgan Stanley Real Estate Advisor, Inc.
as Adviser to Prime Property Fund, LLC and Separate Accounts

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This Brochure provides information about the qualifications and business practices of Morgan Stanley Real Estate Advisor, Inc. (the “Adviser”), as Adviser to Prime Property Fund, LLC and certain other commingled funds and separate accounts. If you have any questions about the contents of this Brochure, please contact Morgan Stanley Real Estate Investor Services at 212-761-7160 or email msreinvestor@morganstanley.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

The Adviser is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about the Adviser also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. We provide this brochure to our clients as well as investors of the private funds that we manage. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in structure and requires certain new information that our previous brochure did not require.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. We will provide clients and investors with a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may provide additional disclosures about material changes as necessary.

We will further provide clients and investors with a new Brochure as necessary based on changes or new information, at any time, without charge upon request.

Currently, our Brochure may be requested by contacting Morgan Stanley Real Estate Investor Services at 212-761-7160 or email msreinvestor@morganstanley.com.

Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation.....	2
Item 6 – Performance-Based Fees and Side-By-Side Management	5
Item 7 – Types of Clients.....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9 – Disciplinary Information	11
Item 10 – Other Financial Industry Activities and Affiliations	12
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12 – Brokerage Practices	16
Item 13 – Review of Accounts.....	17
Item 14 – Client Referrals and Other Compensation.....	19
Item 15 – Custody.....	20
Item 16 – Investment Discretion.....	21
Item 17 – Voting Client Securities.....	22
Item 18 – Financial Information	23

Item 4 – Advisory Business

Morgan Stanley Real Estate Advisor, Inc. (the “Adviser”) was formed in 2003 and registered with the SEC under the Investments Advisers Act of 1940, as amended (the “Advisers Act”) in 2003.

The Adviser is a wholly-owned direct subsidiary of Morgan Stanley.

As of December 31, 2010, the Adviser had approximately \$9,560,300,000 of assets under management, of which approximately \$7,738,300,000 are managed on a discretionary basis.

The Adviser and its affiliates provide real estate related investment advisory services to Prime Property Fund, LLC, and an employee fund (the “Employee Fund”) created for the sole purpose of investing in Prime Property Fund (“Prime Property Fund” or the “Fund”, and together with the Employee Fund, the “Funds”) and to other commingled funds and separate accounts (the “Separate Accounts”, and together with Prime Property Fund and the Employee Fund, the “Clients”). These advisory services consist primarily of advising and making investment decisions with respect to the acquisition, development, asset management, financing and disposition of equity interests in real estate and real-estate related preferred equity and debt investments as well as various types of real estate related securities (such as interests in real estate investment trusts and limited partnerships) and investment of short term securities and cash pending investment in equity real estate, or payments of indebtedness, or expenses or other obligations of the Clients.

Item 5 – Fees and Compensation

Certain fees described herein are subject to negotiation with investors.

Prime Property Fund: Under the current investment management fee arrangement as set forth in the Fund's Amended and Restated Limited Liability Company, as amended (the "Operating Agreement"), Prime Property Fund pays a management fee comprised of two separate components: (i) a base management fee (the "Base Fee") and (ii) an incentive management fee (the "Incentive Fee"). The Base Fee equals 90 basis points per annum of the net asset value ("NAV") (as of the beginning of each calendar quarter) payable quarterly in arrears. The Incentive Fee is earned on the basis of the net asset value of the Fund and growth of the net operating income of the investments held by a Client and ranges between 0 and 45 basis points of the Fund's average monthly net asset value over a calendar year. The Incentive Fee is payable at or promptly after the end of each calendar year and is equal to the aggregate amount of the Incentive Fee (including any negative amounts) accrued for each month of the calendar year.

The Adviser will bear its own costs of compensation of officers and employees and related overhead expenses, except as otherwise described below.

Furthermore, the Fund is responsible for and shall reimburse the Adviser for all Company Expenses. For the avoidance of doubt, "Company Expenses" (as such term is defined in the Operating Agreement) includes but is not limited to (i) (in addition to the fees described in the prior paragraphs) various meals, entertainment and travel expenses incurred by Morgan Stanley employees in connection with identifying, negotiating, executing, researching, financing, managing, developing, disposing or leasing potential or actual investment opportunities for Prime Property Fund, (ii) compensation paid to the independent board of directors, (iii) costs and expenses incurred in connection with board, advisory committee or investor meetings; (iv) cost and expenses related to engagement of third party consultants, advisers and service providers; (v) costs and expenses related to insurance policies and (vi) any costs and expenses related to indemnities, contributions, taxes or litigation imposed on or due by the Fund or its subsidiaries.

In addition, certain legal, accounting, insurance and other professional costs and expenses of the Adviser and its affiliates that would be normally provided by outside professionals may be reimbursed by the Fund.

In addition, the Adviser may retain Morgan Stanley to provide various investment banking or other advisory services for the Fund and its portfolio companies and cause the Fund and the portfolio companies to pay Morgan Stanley customary fees for these services.

Fees and expenses may be deducted from Client's assets as set forth in the Operating Agreement. No additional fees are paid to Adviser by the Employee Fund. The Employee Fund is

responsible for all “Company Expenses” as such term is defined the Employee Fund’s Operating Agreement including “Company Expenses” incurred by the Adviser or Morgan Stanley employees in connection with the administration and operation of the Employee Fund.

The Confidential Private Placement Memorandum for each of the Funds includes further details on fees and compensation and related matters.

Separate Account Clients: Fees charged for the Adviser’s Separate Account investment management services are negotiated on a client by client basis as set forth in asset management agreement(s) between the Client and the Adviser or as set forth in limited partnership or limited liability company agreements by and among the parties to such agreements including the Adviser and the Client. The Applicant may provide investment advisory services to Clients for negotiated fixed fees based on a property’s or portfolio’s value, and may, from time to time receive management fees, acquisition and disposition fees, development fees, fees tied to a percentage of funds distributed to investors, and performance-based fees (except in those jurisdictions that do not allow fees based on performance). Frequently, these fees are set on a per real estate asset basis, thereby taking into account the variations in the date of acquisitions, the geographic markets and the real estate cycles in a manner which is fair both to the Client and the Adviser.

Management fee structures can range from a fixed fee by asset, to basis points charged on either: net asset value, gross asset value, fair market value, book value, purchase price, cash distributed, or net rental income.

Fees are generally billed quarterly in arrears, although certain Clients may be billed quarterly, in advance. The timing of fee payments and method of calculation for particular clients may vary in accordance with the Client’s preference. In addition, certain event-based fees, such as a disposition fee, may be billed at the time of the event. Typically, the Adviser’s services are terminable by either party upon written notification in accordance with the applicable notice provision. Upon termination the fees described above generally will be pro rated.

Expenses charged for the Adviser’s Separate Account investment management services are negotiated on a client by client basis as set forth in an asset management(s) agreement between the Client and the Adviser or as set forth in limited partnership or limited liability company agreements by and among the parties to such agreements including the Adviser and the Client. Such agreements generally provide for reimbursement for all third-party out of pocket expenses incurred by the Adviser in performance of its duties under the agreement including but not limited to costs for third-party advisors, engineers, architects, appraisers and costs for travel, meals and entertainment by Morgan Stanley employees in connection with the carrying out of such duties. In addition, the Adviser is paid an annual reporting fee with respect to two of its Clients to cover Adviser activities related to the analysis, presentation and reporting of information and all information technology requirements set forth the applicable asset management agreements.

Placement Fees

With respect to the Fund, broker-dealers affiliates of the Adviser act as placement agents in connection with the placement of the Fund's interests. To the extent these broker-dealers receive fees in connection with such placements, the placement fees are paid by the Adviser.

See also Item 12 relating to certain transaction fees and expenses which may arise from the brokerage practices of the Funds. Item 12 further describes the factors that Adviser considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions).

Item 6 – Performance-Based Fees and Side-By-Side Management

As discussed in Item 5, the Adviser provides advisory services to the Clients. For such services to Prime Property Fund, the Adviser is entitled to an Incentive Fee. The Incentive Fee is earned on the basis of the net asset value of the Fund and growth of the net operating income of the investments held by a Client. For a discussion of the Incentive Fees charged by the related person of the Adviser with respect to Prime Property Fund, please refer to Item 5. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisors Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based fee arrangements may create an incentive for the Adviser to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement. In addition, real-estate related affiliates of the Adviser have different fee arrangements with respect to their various clients. These differing fee arrangements may create an incentive to favor higher fee paying clients in the allocation of investment opportunities or in other areas. The Adviser and its other real estate-related affiliates have designed and implemented procedures to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Please see Item 5 for further information regarding performance based fees charged by the Adviser.

Item 7 – Types of Clients

The Adviser provides portfolio management services to private funds, other pooled investment vehicles and institutional investors. The Clients that are private funds are not subject to regulation under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Real estate partnerships and other private funds sponsored by the Adviser and for which the Adviser provides investment advice may contain minimum investment requirements. Generally, Prime Property Fund investors are required to invest a minimum of \$5 million, unless otherwise approved. In addition, with respect to the Employee Fund, investors in that fund must generally invest a minimum of \$25,000.

Membership interests in Prime Property Fund can be purchased only by certain eligible investors who were “accredited investors” as defined in Regulation D of the Securities Act of 1933, as amended, and “qualified clients” for purposes of Rule 205-3(d)(1) of the Investment Advisers Act, as amended. In the case of the Employee Fund, interests have been offered and sold to investors who are “accredited investors” as defined in Regulation D of the Securities Act and in accordance with the requirements of an exemptive order under the Investment Company Act received by Morgan Stanley from the United States Securities and Exchange Commission in April 2000.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

The investments made by the Adviser on behalf of its Clients are typically in core real estate opportunities located within the United States, including, among other things, investments in direct wholly-owned real estate, publicly traded or privately held real estate operating companies, programmatic joint ventures, real estate and real estate loans (and, subject to certain limitations, non-real estate loans), multifamily and office developments and real estate-related debt instruments. The Adviser also causes the Clients to invest cash held by the Clients in temporary investments (“Temporary Investments”) on a short term basis pending investment in long-term equity investments, or payments of indebtedness, or expenses or other obligations of the Funds. Temporary Investments will principally take the form of U.S. government and U.S. Agency obligations, bank and bank holding company deposits and certificates of deposits.

The Adviser’s main source of information and investment opportunities are contacts with employees of Morgan Stanley, a public company listed on the New York Stock Exchange (of which the Adviser is a direct, wholly-owned subsidiary), industry executives and established business relationships. Regional investment teams are responsible for performing due diligence on potential investments. Such analysis includes underwriting the potential returns and risks for such investments (including legal, tax, accounting and environmental issues), as well as regularly monitoring the value of such investments. The regional investment teams assess the impact of various macro and microeconomic shifts on potential investments and the quality of the underlying real estate related investments. Special attention is given to the capacity of said real estate to provide current rental income, and the ability of the real estate’s surrounding market to sustain growing property values. Investments recommended by Adviser in the area of real estate (including real estate related securities) will generally be for long-term purchase, with the majority of the returns derived from income production and an important part of the return on such investments attained through capital appreciation over the holding periods which may extend in some instances for several years.

Methods of Analysis

Evaluation of Investment Opportunities; Investment Decisions

Once investment opportunities have been identified, the Adviser utilizes the resources of Morgan Stanley Real Estate Investing (“MSREI”), acting on behalf of the Adviser, to conduct in-depth analysis and due diligence of the potential investment opportunities. All investment decisions are made by the Adviser in consultation with the applicable MSREI investment committee (the “Investment Committee”). The Investment Committee is comprised of senior professionals of

Morgan Stanley, including individuals with a wide range of relevant real estate, investment banking, capital markets, private equity, risk management or other business experience.

In connection with making a proposed investment, MSREI prepares analyses to project realizable cash flows and assess the ability of the real estate investment to support its obligations as well as its potential to appreciate in value. Where appropriate in its analysis, MSREI works with management, developers or other partners and consultants to enhance MSREI's understanding of the real estate investment and its prospects.

MSREI's professionals, through years of real estate industry experience, provide the Adviser's Clients with significant support in evaluating investment opportunities. In the aggregate, such professionals have knowledge of most of the major real estate markets in the United States and globally. In addition, many of MSREI's professionals are familiar with the real estate classes in which the Clients may consider making an investment. Such in-house industry expertise should permit the Clients to respond to investment opportunities in an expedited manner.

Where appropriate, the Adviser retains third-party consultants to assess business and market conditions, competition, physical and environmental concerns and other factors that it deems necessary to review with external advisors.

Management of Risk

After completing an acquisition, the Adviser considers further steps to manage the on-going risk, including managing appropriate sector and geographic diversification, interest rate exposure, monitoring debt duration and mix of maturities, the sale of properties with limited upside potential, global insurance policies and appropriate economic incentives for property managers, joint venture partners and corporate executives.

Asset Management

The Adviser oversees all of the Clients' investments utilizing strict operational and accounting controls in conjunction with periodic site inspections, while corporate management teams, joint venture partners and other third-party property managers are responsible for the day-to-day operations of each investment. The entities responsible for the day-to-day operations of specific investments are compensated in a manner intended to ensure that the interests of these entities are aligned with those of the Clients.

In connection with its asset management program, the Adviser supervises and oversees the management of each investment, reviewing the operational discussions, joint venture decisions and third-party property managers with the objective of maximizing the overall performance of each investment. Reporting on the performance of each investment is integral to the Adviser's asset management program. Status reports on the Clients' investments are prepared by asset management or portfolio management teams, joint venture partners and third-party property

managers for review by the Adviser. In addition, an operating budget for each property and investment is prepared for review and approval by the Adviser.

Portfolio management and asset management professionals review the operations of the Clients' investments and strategic operating decisions regarding a property or investment. These senior executives are also responsible for recommending disposition and recapitalization strategies based on the ongoing performance of specific investments and changing market conditions.

Risks Related to the Adviser's Investment Strategy

Investing in securities involves risk of loss that clients should be prepared to bear. The principal risks associated with the Adviser's investment strategies for its Clients and methods of analysis are briefly summarized below.

- risks associated with real estate investments;
- environmental liabilities
- economic and market risks;
- risks of acquiring interests in joint ventures;
- lack of diversification due to location and type of investments;
- interest rate fluctuations;
- lack of liquidity and long-term nature of investments;
- valuation risks;
- risks from research-guided strategies;
- risk from tax strategies adopted by the Adviser for the Fund;
- lack of investment limits;
- use of leverage at the Fund and investment or portfolio company level;
- inability to obtain indebtedness on favorable terms;
- investments in developments and other value-add strategies;
- commercial and business risks associated with portfolio companies;
- expedited transactions;
- competition for real estate assets

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- reliance on the Adviser and its real estate professionals located within MSREI
 - burdensome regulation by one or more governmental entities in specific industries

For a more detailed discussion of certain key aspects of the investment strategy, a description of the types of investments in which the funds invest, and a discussion of these and other risks related to an investment in the Prime Property Fund and the Employee Fund, investors should refer to the “Risk Factors” section of the Prime Property Fund’s Confidential Offering Memorandum, as supplemented from time to time.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Adviser or the integrity of the Adviser's management. Morgan Stanley announced in February 2009 that it had uncovered actions initiated by an employee based in China in an overseas real estate subsidiary that appear to have violated the United States Foreign Corrupt Practices Act. Morgan Stanley terminated the employee, reported the activity to appropriate authorities and is working with authorities on the matter.

Item 10 – Other Financial Industry Activities and Affiliations

The Adviser expects to receive a variety of services from one or more of its affiliates, including Morgan Stanley & Co. Incorporated, a registered broker-dealer and a registered investment adviser, including, but not limited to, information regarding potential investment opportunities, financial advice and assistance in connection with the making, monitoring and disposing of investments, underwriting and capital markets services, lending and other financing services, and brokerage services in connection with the sale of investments. Any such services could involve conflicts of interest with respect to price and other terms applicable to the transactions. The Adviser will seek to deal with its affiliates providing such services on an arm's length basis, and to seek terms no less favorable than those available from unaffiliated persons.

The Adviser is the manager of the Funds. The Adviser and/or certain related persons have and may continue to organize other limited liability companies, partnerships and serve as the manager, general partner, or the managing member or general partner of the general partner, to these partnerships.

In addition, Morgan Stanley has relationships with a significant number of corporations, institutions and individuals other than the Adviser, the Clients and their respective portfolio investments. These include a broad range of investment banking activities, such as representing potential purchasers and sellers in real estate-related transactions, introducing to a Fund a client that requires equity to complete an acquisition transaction or representing parties in corporate transactions.

The Adviser may from time to time compensate certain of its employees, its affiliates' employees or any other placement agents in return for referrals of investors who invest in Prime Property Fund. Any additional compensation paid specifically for such referrals will meet the requirements of Rule 206(4)-3 under the Advisers Act.

Finally, the Adviser and its affiliates face conflicts of interest resulting from the broad spectrum activities in which Morgan Stanley engages, including those relating to:

- conflicts of interest among Morgan Stanley's clients and investors in the Funds;
- financial incentives related to carried interest arrangements that exist with respect to other funds advised by Morgan Stanley;
- the possession by Morgan Stanley of material, non-public information regarding existing and prospective portfolio investments;
- Morgan Stanley's or its affiliates' pursuit of investments on a proprietary basis on its own behalf or on behalf of other funds its advises;
- Morgan Stanley's advisory relationships with clients that may compete with, or otherwise have interests that are adverse to, the interests of the Funds;

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- Morgan Stanley's interests as a lender or other counterparty that could be in conflict with those of a Fund and the interests of the Fund's investors;
 - fees paid by the Fund and its portfolio companies to Morgan Stanley for investment banking or other services, which will not be shared with the Fund;
 - the exercise by Morgan Stanley of its discretion to allocate investment opportunities, time and resources among its various businesses, clients and Morgan Stanley related persons;
 - Morgan Stanley's independent investment management, sales and trading and other businesses;
 - purchases or sales of assets by the Funds from or to Morgan Stanley or companies in which Morgan Stanley has an interest and other counterparty transactions or other funds advised by Morgan Stanley;
 - restrictions applicable to the Funds as a result of Morgan Stanley being subject to the Bank Holding Company Act of 1956, as amended, and the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and
 - broker-dealers affiliated with Morgan Stanley acting as placement agents or distributors with respect to the Fund and its affiliated funds.

A more detailed description of these conflicts in the Confidential Offering Memorandum, as from time to time, that is provided to investors in the Fund.

For a more detailed discussion of these and other conflicts related to an investment in the Prime Property Fund and the Employee Fund, investors should refer to the "Conflicts of Interest" section of the Prime Property Fund's Confidential Offering Memorandum, as supplemented from time to time.

Conflict Management

Morgan Stanley and the Adviser have established procedures intended to identify and mitigate conflicts of interest related to business activities on a worldwide basis. A conflict management officer for each business unit and/or region acts as a focal point to identify and address potential conflicts of interest in their business area. When appropriate, there is an escalation process to senior management within the business unit, and ultimately if necessary to firm management or the firm's franchise committees, for potentially significant conflicts that cannot be resolved by the conflict management officers or that otherwise require senior management review. In addition, the Adviser addresses conflicts through disclosure to its investors and should any transactions presenting a potential conflict of interest actually arise, the Adviser may in certain situations choose to seek the approval of the independent directors of the Fund or applicable advisory committee with respect to conflicts of interest or approvals required under the Advisers Act, including Section 206(3) thereunder. The Adviser may also choose to seek the approval of limited partners or members of the applicable funds with respect to certain conflict situations or matters under the Advisers Act.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

The Adviser has adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act, applicable to employees of the Adviser who are based in North America and Investment Committee members ("Access Persons"). Each Access Person is required to acknowledge the Code at the inception of his/her employment and annually thereafter. The Code is designed to make certain that all acts, practices and courses of business engaged in by Access Persons are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by Access Persons with respect to their personal trading and other business activities.

The Code addresses the personal trading and investment activities of Access Persons, as more fully described below. In addition, the Code addresses standards of business conduct and fiduciary duties expected of Access Persons, including confidentiality obligations and restrictions on outside business activities and other conflicts of interest.

Violations of the Code are subject to sanction, including reprimand, demotion, suspension or termination of employment.

Copies of the Code are available upon request from the Adviser.

Personal Trading and Investments

The Code refers to a number of policies governing the securities trading and investing activities of employees for their own accounts. Such policies require all Access Persons to pre-clear trades for covered securities, as defined under the policies, in a personal account. A pre-clearance request will be denied if such securities are under consideration for investment, or have been acquired by, a client of the Adviser, or if the Adviser is in receipt of material non-public information of the company or if another conflict exists. Such policies also impose holding periods and reporting requirements for covered securities. In addition, investments in private placements or an employee's participation in an outside business activity must be pre-approved by the employee's designated manager and the Chief Compliance Officer.

Participation or Interest in Client Transactions

We recommend that investors invest in Funds for which we act as investment adviser. Prior to subscribing for interests in a fund advised by the Adviser, investors receive information relating to potential conflicts of interest between the activities of the fund and the business activities of the

Adviser, and its affiliates, or clients that may have a financial interest in the securities in which the fund invests.

On rare occasions, a fund may sell a security or asset which another fund, or an affiliate of the Adviser, wants to own. On these occasions, after extensive firm and legal and compliance review and documentation, a sale of the security or asset from one fund to another will be permitted.

The Adviser may purchase and sell public and private investments and co-invest the assets of the Clients alongside other funds and accounts managed by the Adviser or its affiliates in compliance with the requirements and conditions of rules, regulations, orders, or interpretations of the SEC, or no-action letters of the SEC Staff, and in accordance with Fund and Client account governing documents. The Adviser has adopted an Allocation Policy and Procedures in order to ensure that each Client is treated in a fair and equitable manner. The following factors will be considered, as appropriate, in connection with allocation decisions:

- Investment guidelines, goals or restrictions of the client
- Capacity of the client
- Existing allocation to similar strategies and the diversification objectives of the client
- Tax, legal or regulatory considerations
- Rights of first offer in favor of one or more clients
- With respect to co-investment allocations, whether the co-investor can provide value add to the operations of the business or provide future opportunities to the business of the client
- Other relevant business considerations

Please refer to Item 10 for a description of other financial industry activities and affiliations of Morgan Stanley, and a discussion of the material conflicts relating thereto.

Item 12 – Brokerage Practices

Due to the nature of the investments the Funds make, broker-dealers are not generally used for transactions. However, when executing transactions on behalf of the Fund through a broker, dealer or underwriter, the Adviser's objective will be to obtain "best execution" (that is, the most favorable price and execution). The Adviser's effort to obtain best execution on any individual transaction depends substantially on its judgment, knowledge and experience in evaluating the counterparties', advisers' and service providers' ("Counterparties") reliability and capability based on previous and pending transactions effected by the broker-dealer for client accounts. Some of the factors considered by the Adviser in selecting a Counterparty include, among other things, execution quality and capabilities, including with regard to market making, commissions charged by and gross compensation paid to such Counterparty, and special knowledge of the Adviser's client's markets.

The Adviser will only consider engaging in a principal or cross transaction with Morgan Stanley or its affiliates on behalf of a fund or client to the extent permitted by applicable law. The Adviser has adopted policies and procedures to ensure compliance with Section 206(3) of the Advisers Act, where applicable.

A broker-dealer (including a Morgan Stanley affiliate) may act as agent for one or more clients in selling publicly traded securities simultaneously. In such a situation, transactions may, but are not required to, be bundled and clients will receive proceeds from sales based on average prices received, which may be lower than the price which could have been received had each client sold its securities separately from such broker-dealer's other clients.

Item 13 – Review of Accounts

The investments made by the Fund are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short term decision to dispose of securities. The Adviser has assigned a portfolio management team to closely monitors the Fund investments and generally maintains an ongoing oversight position through its accounting and portfolio management staff as well as asset managers assigned to manage and monitor investments. In addition, the Fund's controllers review the income and expenses from interests in real estate related investments held monthly.

Similarly, with respect to the Separate Accounts, asset managers review and report on the overall performance of each investment relative to the investment-objectives of the Client.

Valuations: Valuations for each of the Fund's investments are generally conducted by third party appraisers once a quarter. With respect to the Separate Accounts, valuations are generally completed when requested or pursuant to the direction of the Client or set forth in the Client contract.

The Adviser is generally required by its Separate Account Clients to prepare, maintain and update a valuation file for each property, containing such information and in such detail as may be reasonably requested by the Client from time to time, including without limitation, an annually current recommended valuation based on generally accepted appraisal principles and applicable insurance regulatory requirements.

Investment and Portfolio Review: In general, the Investment Committee reviews and approves all significant proposed investment acquisitions. In addition, on a regular basis, portfolio management provides a review of the performance, overall portfolio construction, fund liquidity, risk management, legal, tax and compliance issues, investor relations issues and other similar issues and reports its findings to the Investment Committee on a periodic basis. The members of the Investment Committee are identified in the Supplements to the Adviser's Brochure in Form ADV Part 2B.

Reports: The Adviser provides audited financial statements of the Fund to its investors and investors within the Fund's Employee Fund within 90 days after the end of its fiscal year. In addition, within 60 days after the end of each quarter, the Fund mails to each investor in the Fund or in the Employee Fund a description of the Fund's financial position at the end of such quarter as well as any significant developments that occurred during the quarter.

Reporting for Separate Account Clients is generally negotiated by these Clients as set forth in their respective advisory contracts. Generally, Separate Account Clients require reports on investments and the information required for a Separate Account Client to complete its audited

financial statements and prepare its tax returns, no later than 90 days following the end of each fiscal year. In addition, certain Separate Account Clients require quarterly reports as well as written certifications regarding internal controls, legal, reporting and accounting matters.

Item 14 – Client Referrals and Other Compensation

The Adviser may from time to time compensate certain of employees, its affiliates' employees or any other placement agents in return for referrals of investors in a fund managed by the Adviser. Any additional compensation paid specifically for such referrals will meet the requirements of Rule 206(4)-3 under the Advisers Act, if applicable.

Item 15 – Custody

The Adviser is deemed to have custody of the Funds' cash and securities by virtue of its relationship as manager of the Fund. Each investor receives the Fund's audited financial statements prepared in accordance with generally accepted accounting principles within 120 days of the end of the Fund's fiscal year.

Item 16 – Investment Discretion

As the investment advisor of the Funds, the Adviser will have discretion to determine, without consent of the Funds' investors, the particular securities to be bought and sold, the broker or dealer (including a Morgan Stanley affiliate) to be used (if any) and the commission rates to be paid by the Funds in cases where a broker or dealer is used. The Adviser will provide investment advice to the Funds, subject to certain investment limitations regarding leverage, geography and type of permitted investments as set forth in the applicable Fund Operating Agreement. With respect to Prime Property Fund, certain investment limitations may be disregarded with the consent of a majority of the Fund's Board of Directors, as set forth in the Operating Agreement.

When executing transactions on behalf of the Funds through a broker, dealer or underwriter, the Adviser's objective will be to obtain the most favorable commission and the best price available on each transaction in light of the quality of execution provided. Consequently, brokers, dealers and underwriters are selected primarily on the basis of their execution, capability and trading expertise.

Investment discretion is assumed pursuant to the applicable Fund Operating Agreements, which confer express authority to the Adviser and its affiliates (including the Adviser) to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of and disposition of investments.

In the case of separately managed accounts, the Adviser and the Client execute an asset management agreement, investment management agreement or operating agreement, the terms of which define the level of investment discretion and any limitations the Client imposes on the level of investment discretion (where applicable).

Item 17 – Voting Client Securities

Where the Adviser has accepted authority to vote proxies on behalf of a Client, the Adviser will vote proxies in accordance with its policies and procedures in place for voting of proxies (the “Proxy Voting Policy”), which are designed to ensure compliance with Rule 206(4)-6 of the Advisers Act. Copies of the Proxy Voting Policy are available upon request from the Adviser. Under the Proxy Voting Policy, the Adviser will vote proxies on behalf of the Clients based on a determination of the best interest of the Clients, consistent with the objective of maximizing long-term investment returns for the Clients.

In certain situations, a Client is a party to a stockholder or similar agreement. These agreements are entered into in the best interests of the Clients, and may require the advisers to vote the other investors’ nominees to a board of directors or similar body, or require a vote in favor of a particular transaction. If this is the case, the Adviser will comply with the applicable Clients’ contractual obligations.

Where no contract requires a Client to vote for a specific outcome, the Proxy Voting Policy is designed to be responsive to the wide range of issues that may be subject to proxy vote, but is not exhaustive due to the variety of proxy voting issues that the advisers may be required to consider.

The Clients may make a limited number of direct investments in portfolio companies that are or will become public. As a result, the advisers will generally cast proxy votes on behalf of the Clients with respect to a limited number of public portfolio companies.

The Adviser reserves the right to depart from the Proxy Voting Policy in order to avoid voting decisions that it believes may be contrary to the Clients’ best interests. In addition, the Adviser may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that the Client’s interests are better served by an abstention.

The Adviser may be subject to conflicts of interest in the voting of proxies. A potential conflict of interest may occur where an adviser or any of its affiliates or their respective employees has a direct or indirect economic stake in the outcome of a proxy vote that is different from a Client’s stake. When such a potential conflict arises between the Adviser and any of its affiliates or their respective employees on the one hand and one or more of the Clients on the other, the matter is evaluated to determine whether an actual conflict exists. Where an actual conflict exists, the Adviser will take necessary and appropriate steps to address the conflict.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosure about the Adviser's financial condition. The Adviser is not aware of any financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.