

Part 2A of Form ADV: Firm Brochure

MSREF III, Inc.

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This Brochure provides information about the qualifications and business practices of MSREF III, Inc. (the “Adviser”). If you have any questions about the contents of this Brochure, you should 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 (the “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 you may find useful in determining 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

We provide this Brochure to our clients as well as limited partners of the pooled investment vehicles that we advise (“Limited Partners”). The following summarizes the material changes in our Brochure.

Since the last annual update of this Brochure, dated March 30, 2012, there is an update to certain disciplinary information previously disclosed in Item 9; as well as new disclosure of disciplinary information, both of which are summarized below and further described in Item 9.

In connection with the SEC’s and United States Department of Justice’s (“DOJ”) investigation of a former Morgan Stanley employee who had appeared to have violated the Foreign Corrupt Practices Act, the DOJ announced on April 25, 2012 that the former employee had pled guilty to certain criminal charges, and the SEC announced that it had brought certain civil charges against him that were settled. On the same day, both the DOJ and SEC announced that they would not take any action against Morgan Stanley in connection with this matter.

Unrelated to the immediately preceding paragraph, in February 2009, the Italian financial and securities regulatory authority, known as Consob, made certain findings involving Mr. Olivier de Poulpique and others regarding certain disclosures included in documents relating to tender offers that took place in 2007. Based on their assessment of Mr. de Poulpique and the Consob findings, both Morgan Stanley International and the Adviser concluded and continue to believe that Mr. de Poulpique is fit for his role with the Adviser

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

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

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Item 4 – Advisory Business

MSREF III, Inc. (the “Adviser”) was formed in 1997 and registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in 1998.

The Adviser is a wholly-owned direct subsidiary of Morgan Stanley (collectively, with its affiliates, “Morgan Stanley”).

As of December 31, 2011, the Adviser had approximately \$30,600,000¹ of assets under management, all of which are managed on a discretionary basis.

The Adviser provides real estate related investment advisory services to the co-investing partnerships that comprise MSREF III Domestic and the co-investing partnerships that comprise MSREF III International that are designed to seek capital appreciation principally through privately negotiated real estate opportunities. Each of the clients advised by the Adviser is individually referred to herein as a “Fund” and collectively, as the “Funds”.

In providing its services to each of its advisory clients, the Adviser formulates such client’s investment objectives, directs and manages the investment and reinvestment of assets, and provides reports to investors. The Adviser manages the assets of each advisory client in accordance with the terms of the governing documents applicable to such client.

The Adviser’s affiliation with Morgan Stanley, including Morgan Stanley Real Estate, the real estate business of Morgan Stanley, together with its subsidiaries and the supporting units dedicated to the real estate business (collectively, “MSRE”), provides it with access to valuable relationships, market knowledge, and financial and operating expertise. MSRE has been engaged in the real estate business since 1969 and the banking and investing businesses employ banking and investing professionals worldwide who have demonstrated a proven ability to source deals, structure complex transactions and identify multiple exit strategies which enhance the Funds’ ability to meet their return objectives. The Funds are no longer investing in new investments, but the Adviser previously targeted investments in a broad range of real estate asset classes for the Funds from multiple sources including the following categories: (i) corporate spin-offs, liquidations and sales of real estate-related subsidiaries; (ii) publicly traded or privately held real estate operating companies; (iii) direct real estate assets; and (iv) real estate developments.

¹ Real Estate Assets Under Management (RE AUM) represents gross fair market value of the Real Estate assets managed by the Adviser on behalf of its clients, presented at direct ownership interest. RE AUM for certain minority interests represents the clients’ equity investment in the entity.

Item 5 – Fees and Compensation

Certain fees described herein are subject to negotiation with investors.

Management Fees

With respect to each of the Funds, the Adviser or a related person of the Adviser is paid a quarterly (annually in the case of certain large investors) management fee (payable in arrears) based on invested capital, which is funded by the Limited Partners and ranges from 1.0% to 2.0%.

Acquisition Fees

With respect to each of the Funds, the Adviser or a related person of the Adviser is entitled to receive an acquisition fee payable by each of the Funds with respect to any acquisition in an amount equal to 1.0% of the gross value of the consideration paid (or obligated to be paid) for each investment; *provided* that such fees shall not exceed 5.0% of the Limited Partners' capital contributions made (or obligated to be made) in respect of the relevant investment. Acquisition Fees are generally payable on the date of closing of the acquisition to which such acquisition fee relates.

Carried Interest

Save as indicated below, with respect to each Fund, the general partner of the applicable Fund will also be entitled to a distribution of up to 20% of a Limited Partner's gain from an investment, which fee complies with the provisions of Rule 205-3 under the Advisers Act; *provided* that the remaining allocations to the Limited Partner are sufficient to give the Limited Partner a 9% annual compounded internal rate of return on that investment. In addition, each Fund advised by the Adviser has a specific fund designed to admit only Morgan Stanley current and former employees (and certain other permissible related investors) (each, an "Employee Fund"). With respect to each Employee Fund, absent certain circumstances relating to the termination of employment of a Limited Partner with Morgan Stanley, the general partner's distribution entitlement is generally calculated at 10% instead of 20%.

Expenses

The Funds may also bear certain out-of-pocket expenses incurred by the Adviser and/or its affiliates in connection with the services provided to such Funds. The payment of such expenses by the Funds does not represent a source of profit for the Adviser, but rather is a reimbursement of actual costs initially paid by the Adviser (or its affiliates) and subsequently passed through to the Funds. The most common expenses include (i) expenses incurred in connection with identifying, evaluating, structuring and negotiating any potential Fund investment (including reverse break-up, termination and other similar fees payable by the Funds, deposits and commitment fees) and the acquisition, holding, sale, proposed sale or valuation of any Fund

investments; and (ii) ordinary administrative expenses, including fees of auditors, attorneys, appraisers and other professionals.

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

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

In some cases, the Adviser has entered into performance fee arrangements with qualified clients and such fees are subject to individualized negotiation with each such client. The Adviser will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisers 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 which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. The Adviser has procedures designed and implemented 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 topooled investment vehicles. These pooled investment vehicles are not subject to regulation under the Investment Company Act of 1940 (the “Investment Company Act”). Generally, Fund investors must invest a minimum of \$10 million, unless otherwise approved. As regards to certain feeder funds, investors must generally invest a minimum of \$1 million, unless otherwise approved. In addition, with respect to the Employee Funds, investors must generally invest a minimum of \$100,000, unless otherwise approved.

In addition, Limited Partner interests in a Fund may be purchased only by certain eligible investors who are “accredited investors” as defined in Regulation D of the Securities Act of 1933, as amended (the “Securities Act”), and “qualified purchasers” for purposes of Section 3(c)(7) of the Investment Company Act. In the case of the Employee Funds, 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 SEC in April 2000.

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

Investment Strategies

The investments made by the Funds are typically in real estate opportunities, including, among other things, investments in publicly traded or privately held real estate operating companies, programmatic joint ventures, corporate divestitures, portfolios of real estate and real estate loans held by financial institutions (and, subject to certain limitations, non-real estate loans), community/residential developments, debt instruments, commercial developments and individual real estate assets. From time to time the Adviser may cause the Funds to invest cash held by the Funds in temporary investments (“Temporary Investments”) on a short-term basis pending distribution to Fund investors, investment in long-term equity investments, or payments of expenses or other obligations of the Funds. Temporary Investments will principally take the form of warrants, corporate debt securities, commercial paper and certificates of deposit. Capital invested in Temporary Investments and any gains thereon will generally be distributed (or deemed distributed) to Fund investors in proportion to their capital contributions to each such investment, and will not be subject to the payment of carried interest to any entity or the requirement of an internal rate of return to Fund investors.

The Adviser’s main sources 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 make recommendations to MSRE on strategies to maximize the value of investments.

Methods of Analysis

Evaluation of Investment Opportunities; Investment Decisions

All investment decisions are made by the Adviser in consultation with the Investment Committee, appointed by the applicable Fund’s general partner. 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 and business experience.

In connection with making a proposed investment, Morgan Stanley 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, Morgan Stanley works with management, developers or other partners and consultants to enhance Morgan Stanley's understanding of the real estate investment and its prospects.

MSRE's professionals, through years of real estate industry experience, provide the Funds 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 MSRE's professionals are familiar with the real estate classes in which the Funds may consider making an investment. Such in-house industry expertise should permit the Funds to respond to investment opportunities in an expedited manner.

Where appropriate, Morgan Stanley 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, Morgan Stanley considers further steps to manage the on-going risk, including managing interest rate and foreign exchange 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

Morgan Stanley oversees all of the Funds' 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 Funds. Generally, this is achieved through equity participation in the investment and compensation linked to the success of the investment.

In connection with the Funds' 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 Funds' asset management program. Status reports on the Funds' investments are prepared by the separate corporate 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.

A group of senior MSRE team executives comprised of investment and asset management professionals reviews the operations of the Funds' investments and approves or disapproves any

strategic operating decisions regarding a property or investment. These senior executives recommend disposition and recapitalization strategies based on the ongoing performance of specific investments and changing market conditions.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. There can be no assurance that the Funds' return objectives will be realized or that there will be any return of capital. The material risks associated with the Funds' investment strategies include:

- risks associated with real estate investments;
- competitive real estate investing environment;
- risks arising from the volatility of the real estate markets and private equity, private debt, public equity, public debt and other financial markets;
- failure of counterparties or brokers;
- changes to the Funds' investment strategies;
- risks of acquiring real estate loans and participations;
- third party partner investment risks for joint ventures and partnerships;
- lack of diversification due to number, location and type of investments;
- interest rate fluctuations;
- lack of liquidity and long term nature of investments;
- use of leverage at the Fund and investment level;
- risks of borrowing, including inability to obtain indebtedness on favorable terms;
- commercial and business risks associated with investments in real estate related businesses;
- failure to refinance bridge financing;
- investments in non-performing, underperforming or other troubled assets;
- risks associated with non-U.S. investments;
- decision to use hedging techniques;
- expedited transactions;

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- valuation risks;
 - limitations on investing due to possession of inside information; and
 - burdensome regulation by one or more governmental entities in specific industries.

For a more detailed summary of certain key aspects of the investment strategy the Adviser employs on behalf of each Fund, a description of the types of investments in which the Funds invests, and a discussion of risk management procedures, please see the Confidential Private Placement Memorandum for each Fund.

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.

In February 2009, Morgan Stanley announced 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 cooperated with investigations undertaken by the DOJ and the SEC. On April 25, 2012, the DOJ announced that the former employee had pled guilty to certain criminal charges, and the SEC announced that it had brought certain civil charges against the former employee, which were settled. On the same day, the DOJ and SEC announced that they would not take any action against Morgan Stanley in connection with this matter.

Unrelated to the immediately preceding paragraph, in February 2009, the Italian financial and securities regulatory authority, known as Consob, made findings involving Mr. Olivier de Poulpiquet and others as described below. The events at issue took place in 2007, when Mr. de Poulpiquet was a member of the Board of Directors and the Managing Director of the Investment & Asset Management Division of Pirelli & C. Real Estate S.p.A. ("Pirelli RE"), and involved tender offers made by a joint venture vehicle (the "JV") owned by Pirelli RE and Morgan Stanley Real Estate Special Situations Fund III, L.P. for the units of two Italian listed investment funds managed by Pirelli & C. Real Estate SGR S.p.A. ("Pirelli RE SGR"), an affiliate of Pirelli RE. The JV was advised by Morgan Stanley and Bonelli Erede Pappalardo in connection with the tender offer. The tender offers triggered competing bids from third parties, resulting in increases in the purchase prices for the investment funds' units from €90 to €90 per unit in the case of one investment fund and from €40 to €13 per unit in the case of the other investment fund. To the best of our knowledge, there were no complaints filed by any investor in either of the two listed investment funds with respect to the tender offers and their outcomes.

The Consob findings were issued in February 2009, pursuant to which Consob found Pirelli RE, Pirelli RE SGR, and directors and certain officers and employees of Pirelli RE and Pirelli RE SGR (in all, eight individuals including Mr. de Poulpiquet) to have violated Italian securities laws. Consob found that the tender offer documents relating to both tender offers did not adequately disclose information concerning the reasons for the tender offers and the future plans of the JV with respect to the investment fund units purchased by the JV for cash pursuant to the tender offers. Consob also found that the tender offer documents for one of the tender offers failed to disclose that the purchase price offered in the tender offer was not supported by a certain financial analysis prepared for the JV. In addition, a third finding related to undue

influence involving a conflict of interest by Pirelli RE and certain Pirelli RE representatives over certain actions taken by Pirelli RE SGR in connection with the tender offer. The Consob findings were appealed to an intermediate appeals court which overturned one finding but upheld the three described above, including administrative monetary sanctions aggregating €460,000 against Mr. de Poulpique. Mr. de Poulpique has contested the findings and both he and Consob have appealed various issues to the Italian Supreme Court.

At the time Mr. de Poulpique joined Morgan Stanley & Co. International plc (“Morgan Stanley International”) in 2010, Morgan Stanley International reviewed the Consob findings. Based on their assessment of Mr. de Poulpique and the Consob findings, Morgan Stanley International and the Adviser concluded and continues to believe that Mr. de Poulpique is fit for his role with the Adviser.

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. LLC, 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 general partners of the Funds. The Adviser and/or certain related persons have and may continue to organize other 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 Funds and the 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 Limited Partners who invest in the Funds. 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 of activities in which Morgan Stanley engages, including those relating to:

- conflicts of interest between Morgan Stanley and investors in the Funds;
- conflicts of interest among Morgan Stanley's clients and investors in the Funds;
- financial incentives related to carried interest arrangements;
- the possession by Morgan Stanley of material, non-public information regarding existing and prospective portfolio companies;
- Morgan Stanley's or its affiliates' pursuit of investments on a proprietary basis on its own behalf or on behalf of other funds it 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;
- fees paid by the Funds and their portfolio companies to Morgan Stanley for investment banking or other services, which will not be shared with the Funds;

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- investments by Morgan Stanley in competitors or other counterparties of portfolio companies;
 - Morgan Stanley acting as a broker for a Fund and another person on the other side of a transaction;
 - Morgan Stanley acting as financial advisor to financially troubled portfolio companies;
 - 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 Limited Partners;
 - 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 investment management, sales and trading, retail brokerage 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;
 - 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;
 - broker-dealers affiliated with Morgan Stanley acting as placement agents or distributors with respect to the Funds; and
 - short-term investments of excess cash in Morgan Stanley-managed money market funds or other cash management vehicles from which Morgan Stanley will receive customary fees.

Please see the Confidential Private Placement Memorandum for each of the Funds for a more detailed discussion of the foregoing and other conflicts related to the Funds.

Conflict Management and Mitigation

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 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 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 clients 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
- With respect to co-investment allocations, whether the co-investor can add value to the operations of the business or provide future opportunities to the business of the client
- Rights of first offer in favor of one or more clients
- 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

In general, the general partner's investment committee (the "ICOMM") for each Fund reviews and approves all significant proposed investment decisions made on behalf of the relevant fund. The members of the ICOMM for each Fund are identified in the Supplements to the Adviser's Brochure in Form ADV Part 2B.

The investments made by the Funds 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. However, the Adviser's portfolio management staff closely monitors companies and assets in which the Funds invest and generally maintains an ongoing oversight position in such companies (including, where relevant, representation on the board of directors of such companies). Such reviews occur on a quarterly, and in some cases, monthly basis.

The Adviser provides written quarterly unaudited reports and annual audited reports to the Limited Partners of the Adviser's clients which include, among other things, financial statements and descriptions of the investments of the Funds.

Item 14 – Client Referrals and Other Compensation

The Adviser may, from time to time, compensate certain of its affiliates' employees or any other placement agents in return for referrals of Limited Partners that have not previously invested 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 with the general partners of the Funds. Each Limited Partner of a Fund 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 manager of the general partners of the Funds, the Adviser (together with the general partners of the Funds) will have discretion to determine, without consent of the Limited Partners, the particular investments 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 Fund, subject to certain investment limitations regarding concentration and diversification, geography and type of permitted investments as set forth in the partnership agreements of the Funds (the “Fund Agreements”). Such investment limitations may be disregarded with the consent of the Fund’s Advisory Committee, as set forth in the Fund Agreements.

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 Fund Agreements, which confer express authority to the general partner 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.

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 many 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 generally 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.