

Private Investment Partners Inc.
100 Front Street, Suite 400
West Conshohocken, PA 19428
610. 260.7600
March 28, 2014

This brochure (the “Brochure”) provides information about the qualifications and business practices of Private Investment Partners Inc. (“Private Investment Partners”). If you have any questions about the contents of this Brochure, please contact us at 610.260.7600. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. 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.

We are 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 use to determine whether to hire or retain an adviser. Additional information about us is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

There have been no material changes to the Brochure since the last annual update of the Brochure on March 28, 2013.

Item 3 -Table of Contents

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

Item 4 – Advisory Business

Our firm is a Delaware corporation and an indirect, wholly owned subsidiary of Morgan Stanley, a publicly traded company. Its parent is MS Holdings Incorporated. We have been registered with the Securities and Exchange Commission since 2005.

We provide advisory services to Morgan Stanley Private Equity Access Fund LP (“Access I”) and Morgan Stanley Private Equity Access Fund II LP (“Access II” and together with the Access I, the “Partnerships”, and each also referred to as a “Partnership”). The Partnerships are structured as “funds of funds.” We are responsible for identifying investment opportunities for, and managing and disposing of, the investments made by each of the Partnerships. As such we are providing you with an opportunity to invest, indirectly, in pre-specified underlying private equity funds managed by established third-party private equity fund managers (the “Partnership Investments”). The managers of these Partnership Investments are referred to throughout this Brochure as the “Underlying Managers”. We have carefully diligenced and selected each Partnership Investments for the Partnership. At the present time, we have no intention of changing them.

Access I has entered into commitments to invest in the following Partnership Investments:

	<u>Capital Commitment (\$MM)</u>
Apollo Investment Fund VI, L.P.	\$25.0
Blackstone Capital Partners V, LP	\$25.0
Clayton, Dubilier & Rice Fund VII, L.P.	\$25.0
KKR European Fund II, Limited Partnership	\$25.0
Newbridge Asia IV, L.P.	\$25.0
Welsh, Carson, Anderson & Stowe X, L.P.	\$25.0

Access II has entered into commitments to invest in the following Partnership Investments:

	<u>Capital Commitment</u>
Bain Capital Fund IX, L.P. and Bain Capital IX Coinvestment Fund LP	\$40.0MM (1)
Fourth Cinven Fund Limited Partnership	€50.0MM (2)
Oak Investment Partners XII, Limited Partnership	\$40.0MM
Thomas H. Lee Equity Fund VI, L.P.	\$50.0MM
KKR 2006 Fund L.P.	\$60.0MM

- (1) Represents a commitment of \$32.0 million to Bain Capital Fund IX, L.P., and \$8.0 million to Bain Capital IX Coinvestment Fund L.P.
- (2) Access II’s commitment to the Fourth Cinven Fund Limited Partnership is denominated in Euros. The conversion rate of Euros to dollars, as of December 31, 2007, was 1.46. €50 million was equivalent to approximately \$73 million as of December 31, 2007.

The Partnerships are investing directly in Partnership Investments managed by Underlying Managers unrelated to Morgan Stanley and/or any of its affiliates, and indirectly in the investments selected by such unrelated Underlying Managers. On an on-going basis, we monitor each of the Partnerships, Partnership Investments; take actions required of the Partnerships; manage short-term investments and other financial and reporting obligations of each Partnership; and perform other management functions in connection with the business of the Partnerships.

We do not participate in a wrap fee program.

As of December 31, 2013, we managed \$122,636,715 in client assets on a discretionary basis. We did not manage any assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Management Fees

We are paid an annual management fee, specific to each of the Partnerships. The management fee is in addition to, and not included in, your capital commitment.

The fee payable by you as a limited partner in Access I is initially calculated as 1.50% of your committed capital. Commencing on the fifth anniversary of the initial closing of the applicable Partnership, the management fee is 1.50% of your invested capital plus capital subject to drawdown or recall by the Partnership Investments (which could include all distributed returns of capital contributed to such Partnership Investments).

If you invested in Access II, and committed less than \$5 million to the Partnership, the fee payable is calculated as 1.50% of capital commitments during the first five years of Access II's term and, thereafter, 1.50% of invested (or subject to drawdown or recall) capital commitments outstanding (which could include all distributed returns of capital contributed to such Partnership Investments). If you committed at least \$5 million but less than \$10 million in Access II, the fee payable is calculated as 1.35% of capital commitments during the first five years of Access II's term and, thereafter, 1.35% of invested (or subject to drawdown or recall) capital commitments outstanding (which could include all distributed returns of capital contributed to such Partnership Investments). If you committed at least \$10 million but less than \$20 million, the fee payable is calculated as 1.00% of capital commitments during the first five years of Access II's term and, thereafter, 1.00% of invested (or subject to drawdown or recall) capital commitments outstanding (which could include all distributed returns of capital contributed to such Partnership Investments). If you committed \$20 million or more in Access II, the fee payable is calculated as 0.80% of capital commitments during the first five years of Access II's term and, thereafter, 0.80% of invested (or subject to drawdown or recall) capital commitments outstanding (which could include all distributed returns of capital contributed to such Partnership Investments).

The Partnerships generally call capital for management fees from you on a quarterly basis. The management fee is paid by you in advance on each January 1, April 1, July 1, and October 1. Under each of the Partnership's respective partnership agreement (the "Partnership Agreement"), there is no provision relating to any refund of any management fee.

The Partnerships will pay all costs, expenses and liabilities in connection with its operations, including: fees, costs and expenses related to the purchase, holding and sale of Partnership Investments (to the extent not reimbursed); expenses incurred in connection with transactions not consummated; insurance premiums; taxes; fees and expenses of accountants and counsel, including tax preparation fees; costs and expenses of the limited partner advisory committee, reporting to the limited partners; litigation expenses; and other extraordinary expenses.

With respect to any Partnership Investment that charges management fees or organizational expenses outside of capital committed to such Partnership Investment, Partnership expenses will also include payments by the Partnership to any such Partnership Investment of the Partnership's share of such management fees or organizational expenses. Your *pro rata* share of Partnership expenses is in addition to, and not included in, your capital commitment. Annual Partnership expenses payable by you (other than organizational expenses and obligations to return distributions to fund indemnification or payback obligations of the Partnership) will not exceed 0.50% of your capital commitment until the first anniversary of the initial closing and, thereafter, 0.30% of your capital commitment.

Any Partnership expenses paid in advance by us or our affiliates shall be reimbursed by the Partnerships.

Initial Placement Fees and Deferred Placement Fees

You may have been required to pay a placement fee (the "Initial Placement Fee") in connection with your admission to a Partnership. The Initial Placement Fee is in addition to your capital commitment. The Initial Placement Fee is paid by you and is calculated as a percentage of your total capital commitment. The applicable percentage attributable to Access I is: (i) 2.00% if you commit less than \$1 million to Access I, (ii) 1.00% if you commit at least \$1 million, but less than \$5 million, to Access I and (iii) 0% if you commit \$5 million or more to Access I.

If you are an investor in Access II, the applicable percentage of your total capital commitment is: (i) 2.00% if you commit less than \$1 million to Access II, (ii) 1.50% if you commit at least \$1 million, but less than \$5 million, to Access II and (iii) 1.00% if you commit \$5 million or more to Access II.

In addition, the placement agents and distributor, each of which is an affiliate of ours, is entitled to receive annually recurring deferred placement fees (the "Deferred Placement Fees"). If you are invested in Access I, the annual Deferred Placement Fee payable is 0.55% of your capital commitment until the fifth anniversary of the initial closing and, thereafter, 0.55% of your share of invested capital outstanding plus capital subject to drawdown or recall by the Partnership Investments (which could include all distributed returns of capital contributed to such Partnerships Investment).

If you are invested in Access II and committed less than \$5 million, the annual Deferred Placement Fee payable will be 0.55% of your capital commitment until the fifth anniversary of the initial closing and, thereafter, 0.55% of your share of invested capital outstanding plus capital subject to drawdown or recall by the Partnership Investments (which could include all distributed returns of capital contributed to such Partnerships Investment). If you are invested in Access II

and committed at least \$5 million, but less than \$10 million, the annual Deferred Placement Fee payable will be 0.45% of your capital commitment until the fifth anniversary of the initial closing and, thereafter, 0.45% of your share of invested capital outstanding plus capital subject to drawdown or recall by the Partnership Investments (which could include all distributed returns of capital contributed to such Partnerships Investment). If you are invested in Access II and committed \$10 million or more, the annual Deferred Placement Fee payable will be 0.30% of your capital commitment until the fifth anniversary of the initial closing and, thereafter, 0.30% of your share of invested capital outstanding plus capital subject to drawdown or recall by the Partnership Investments (which could include all distributed returns of capital contributed to such Partnerships Investment).

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

We do not charge performance based fees. The Partnerships have invested only in the private equity funds set forth in Item 4.

Item 7 – Types of Clients

We provide investment advice solely to the Partnerships. The Partnerships are no longer accepting new investors. Investors in the Partnerships were required to invest a minimum of \$500,000. Each investor in the Partnership was required to be, among other qualifications, a “qualified purchaser”, as defined under the Investment Company Act of 1940, as amended (the “1940 Act”).

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

All investing and trading activities risk the loss of capital. Although we have attempted to moderate these risks, no assurance can be given that an investment in the Partnerships will be successful or that you will not suffer losses. Investing in securities involves risk of loss that you should be prepared to bear.

The Partnerships have invested in a pre-determined investment program that is outlined in Item 4. We do not recommend a particular type of security.

An investment in a Partnership is speculative, involves a high degree of risk, and requires a long-term commitment with no certainty of return. The following list is not, and is not intended to be, a complete enumeration or explanation of the risks involved of investing in a Partnership.

Because of the risks involved and, the lack of a public market to dispose of or transfer your investment in a Partnership, your investment in the Partnerships is suitable only if you are a sophisticated investor who is willing to hold your investment for the term of the Partnerships and you understand that you may lose all or a significant portion of your capital commitment. The following list is not, and is not intended to be, a complete enumeration or explanation of the risks involved in investing in a Partnership.

Inadequate Return: *Inadequate Return:* No assurance can be given that the returns on a Partnership investment will be commensurate with the risk of your investment. You should not commit money to a Partnership unless you have the resources to sustain the loss of your entire investment. Any losses are borne solely by you and not by us or our affiliates.

Multiple Levels of Fees: Both the Partnerships and the Partnership Investments incur substantial management and/or administrative costs and expenses. In some cases, the management fee with respect to a Partnership Investment may be charged outside of the Partnerships' capital commitment to such Partnership Investment. The Partnership Investments incur carried interest payments on realized and unrealized appreciation and other income. This will result in greater expense to you than if you were able to invest directly in the Partnership Investments and consequently will reduce your return.

Illiquidity of Investments: The Partnership Investments are highly illiquid. The Partnerships will generally not be entitled to transfer its interest in Partnership Investments without the consent of the general partner of such Partnership Investment and the Partnerships' right to transfer its interest will also be affected by restrictions imposed under applicable securities laws. The Partnerships may also be restricted from making full or partial withdrawals from the Partnership Investments. Consequently, the Partnerships may not be able to liquidate its investments in the Partnership Investments prior to the dissolution of the Partnership Investments. In addition, the portfolio investments of a Partnership Investment may, at any given time, consist of significant amounts of securities and other financial instruments or obligations that are very thinly traded, or for which no market exists, or that are restricted as to their transferability under U.S. federal or state or non-U.S. securities laws. Companies whose securities are unlisted are not subject to the same disclosure and other investor protection requirements that are applicable to companies with listed securities. These investments may be difficult to value and to sell or otherwise liquidate, and the risk of investing in such companies is generally much greater than the risk of investing in listed or publicly traded companies. There can be no assurance that the portfolio companies in which the Partnership Investments invest will eventually list their securities on a securities exchange or that the Partnership Investments or the Partnerships will conclude sales to private purchasers of such investments. In some cases, the Partnership Investments and the Partnerships may also be prohibited by law or contract from selling such securities for a period of time or otherwise be restricted from disposing of such securities. In other cases, the types of investments made by such Partnership Investments and the Partnerships may require a substantial length of time to liquidate. Consequently, there is a significant risk that the Partnership Investments and the Partnerships will be unable to realize their investment objectives by sale or other disposition of such investments at attractive prices, or will otherwise be unable to complete any exit strategy with respect to such investments. These risks can be further increased by changes in the financial condition or business prospects of the companies invested in by the Partnership Investments, changes in national or international economic conditions, and changes in laws, regulations, fiscal policies or political conditions of countries in which the Partnership Investments' investments are made.

In addition, a Partnership Investment may distribute its investments in-kind to the Partnerships. The Partnerships may in turn make in-kind distributions of these investments, which are likely to

be composed of illiquid securities, to you. There can be no assurance that you will be able to dispose of these investments or that the value of these investments will ultimately be realized.

Absence of Regulatory Oversight: The Partnership Investments are not registered under the 1940 Act, and, therefore, you are not afforded the protections that would be available to you if the Partnership was registered. The Underlying Managers may not be registered as investment advisers under the Advisers Act of 1940. Accordingly, certain of the Partnership Investments and the Underlying Managers may not be subject to any regulatory oversight.

No Direct Interest in Partnership Investments: You will not, by virtue of your investment in a Partnership, be an investor in any Partnership Investments, nor will you have direct interests in or voting rights with respect to any Partnership Investments, and will have no standing or recourse against any Partnership Investments or their respective affiliates. You cannot sustain a direct claim against, and may be required to indemnify, the Partnership Investments and/or the Underlying Managers.

Reliance on Third Party Fund Management: The Partnerships are invested in Partnership Investments managed by Underlying Managers that are unrelated to us and, indirectly, in investments selected by such unrelated Underlying Managers. The returns achieved by the Partnerships will depend in large part on the efforts and performance results obtained by Partnership Investments. Although we have evaluated each Partnership Investment (on criteria such as the performance history of the Partnership Investment and its Underlying Manager as well as the Partnership Investment's investment strategies), the past performance of a Partnership Investment and its Underlying Manager may not be a reliable indicator of future results and there can be no assurance that the Underlying Managers will successfully operate the Partnership Investments.

A Partnership Investment may use investment strategies that are not fully disclosed to us, and that may involve risks that are not anticipated by us. In addition, we have no control over the Partnership Investments' investment management and related operations and will have to rely on the experience and competency of each Underlying Manager in these areas. The Partnerships will not have an active role in the day-to-day management of the Partnership Investments in which the Partnerships invest. Moreover, the Partnerships will not have the opportunity to evaluate the specific investments made by any Partnership Investment before they are made. Further, the Partnerships may not be able to dispose of its investment in a Partnership Investment if we are dissatisfied with the performance of such Partnership Investment (see further discussion regarding risks resulting from the illiquid nature of the investments in the Partnership Investments in "Illiquidity of Investments" below). Accordingly, the returns of the Partnerships will depend on the performance of such unrelated Underlying Managers and could be substantially adversely affected by the unfavorable performance of such Underlying Managers. Finally, the Underlying Managers may not draw down 100% of the capital committed to the Partnership Investments; however, during the Investment Period you will be charged fees on all committed capital, whether drawn or undrawn.

No Right to Control the Partnerships' Operations: You will have no opportunity to control the day-to-day operations of the Partnerships, including investment and disposition decisions. In

order to safeguard their limited liability for the liabilities and obligations of the Partnerships, as an investor, you must rely entirely on the general partner and us to conduct and manage, respectively, the affairs of the Partnerships.

Capital Calls: Investments by the Partnerships in Partnership Investments are likely to require the Partnerships to meet capital calls of such Partnership Investments over an extended period of time. Failure by you to meet a Partnership's capital calls could result in the failure of the Partnership to meet a capital call from a Partnership Investment. This could have adverse consequences for the Partnerships and you. The Partnerships may fail to meet a capital call if you fail to honor a capital call by a Partnership and such shortfall is not made up by the other investors, a borrowing, or otherwise.

Termination of the Partnerships' Interest in a Partnership Investment: In addition to a risk of termination of the Partnerships' interest in a Partnership Investment as a result of a failure of the Partnerships to satisfy a capital call by such Partnership Investment, the Partnerships' interest in a Partnership Investment may be terminated if the general partner of such Partnership Investment determines that the continued participation of the Partnerships in such Partnership Investment would have a material adverse effect on such Partnership Investment or its assets.

Currency Risks relating to Non-U.S. Partnership Investments: Access II has a commitment to invest in a Partnership Investment denominated in Euros. Changes in currency rates (including as a result of the devaluation of a foreign currency) and/or in exchange control regulations could adversely affect the Partnership. In addition, Access II's commitments to a Partnership Investment denominated in a currency other than the U.S. dollar may increase as a result of changes in currency rates. While you will not be required to increase your capital commitment to the Partnership, in order to meet such obligations, Access II's general partner may increase its capital commitment to Access II to borrow sufficient funds. Conversely, fluctuations in currency rates may result in Access II's capital being less than fully invested in the Partnership Investments.

General Economic and Market Conditions: The success of the Partnerships' investment activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, natural disasters and national and international political circumstances. These factors may affect the level and volatility of security prices and liquidity of the Partnerships' Investments. Unexpected volatility or liquidity could impair the Partnerships' profitability or result in it suffering losses.

Long-Term Investments; No Current Return: The return of capital and the realization of gains, if any, will occur only upon the partial and complete disposition of an investment by a Partnership Investment. It is expected that each investment by the Partnerships' Investments will not generally be sold until a number of years after it is made, if at all. Prior to such time, there will be little or no current return.

Availability of Investment Opportunities and No Assurance of Investment Return: The business of identifying and structuring investments of the types included by the Partnerships and contemplated by each of its Partnership Investments is highly competitive and involves a high

degree of uncertainty. Furthermore, the availability of investment opportunities generally will be subject to market, and in some cases, the prevailing regulatory or political climate. Accordingly, there can be no assurance that the Partnership Investments will be able to identify attractive investments or that they will be able to invest fully their commitments. Since the Partnership Investments may only make a limited number of investments, and since the Partnership Investments' investments generally will involve a high degree of risk, poor performance by a few of the investments of the Partnership Investments could severely affect the total returns to the Partnerships. The past experience of any private equity fund or similar funds sponsored by Morgan Stanley or any Underlying Manager should not be construed as an indication of future results of any investment in the Partnerships.

Limitations on Transfer and Withdrawal; No Market for Limited Partner Interests: The interests have not been registered under the Securities Act or any other applicable securities laws. There is no public market for the interests and none is expected to develop. In addition, you will not be permitted to transfer your interest in the Partnerships without the consent of the Partnerships general partner, which may generally be withheld by the general partner in its sole discretion. Furthermore, the transferability of an interest in a Partnership will be subject to certain restrictions contained in each Partnership Agreement and will be affected by restrictions imposed under applicable securities laws. The interests should only be acquired if you are able to commit your funds for an indefinite period of time. You may generally not withdraw capital from a Partnership. Furthermore, the Partnerships may not be able to make full or partial withdrawals from a Partnership Investment pursuant to the terms of the limited partnership agreement or other organizational document of such Partnership Investment. Consequently, you may not be able to liquidate your investments prior to the dissolution of the Partnerships.

Valuations: The investments held by the Partnership Investments will generally not have a readily ascertainable market price and valuations of investments are inherently subjective to a certain extent. The investments held by the Partnership Investment will be valued by the Underlying Managers. Such a valuation generally will be conclusive with respect to the Partnerships, even though an Underlying Manager may face a conflict of interest in valuing the securities, as their value will affect the Underlying Manager's compensation. In most cases, the general partner will have no ability to assess the accuracy of the valuations received from a Partnership Investment. In addition, the net asset values or other valuation information received by the general partner from the Partnership Investments will typically be estimates only or based on the cost of the investment, subject to revision through the end of each Partnership Investment's annual audit. Securities that an Underlying Manager believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the timeframe the Underlying Manager anticipates. As a result, the Partnerships may lose all or substantially all of its investment in a Partnership Investment in any particular instance.

Distributions: There can be no assurance that the operations of the Partnerships will be profitable, that the Partnerships will be able to avoid losses or that cash from the Partnerships' operations will be available for distribution to you. The Partnerships will have no source of funds from which to pay distributions to you other than income and gain received on Partnership Investments and the return of capital.

General Economic Conditions, Political Risks and Catastrophic Events: General economic conditions may affect the Partnerships' and the Partnership Investments' activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Partnerships or considered for prospective investment by the Partnerships and/or a Partnership Investment. Depending on the country in which a portfolio company of a Partnership Investment is located, there may exist the risk of adverse political developments, including nationalization, confiscation without fair compensation or war. Partnership Investments' portfolio companies may also be subject to catastrophic events and other force major events, such as fires, earthquakes, adverse weather conditions, changes in law, eminent domain, riots, terrorist attacks and similar risks. These events could result in the partial or total loss of a Partnership Investment portfolio company or significant down time resulting in lost revenues, among other potentially detrimental effects.

Risk of a Limited Number of Investments: Each of the Partnerships has committed to invest only in a small number of Partnership Investments. In addition, a Partnership Investment may make only a limited number of investments and certain Partnership Investments may participate in the same investments. As a consequence, the aggregate return on your investment in a Partnership may be substantially adversely affected by the unfavorable performance of a single Partnership Investment or any single investment made by a Partnership Investment.

Conflicts of Interest: As a diversified global financial services firm, Morgan Stanley engages in a broad spectrum of activities including financial advisory services, asset management activities, sponsoring and managing private investment funds, engaging in broker-dealer transactions and other activities. In the ordinary course of business, Morgan Stanley engages in activities in which Morgan Stanley's interests or the interests of its clients may conflict with the interests of a Partnership or investors.

In addition, we address conflicts through disclosure to our investors in the Partnerships. Should any transactions that present a potential conflict of interest actually arise, we may, in certain situations choose to seek the approval of the Partnership's investors, limited partners and/or advisory committee for the respective fund with respect to conflicts of interest or approvals required under the Advisers Act, including Section 206(3) and/or the relevant partnership agreement. We may also choose to seek the approval of fund investors with respect to certain conflict situations or matters under the Advisers Act.

Conflicts of Interest of Underlying Managers: The Underlying Managers may have obligations to other funds in addition to the Partnership Investments. Conflicts of interest may arise with respect to how the Underlying Managers apportion their time and/or investment opportunities between the Partnership Investments and other funds to which they have obligations. In addition, the Underlying Managers may have other relationships with the portfolio companies, including but not limited to investment banking or advisory businesses, which could create conflicts of interest with the Partnership Investments.

Buy-Out Transactions: Some of the Partnership Investments may invest in leveraged buyouts. Leveraged buyouts by their nature require companies to undertake a high ratio of leverage to

available income. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses.

Investments in Troubled or Highly Leveraged Companies: Some of the Partnership Investments may invest in securities of financially troubled companies or companies involved in work-outs, liquidations, reorganizations, recapitalizations, bankruptcies and similar transactions and securities of highly leveraged companies. While these investments may offer the potential for high returns, they also bring with them correspondingly greater risks. Various U.S. federal and state and non-U.S. laws in connection with such bankruptcy proceedings could operate to the detriment of the Partnership Investment and the Partnerships. Under certain circumstances, payments directly to the Partnerships or payments to the Partnership Investments and distributions by the Partnership Investments to the Partnerships may be reclaimed if any such payment is later determined in a bankruptcy proceeding to have been a preferential payment.

Investing in Other Special Situations: Some of the Partnership Investments may have invested in companies that are involved in (or the target of) acquisition attempts or tender offers, spin-offs, reorganizations and similar transactions. In any investment opportunity involving these types of transactions, there exists the risk that the transaction will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security, the value of which will be less than the purchase price to the Partnership Investment. As a result, such Partnership Investments may suffer a loss, which may be complete, on its investment.

Venture Capital and Growth Equity Investments: Some of the Partnership Investments may make venture capital investments and growth equity investments. Such investments involve a high degree of business and financial risk that can result in substantial losses. The most significant risks are the risks associated with investments in: (i) companies in an early stage of development or with little or no operating history; (ii) companies operating at a loss or with substantial fluctuations in operating results from period to period; and (iii) companies with the need for substantial additional capital to support or to achieve a competitive position.

Investments in Publicly Traded Securities: The Partnership Investments may invest a portion of their commitments in publicly-traded securities. Such securities may be sensitive to movements in the stock market and trends in the overall economy.

Risk of a Limited Number of Investments: The Partnerships have committed to invest in only their respective Partnership Investments. In addition, a Partnership Investment may make only a limited number of investments and certain Partnership Investments may participate in the same investments. As a consequence, the aggregate return on your investment in a Partnership may be substantially adversely affected by the unfavorable performance of a single Partnership Investment or any single investment made by a Partnership Investment.

Risks of Other Funds: Our affiliates advise, and may in the future sponsor and advise, pooled investment vehicles with similar or the same investment objectives as the Partnerships. We have adopted policies designed to allocate investment opportunities appropriate for the Partnerships and other clients in a fair manner. Such policies may result in the Partnerships receiving a

smaller allocation than might otherwise be desirable for the Partnerships or not receiving any allocation at all.

Regulation as a Bank Holding Company: Morgan Stanley has elected to be regulated as a Bank Holding Company (a “BHC”) under the U.S. Bank Holding Company Act of 1956, as amended (the “BHCA”), and the Federal Reserve granted Morgan Stanley’s application for “financial holding company” (“FHC”) status under the BHCA. FHC status is available to BHCs which meet certain criteria. FHCs may engage in a broader range of activities than BHCs which are not FHCs.

The activities of BHCs and their affiliates are subject to certain restrictions imposed by the BHCA and related regulations. Because Morgan Stanley may be deemed to “control” a Partnership within the meaning of the BHCA, these restrictions could apply to such Partnership as well. These restrictions may materially adversely affect the Partnership, among other ways, by imposing a maximum holding period on some or all of the Partnership’s investments; limiting the amount of an entity’s beneficial ownership interests which the Partnership may hold; restricting the ability of us, Morgan Stanley, any of our affiliates which serve as general partner or manager of the relevant Partnership (in either case, the “Affiliated General Partner”), or their affiliates to invest in the Partnership or to participate in the management and operations of the entities in which the Partnership or a Partnership Investment invests; or affecting either our ability to pursue certain strategies within a Partnership’s investment program or our ability or the ability of the Partnership, Morgan Stanley, any Affiliated General Partner, or any affiliates to invest in certain Partnership Investments. Certain BHCA regulations may also require aggregation of the positions owned, held, or controlled in client and proprietary accounts by Morgan Stanley and its affiliates (including without limitation, us, and any Affiliated General Partner) with positions held by the Partnerships (and, in certain instances, one or more Partnership Investments). Moreover, Morgan Stanley may cease in the future to qualify as an FHC, which may subject the Partnership to additional restrictions or cause the general partner to dissolve the Partnership. Additionally, there can be no assurance either that the bank regulatory requirements applicable to Morgan Stanley and the Partnerships will not change or that any such change will not have a material adverse effect on the Partnerships.

Morgan Stanley may in the future, in its sole discretion, restructure a Partnership, an Affiliated General Partner or our firm in order to reduce or eliminate the impact or applicability of these bank regulatory restrictions on the Partnership. Morgan Stanley may seek to accomplish this result by causing another entity to replace a Partnership’s current Affiliated General Partner (if any), transferring ownership of our firm or that of such Affiliated General Partner, reducing the amount of Morgan Stanley’s investment in the Partnership (if any), effecting any combination of the foregoing, or implementing such other means as it determines in its sole discretion. Any such transferee may be unaffiliated with Morgan Stanley. In connection with any such change, we may in our sole discretion assign our right to receive a performance fee or allocation, if any or, with the required consent, cause another entity to be admitted to a Partnership for the purpose of receiving the performance fee or allocation.

Impact of Dodd-Frank: On July 21, 2012, the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) known as the Volcker Rule took effect. The Volcker Rule generally requires that a “banking entity,” including Morgan Stanley and any

of its affiliates, bring itself into compliance during a two-year transition period ending July 21, 2014 (subject to up to three one-year extensions if the Board of Governors of the Federal Reserve System determines any such extension to be both consistent with the purposes of the Volcker Rule and not detrimental to the public interest). The Volcker Rule will limit the extent to which a “banking entity” may sponsor or invest in a hedge fund or a private equity fund. It will also limit the aggregate equity, partnership, or other ownership interests of Morgan Stanley in hedge funds and private equity funds to a maximum of 3% of Morgan Stanley’s Tier 1 Capital. In addition, Morgan Stanley will be able to own no more than 3% of the total equity, partnership, or other ownership interests of any hedge fund or private equity fund organized and offered by Morgan Stanley. Banking entities such as Morgan Stanley will also not be permitted, directly or indirectly, to guarantee, to assume, or otherwise to insure the obligations or performance of such funds or of any funds in which such funds invest. The Volcker Rule will also prohibit Morgan Stanley from engaging in certain “covered transactions” with any Partnership, such as extensions of credit. The Volcker Rule may require Morgan Stanley and its affiliates, including us and any Affiliated General Partner, to restructure or terminate their respective affiliations with the Partnership. During the statutory transition period for Morgan Stanley to become compliant with the requirements of the Volcker Rule, a Partnership and any offshore fund formed for the purpose of investing in such Partnership may need to change its name so as to avoid sharing a name with Morgan Stanley. Also, the Affiliated General Partner (if any) and any other affiliate of Morgan Stanley invested in a Partnership may need to reduce its investment in the Partnership so as to meet the limitation that no more than 3% of Morgan Stanley’s Tier 1 Capital be invested in hedge funds and private equity funds. Along with us, an Affiliated General Partner (if any) may also be required to take other actions. Morgan Stanley currently believes that any investments by it or any of its affiliates should comply with the 3% limitation on Morgan Stanley’s total ownership interest in the Partnership. Because the Dodd-Frank Act and the Volcker Rule are such recent legislative changes and because the Dodd-Frank Act and the Volcker Rule direct a variety of other bodies and regulatory agencies of the U.S. Government to consider certain additional implementing regulations, the full scope of the impact of both the Dodd-Frank Act and the Volcker Rule is not yet known, and other direct or indirect consequences of the Dodd-Frank Act and the Volcker Rule may affect us, Morgan Stanley, any Affiliated General Partner, or any of the respective affiliates and may result in a material adverse effect on a Partnership.

Item 9 – Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Broker-Dealer Activities and Affiliations:

We are not registered as a broker-dealer; however, certain of our “management persons” are registered representatives of Morgan Stanley Distribution Inc., a broker-dealer that is our affiliate.

We have arrangements for services material to our business with certain of our affiliates, including our broker-dealer affiliates: (i) Morgan Stanley & Co. LLC; (ii) Morgan Stanley Distribution Inc; and (iii) Morgan Stanley Smith Barney LLC. Such services include, but are not limited to, serving as placement agent and/or distributor for the registered and unregistered investment companies for which our affiliate acts as investment adviser. Any conflicts that may arise from this relationship are disclosed in the applicable broker-dealer's point of sale letter.

Advisory Activities and Affiliations:

Our affiliate, Morgan Stanley AIP GP LP ("Morgan Stanley AIP") serves as investment adviser to Morgan Stanley Institutional Fund of Hedge Funds LP, Alternative Investment Partners Absolute Return Fund, Morgan Stanley Global Long/Short Fund A, AIP Multi-Strategy Fund A and AIP Series Trust, each an investment company registered under the 1940 Act. In addition, Morgan Stanley AIP serves as adviser to separate accounts and to pooled investment vehicles that are not registered under the 1940 Act.

Our affiliate, Morgan Stanley Investment Management Inc., serves as investment adviser to the Morgan Stanley Funds, a U.S. mutual fund complex comprised of several stand alone mutual funds as well as the following series of funds: Morgan Stanley Institutional Fund, Inc., Morgan Stanley Institutional Fund Trust, The Universal Institutional Funds, Inc., Morgan Stanley Select Dimensions Investment Series, Morgan Stanley Variable Investment Series and the Morgan Stanley Institutional Liquidity Funds, each an open-end investment company registered under the 1940 Act.

From time to time, we may, with your prior consent and to the extent permitted by applicable law, delegate some or all of our responsibilities, duties and authority under an investment management agreement to one or more of our affiliated investment advisers. Our affiliated advisers may likewise delegate some or all of their responsibilities, duties and authority to us.

In addition, we may share certain officers, directors and personnel with related investment advisers that manage assets for individuals, banks or thrift institutions, pension and profit sharing plans, trusts, estates or charitable organizations, corporations, and other private investment funds.

Other Activities and Affiliations:

We are not registered with the Commodities Futures Trading Commission as a Futures Commission Merchant, Commodity Pool Operator ("CPO"), or as a Commodity Trading Adviser ("CTA"). Certain of our "management persons" are registered as associated persons of our affiliates that are registered as a CPO or CTA. Each of Morgan Stanley AIP and Morgan Stanley Investment Management Inc. is registered as a CPO and CTA.

We are an affiliate of Morgan Stanley, a publicly traded company. As a BHC and an FHC, Morgan Stanley is subject on a worldwide basis to regulation, examination and supervisions by the U.S. Board of Governors of the Federal Reserve System. Morgan Stanley may need to take actions to comply with banking regulations that apply to it even though such action may adversely affect the Partnerships and pose a conflict of interest with investors.

Conflict Identification and Mitigation:

We have a conflicts of interest policy which provides that if a transaction or new product/business practice is submitted for approval to one of the Firm's commitment or risk governance committees, or through the new product approval process, participations in those committees or processes must include consideration of potential conflicts (including those affecting other Morgan Stanley businesses) and their mitigation (which may be accomplished among other ways, through disclosure). The policy further provides that if there is any doubt about whether a business practice or transaction may present a real or perceived conflict, or how it should be addressed, the relevant manager, designated Conflicts Managements Officer, the Legal and Compliance Division or the Firm's Global Conflicts Officer must be consulted promptly.

Along with Morgan Stanley, we 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.

Item 11 – Code of Ethics

We have adopted a Code of Ethics (the "Code") pursuant to Rule 204A-1 under the Advisers Act. Each of our employees 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 our employees are conducted in accordance with the highest possible standards and to prevent abuse, or even the appearance of abuse, by employees with respect to their personal trading and other business activities.

The Code requires all employees to pre-clear trades for covered securities, as defined under the Code, in a personal account. A pre-clearance request will be denied if there is an open order for a client in the same security. The Code also imposes holding periods and reporting requirements for covered securities, which include affiliated and sub-advised mutual funds. Our employees are prohibited from acquiring any security in an initial public offering or any other public underwriting. Investments in private placements or an employee's participation in an outside business activity must be pre-approved by the Code of Ethics Review Committee. Violations of the Code are subject to sanction, including reprimand, demotion, suspension or termination of employment. Upon request, we will provide you with a copy of our Code.

We do not recommend securities in which we have a material financial interest nor do we invest in the same securities that we recommend to you, however, Morgan Stanley may invest directly in private equity investments through other divisions. We do not recommend securities to the Partnerships, nor do we buy or sell securities for the Partnerships, at or about the same time that we buy or sell the same securities for our own account.

Item 12 – Brokerage Practices

Due to the nature of the investments we make, broker-dealers are generally not used for security transactions nor do we enter into soft dollar arrangements. However, we may use affiliated or non-affiliated broker-dealers to divest assets distributed to the Partnerships in kind by Partnership Investments.

Item 13 – Review of Accounts

Our investment committee conducts reviews on a quarterly basis. Our review process is not directed toward a short-term decision to dispose of securities, but to oversee the performance of the Partnership Investments. We provide you with reporting on a quarterly basis. Among other things, these reports may consist of quarterly or semi-annual performance reports, unaudited financial reports and/or audited annual reports.

Item 14 – Client Referrals and Other Compensation

We may, from time to time, compensate certain affiliated and unrelated third parties for client referrals in accordance with Rule 206(4)-3 under the Advisers Act. The compensation paid to any such entity will typically consist of a cash payment stated as a percentage of your investment in a Partnership, but may include cash payments determined in other ways. Any such compensation will be disclosed to you at the time of referral in accordance with Rule 206(4)-3.

In addition, selected affiliated and unaffiliated intermediaries may be paid additional compensation in connection with the sale, distribution, retention, and/or servicing of the limited partnership interests, the cost of which will be borne by us or one of our affiliates. See “*Initial Placement Fees and Deferred Placement Fees*” in Item 5.

The Partnerships are closed to new investors.

Item 15 – Custody

We are deemed to have “custody” of the assets of the Partnerships since our affiliate serves as general partner to each of the Partnerships. We provide audited financial statements for the Partnerships to you on an annual basis in accordance with applicable law.

Item 16 – Investment Discretion

We have discretionary authority over the selection of the Partnership Investments. We adhere to the investment policies, limitations and restrictions of the Partnerships as set forth in the limited partnership agreement or the offering memorandum for the applicable Partnership.

Item 17 – Voting Client Securities

Along with certain of our affiliates, we have adopted a Proxy Voting Policy (the “Policy”). Note that due to the nature of the investments we make (generally, private funds), certain provisions of

the Policy will not apply. For purposes of this section, "we" refers to us and our affiliates who participate in the Policy.

We will use our best efforts to vote proxies as part of our authority to manage acquire and dispose of account assets. We will not vote proxies unless the investment management or investment advisory agreement explicitly authorizes us to vote proxies.

We will vote proxies in a prudent and diligent manner and in your best interests consistent with the objective of maximizing long-term investment returns ("Client Proxy Standard"). In certain situations, you may ask us to vote according to your own proxy voting policy. In those situations, we will comply with your policy.

The Policy addresses a broad range of issues, and provides general voting parameters on proposals that arise most frequently. However, details of specific proposals vary, and those details affect particular voting decisions, as do factors specific to a given company. We endeavor to integrate governance and proxy voting policy with investment goals, using the vote to encourage portfolio companies to enhance long-term shareholder value and to provide a high standard of transparency such that equity markets can value corporate assets appropriately.

We seek to follow the Client Proxy Standard for each client. At times, this may result in split votes, for example when different clients have varying economic interests in the outcome of a particular voting matter (such as a case in which varied ownership interests in two companies involved in a merger result in different stakes in the outcome). We also may split votes at times based on differing views of portfolio managers.

We may abstain on matters for which disclosure is inadequate. We usually support routine management proposals except for certain "other business" and "meeting adjournment" proposals.

Votes on director nominees can involve balancing a variety of consideration, including those related to board and board committee independence, term length, whether nominees may be overcommitted, director attendance and diligence, director skills and the balance of expertise on the board, financial knowledge and experience, executive and director remuneration practices, and board responsiveness. We consider withholding support from or voting against a nominee if we believe a direct conflict exists between the interests of the nominee and the public shareholders, including failure to meet fiduciary standards of care and/or loyalty. We may oppose directors where we conclude that actions of directors are unlawful, unethical or negligent. We consider opposing individual board members or an entire slate if we believe the board is entrenched and/or dealing inadequately with performance problems; if we believe the board is acting with insufficient independence between the board and management; or if we believe the board has not been sufficiently forthcoming with information on key governance or other material matters.

We examine a range of issues—including proxy contests and proposals relating to mergers, acquisitions and other special corporate transactions--on a case-by-case basis in the interests of each fund or other account. We support substantial management/board discretion on capital structure, but within limits that take into consideration articulated uses of capital, existence of

preemptive rights, and certain shareholder protections provided by market rules and practices. We are generally supportive of reasonable shareholder rights.

We vote on advisory votes on executive pay on a case-by-case basis. We generally support equity compensation plans if we view potential dilution/cost and burn rates as reasonable, and if plan provisions sufficiently protect shareholder interests. We also support appropriately structured bonus and employee stock purchase plans.

We consider social and environmental shareholder proposals on a case-by-case basis.

Process: The Proxy Review Committee (the “Committee”) has overall responsibility for the Policy. Because proxy voting is an investment responsibility and impacts shareholder value, and because of their knowledge of companies and markets, portfolio managers and other members of investment staff play a key role in proxy voting, although the Committee has final authority over proxy votes.

The Committee meets at least quarterly, and reviews and considers changes to the Policy at least annually. If the Director of Corporate Governance determines that an issue raises a material conflict of interest, the Director may request a special committee to review, and recommend a course of action with respect to, the conflict(s) in question.

Further Information: Upon request and without charge, a Morgan Stanley AIP Portfolio Specialist will provide you with our proxy voting record applicable to the Partnership in which you are invested.

Item 18 – Financial Information

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you. In addition, we have not been the subject of a bankruptcy proceeding at any time during the past ten years.