

**Part 2A of Form ADV: Firm Brochure**

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MSREF V, L.L.C.

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This Brochure provides information about the qualifications and business practices of MSREF V, L.L.C. (the “Adviser”). If you have any questions about the contents of this Brochure, you should contact Morgan Stanley Merchant Banking & Real Estate Investor Services at (212) 761-7160 or email [msreinvestor@morganstanley.com](mailto: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 that 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](http://www.adviserinfo.sec.gov).

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## **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 28, 2014, there have been no material changes.

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 Merchant Banking & Real Estate Investor Services at (212) 761-7160 or email [msreinvestor@morganstanley.com](mailto:msreinvestor@morganstanley.com).

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#### **Item 4 – Advisory Business**

MSREF V, L.L.C. (the “Adviser”) was formed in 2004 and registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in 2005.

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

As of December 31, 2014, the Adviser had approximately \$767,873,674<sup>1</sup> 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 and co-invest with MSREF V U.S. and the co-investing partnerships that comprise and co-invest with MSREF V 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 Investing, the real estate investing business of Morgan Stanley, together with its subsidiaries and the supporting units dedicated to the real estate investing business (collectively, “MSREI”), provides it with access to valuable relationships, market knowledge, and financial and operating expertise. Morgan Stanley has been engaged in the real estate business since 1969 and the investing businesses employ 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.

The activities of the Adviser described in this Brochure may be performed by the Adviser or by one of its affiliates that acts as a general partner or managing member of the applicable Client.

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<sup>1</sup> 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.

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## **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 0.75% to 2.0%.

### **Annual Fees and Upfront Placement Fees**

With respect to the Funds, the general partner is paid an annual fee by Limited Partners of certain feeder funds equal to 0.50% of such Limited Partner's invested capital, which fee is payable in arrears and is for the account of one or more Morgan Stanley affiliates that acted as placement or distribution agents with respect to the interests in these funds. With respect to the Funds, broker-dealers who are affiliates of the Adviser acted as placement agents to assist in the placement of a Fund's interests. Any placement fee not payable by the Adviser is in addition to a Limited Partner's capital commitment. The amount of any placement fee is described in the placement agent's point of sale letter. However, the placement agents or distributors may, in their sole discretion, waive the placement fees payable by a Limited Partner, including a Limited Partner that is an employee or affiliate of the general partner of a Fund and/or Morgan Stanley.

The prospect of receiving, or the receipt of, annual fees and upfront placement fees as described above by affiliates of the general partner may have provided such affiliates with an incentive to favor subscriptions for interests in the Funds over subscriptions for, or sales of, interests in funds (or other fund investments) with respect to which such affiliates do not receive such compensation or receive lower levels of compensation, creating a potential conflict of interest for such affiliates.

### **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 funded (or obligated to be funded) in respect of the relevant investment. Certain Limited Partners will receive a rebate of 50% of their allocable share of acquisition fees, depending on their commitment size.

Acquisition Fees are generally payable on the date of closing of the acquisition to which such acquisition fee relates.

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## **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%.

With respect to the Funds advised by the Adviser, specific Limited Partners within a Fund are entitled to a clawback of all or a portion of the general partner's carried interest in certain circumstances.

## **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 Adviser and its affiliates may provide the Funds with certain data processing, legal or insurance purchasing or administrative services (but excluding accounting services) which would otherwise be performed for the Funds by third parties and, in such event, the Adviser and its affiliates may be reimbursed by the Funds at the lesser of (i) the cost of providing such services (including reasonable employment costs and related overhead allocable thereto) and (ii) the amount that would be payable by the Funds if services of equal quality were provided by third parties on an arm's-length basis, except that such reimbursements will not be permitted with respect to appraisal or valuation services.

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

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**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.

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## **Item 7 – Types of Clients**

The Adviser provides portfolio management services to pooled 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 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.



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## **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 source of information and investment opportunities are contacts with employees of Morgan Stanley, a public company listed on the New York Stock Exchange (of which the Adviser is a direct, wholly owned subsidiary), industry executives and established business relationships. Regional investment teams are responsible for performing due diligence on potential investments. Such analysis includes underwriting the potential returns and risks for such investments (including legal, tax, accounting and environmental issues), as well as regularly monitoring the value of such investments. The regional investment teams assess the impact of various macro and microeconomic shifts on potential investments and 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.

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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.

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## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. The Adviser cannot provide assurance that it will be able to generate any level of returns for investors. Our investment strategy entails a high degree of risk and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks of an investment in the Fund.

The following list of risk factors does not purport to be a complete list or explanation of the risks involved in an investment in the Fund. The risks summarized below are described in greater detail in the Confidential Private Placement Memorandum for each Fund. In addition, there are other risks (in addition to risks related to our investment strategy) associated with investing in the Fund, which are described in the Confidential Private Placement Memorandum. You may also request an updated explanation of risk factors by contacting Morgan Stanley Merchant Banking & Real Estate Investing Investor Services as described above.

- 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;
- limited current return;
- indemnification;
- tax considerations;
- 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;

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- risks associated with non-U.S. investments;
  - currency risks
  - decision to use hedging techniques;
  - expedited transactions;
  - valuation risks;
  - limitations on investing due to possession of inside information;
  - burdensome regulation by one or more governmental entities in specific industries and potential for increased regulation; and
  - cybersecurity risks.

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## 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 Errede Pappalardo in connection with the tender offers. 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

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the three described above, including administrative monetary sanctions aggregating €460,000 against Mr. de Poulpiquet. Mr. de Poulpiquet has contested the findings and both he and Consob have appealed various issues to the Italian Supreme Court.

At the time Mr. de Poulpiquet 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 Poulpiquet and the Consob findings, Morgan Stanley International and the Adviser concluded and continues to believe that Mr. de Poulpiquet is fit for his role with the Adviser.

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## **Item 10 – Other Financial Industry Activities and Affiliations**

### **Introduction**

As a diversified global financial services firm, Morgan Stanley engages in a broad spectrum of activities including financial advisory services, investment management activities, lending, commercial banking, sponsoring and managing private investment funds, engaging in broker-dealer transactions and principal securities, commodities and foreign exchange transactions, research publication and other activities. Investors should be aware that potential and actual conflicts of interest between Morgan Stanley or any Affiliated Investment Account (as defined below), on the one hand, and the Funds, on the other hand, may exist and others may arise in connection with the operation of the Funds. Morgan Stanley's employees may also have interests separate from those of Morgan Stanley and the Funds. The discussion below enumerates certain actual, apparent and potential conflicts of interest. The Adviser can give no assurance that conflicts of interest will be resolved in favor of the Funds' investors, and, in fact, they may not be.

The following discussion enumerates certain potential conflicts of interest, which should be carefully evaluated before making an investment in the Funds.

### **Broker-Dealer Registration**

Morgan Stanley & Co. LLC is a registered broker-dealer. Certain of the Adviser's management persons are registered representatives of Morgan Stanley & Co. LLC, where it is necessary or appropriate to perform their responsibilities.

### **Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration**

The Adviser, the Funds, their respective portfolio companies and their respective affiliates may use the commodity pool operator, commodity trading advisor and futures commission merchant registrations or exemptions of one or more of the following related persons: MSREF VIII Global-F, LP, MS Capital Partners VI GP L.P., MSREF VIII Global-GP, L.P., Morgan Stanley Infrastructure II GP LP, Morgan Stanley Infrastructure GP LP, Morgan Stanley Infrastructure Inc., MSCP V GP Inc., MS Capital Partners V GP L.P., Morgan Stanley Private Equity Asia, L.L.C., Morgan Stanley, Private Equity Asia III, L.L.C., Morgan Stanley Private Equity Asia IV, L.L.C., MSREF III, L.L.C., MSREF IV International-GP, L.L.C., MSREF V, L.L.C., MSREF V U.S.-GP, L.L.C., MSREF V, International-GP, L.L.C., MSREF Real Estate Advisor, Inc., MSREF VI International-GP, L.L.C., MSREF VII Hedging GP, Ltd, MSREF VII Global-GP, L.P., Morgan Stanley Real Estate Special Situations III-GP LLC, SSF III Hedging GP, Ltd, MS Capital Partners Adviser, Inc., Morgan Stanley Private Equity Asia Inc., MSREF III, Inc., MSREF IV, L.L.C., Morgan Stanley AIP GP LP, Morgan Stanley Alternative Investment Partners LP, Morgan Stanley Investment Management Inc.

### **Other Material Relationships with Affiliated Entities**

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- Broker-Dealer, Municipal Securities Dealer, Government Securities Dealer or Broker

To the extent permitted by applicable law, the Adviser, Funds or its portfolio companies may use the securities, futures execution, underwriting or other services offered by Morgan Stanley & Co. LLC or other affiliates. Please see Item 12 for more information about the Adviser's practices concerning using a Morgan Stanley affiliate as a broker.

- Participating Affiliates

Investment advice is provided to the Funds and their respective general partners not only through the Adviser but also through certain of the employees of one or more of the following related persons:

- Morgan Stanley & Co International plc
- Morgan Stanley Bank International Limited
- Morgan Stanley SGR S.p.A.
- Morgan Stanley (France) SAS
- Morgan Stanley S.V., S.A.U.
- Morgan Stanley Bank AG
- Morgan Stanley Australia Limited
- Morgan Stanley India Financial Services Private Limited
- Morgan Stanley Asia Limited
- Morgan Stanley Asia (Singapore) PTE
- Morgan Stanley Capital K.K.
- Morgan Stanley Business Consulting (Shanghai) Limited
- OOO Morgan Stanley Bank

These related persons may or may not be registered with the SEC as investment advisers but are foreign affiliated advisers that may provide advice or research for the Adviser for use with the Funds (in such capacity, the "Participating Affiliates"). The Participating Affiliates also may provide non-advisory services to the Adviser and the Funds. The Adviser may delegate all or a portion of its advisory or other functions to any of its Participating Affiliates.

The Participating Affiliates will remain subject to the supervision of the Adviser in respect of their provision of services to the Adviser and the Funds.

- Other Advisory Affiliates

The Adviser is part of a group of investment advisers within the Morgan Stanley Investment Management business, including Morgan Stanley Investment Management Inc., Morgan Stanley



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Investment Management Limited, Morgan Stanley AIP GP LP, Morgan Stanley Asset Management Private Limited, Morgan Stanley Real Estate Advisor, Inc., MSDW Real Estate Special Situations II Manager LLC, MS Capital Partners Adviser Inc., Morgan Stanley Infrastructure Partners Inc., Morgan Stanley Private Equity Asia, Inc., MSREF III, Inc., MSREF IV, L.L.C., MSREF IV, LLC., MSREF Real Estate Advisor, Inc., and MSRESS III Manager, L.L.C.

The Adviser, in its discretion, may delegate all or a portion of its advisory or other functions to any affiliate that is registered with the SEC as an investment adviser and may receive a variety of services from such affiliates, including gathering information about potential investment opportunities, financial advice and assistance in connection with the making, monitoring and disposing of investments and securities underwriting and brokerage services in connection with the sale of investments. The Adviser shares certain officers and directors with related investment advisers that also manage affiliated private equity funds.

To the extent that the Adviser delegates its advisory or other functions to such investment advisers, a copy of the brochure of each such affiliate is available on the SEC's website and will be provided to investors in the Funds upon request.

- Affiliates Acting as Fundraising Broker-Dealers

Broker-dealers that are affiliates of Morgan Stanley may act as placement agents (the "Placement Agents") to assist in the placement of interests to certain Limited Partners (such Limited Partners, the "Solicited Partners"). The potential for the Placement Agents to receive compensation in connection with a Solicited Partner's investment in the Funds presents a potential conflict of interest in recommending that such Solicited Partner purchase interests.

The prospect of receiving, or the receipt of, additional compensation by the Placement Agents may provide such Placement Agents and their salespersons with an incentive to favor sales of interests and interests in funds whose affiliates make similar compensation available over sales of interests in funds (or other fund investments) with respect to which the Placement Agent does not receive additional compensation, or receives lower levels of additional compensation. Prospective investors should take such payment arrangements into account when considering and evaluating any recommendations related to the interests. Morgan Stanley employees involved in the marketing and placement of the interests are not acting as tax, financial, legal or accounting advisors to potential investors in connection with the offering of the interests. Potential investors must independently evaluate the offering and make their own investment decisions.

The Adviser and the Funds may use registered representatives and/or employees of its affiliates to conduct solicitation activities in relation to new or oncoming limited partners to the Funds or act as placement agents

- Affiliates Acting as Investment Bankers

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In the ordinary course of its business, Morgan Stanley performs full-service investment banking and financial services and therefore engages in activities where Morgan Stanley's interests or the interests of its clients may conflict with the interests of the investors, notwithstanding Morgan Stanley's direct or indirect participation in the investments of the Funds.

From time to time, Morgan Stanley's investment banking professionals may introduce to one or more of the Funds a client that requires equity to complete an acquisition transaction. If the relevant Fund pursues the resulting investment, Morgan Stanley could have a conflict in its representation of the client over the price and terms of the Funds' investment.

Morgan Stanley has long-term relationships with a significant number of institutions and corporations and their advisors. In determining whether to pursue a particular transaction on behalf of the Funds, these relationships will be considered by Morgan Stanley and there may be certain potential transactions that will or will not be pursued on behalf of the Funds in view of such relationships

In addition, Morgan Stanley could provide investment banking services to competitors of companies in which the Funds invest, in which case it will take appropriate steps to safeguard the confidential information of each investment banking client. Morgan Stanley is under no obligation to share and may not share any such information with the Funds or the Adviser. Such activities may present Morgan Stanley with a conflict of interest vis-à-vis the Funds' portfolio entities and may also result in a conflict with respect to the allocation of investment banking resources to portfolio entities.

- Other Limited Partnership Investment Vehicles or Funds
  - General; Carried Interests

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 organizing these partnerships, the Adviser or a related person may be deemed to have been or to be soliciting investors.

A Fund general partner's carried interest may create an incentive for such general partner to make more speculative investments for such Fund than it would otherwise make in the absence of such performance-based distributions. Furthermore, investments made with third parties in joint ventures or other entities may involve carried interests and/or other fees payable to such third party partners or co-investors, which could also create an incentive for such parties to take risks with respect to such investments. In addition, the method of calculating the carried interest may result in conflicts of interest between a Fund's general partner, on the one hand, and the investors, on the other hand, with respect to the management and disposition of investments. For example, each Fund's general partner will value any securities being distributed in-kind to investors in order to calculate the carried interest. If the valuations conducted by a Fund's general partner are incorrect, the amount of payment of carried interest could be incorrect.

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- Morgan Stanley Investments and Affiliated Investment Accounts

Morgan Stanley may advise clients and has sponsored, managed or advised other alternative investment funds and investment programs, accounts and businesses (collectively, together with any new or successor funds, programs, accounts or businesses, the “Affiliated Investment Accounts”) that have or will have active investment programs that are substantially similar to those of the Funds. Morgan Stanley may also from time to time create new or successor Affiliated Investment Accounts that may compete with the Funds and may present similar conflicts of interest. Certain members of the Funds’ investment team and the investment committee may make investment decisions on behalf of both Morgan Stanley and such Affiliated Investment Accounts, including Affiliated Investment Accounts with investment objectives that overlap with those of the Funds. In addition, certain Affiliated Investment Accounts may make investments similar to those that may be made by the Funds even if they are not solely focused on such investments.

Morgan Stanley related persons (including Morgan Stanley’s trading and principal investing businesses) will have no obligation to offer to the Funds investment opportunities that are excluded from any otherwise existing contractual obligation. In such situations, a Morgan Stanley related person may pursue and make the investment for its own account. When deciding how to allocate such opportunities, Morgan Stanley will exercise its discretion and may consider its own financial interests or the interests of other clients or affiliates of Morgan Stanley ahead of those of the Funds.

In some cases, Morgan Stanley or an Affiliated Investment Account may invite one or more of the Funds to co-invest with it or a Fund’s general partner may invite Morgan Stanley or an Affiliated Investment Account to co-invest with one or more of the Funds, in either the same or different tiers of a portfolio entity’s capital structure or in an affiliate of such portfolio entity. To the extent the relevant Fund holds investments in the same portfolio entity or in an affiliate thereof that are different (including with respect to their relative seniority) than those held by Morgan Stanley or an Affiliated Investment Account, the Adviser and Morgan Stanley may be presented with decisions when the interests of the two co-investors are in conflict.

- Management Persons

Officers and employees supporting the Adviser may also serve as directors of certain portfolio companies and, in that capacity, will be required to make decisions that they consider to be in the best interest of the portfolio company, which in certain circumstances may not be in the best interests of the Funds. Companies with which one or more members of the investment team or other employees of Morgan Stanley are involved may also engage in transactions that would be suitable for the Funds, but in which the Funds might be unable to invest. Accordingly, in these situations, there may be conflicts of interests between such person’s duties as an officer or employee of the Adviser and such person’s duties as a director of the portfolio company.

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Certain of the Adviser's management persons may also hold positions with the affiliates listed above. In these positions, those management persons of the Adviser may have some responsibility with respect to the business of these affiliates and the compensation of these management persons may be based, in part, upon the profitability of other affiliates. Consequently, in carrying out their roles with the Adviser or the Funds and these other entities, the management persons of the Adviser may be subject to the same or similar conflicts of interest that exist between the Adviser and these affiliates.

### **Conflict Identification 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 conflict and franchise committees, for potentially significant conflicts that cannot be resolved in the ordinary course or that otherwise require senior management review. In addition, the Adviser addresses conflicts through disclosure to its investors and should any transactions that present a potential conflict of interest actually arise, the Adviser may in certain situations choose to seek the approval of the 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. 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.

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## **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 persons who are supervised by the Adviser or support the Adviser in providing investment advice to the Fund or their general partners or, and who have access to nonpublic information regarding the purchase or sale of securities, or who make securities recommendations to the Funds or their general partners, or who have access to such recommendations that are nonpublic ("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 current or prospective investors invest in our Funds. Prior to subscribing for interests in a Fund, 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.

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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 may 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.

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## **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.

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.

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**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 and assets (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.



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**Item 14 – Client Referrals and Other Compensation**

The Adviser may from time to time compensate placement agents (which may include certain of its affiliates) 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.

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**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.

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## **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.

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## **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 Adviser 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 Adviser 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 Adviser 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.

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**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.