

Part 2A of Form ADV: Firm Brochure

MSREF Real Estate Advisor, Inc.

As adviser to

North Haven Net REIT

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<http://www.morganstanley.com/im/en-us/institutional-investor/strategies/real-assets/private-real-estate.html>

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This Brochure provides information about the qualifications and business practices of MSREF Real Estate Advisor, Inc. (the “Adviser”). If you have any questions about the contents of this Brochure, you should contact Morgan Stanley Real Estate Investing Investor Services at (212) 761-7160 or email MSREInvestor@seic.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 deciding to hire or retain an adviser (or invest in a fund or product advised by the adviser).

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

Item 2 – Material Changes

We provide this Brochure to our clients as well as the investors of the real estate investment trust and the operating partnership that we advise (“Investors”).

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

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

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Item 4 – Advisory Business

MSREF Real Estate Advisor, Inc. (the “Adviser”) was formed in 2006 and registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) in 2006.

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

As of December 31, 2022, the Adviser had approximately \$11,730,749,306¹ of real estate assets under management, of which approximately \$11,028,501,306 was managed on a discretionary basis and approximately \$702,248,000 was managed on a non-discretionary basis.

The Adviser will provide real estate-related investment advisory services to North Haven Net REIT (“NetREIT”) and its subsidiary, NH Net REIT Operating Partnership, LP (the “Operating Partnership”) (collectively referred to as the “Client”). The advisory services that the Adviser will provide to the Client pursuant to the advisory agreement (the “Advisory Agreement”) will consist primarily of sourcing, evaluating, and monitoring investment opportunities, as well as making decisions related to the acquisition, management, financing, and disposition of real estate and real estate-related assets (including the acquisition of real estate assets that are primarily long-term leased under net lease structures), made in accordance with the Client’s investment objectives, guidelines, policies, and limitations, and subject to oversight by NetREIT’s board of trustees. The Client’s board of trustees may change such investment guidelines and limitations, as set forth in the applicable Governing Documents (as defined below).

In providing its services, the Adviser advises and/or manages the assets of the Client in accordance with the terms of the Governing Documents.

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 advisory clients’ ability to meet their return objectives.

The activities of the Adviser described in this Brochure may be performed by: (i) the Adviser; (ii) by an affiliate of the Adviser that acts as a general partner or managing member of the Client or a subsidiary thereof; or (iii) certain Non-U.S.-affiliated advisers that may provide advice or research for the Adviser for use with the Client (in such capacity, “Participating Affiliates”).

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

Item 5 – Fees and Compensation

Certain fees described herein are subject to negotiation with investors. The Adviser is not required to inform, or offer any similar arrangements to, any other client or investor, except as agreed with each such person or as required by applicable law.

Management Fees

NetREIT will offer multiple share classes. As compensation for its services provided pursuant to the Advisory Agreement, the Client will pay the Adviser a management fee ranging from 0.50% to 1.25% of net asset value (“NAV”) for Class T shares, Class S shares, Class D shares, Class I shares, Class F-T shares, Class F-S shares, Class F-D shares and Class F-I shares per annum payable monthly. Additionally, to the extent that the Operating Partnership issues Operating Partnership units to parties other than NetREIT, the Operating Partnership will pay the Adviser a management fee ranging from 0.50% to 1.25% of the NAV of the Operating Partnership attributable to Class T units, Class S units, Class D units, Class I units, Class F-T units, Class F-S units, Class F-D units and Class F-I units not held by NetREIT, in each case per annum payable monthly. Notwithstanding the foregoing, NetREIT will not pay the Adviser a management fee on Class E shares or Class E units. The management fee may be paid, at the Adviser’s election, in cash or cash equivalent aggregate NAV amounts of Class E shares or Class E units.

Annual Fees and Upfront Placement Fees

Morgan Stanley Distribution, Inc., an indirect, wholly-owned subsidiary of Morgan Stanley (the “Dealer Manager”), will be entitled to receive upfront selling commissions ranging from 1.5% up to 3.5%, and upfront dealer manager fees ranging from 0% up to 0.5%, of the transaction price of each Class T share, Class F-T share, Class S share, Class F-S share, Class D share and Class F-D sold in NetREIT’s primary offering; however, such amounts may vary at certain participating broker-dealers provided that the sum will not exceed 3.5% of the transaction price. No upfront selling commissions, dealer manager fees or shareholder servicing fees will be paid with respect to Class I shares, Class F-I shares or Class E shares.

In addition, NetREIT will pay the Dealer Manager selling commissions over time as shareholder servicing fees for ongoing services rendered to shareholders by participating broker-dealers or broker-dealers servicing investors’ accounts, referred to as servicing broker-dealers.

See “Affiliates Acting as Broker-Dealers” in Item 10 below.

Performance Allocation

So long as the Advisory Agreement has not been terminated, NH Net REIT Special Limited Partner LP, an affiliate of Morgan Stanley (the “Special Limited Partner”), will own a special limited partner interest in the Operating Partnership and will hold a performance participation interest in the Operating Partnership that entitles it to receive in the aggregate an allocation from the Operating Partnership equal to 12.5% of the total return with respect to Class T units, Class S units, Class D units, Class I units, Class F-T units, Class F-S units, Class F-D units and Class F-I units, subject to a 5% hurdle amount and a high water mark with respect to such class of units, with a catch-up. Such allocation will be made annually and accrue monthly.

Under the Operating Partnership’s partnership agreement, the performance participation interest will not be paid on Class E units, and as a result, it is a class-specific expense.

Expenses

Organization and Offering Expenses

The Adviser has agreed to advance organization and offering expenses on behalf of NetREIT through the date that is 12 months following the initial closing of NetREIT's offering. Such organization and offering expenses include (without limitation): legal, accounting, printing, mailing, subscription processing and filing fees and expenses; reasonable *bona fide* due diligence expenses of participating broker-dealers supported by detailed and itemized invoices; costs in connection with preparing sales materials; design and website expenses; fees and expenses of NetREIT's escrow agent and transfer agent; fees to attend retail seminars sponsored by participating broker-dealers; and expense reimbursements for actual costs (including for customary travel, lodging, and meals) incurred by employees of the Dealer Manager for NetREIT's offering in the performance of wholesaling activities. Such expenses exclude, however, upfront selling commissions, dealer manager fees, and the shareholder servicing fee. NetREIT will reimburse the Adviser for all such advanced expenses ratably over a 60-month period following the first anniversary of the date that is 12 months following the initial closing of NetREIT's offering. Such reimbursement may be paid, at the Adviser's election, in cash, Class E shares or Class E units, or any combination thereof. If the Adviser elects to receive any portion of such reimbursement in NetREIT's common shares or Operating Partnership units, NetREIT may repurchase such common shares or units from the Adviser at a later date.

Operating Expenses

In addition to the organization and offering expenses described above and the acquisition expense reimbursements described below, NetREIT will reimburse the Adviser for out-of-pocket costs and expenses it incurs in connection with the services it provides to NetREIT, including, but not limited to: (i) the actual cost of goods and services used by NetREIT and obtained from third parties, including fees paid to administrators, consultants, attorneys, technology providers and other service providers, and brokerage fees paid in connection with the purchase and sale of investments and securities; (ii) expenses of managing and operating NetREIT's properties, whether payable to an affiliate or a non-affiliated person; and (iii) expenses related to the personnel of the Adviser performing services for NetREIT other than those who provide investment advisory services or serve as NetREIT's directors or officers.

The Adviser will advance on NetREIT's behalf certain of its operating expenses, excluding certain investment-related expenses and financing expenses through the date that is 12 months following the initial closing of NetREIT's offering, at which point NetREIT will reimburse the Adviser for all such advanced expenses ratably over the 60-month period following such date.

Acquisition Expenses

The Client does not intend to pay the Adviser any acquisition, financing (except interest payments to the lender in cases where the lender is an affiliate of the Adviser) or other similar fees in connection with making investments. The Client will, however, reimburse the Adviser for out-of-pocket expenses in connection with the selection, evaluation, structuring, acquisition, origination, financing and development of properties and real estate-related assets, whether or not such investments are acquired, and make payments to third parties or certain of the Adviser's affiliates in connection with making investments.

Fees from Other Services

The Client could, from time to time, retain certain of the Adviser's affiliates (including, potentially, portfolio entities of Affiliated Investment Accounts, as hereinafter defined) for services relating to the Client's investments or operations, including but not limited to accounting and audit services (including valuation support services), account management services, corporate secretarial services, data management services, trusteeship services, information technology services, finance/budget services, human resources, judicial processes, legal services, operational services, risk management services, tax services, treasury services, loan management services, construction management services, property management services, leasing services, property, title and/or other types of insurance and related services, transaction support services, transaction consulting services and other similar operational matters. The Operating Partnership or its subsidiary may also issue equity incentives to certain employees of such affiliates. Any payments made to the Adviser's affiliates will not reduce or offset the management fee or performance participation allocation. Any such arrangements are intended to be at or below market rates.

The Adviser will be solely responsible for and shall pay for the Adviser's internal administration, overhead or compensation for employees of the Adviser except that the Adviser may be reimbursed for internal legal, accounting and other professional costs and expenses, including allocable compensation and overhead associated with the operation of the Client, and that would otherwise be provided by outside professionals, so long as such costs and expenses are on economic terms no less favorable than could be obtained from an unaffiliated third party.

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

The Confidential Private Placement Memorandum, declaration of trust and other appropriate documentation for the Client includes further details on fees and compensation and related matters.

Co-Investments

The Client could co-invest alongside Affiliated Investment Accounts in certain investment opportunities. The terms of a co-investment applicable to one co-investor may be different than the terms applicable to another co-investor, including that certain co-investors may be required to pay performance-based compensation and/or management fees while other co-investors (including affiliates of Morgan Stanley) may not be required to pay such amounts. The Adviser and/or its affiliates may or may not charge management fees, one time funding fees, administration fees and/or performance-based compensation in respect of co-investments, subject to the terms of any applicable agreements with investors. In addition, Morgan Stanley may, in certain circumstances, be incentivized to offer certain potential co-investors (including, by way of example, as a part of an overall strategic relationship with Morgan Stanley) priority to co-investment opportunities or to co-invest on more favorable terms than other potential co-investors due to the amount of performance-based compensation or management fees paid by the co-investor receiving the

priority allocation or better terms (as well as any additional discounts or rebates avoided by allocating co-investments to such co-investor) or other aspects of such co-investor's relationship with Morgan Stanley. The allocation of any co-investment opportunities may directly or indirectly benefit the Adviser and/or its affiliates as a result of, among other things, the receipt of any such fees or performance-based compensation and capital commitments to other Affiliated Investment Accounts. Co-investors in one or more specific investments will not necessarily be required to share in broken-deal expenses that are paid by the Client, either with respect to a co-investment opportunity that is not consummated or with respect to other potential investments that may be offered to the Client.

Disparate Fee Arrangements with Service Providers

Certain advisors and other service providers to the Client (including accountants, administrators, lenders, bankers, brokers, agents, attorneys, consultants, and investment or commercial banking firms), and/or their affiliates, also provide goods or services to or have business, personal, political, financial or other relationships with Morgan Stanley, the Adviser, or their affiliates. Such advisors and other service providers and/or their employees may be investors in the Client, sources of investment opportunities, or co-investors or counterparties therewith. These other services and relationships may influence the Adviser in deciding whether to select or recommend such a service provider to perform services for the Client (the cost of which generally will be borne by the Client and, indirectly, the investors therein). In certain circumstances, advisors and other service providers, or their affiliates, charge different rates or have different arrangements for services provided to Morgan Stanley, the Adviser, or their affiliates as compared to services provided to the Client, which may result in more favorable rates or arrangements than those payable by the Client. Item 10 further describes material relationships with Morgan Stanley and other affiliated entities.

The Confidential Private Placement Memorandum, Advisory Agreement, Operating Partnership Agreement, and other appropriate documentation for the Client (collectively, the "Governing Documents") include further details on fees, compensation, expenses and related matters.

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

As further discussed in Item 5, the Special Limited Partner will hold a performance participation in the Operating Partnership that entitles it to performance-based compensation with respect to certain Client share classes.

The Adviser will structure any performance or incentive compensation arrangement subject to Section 205(a)(1) of the Advisers Act in accordance with one or more of the available exemptions thereunder, including the exemption set forth in Rule 205-3. Performance-based compensation 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 compensation arrangement. In addition, the Adviser has different compensation arrangements with its other clients, and real estate-related affiliates of the Adviser have different compensation arrangements with respect to their various clients. These differing compensation arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. The Adviser has designed and implemented procedures to ensure that all clients are treated fairly and equitably, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

The Adviser will provide investment management services to NetREIT, a non-listed, perpetual life REIT, and to the Operating Partnership. NetREIT and the Operating Partnership are not subject to regulation under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Generally, investors in NetREIT must invest a minimum of \$10,000, and the minimum subsequent investment is \$10,000 (in increments of \$1,000) per transaction, unless otherwise approved.

In addition, shares of NetREIT 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”).

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

Investment Strategies

The investments made by the Adviser on behalf of the Client will focus on creating a diversified portfolio of high-quality commercial real estate assets that are primarily long-term leased under net lease structures to tenants for whom the properties are mission critical, meaning essential to the continuance of their business operations. The Adviser on behalf of the Client will seek to target high-quality, credit-worthy tenants whose businesses have strong outlooks and are resilient in the face of economic downturn, and quality real estate properties that the Adviser believes have the potential to appreciate in value over the long-term. The Adviser will also prioritize investing in real estate sectors that benefit from long-term secular and demographic demand tailwinds and exposure to faster growing segments of the economy, while seeking to create a portfolio diversified across asset class, tenant industry, lease expiration, and geography.

In addition, to a lesser extent, the Adviser on behalf of the Client intends to invest on a tactical basis in commercial real estate debt-related assets, which may include first mortgage loans, subordinated mortgage loans, mezzanine loans, preferred equity, real estate-related corporate credit, and commercial mortgage-backed securities (“CMBS”) as well as other real estate-related securities and loans.

Until NetREIT raises substantial proceeds through its private offering and acquires a diversified portfolio of investments and/or during periods in which the Adviser determines that economic conditions are unfavorable to investors and a defensive strategy would benefit the Client, the Adviser may cause the Client to deviate from their investment guidelines and/or target allocations and invest all or any portion of the Client’s assets in short-term, high-quality fixed-income securities (“Temporary Investments”). Such Temporary Investments will principally take the form of: U.S. government securities; non-U.S. government securities that have received the highest investment grade credit rating; certificates of deposit issued against funds deposited in a bank or a savings and loan association; commercial paper; bankers’ acceptances; fixed time deposits; shares of money market funds; credit-linked notes; repurchase agreements with respect to any of the foregoing; or any other fixed income securities that the Adviser considers consistent with this strategy.

The Adviser’s main sources of information and investment opportunities are contacts with employees of Morgan Stanley, a public company listed on the New York Stock Exchange (of which the Adviser is a 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 MSREI on strategies to maximize the value of investments.

Methods of Analysis

Evaluation of Investment Opportunities; Investment Decisions

The Adviser will be responsible for sourcing, evaluating, and monitoring investment opportunities, as well as for making investment decisions on behalf of the Client. All investment opportunities will be subject to review and approval by the Client's Investment Committee. This 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 other business experience.

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

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

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

Management of Risk

After completing an acquisition, the Adviser will consider further steps to manage the on-going risk, including managing interest rate and foreign exchange rate exposure, as well as monitoring debt duration, investment structures, leverage, hedging strategies, financing arrangements, global insurance policies, and relationships with property managers, joint venture partners, and tenants of the Client's properties.

Asset Management

The Adviser will oversee all of the Client's investments utilizing strict operational and accounting controls in conjunction with periodic site inspections, while operating management teams, joint venture partners, and other property managers (which could include affiliated property management service providers) are responsible for the day-to-day operations of each investment. The entities responsible for the day-to-day operations of specific investments will be compensated in a manner intended to ensure that the interests of these entities are aligned with those of the Client. This can be achieved through equity participation in the investment and compensation linked to the success of the investment.

In connection with MSREI's asset management program, the Adviser will supervise and oversee the management of each investment of the Client, reviewing the operational discussions, joint venture decisions and third-party property managers with the objective of maximizing the overall performance of each investment. Reporting on the performance of each investment is integral to the Adviser's asset management program. Status reports on the Client's investments will be prepared by the separate asset management or portfolio management teams, third-party property managers and joint venture partners for review by the Adviser. In addition, an operating budget for each property and investment will be prepared for review and approval by the Adviser.

A group of senior MSREI team executives comprised of investment and asset management professionals will review the operations of the Client's investments and approve or disapprove any strategic operating decisions regarding a property or investment. These senior executives will recommend disposition and recapitalization strategies based on the ongoing performance of specific investments and changing market conditions.

Risk Considerations Associated with Investing - In General

With respect to the Client, the following is a non-exhaustive description of risks associated with investments generally and/or may apply to one or more types of investment technique.

- **General Economic and Market Risks.** The Client's investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of security prices and liquidity of the Client's investments. Unexpected volatility or lack of liquidity, such as the general market conditions that have prevailed recently, could impair the Client's profitability or result in its suffering losses. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions.
- **Cyber Security-Related Risks.** The Adviser is susceptible to cyber security risks that include, among other things, theft, unauthorized monitoring, release, misuse, loss, destruction or corruption of confidential and highly restricted data; denial of service attacks; unauthorized access to relevant systems, compromises to networks or devices that the Adviser and its service providers, if applicable, use to service the Client; or operational disruption or failures in the physical infrastructure or operating systems that support the Adviser or its service providers, if applicable.

Cyber-attacks against, or security breakdowns of, the Adviser or its service providers, if applicable, may adversely impact the Adviser and the Client, potentially resulting in, among other things, financial losses; the Adviser's inability to transact business on behalf of the Client; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs; and/or additional compliance costs. The Adviser may incur additional costs related to cyber security risk management and remediation. In addition, cyber security risks may also impact portfolio

companies in which the Adviser invests on behalf of the Client, which may cause the Client's investments in such portfolio companies to lose value. There can be no assurance that the Adviser or its service providers, if applicable, will not suffer losses relating to cyber-attacks or other information security breaches in the future. While the Adviser has established business continuity and risk management systems seeking to address system breaches or failures, there are inherent limitations in such plans and systems.

- **Epidemics and Pandemics.** Many countries have experienced outbreaks of infectious illnesses in recent decades, including swine flu, avian influenza, SARS and 2019-nCoV ("COVID-19"). In December 2019, an initial outbreak of COVID-19 was reported in Hubei, China. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The outbreak of COVID-19 resulted in numerous deaths, adversely impacted global commercial activity, and contributed to significant volatility in certain equity, debt, derivatives and commodities markets.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could negatively impact the Client and its investments and could meaningfully affect the Client's ability to fulfill its investment objectives. The extent of the impact of any public health emergency on the Client and its operational and financial performance will depend on many factors, including but not limited to the duration and scope of such public health emergency, the extent of any related travel advisories and voluntary or mandatory government restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and spending levels, the extent of government support and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. For this reason, valuations in such an environment are subject to heightened uncertainty and subject to numerous subjective judgments, any or all of which could turn out to be incorrect with the benefit of hindsight. Furthermore, traditional valuation approaches that have been used historically may need to be modified in order to effectively capture fair value in the midst of significant volatility or market dislocation. In addition to these developments having adverse consequences for certain properties and operating companies in which the Client may invest and the value of the Client's investments therein, the Adviser's operations (including those relating to the Client) could be adversely impacted including through quarantine measures and travel restrictions imposed on the Adviser's personnel or service providers, or any related health issues of such personnel or service providers. There is also a heightened risk of cyber and other security vulnerabilities during the current public health emergency and any future one, which could result in adverse effects to the Client or its investments in the form of economic harm, data loss, or other negative outcomes. If one or more of the third parties to whom the Client outsources certain critical business activities experience operational failures as a result of the impacts from the spread of a public health emergency, or claim that they cannot perform due to a force majeure event, it could cause a material adverse effect on the business, financial condition, results of operations and cash flows of the Client and its investments. Any of the foregoing events could materially and adversely affect the Client's ability to source, manage and divest investments (including but not

limited to circumstances where potential transactions are already signed but not closed) and their ability to fulfill their investment objectives, all of which could result in significant losses to the Client.

The full impact of a public health emergency, such as the COVID-19 pandemic, on markets, business activity, and the U.S. and global economy, as well as potential changes in U.S. economic and fiscal policies that may be adopted to address the public health emergency, price shocks, and related externalities, may be difficult to identify and understand. In implementing the Client's investment strategy, the Adviser will make a number of assumptions, including as to the severity of the consequences of COVID-19 to the U.S. and global economies as well as prospective investments, and the likelihood of a similar future event and any possible impacts thereof. There can be no assurances that such assumptions will be correct and unexpected events and developments, including the severity of this or any other pandemic on economies and specific portfolio entities, may be detrimental to the Client and its investments.

In addition, the operations of the Client, its investments, and Morgan Stanley may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity, including possibly key personnel of the Adviser, or the personnel of any such entity's key service providers. The impact to businesses in such circumstances has been and may continue to be substantial.

Legal and Regulatory Risks. Certain laws applicable to Morgan Stanley and the Adviser may have an impact on the Adviser's ability to implement the Client's business strategy and to generate returns to its Investors. The Client will be operated in a manner designed to qualify for one or more of certain Investment Company Act exemptions the availability of which turn on the composition of an issuer's assets. Qualifying for one or more of such exemptions will limit the Client's ability to make or sell certain investments or could necessitate the sale of assets that would otherwise be worth retaining. For example, the restrictions set forth in these exemptions could limit the Client's ability to invest directly in mortgage-backed securities that represent less than the entire ownership in a pool of mortgage loans, debt and equity tranches of securitizations and certain asset-backed securities, non-controlling equity interests in real estate companies or in assets not related to real estate. Although the Adviser intends to monitor the Client's portfolio, there can be no assurance that the Client will be able to maintain any such exemption from registration.

Section 619 of the Dodd-Frank Act, commonly known as the "Volcker Rule," and the final implementing regulations thereunder (the "Implementing Regulations") prohibit, among other things, "banking entities" from sponsoring and investing in "covered funds," except as permitted pursuant to certain available exemptions. In addition, a "banking entity" may not enter into certain so-called "covered transactions," as discussed further below, with any "covered fund" (or with any other covered fund controlled by such covered fund) that the banking entity sponsors, organizes and offers or for which the banking entity serves as investment manager, investment advisor or commodity trading advisor. The term "covered fund" includes private equity funds that rely on Sections 3(c)(1) or 3(c)(7) of the

Investment Company Act to avoid being treated as “investment companies” under the Investment Company Act. Morgan Stanley is a “banking entity.” However, because the Client does not expect to rely on the exception from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, Morgan Stanley believes that the Client will not be deemed to be a “covered fund” for purposes of the Volcker Rule. If the Client were deemed to be a covered fund for purposes of the Volcker Rule, Morgan Stanley could be required to, among other things, (1) restructure its relationship to the Client and companies owned by the Client so as to come in compliance, and/or (2) divest itself of its investment in the Client.

Morgan Stanley’s interests in determining what actions to take in avoiding the application of the Volcker Rule may conflict with the interests of the Client, the Adviser, and Investors, all of which may be adversely affected by such actions.

As a registered investment adviser under the Advisers Act, the Adviser is required to comply with a number of periodic reporting and compliance-related obligations under applicable U.S. and state securities laws. Recently proposed rules by the SEC related to investment advisers could impose significant additional burdens and requirements on the Adviser and the Client.

- **Geopolitical Events and Risks.** Economies and financial markets worldwide are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions, including in ways that are difficult to predict or foresee. The impacts of these events can be exacerbated by failures of governments and societies to respond adequately to an emerging event or threat. For example, local or regional armed conflicts have led to significant sanctions against certain countries and persons and companies connected with certain countries by the United States, Europe and other countries. Such armed conflicts and sanctions and other local or regional developments can exacerbate global supply and pricing issues, particularly those related to oil and gas, and result in other adverse developments and circumstances, as well as increased general uncertainty, for markets, economies, issuers, businesses and societies globally. For example, in 2023, the global economic and geopolitical environment was characterized by persistent inflation, rising interest rates, volatility in global financial markets (leading to, among other things, a decline in equity prices), supply chain complications, recessionary fears, and geopolitical uncertainty regarding the war between Russia and Ukraine and armed conflicts occurring in the Middle East, and their impact on the global markets, including the energy markets. Although these types of events have occurred and could also occur in the future, it is difficult to predict when similar events or conditions affecting the U.S. or global financial markets and economies may occur, the effects of such events or conditions, potential retaliations in response to sanctions or similar actions and the duration or ultimate impact of those events. Any such events or conditions could have a significant adverse impact on the value and risk profile of the Client and its investments, with or without direct exposure to the specific geographies, markets, countries or persons involved in an armed conflict or subject to sanctions.

Recent Developments in the Banking Sector. During 2023, bank closures in the United States caused uncertainty for financial services companies and fear of instability in the global financial system generally. In addition, certain financial institutions – in particular smaller and/or regional banks – experienced volatile stock prices and significant losses in their equity value, and there was concern that depositors at these institutions had withdrawn, or may withdraw in the future, significant sums from their accounts at these institutions. Notwithstanding intervention by U.S. governmental agencies to protect the uninsured depositors of banks that closed during that period, there is no guarantee that the uninsured depositors of a financial institution that closes (which depositors could include the Client and/or its portfolio companies) will be made whole or, even if made whole, that such deposits will become available for withdrawal in short order. There is a risk that other banks, or other financial institutions, may be similarly impacted, and it is uncertain what steps (if any) regulators may take in such circumstances. As a consequence, for example, the Client and/or its portfolio companies may be delayed or prevented from accessing money, making any required payments under their own debt or other contractual obligations or pursuing key strategic initiatives, and Investors may be impacted in their ability to honor capital calls and/or receive distributions. Such bank failures or instability could affect, in certain circumstances, the ability of both affiliated and unaffiliated joint venture partners or other parties to undertake and/or execute transactions with the Client, which in turn may result in fewer investment opportunities being made available to the Client, result in shortfalls or defaults under existing investments, or impact the Client's ability to engage in follow-on investments. In addition, in the event that a financial institution that provides credit facilities and/or other financing to the Client or its portfolio companies closes or experiences distress, there can be no assurance that such bank will honor its obligations or that the Client or such portfolio company will be able to secure replacement financing or capabilities at all or on similar terms. There can be no assurances that the Client or its portfolio companies will establish banking relationships with multiple financial institutions, and the Client and its portfolio companies are expected to be subject to contractual obligations to maintain all or a portion of their respective assets with a particular bank (including, without limitation, in connection with a credit facility or other financing transaction). Uncertainty caused by recent bank failures – and general concern regarding the financial health and outlook for other financial institutions – could have an overall negative effect on banking systems and financial markets generally. These recent developments may also have other implications for broader economic and monetary policy, including interest rate policy. For the foregoing reasons, there can be no assurances that conditions in the banking sector and in global financial markets will not worsen and/or adversely affect the Client, its portfolio companies, or their respective financial performance.

Risk of Loss – Certain Risks Related to Investment Strategy

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. The Adviser's investment strategy with respect to the Client will entail 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 Client.

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 Client. The risks summarized below are described in greater detail in the Client's Governing Documents. In addition, there are other risks (in addition to risks related to our investment strategy) associated with investing in the Client, which are described in the Governing Documents. You may also request an updated explanation of risk factors by contacting Morgan Stanley Real Estate Investing Investor Services as described above.

- potential loss of invested capital;
- risks associated with real estate investments;
- risks related to net lease investments, including depending on tenants as source of revenue and on relying on tenants' success and economic viability;
- risks related to REIT status and related tax considerations;
- competitive real estate investing environment;
- highly competitive and prevailing regulatory or political climates;
- adverse political developments and regulation in foreign countries;
- reliance on expertise of Morgan Stanley investment professionals;
- significant degree of financial and/or business risk;
- risks arising from the volatility of the real estate markets and private equity, private debt, public equity, public debt, global fixed income and other financial markets;
- failure of counterparties or brokers;
- changes to a client's 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 and the sector or industry that net lease tenants' businesses fall under;
- lack of protection by financial covenants in debt investments;
- interest rate fluctuations;
- lack of liquidity and long term nature of investments;
- risks related to share repurchase requests;
- limitations on transfers and withdrawals;
- risks associated with the realization and disposition of investments;
- indemnification;

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- tax considerations;
 - use of leverage at the Client 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;
 - risks associated with non-U.S. investments;
 - failure to refinance bridge financing;
 - risks from relying on affiliated and/or unaffiliated property managers and service providers;
 - reliance on the management of operating companies;
 - interest rate, hedging and currency risks;
 - decision to use hedging techniques;
 - expedited transactions;
 - valuation risks;
 - catastrophic events, pandemics and other force majeure events;
 - limitations on investing due to possession of inside information;
 - volatility in credit markets;
 - burdensome regulation by one or more governmental entities in specific industries and potential for increased regulation; and
 - cybersecurity risks.

Item 9 – Disciplinary Information

The Adviser has no information applicable to this Item.

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, on the one hand, and the Client, on the other hand, may exist and others may arise in connection with the operations of the Client. Morgan Stanley's employees may also have interests separate from those of Morgan Stanley and the Client. The discussion below enumerates certain actual, apparent, and potential conflicts of interest, which should be carefully evaluated before making an investment in the Client. The Adviser can give no assurance that conflicts of interest will be resolved in favor of investors, and, in fact, they may not be.

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

To the extent required and/or permitted by law, the Adviser, the Client or its 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: Morgan Stanley Asia Singapore Pte., Morgan Stanley India Infrastructure GP LP, Morgan Stanley Infrastructure GP LP, Morgan Stanley Infrastructure II GP LP, Morgan Stanley Infrastructure III GP L.P., Morgan Stanley Infrastructure III Investors GP SARL, Morgan Stanley Infrastructure IV GP L.P., Morgan Stanley Infrastructure IV Investors GP S.ar.l., Morgan Stanley Infrastructure Inc., Morgan Stanley Private Equity Asia, Inc., Morgan Stanley Private Equity Asia III, L.L.C., Morgan Stanley Private Equity Asia IV, L.L.C., Morgan Stanley Private Equity Asia IV, Inc., Morgan Stanley Private Equity Asia V GP ONT, L.P., Morgan Stanley Private Equity Asia, L.L.C., Morgan Stanley Real Estate Special Situations III-GP LLC, MS Capital Partners Adviser Inc., MS Capital Partners V GP L.P., MS Capital Partners V LP, MS Capital Partners VI GP LP, MS Capital Partners VII GP LP, MS Capital Partners CV GP LLC, MS Credit Partners II GP Inc., MS Credit Partners II GP L.P., MS Credit Partners III GP L.P., MS Credit Partners III S.a.r.l., MS Energy Partners GP LP, MS Expansion Capital GP Inc., MS Expansion Capital GP LP, MS Expansion Equity GP LP, MS Expansion Equity IX GP LP, MS Expansion Credit GP L.P., MS Expansion Credit II GP, LP, MS Tactical Value Fund GP LP, MS Tactical Value Fund II GP LP, MS Tactical Value Fund II GP Inc., MS Tactical Value Fund II Co-Invest Excelsior GP

LLC, MS Tactical Value Fund II Lux GP S.a.r.l., MS Thai Private Equity GP LLC, MSREF V International-GP, L.L.C., MSREF V, L.L.C., MSREF VII Global-GP, L.P., MSREF VII Hedging GP Ltd., MSREF VIII Global-F, L.P., MSREF VIII Global-GP, L.P., MSREI IX Global-GP, L.P., MSREI X Global-GP, L.P., MS Senior Loan Partners GP L.P., NH Senior Loan Fund GP Ltd., Prime Property Fund Asia GP Pte. Limited, Prime Property Fund Europe GP S.a.r.l., Morgan Stanley Next Level Fund GP, LLC, SSF Hedging III GP, Ltd, Morgan Stanley AIP GP LP, Morgan Stanley Alternative Investment Partners LP, and Morgan Stanley Investment Management Inc.

Other Material Relationships with Affiliated Entities

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

To the extent permitted by applicable law, the Adviser, the Client, 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 will be provided to the Client not only through the Adviser but also through certain of the employees of one or more of the following Participating Affiliates:

- Morgan Stanley & Co. International plc
- Morgan Stanley Investment Management Limited
- MSIM Fund Management (Ireland) Limited
- 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
- Morgan Stanley Private Equity Management Korea, Ltd.

The Participating Affiliates also may provide non-advisory services to the Adviser and the Client. 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 its advisory clients.

- 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 Investment Management Limited, Morgan Stanley AIP GP LP, Morgan Stanley Real Estate Advisor, Inc., MS Capital Partners Adviser Inc., Morgan Stanley Infrastructure, Inc., Morgan Stanley Private Equity Asia, Inc., MSREF V, L.L.C., MSRESS III Manager, L.L.C., Mesa West Capital, LLC, Eaton Vance Management, Eaton Vance WaterOak Advisors, Calvert Research and Management, Parametric Portfolio Associates LLC, Atlanta Capital Management Company LLC, Boston Management and Research, Eaton Vance Advisers International Ltd., Eaton Vance Trust Company, Morgan Stanley Eaton Vance CLO Manager and Morgan Stanley Eaton Vance CLO CM LLC.

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 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 Client upon request.

- Affiliates Acting as Broker-Dealers

As described in "Item 5 – Fees and Compensation," the Client will pay the Dealer Manager, a wholly owned subsidiary of Morgan Stanley and an SEC registered broker-dealer, certain selling commissions, dealer manager fees and shareholder servicing fees in connection with the offering of NetREIT's shares and ongoing services rendered to shareholders. Additionally, broker-dealers that are affiliates of Morgan Stanley may, from time to time, act as placement agents (the "Placement Agents") to offer NetREIT's shares and assist in the offering of shares to certain NetREIT investors (such investors, the "Solicited Investors"). The potential for the Dealer Manager and/or Placement Agents to receive compensation in connection with an investor's purchase of NetREIT's shares or a Solicited Investor's investment in the Client, presents a potential conflict of interest in recommending that such investor or Solicited Investor purchase the shares.

The prospect of receiving, or the receipt of, additional compensation by the Dealer Manager or Placement Agents may provide such Dealer Manager or Placement Agents and their salespersons with an incentive to favor sales of shares in the Client, and to favor shares or interests in funds whose affiliates make similar compensation available over sales of shares or interests in funds (or other fund investments) with respect to which the Dealer Manager or 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 shares of the Client. Employees of the Dealer Manager and of the Placement Agents involved in the marketing and offering of the Client's shares are not acting as tax, financial, legal or accounting advisors to potential investors in connection with the offering of the shares. Potential investors must independently evaluate the offering and make their own investment decisions.

The Adviser and the Client may use registered representatives and/or employees of its affiliates to conduct solicitation activities in relation to new or incoming shareholders to the Client, or to act as placement agents.

- Affiliates Acting as Investment Bankers

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 Client.

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

Morgan Stanley has long-term relationships with a significant number of institutions, and corporations and their advisors as well as with certain investors, including investors in the Client. In determining whether to pursue a particular transaction on behalf of the Client, 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 Client in view of such relationships.

In addition, Morgan Stanley could provide investment banking services to competitors of entities in which the Client invests, 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, in fact, may be prohibited by applicable law from sharing, information with the Client or the Adviser. Such activities may present Morgan Stanley with a conflict of interest vis-à-vis the Client's portfolio companies and may also result in a conflict with respect to the allocation of investment banking resources to portfolio companies. Alternatively, any material non-public information about a potential investment or portfolio company in which Morgan Stanley comes into possession may preclude the Client from pursuing an investment or exit opportunity with respect to such portfolio company or investment.

Morgan Stanley may also be engaged to act as financial advisor to financially troubled entities in which the Adviser's Client holds an investment. Morgan Stanley's compensation for such activities is generally based upon the successful completion of a restructuring which may include raising funds for the purchase, exchange or restructuring of existing securities or loans or for an equity infusion. In such case, certain conflicts of interest would be inherent in the situation including those involved in valuing the entity.

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- Other Alternative Investment Vehicles or Funds
 - General: Performance-Based Compensation

The Adviser and/or certain related persons have and may continue to organize other alternative investment funds and investment programs and serve as the manager, general partner, or the managing member or general partner of the general partner, to these alternative investment funds and investment programs. In organizing these alternative investment funds and investment programs, the Adviser or a related person may be deemed to have been or to be soliciting investors.

The Adviser's performance-based compensation (earned by the Adviser or an affiliate) may create an incentive for the Adviser to make more speculative investments for such client 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 performance-based compensation 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 such compensation may result in conflicts of interest between the Adviser, on the one hand, and the investors, on the other hand, with respect to the management and disposition of investments.

- 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 Client. Morgan Stanley may also from time to time create new or successor Affiliated Investment Accounts that may compete with the Client and may present similar conflicts of interest. Certain members of the Adviser's investment team and the Client's 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 Client. In addition, certain Affiliated Investment Accounts may make investments similar to those that may be made by the Client 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 Client 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, those Morgan Stanley related persons will exercise their discretion and may consider their own financial interests or the interests of other clients or affiliates of Morgan Stanley ahead of those of the Client.

In some cases, Morgan Stanley or an Affiliated Investment Account may invite the Client to co-invest with it or the Adviser may invite Morgan Stanley or an Affiliated Investment Account to co-invest with the Client, in either the same or different tiers of a portfolio company's capital structure or in an affiliate of such portfolio company. To the extent that the Client holds investments in the same portfolio company 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.

- Other Morgan Stanley Investment Management Activities

Morgan Stanley and its affiliates invest, on behalf of themselves, in securities and other instruments that would be appropriate for, are held by, or may fall within the investment guidelines of the Client. In connection with these activities, Morgan Stanley may also take actions for its own accounts that may differ from, conflict with, or be adverse to, advice given to or action taken for the Client. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for the Client.

Morgan Stanley, through its affiliates, invests in many of its private funds for its own account where Morgan Stanley affiliates act as an investment adviser, general partner or manager. In addition, Morgan Stanley may receive performance-based compensation, including with respect to the Client, which is tied to the investment performance of such private funds. Morgan Stanley may engage in a variety of transactions, including entering into derivatives contracts, to limit its exposure to the risk of such investments. For example, Morgan Stanley may choose to hedge exposures (currency, interest rate, equities or commodities) arising from its investments in, or exposure to, or through performance-based compensation received from, such private funds. These hedging activities may be inconsistent with the investment or hedging activities undertaken by Morgan Stanley affiliates acting as general partner and/or adviser to such private funds.

As a result of and taking into account such hedging, the performance of investors in such private funds who do not engage in hedging on their own may differ materially from those investors (including Morgan Stanley) who do engage in such activities. In addition, such activities may diminish the alignment of interest between Morgan Stanley and a particular private fund's limited partners.

- 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 Client. 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 Client, but in which the Client 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.

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. Additionally, these management persons may come into possession of confidential non-public information and may be recused from certain investment-related discussions, including Investment Committee meetings, so that such members do not receive information that would limit their ability to perform functions of their employment with Morgan Stanley unrelated to the Client. Consequently, in carrying out their roles with the Adviser or the Client 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, and/or the board of trustees for the respective fund with respect to conflicts of interest or approvals required under the Advisers Act, including Section 206(3), and/or the Governing Documents.

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 Client, who have access to non-public information regarding the purchase or sale of securities, or who make securities recommendations to the Client, 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

Prior to purchasing shares in the Client, investors receive information relating to potential conflicts of interest between the activities of the Client and the business activities of the Adviser, and its affiliates, or clients that may have a financial interest in the securities in which the Client invests.

On rare occasions, the Client may sell a security or asset which another advisory client of Morgan Stanley, 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 advisory client of Morgan Stanley to another may be permitted.

The Adviser may purchase and sell public and private investments and co-invest the assets of the Client alongside other advisory clients and accounts of Morgan Stanley 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 Client Governing Documents.

Allocation of Investment Opportunities

The Adviser has a governance process in place to give all clients fair access to new real estate investment opportunities in the territories made available to such clients. The following factors will be considered, as appropriate, in connection with allocation decisions:

- Investment guidelines, goals or restrictions of the client
- Capacity and execution capability of the client (i.e., availability of capital)
- 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
- Projected returns (as underwritten)
- Issuer, industry and geographical concentrations
- Client investment horizon
- Liquidity requirements
- Risk concentration limits (if any)
- Other relevant business considerations

The Adviser is empowered to take into account other considerations it deems appropriate to ensure a fair and equitable allocation of opportunities.

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

Item 12 – Brokerage Practices

Due to the nature of the investments the Client will make, broker-dealers will not generally be used for transactions. However, when executing transactions on behalf of the Client 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 clients' markets.

The Adviser will only consider engaging in a principal or cross transaction with Morgan Stanley or its affiliates on behalf of the Client to the extent permitted by applicable law.

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

Item 13 – Review of Accounts

The Client's Investment Committee will review and approve all significant proposed investment opportunities (where required under the Investment Committee policy). The members of the Client's Investment Committee are identified in the Supplements to the Adviser's Brochure in Form ADV Part 2B.

The investments made by the Client will generally be private, illiquid, and long-term in nature. Accordingly, the review process will not be directed toward a short-term decision to dispose of securities or real estate investments. However, the Adviser's portfolio management team will closely monitor companies and assets in which the Client invests and will generally maintain an ongoing oversight position through its accounting and portfolio management staff as well as asset managers assigned to manage and monitor investments and third-party advisors engaged to provide tax, legal and accounting expertise to the portfolio management team. Such reviews will occur on at least a quarterly basis.

Valuations: Valuations for the Client's investments will generally be conducted by a third-party adviser monthly.

Investment and Portfolio Review: In general, the Client's Investment Committee will review and approve all significant proposed transactions that the Client pursues. In addition, on a regular basis, the portfolio management team will provide a review of the performance, overall portfolio construction, Client liquidity, risk management, legal, tax and compliance issues, investor relations issues and other similar issues, and will report its findings to the senior management of MSREI, including the members of the Client's Investment Committee. The members of the Client's Investment Committee are identified in the Supplements to the Adviser's Brochure in Form ADV Part 2B.

Reports: The Adviser will distribute written quarterly unaudited reports and annual audited reports which will include, among other things, financial statements and descriptions of the Client's investments. In certain cases, the Adviser may provide additional or different information to different investors. Other than as required by agreement with an investor or by applicable law, the Adviser is not obligated to offer similar information to any investor by virtue of providing that information to other investors.

Item 14 – Client Referrals and Other Compensation

Morgan Stanley Distribution Inc., an affiliate of the Adviser, will serve as Dealer Manager for the private offering of shares in NetREIT. The Dealer Manager will receive certain upfront selling commissions, dealer manager fees and shareholder servicing fees from NetREIT in connection with certain classes of shares of NetREIT. Additionally, the Adviser may, from time to time, compensate placement agents (which may include certain of its affiliates) in return for offering shares of NetREIT.

See “Annual Fees and Upfront Placement Fees” in Item 5 above.

Item 15 – Custody

The Adviser will be deemed to have custody of the Client's cash and securities by virtue of its advisory relationship with the Client. Audited financial statements prepared in accordance with generally accepted accounting principles will be distributed within 120 days of the end of the Client's fiscal year.

Item 16 – Investment Discretion

As the investment manager of the Client, the Adviser will have discretion to determine, without consent of the Client's shareholders or the Client's board of trustees, 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 Client in cases where a broker or dealer is used. The Adviser will provide investment advice to the Client, subject to certain investment guidelines and limitations as set forth in the respective Governing Documents and subject to oversight by the Client's board of trustees. The Client's board of trustees may change such investment guidelines and limitations, as set forth in the applicable Governing Documents.

When executing transactions on behalf of the Client 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 will be selected primarily on the basis of their execution, capability, and trading expertise.

Investment discretion is assumed pursuant to the Governing Documents, which confer express authority to the Adviser to make all decisions concerning the investigation, evaluation, selection, negotiation, structuring, commitment to, monitoring of and disposition of investments, subject to oversight by the Client's board of trustees.

Item 17 – Voting Client Securities

Given the nature of the Client’s investments, the Adviser will seldom have the opportunity to vote proxies on the Client’s behalf. However, where the Adviser has accepted authority to vote proxies on behalf of its clients, 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 under 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 its clients based on a determination of the best interest of the clients, consistent with the investment objectives of 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.

Certain of the Adviser’s 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 such 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 its 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 its 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 the Adviser or any of its affiliates or their respective employees has a direct or indirect economic stake in the outcome of a proxy vote that is different from a client’s stake. When such a potential conflict arises between the Adviser and any of its affiliates or their respective employees on the one hand and one or more of the clients on the other, the matter is evaluated to determine whether an actual conflict exists. Where an actual conflict exists, the Adviser will take necessary and appropriate steps to address the conflict.

Item 18 – Financial Information

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