

# **PROPRIUM CAPITAL PARTNERS, L.P.**

## **Form ADV Part 2A**

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**This brochure (“Brochure”) provides information about the qualifications and business practices of Proprium Capital Partners, L.P. (“Proprium”). If you have any questions about the contents of this brochure, please contact Natalie Medlicott at (203) 883-0355 or via e-mail at [Natalie.Medlicott@Proprium.com](mailto:Natalie.Medlicott@Proprium.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Proprium is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**REGISTRATION WITH THE SEC AS AN INVESTMENT ADVISER DOES NOT IMPLY THAT PROPRIUM OR ANY PRINCIPALS OR EMPLOYEES OF PROPRIUM POSSESS A PARTICULAR LEVEL OF SKILL OR TRAINING IN THE INVESTMENT ADVISORY OR ANY OTHER BUSINESS.**

## **Material Changes**

This section of the Brochure, dated as of March 27, 2024 provides a summary of material changes that have occurred since the last annual updating amended filing of the Brochure filed with the SEC on March 23, 2023. This Brochure highlights updated Regulatory Assets Under Management as of December 31<sup>st</sup>, 2023.

We recommend that you read this Brochure in its entirety.

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## **Advisory Business**

Proprium Capital Partners, L.P. (“Proprium”) is an investment advisory firm founded in August 2012. Proprium’s principal owners are J. Timothy Morris and Philipp Westermann. Immediately prior to founding Proprium, the Mr. Morris served as a managing director in Morgan Stanley’s real estate division, where his portfolio management responsibilities encompassed various investment accounts managed by Morgan Stanley, including the Morgan Stanley Fund (as defined below). Effective March 1, 2013, Proprium commenced investment advisory operations.

Proprium’s investment advisory business is principally focused on providing discretionary investment advisory and sub-advisory services to its clients, which include one or more pooled investment vehicles (collectively, the “Pooled Investment Funds”) organized primarily to make minority or controlling opportunistic investments in public and private equity securities as well as public and private fixed income instruments of real estate and real estate-related portfolio companies (including other pooled investment vehicles). Such portfolio companies may include companies that are primarily engaged in businesses focused on the ownership, operation or development of, or the provision of services relating to, real estate assets. Proprium also from time to time establishes certain related co-investment vehicles (a “Co-Investment Fund”, and collectively with the Pooled Investment Funds, the “Funds”) typically for the purpose of making a single investment. Proprium also provides discretionary investment advisory services to eight Co-Investment Funds. The Funds may also, as part of their respective investment strategies, invest in securities and real estate indices and in derivatives linked to such indices and to individual real estate companies. Additionally, from time to time, the Funds may also invest directly in real estate and real estate-related assets.

As noted above, during his tenure as managing director within Morgan Stanley’s real estate division, Mr. Morris provided portfolio management services to various investment accounts managed by Morgan Stanley, including Morgan Stanley Real Estate Special Situations Fund III, L.P. (the “Morgan Stanley Fund”). In connection with Mr. Morris’s departure from Morgan Stanley, as of March 1, 2013, the Morgan Stanley Fund ceased: (i) making new investments and (ii) accepting subscriptions from new investors as well as additional subscriptions from pre-existing investors. Additionally, pursuant to a Sub-Advisory Agreement (the “Sub-Advisory Agreement”), dated as of March 1, 2013, among Proprium, the Morgan Stanley Fund and Morgan Stanley Real Estate Special Situations III-GP, L.L.C. (the “Morgan Stanley GP”), Proprium agreed to continue to provide investment advisory services to the Morgan Stanley Fund in respect of certain of its pre-existing investments. Further, on March 1, 2013, Proprium organized a new Fund, the Proprium Real Estate Special Situations Fund, L.P. (the “Proprium Fund”), whose purpose is to generally continue the investment strategy of the Morgan Stanley Fund. The Proprium Fund began accepting subscriptions from new investors as well as existing Morgan Stanley Fund investors on March 1, 2013. As of December 2023, the Proprium Fund converted to a closed-end fund and is no longer accepting subscriptions

Proprium tailors its advisory services to the specific investment objectives and restrictions of each client account as set forth in such client account’s confidential private placement

memorandum, limited partnership agreement, investment management agreement and/or other governing documents (collectively, the “Governing Documents”). Investors and prospective investors of each Fund should refer to the Governing Documents of the applicable Fund for complete information on the investment objectives and investment restrictions with respect to such Fund. There is no assurance that any of the Funds’ or other client accounts’ investment objectives will be achieved or that their investment strategies will be successful.

In accordance with common industry practice, one or more of the Funds and/or their general partners have or may in the future enter into “side letters” or similar arrangements with certain investors pursuant to which the general partner grants the investor specific rights, benefits or privileges that are not made available to investors generally.

Proprium does not participate in any wrap fee programs.

As of December 31, 2023, Proprium had approximately \$4,306,832,000 in assets under management, all of which Proprium manages on a discretionary basis.

## **Fees and Compensation**

### *Compensation and Fee Schedules*

Different Funds may be subject to different management fees and performance-based compensation arrangements. In certain circumstances, the advisory fees payable to Proprium by individual investors in the Funds may be negotiable and/or waived. Investors and prospective investors in each Fund should note that similar advisory services may (or may not) be available from other investment advisers for similar or lower fees. In addition to this Brochure, all investors should review the Governing Documents for each Fund for more complete information on the fees and compensation payable with respect to a particular Fund.

With respect to the Morgan Stanley Fund, as the fund has entered into liquidation, Proprium receives a liquidator fee based on a percentage of such fund’s net asset value. Proprium is compensated directly by the Morgan Stanley GP out of its own performance based fee received from the Morgan Stanley Fund.

With respect to the Proprium Fund and any Fund other than the Morgan Stanley Fund or certain Co-Investment Funds, Proprium will typically receive an annual advisory fee, based on a percentage of such Fund’s net asset value. Additionally, the general partner of such Fund may be entitled to receive a performance-based allocation at the end of each fiscal year. Prospective investors should refer to the Governing Documents of any such Fund for more definitive information on the fees associated with an investment in such Fund.

With respect to certain Co-Investment Funds (the “Frozen Co-Invest”, “Scale Co-Invest”, “Marmor Co-Invest”, “Atlas Co-Invest”, “Casati I Co-Invest”, “Casati II Co-Invest” and “Project Alpha”), Proprium earns a management fee based on a percentage of net invested capital. Additionally, the general partner of such Co-Investment Fund may be entitled to receive a performance-based allocation .

With respect to one Co-Investment Fund (the “Malone Co-Invest”), Proprium earns a management fee from a holding company (the “Hold Co”) owned by both the respective Co-Invest and the Proprium Fund. Such management fee is based on a percentage of the net invested capital in the Hold Co parent entity. Additionally, an affiliate of Proprium may be entitled to receive a performance-based allocation upon distribution. Because the Proprium Fund indirectly holds a portion of Hold Co, a pro-rata portion of the management fee paid by Hold Co to Proprium is reimbursed by Proprium to the Proprium Fund.

With respect to the Emma Co-Investment Fund, Proprium earns a management fee based on a percentage of gross asset value and an acquisition fee based on the purchase price of each property acquired. Additionally, the general partner of the Emma Co-Investment Fund may be entitled to receive a performance-based allocation. The Proprium Fund is an investor in the Emma Co-Investment Fund, however no such fees are charged to the Proprium Fund.

#### *Deduction of Fees; Timing of Payments*

With the exception of the Morgan Stanley Fund, Proprium is generally authorized under a Fund’s Governing Documents to charge and deduct advisory fees directly from the assets of such Fund, at the times and in the amounts described in such Fund’s Governing Documents. Please refer to the Governing Documents of the relevant Fund for complete information on the timing of advisory fee payments. Proprium’s services may be terminated by, in the case of Frozen Co-Invest, Scale Co-Invest and Malone Co-Invest, the investor in the Co-Invest; in the case of Marmor Co-Invest, 66% of investors in the Co-Invest, in the case of Atlas Co-Invest, Casati I Co-Invest and Casati II Co-Invest, 85% of investors in the Co-Invest and in the case of Emma Co-Invest and Project Alpha, upon occurrence of certain events. In the case of the Proprium Fund, the majority of investors by NAV can terminate the General Partner and the General Partner may, upon 90 days’ notice, terminate Proprium as investment manager. Upon any such termination of advisory services, any prepaid, unearned fees will be promptly refunded to the applicable Fund, and any earned, unpaid fees will be due and payable.

In the case of the Morgan Stanley Fund, the Morgan Stanley GP is authorized pursuant to such Fund’s Governing Documents to charge and deduct advisory fees directly from the assets of such Fund on a periodic basis as set forth in such Fund’s Governing Documents.

Additionally, in the case of the Morgan Stanley Fund, the Morgan Stanley GP or the limited partners of the Morgan Stanley Fund may terminate Proprium’s sub-advisory services in accordance with the terms of the Sub-Advisory Agreement and the limited partnership agreement of the Morgan Stanley Fund. Upon termination of the Sub-Advisory Agreement, any prepaid, unearned fees will be promptly refunded to the Morgan Stanley GP (determined on a pro rata basis based on the number of days that have elapsed in the applicable payment period), and any earned, unpaid fees will be due and payable.

### *Other Fees and Expenses*

With respect to a Fund, in addition to the advisory fees and performance-based compensation payable to Proprium and/or its affiliates, the Fund (and therefore, indirectly, the investors in such Fund) will incur various charges and expenses imposed by third parties and certain affiliates of Proprium directly relating to the Fund's operations. These expenses may include (i) expenses incurred in connection with identifying, evaluating, structuring, and negotiating any potential Fund investment (including expenses related to deals that are not consummated by the Fund and whether or not a portion of such investment was expected to be allocated to one or more co-investors) and the acquisition, holding, sale, proposed sale or valuation of any Fund investments (including brokerage, custody and other types of fees); (ii) employment and related overhead expenses incurred by controlled subsidiaries of certain Funds related to advisory, oversight, management, reporting and administrative services provided directly to such subsidiaries by affiliates of Proprium, or by third parties; and (iii) ordinary administrative expenses, including costs associated with regulatory filings on behalf of Proprium and the Fund, fees of auditors, attorneys, the Fund's valuation agent, the Fund's administrator, and other professionals, costs of annual meetings and reports to limited partners. Please refer to the Governing Documents of a Fund for a description of the third party charges that may be incurred by such Fund in the course of its operations.

The section titled "*Brokerage Practices*" describes the factors Proprium will consider in selecting or recommending broker-dealers and determining the reasonableness of their compensation.

### *Sales-Based Compensation*

Neither Proprium nor its supervised persons will receive any compensation as broker or agent for the sale of securities or other investment products to any Fund.

## **Performance-Based Fees and Side-by-Side Management**

### *Performance-Based Fees*

All Funds are expected to be subject to performance-based compensation arrangements. The General Partner of each Fund will typically receive certain allocations calculated and charged based on a share of the capital appreciation of the assets of the Fund (as described above under "*Compensation and Fee Schedules*").

The performance-based allocation arrangements discussed above will comply with Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act"). Performance-based allocations to the General Partners of the Funds are separate and distinct from the advisory fees paid to Proprium by such Fund for Proprium's investment advisory services.

Performance-based allocation arrangements received by a Fund's General Partner may create an incentive for Proprium to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement.

Please refer to the Governing Documents of each Fund for more complete information on the performance-based allocation arrangements of such Fund.

### *Side-by-Side Management*

As noted above under “*Advisory Business*,” the Morgan Stanley Fund ceased making new investments as of March 1, 2013. Proprium organized the Proprium Fund as of March 1, 2013. Currently, Proprium is managing a Fund and eight Co-Investments that are actively engaged in making new investments. The Funds are generally subject to performance-based compensation arrangements. Therefore, Proprium may have an incentive to favor the client account that could potentially yield the higher compensation amount.

Additionally, in the future, it is possible that Proprium may operate and make new investments on behalf of multiple clients with similar investment strategies that may be subject to different performance-based compensation arrangements. If Proprium or an affiliate is entitled to receive a higher percentage of the net profits of the account of one client than the percentage that Proprium or an affiliate may be entitled to receive from another client with a similar investment strategy, then Proprium may have an incentive to favor, or to allocate certain riskier or more speculative investments to, the client account that is subject to the higher percentage.

To the extent any of the aforementioned conflicts arise, it is Proprium’s policy that all investment opportunities shall, to the extent practicable, be allocated among such clients on a basis that over time is fair and equitable to each client relative to other clients, taking into account all relevant contractual obligations and other facts and circumstances.

### **Types of Clients**

#### *Types of Clients*

Proprium expects to provide investment advice to the Funds that have been or will be privately offered exclusively to accredited investors and/or qualified purchasers pursuant to Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “1940 Act”). As a result, it is not anticipated that the Funds will be required to register as investment companies under the 1940 Act. The limited partners of the Funds may include institutional investors (such as corporations, endowments, foundations, trusts, estates, and pension and profit sharing plans) and high net-worth individuals. Additionally, as described in the Governing Documents of certain of the Funds, the general partner of the Fund may offer the opportunity to co-invest with the Proprium Fund with respect to particular investments. In addition, the general partner may agree in side letters to offer such right to co-invest to existing and future limited partners in the Fund. Proprium may provide investment advice to such co-investment entities. Finally, Proprium may, from time to time, provide customized investment advisory services to high net-worth individuals and institutional investors via separately-managed account arrangements.

Proprium and/or its affiliates may establish certain alternative investment vehicles, parallel funds, feeder funds and/or special purpose vehicles (collectively, “AIVs”) for the purpose of addressing tax, regulatory and/or structural issues, and/or facilitating certain investments



by one or more Funds and/or their respective investors. Prospective investors are requested to refer to the Governing Documents of the applicable Fund for complete details on any AIV that may be established by such Fund and such Fund's ability to make investments through AIVs.

#### *Minimum Investment Requirements*

Proprium and its related persons will require that each limited partner in each of the Funds be an "accredited investor" as defined in Regulation D under the Securities Act of 1933 (the "Securities Act"). In addition, with respect to certain Funds, Proprium and its related persons may also require that each limited partner in each such Fund be a "qualified purchaser" as defined in the 1940 Act.

In general, the minimum investment subscription required of a new limited partner to participate in a Fund is \$5 million. Additionally, a pre-existing limited partner seeking to make an additional subscription to a Fund is generally subject to a \$500,000 minimum. Notwithstanding the foregoing, the general partner of a Fund may, in its sole discretion, waive these minimum investment subscription amounts with respect to any limited partner. Investors should refer to the Governing Documents of a Fund for complete information on minimum investment requirements for participation in such Fund.

#### **Methods of Analysis, Investment Strategies and Risk of Loss**

##### *Investment Strategies*

As discussed above under "*Advisory Business*," the Funds' investment strategy is multi-asset class in nature and involves making minority or controlling opportunistic investments in public and private equity and fixed income securities of global real estate and real estate-related portfolio companies (including other pooled investment vehicles). Such portfolio companies may include companies that are primarily engaged in businesses focused on the ownership, operation, or development of, or the provision of services relating to, real estate assets. The Funds may also, as part of their respective investment strategies, invest in securities and real estate indices and in derivatives linked to such indices and to individual real estate companies. Additionally, from time to time, the Funds may also invest directly in real estate and real estate-related assets.

The Funds' investment strategy will focus on three market opportunities: growth markets, developed markets and distressed markets.

- ***Growth Markets.*** Proprium believes significant investment opportunities continue to exist in the global real estate market in growth markets where real estate is undersupplied. In growth markets, Proprium believes opportunities exist to provide last mile funding to developers as well as growth capital to operators with a visible IPO exit.
- ***Mature Markets.*** In mature markets, Proprium relies on fundamental real estate research to help inform decisions to pursue investments that offer attractive risk-adjusted returns. At certain points in the cycle, this may result in Proprium seeking

opportunities to exploit mispricing between public and private real estate values; seeking exposure to sectors experiencing supply/demand imbalances; or seeking partners that are developing new approaches to extract incremental value out of traditional real estate assets.

- ***Distressed Markets.*** In distressed markets, Proprium believes that opportunities exist related to distressed assets, financial institution stress and corporate and financial restructurings. In these markets, Proprium will seek to invest in partners that can access these distressed assets.

### ***Methods of Analysis***

The position of a geographic market in the real estate cycle is an important consideration in Proprium's investment allocation decisions. Real estate is cyclical in nature; geographic markets are frequently at different stages in the cycle and progress through the cycle at different speeds. Proprium believes that a geographically diversified real estate portfolio mitigates risk in the portfolio because of the inclusion of investments from countries with different GDP growth, interest rates, inflation and specific market supply and demand dynamics.

Proprium will utilize macro and local market research capabilities to seek investment opportunities. Once investment opportunities have been identified, Proprium will utilize its resources to conduct in-depth analysis and due diligence of the potential investment opportunities.

Proprium's investment committee will review each prospective investment to confirm it meets a return profile that it determines is appropriate for the underlying risk and market and capital structure exposure. Additionally, the investment committee will work with Proprium's regional teams to determine strategic opportunities to either increase exposure to or liquidate select investments.

Proprium's regional teams will be responsible for performing due diligence on the underlying investments. Such analysis may include underwriting the potential returns and risks for such investments (including legal, tax, accounting and environmental risks), as well as regularly monitoring the value of such investments. The regional teams will assess the impact of various macro and microeconomic shifts on potential investments and make recommendations to Proprium's investment committee on strategies to maximize the value of investments.

All final decisions relating to Fund investments are ultimately approved by Proprium's investment committee, which is comprised of senior management of Proprium.

### ***Material Risks***

The task of identifying investment opportunities and managing such investments is difficult. There can be no assurance that the Funds will be able to choose, make and/or realize any particular investment or that the Funds will be able to generate returns for their investors. Investing in a Fund involves a risk of loss that investors should be prepared to

bear. Investors in the Funds should carefully consider, among other factors, the following material risks involved with Proprium's investment strategies. Investors in the Funds should refer to the Governing Documents of the applicable Fund for more complete information on investment strategies employed by the Fund and the corresponding risks associated with such investment strategies.

*General Investment and Trading Risks.* The Funds will invest in and actively trade securities and other financial instruments and may invest in portfolios of real estate and real estate related assets using investment techniques with significant risk characteristics, including risks arising from the volatility of the real estate markets and private equity, private debt, public equity, public debt and other financial markets, the risks of short sales, the risks of leverage, risks arising from the potential illiquidity of the Funds' investments, including derivative instruments, the risk of loss from counterparty defaults and the risk of borrowing, including to meet redemption requests. No assurance can be given that the Funds will be able to locate suitable investment opportunities in which to deploy all of their capital. A reduction in the volatility and pricing inefficiency of the markets in which the Funds will seek to invest, as well as other market factors, may reduce the number and scope of available opportunities for the Funds' investment strategies.

*General Real Estate Investment Risks.* Investments in real estate are subject to various risks, including adverse changes in regional, national and international economic conditions, adverse local market conditions, the financial condition of tenants, buyers and sellers of properties, changes in availability of debt financing, changes in interest rates, real estate tax rates and other operating expenses, environmental laws and regulations, zoning laws and other governmental rules and fiscal policies, environmental claims arising in respect of real estate acquired with undisclosed or unknown environmental problems or as to which inadequate reserves had been established, energy prices, changes in the relative popularity of property types and locations, risks due to dependence on cash flow and risks and operating problems arising out of the presence of certain construction materials, as well as acts of God, uninsurable losses and other factors which are beyond the control of Proprium. Investments in real estate securities are relatively illiquid, and therefore, Proprium's ability to vary a Fund's portfolio promptly in response to changes in economic or other conditions may be limited. No assurance can be given that the fair market value of any investments held by a Fund will not decrease in the future or that a Fund will recognize full value for any investments disposed of by the Fund.

*Availability of and Competition for Real Estate Investments.* The business of identifying and structuring real estate transactions of the types that will be made by the Funds is competitive and involves a high degree of uncertainty. The success of the Funds will depend on the ability of Proprium to identify and select appropriate investment opportunities, as well as the Funds' ability to acquire these investments. There is no guarantee that suitable investments will be secured by the Funds, or that any investments entered into will be successful. The availability of investment opportunities generally is subject to market conditions. The Funds may be competing for investment opportunities with entities that have substantially greater financial and other resources than the Funds. Those entities may be able to accept more risk than the Funds can prudently manage. Competition generally may reduce the number of suitable investment opportunities

available to the Funds and increase the bargaining power of companies in which the Funds may seek to invest. The Funds may face increasing competition for attractive investments from existing and new real estate investors with similar investment objectives. Accordingly, there can be no assurance that the Funds will be able to identify and complete attractive investments in the future or that they will be able to invest their capital fully.

*Non-Controlling Interests in Companies.* The Funds may invest in non-controlling interests of real estate and real estate related companies. Such investments are likely to involve risks not present in investments that constitute controlling interests. For example, such investments may not give the Funds the ability to influence the management of the company or to elect a representative to the company's board of directors or other governing body. In addition, the management of the company or its shareholders may have economic or business interests, which are inconsistent with those of the Funds, and they may be in a position to take action contrary to the Funds' objectives.

*Control Position.* The Fund may invest in controlling positions as well. The exercise of significant influence or control over a company imposes additional risks of liability for environmental damage, failure to supervise management and other types of liability in which the limited liability characteristics of business operations may generally be ignored. The exercise of significant influence over a company could expose the assets of a Fund to claims by such company, its security holders and its creditors. While Proprium intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

*Risk of Limited Diversification.* The Funds may at certain times hold large positions in a relatively limited number of investments. A Fund could be subject to significant losses if it holds a relatively large position in a single company or a particular type of investment that declines in value, and the losses could increase even farther if the investments cannot be liquidated in a timely manner or without adverse market reaction or are otherwise adversely affected by changes in market conditions or circumstances. Investments by the Funds may be concentrated in certain types of securities and in certain geographic markets. To the extent a Fund concentrates its investments in one or more specific types of securities or geographic areas, the Fund will be subject to risks of adverse events or conditions which particularly affect the Fund's areas of concentration, and the Fund could be more adversely affected than if its investments were more diverse as to type and/or geographic location.

*Lack of Liquidity of Investments.* Given the nature of the investments the Funds may make, there is a significant risk that the Funds will be unable to realize their investment objectives by sale or other disposition at attractive prices within any given period of time or will otherwise be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the person or entity in which the investment is made, changes in national or international economic conditions and changes in laws, regulations or fiscal policies of jurisdictions in which investments are made. Dispositions of investments may also be subject to limitations on transfer or other restrictions that would interfere with the subsequent disposition of such investments or adversely affect the terms that could be obtained upon any disposition thereof. In addition, it is unlikely that there will be a public market for many of the investments held by the

Funds. The Funds generally will not be able to sell many of their investments publicly unless the sale is registered under applicable federal and state securities laws, or unless an exemption from such registration requirements is available. Furthermore, in some cases the Funds may be prohibited by contract from selling investments for a period of time.

*Leverage and Margin.* The Funds may from time to time use substantial amounts of leverage in their investment program. The use of significant levels of leverage increases the exposure of investments to adverse economic factors such as rising interest rates, severe economic downturns or deteriorations in the condition of a real estate investment or its market. Leverage may take the form of borrowings pursuant to credit facilities (including commitment-based and asset-based facilities), trading on margin, use of derivative instruments that are inherently leveraged and other forms of direct and indirect borrowings. Trading securities on margin will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. The amount of leverage or borrowings which the Funds may have outstanding at any time may be large in relation to their capital. Consequently, the level of interest rates generally, and the rates at which the Funds can borrow in particular, will affect the operating results of the Funds.

*Commercial/Business Risks Relating to Portfolio Companies.* Investments by the Funds in certain companies may involve a high degree of business and financial risk. Such companies may be in an early stage of development, may not have a proven operating history, may be operating at a loss or have significant variations in operating results, may be engaged in a rapidly changing business, may require substantial additional capital to support their operations, to finance expansion or to maintain their competitive position, or may otherwise have a weak financial condition. Companies in which the Fund invests may be highly leveraged. Leverage may have significant adverse consequences to such companies and the Fund as an investor. Such companies may be subject to restrictive financial and operating covenants. Leverage may impair such companies' ability to finance their future operations and capital needs. As a result, such companies' flexibility to respond to changing business and economic conditions and to business opportunities may be limited. A leveraged company's income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. In addition, such companies may face intense competition, including competition from companies with less leverage or greater financial resources, more extensive development, marketing and other capabilities and a larger number of qualified personnel. As such, there can be no assurance that any company in which the Funds invest or its industry sector will perform to expectations.

*Investments in Partnerships, Joint Ventures and Other Entities.* The Funds may make investments through partnerships, joint ventures or other entities, including public and private investment funds. Such investments may involve risks, including, for example, the possibility that such entities or joint venture partners of the Fund might become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the Funds, or that such entities or joint venture partners may be in a position to take action contrary to the Funds' objectives. In addition, the Fund may be liable for actions of its joint venture partners. While Proprium will review the qualifications and previous experience of such entities and joint venture partners, it generally does not expect to undertake private investigations with respect to prospective entities or joint venture

partners, or to obtain financial information from joint venture partners.

Although Proprium will monitor the performance of the Funds' investments, it is primarily the responsibility of third-party corporate management teams, joint venture partners and third-party managers to operate on a day-to-day basis investments the Funds makes through partnerships, joint ventures or other entities. There can be no assurance that such management teams, joint venture partners or managers will be able to operate such investments successfully.

*Investments in Troubled Companies.* The Funds may make investments in nonperforming, underperforming or other troubled real estate and real estate related companies (including companies involved in bankruptcy or other reorganization and liquidation proceedings) or undercapitalized real estate and real estate related companies, which may involve a high degree of financial risk, including loss of all or part of the investment. Under such circumstances, the returns generated from the Funds' investments may not compensate investors adequately for the risks assumed. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial distress is high. There is no assurance that any Fund will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or similar action. Under certain circumstances, payments to a Fund by companies in which such Fund invests may be reclaimed if any such payment is later determined to have been a fraudulent conveyance or a preferential payment under applicable insolvency law. In addition, under certain circumstances, creditors who have inappropriately exercised control of the management and policies of a debtor may have their claims subordinated or disallowed or may be found liable for damages suffered by parties as a result of such actions.

*Expedited Transactions.* Investment analyses and decisions by Proprium may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to Proprium or a Fund's investment committee at the time of making an investment decision may be limited, and Proprium and a Fund's investment committee may not have access to detailed information regarding the investment, such as, for example, the physical characteristics, environmental matters, zoning regulations or other local conditions affecting any real estate assets owned or managed by the company or companies in which such investment is made. Therefore, no assurance can be given that Proprium or a Fund's investment committee will have knowledge of all circumstances that may adversely affect an investment. In addition, Proprium may rely upon independent consultants in connection with its evaluation of proposed investment opportunities, and no assurance can be given as to the accuracy or completeness of the information provided by such independent consultants or to a Fund's right of recourse against them in the event error or omissions occur.

*Non-U.S. Investments.* The Funds will make investments in a number of different countries. Investments may be made in countries or economies that may prove unstable. In certain countries in which a Fund may invest, there exists the possibility of investor taxation and political, economic and social instability and the risk of adverse political developments, including nationalization, expropriation or confiscation without fair

compensation, terrorism or war. In addition, governments from time to time impose restrictions intended to prevent capital flight, which may, for example, involve punitive taxation (including high withholding taxes) on certain securities transfers or the imposition of exchange controls making it difficult or impossible to exchange or repatriate foreign currency, which could adversely affect the Funds.

Securities markets of certain countries in which the Funds may invest may be substantially less liquid and have greater volatility and greater fluctuations in the rate of exchange between currencies and costs associated with currency conversions than other countries. Moreover, brokerage commissions, custodial services and other costs relating to investment in international securities markets generally may be more expensive than those of other countries. In addition, clearance and settlement procedures may differ from country to country and, in certain markets, such procedures have been unable to keep pace with the volume of securities transactions, thus making it difficult to conduct such transactions.

Furthermore, individual economies may differ in such respects as growth of gross national product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position.

It also may be difficult to obtain and enforce a judgment in courts of certain countries. Laws and regulations differ from country to country. Investments in certain countries may require significant government approvals under corporate, securities, exchange control, investment and other similar laws and may require financing and structuring alternatives that differ significantly from those in other countries. Moreover, because of different accounting, auditing and financial reporting standards, practices and requirements, there may be different types of, and lower quality, information available about entities of certain countries as compared to entities of other countries. Different countries also have varying degrees of regulation of their securities markets, and such securities markets may provide different levels of protection.

*Emerging Markets.* The Funds may make investments in countries that are considered “emerging markets.” In addition to the risks described above under “*Non-U.S. Investments*,” investors should consider a number of risks associated with investments in emerging markets countries, including, but not limited to those summarized below.

Governments of many emerging markets countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the government owns or controls many companies, including some of the largest in the country. Accordingly, government actions could have a significant effect on economic and market conditions in an emerging markets country than in a developed country. Moreover, the economies of emerging markets countries generally are heavily dependent upon international trade and, accordingly, have been and may continue to be adversely affected by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be adversely affected by economic conditions in the countries with which they trade.

Some emerging markets countries have laws and regulations that currently limit or preclude direct foreign investment in real estate or the securities of their companies. Prior government approval for foreign investments may be required under certain circumstances in some emerging markets countries and the process of obtaining these approvals may require a significant expenditure of time and resources. Repatriation of investment income, capital and the proceeds of sale by foreign investors may require governmental registration and approval in some emerging markets countries. Furthermore, investments in emerging markets country companies may require significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in more developed countries. In addition, in certain countries, such laws and regulations have been subject to frequent and unforeseen change potentially exposing the Funds to restrictions, taxes and other obligations that were not anticipated at the time the initial investments were made.

Many emerging markets do not have developed legal frameworks. In particular, many emerging markets do not have well-developed shareholder rights, which could adversely affect the Funds' minority investments. In addition, many emerging markets provide inadequate legal remedies for breaches of contract.

With respect to companies that keep accounting records in local currency, inflation accounting rules in some emerging markets countries require, for both tax and accounting purposes, that certain assets and liabilities be restated on the company's balance sheet in order to express items in terms of currency of constant purchasing power. As a result, financial data may be materially affected by restatements for inflation and may not accurately reflect the real condition of real estate, companies and securities markets. Accordingly, the Funds' ability to conduct due diligence in connection with potential investments and to monitor investments after their acquisition may be adversely affected by these factors.

*Equity-Related Securities and Instruments.* The Funds may invest in common shares or interests of real estate and real estate-related companies. The Funds may also purchase equity-related securities and instruments, such as convertible securities, warrants, options on indices or securities and derivatives. The value of equity securities varies in response to many factors. Factors specific to a company, such as certain decisions by management or loss of a key executive, could result in a decrease in the value of the company's securities. Factors specific to the industry in which the company participates, such as increased competition or consumer or investor perception, can have a similar effect. The value of a company's equity interests can also be adversely affected by changes in financial markets generally, such as an increase in interest rates or a decrease in consumer confidence, that are unrelated to the company itself or its industry. Certain options and other equity-related instruments may be subject to additional risks, including liquidity risk, counterparty credit risk, legal risk and operations risk and may involve significant economic leverage and, in some cases, be subject to significant risks of loss. These factors and others can cause significant fluctuations in the prices of the securities in which the Funds invest and can result in significant losses to the Funds.



*Fixed Income Securities.* The Funds may invest in fixed income securities. Investment in these securities may offer opportunities for income and capital appreciation, and may also be used for temporary defensive purposes and to maintain liquidity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates and include, among other securities: bonds, notes and debentures issued by companies and mortgage-backed and asset-backed securities. These securities may pay fixed, variable or floating rates of interest and may include zero coupon obligations. Fixed-income securities are subject to the risk of the issuer's or a guarantor's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the company and general market liquidity (*i.e.*, market risk). In addition, mortgage-backed securities may be subject to call risk and extension risk. For example, homeowners have the option to prepay their mortgages. Therefore, the duration of a security backed by home mortgages can either shorten (*i.e.*, call risk) or lengthen (*i.e.*, extension risk). In general, if interest rates on new mortgage loans fall sufficiently below the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to increase. Conversely, if mortgage loan interest rates rise above the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to decrease. In either case, a change in the prepayment rate can result in losses to investors.

*Certain Debt Instruments.* The Funds may invest in other investment and non-investment grade or other debt instruments of companies or other entities, including but not limited to, senior and subordinated corporate debt; collateralized mortgage obligations, collateralized debt obligations and collateralized loan obligations; preferred stock; corporate securities; and bank debt. The Funds may acquire debt securities on a private placement basis and may invest in loan participations. As with other investments made by the Funds, there may not be a liquid market for these debt instruments, which may limit the Funds' ability to sell these debt instruments or to obtain the desired price.

*Mezzanine Debt.* The Funds may, directly or indirectly, invest in mezzanine debt. Mezzanine debt is typically junior to the obligations of a company to senior creditors, trade creditors and employees. The ability of a Fund to influence a company's affairs, especially during periods of financial distress or following an insolvency, will be substantially less than that of senior creditors. Mezzanine investments may also involve risks associated with other forms of debt and equity investments.

*Interest Rate Risk.* Changes in interest rates may adversely affect a Fund's investments. Changes in the general level of interest rates can affect a Fund's income by affecting the spread between the income on its assets and the expense of its interest-bearing liabilities, as well as, among other things, the value of its interest earning assets and its ability to realize gains from the sale of assets. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Fund. A Fund may finance its activities with both fixed and floating rate debt. With respect to its floating rate debt, a Fund's performance may be affected adversely if the Fund fails to limit the effects of changes in interest rates on its operations by employing an effective hedging strategy,

including engaging in interest rate swaps, caps, floors or other interest rate contracts, or buying and selling interest rate futures or options on such futures.

*Currency Risk.* The Funds' investments may be denominated in currencies other than the U.S. dollar. However, the Funds' investment objective will be to target attractive risk-adjusted returns through the various global real estate market cycles in U.S. dollars. Accordingly, fluctuations in exchange rates between the U.S. dollar and the relevant local currencies, costs of conversion and exchange control regulations will directly affect the value of the Funds' investments and the ultimate rate of return realized by investors in the Funds.

*Hedging Risk.* The Funds may employ hedging techniques. These techniques could involve a variety of derivative transactions, including futures contracts, exchange-listed and over-the-counter put and call options on securities, financial indices, forward foreign currency contracts and various interest rate transactions (collectively, "Hedging Instruments"). Hedging techniques involve risks different than those of underlying investments. In particular, the variable degree of correlation between price movements of Hedging Instruments and price movements in the position being hedged creates the possibility that losses on the hedging instrument may be greater than gains or losses in the value of the Funds' positions. In addition, certain Hedging Instruments and markets may not be liquid in all circumstances. As a result, in volatile markets, a Fund may not be able to close out a transaction in certain of these instruments without incurring losses substantially greater than the initial deposit. Although the contemplated use of Hedging Instruments is intended to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain, which might result from an increase in the value of such position. A Fund's ability to hedge successfully will depend on Proprium's ability to predict pertinent market movements, which cannot be assured.

*Side Letters.* The Funds may enter into agreements ("side letters") with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those set forth in the Fund's offering memorandum. For example, such terms and conditions may provide for special rights to make future investments in the Fund, other investment vehicles or managed accounts; have a higher percentage of the investor's capital contribution allocated to selected investments; special withdrawal rights, relating to frequency or notice; a reduction or rebate in fees or withdrawal charges to be paid by the investor and/or other terms; rights to receive reports from the Fund on a more frequent basis or that include information not provided to other Fund investors and such other rights as may be negotiated by the Fund and such investors.

*Cybersecurity Risks.* To the extent that an asset owned by a Fund is subject to cyber-attack or other unauthorized access is gained to such asset's systems, such asset may be subject to substantial losses in the form of stolen, lost or corrupted (i) customer data or payment information; (ii) customer or company financial information; (iii) company software, contact lists or other databases; (iv) company proprietary information or trade secrets; or (v) other items. In certain events, an asset's failure or deemed failure to address and mitigate cybersecurity risks may be the subject of civil litigation or regulatory or other

action. Any of such circumstances could subject an asset, or a Fund, to substantial losses. In addition, in the event that such a cyber-attack or other unauthorized access is directed at Proprium or one of its service providers holding its financial or investor data, Proprium, or its affiliates may also be at risk of loss.

*Legal, Tax and Regulatory Risks.* The operation of the Funds and the consequences of an investment in the Funds will be substantially affected by legal requirements, including those imposed by the United States Internal Revenue Code, The Employee Retirement Income Security Act of 1974, the 1940 Act, the Advisers Act, the Securities Act and similar non-U.S. laws and, in each case the regulations promulgated thereunder. No assurance can be given that future legislation, administrative rulings or court decisions will not adversely affect the operation of the Funds or an investment by a limited partner in a Fund.

*Enhanced Scrutiny and Potential Regulation of Private Investment Funds.* The Funds' ability to achieve its investment objectives, as well as the ability of the Funds to conduct its operations, is based on laws and regulations that are subject to change through legislative, judicial or administrative action. Enhanced government scrutiny or regulation could have an adverse impact on the Funds' operations or its ability to achieve its investment objectives. The combination of scrutiny of private equity firms (along with other alternative asset managers), and their investments, by various politicians, regulators and market commentators, and the public perception that certain alternative asset managers, including private equity firms, contributed to downturns in the U.S. and global financial markets, may complicate or prevent the Funds' efforts to consummate investments, both in general and relative to competing bidders outside of the alternative asset space. As a result, the Funds may invest in fewer transactions or incur greater expenses or delays in completing investments.

*SEC Private Funds Regulation.* On August 23, 2023, the SEC adopted a number of new rules and amendments to existing rules under the Advisers Act (the “**Private Funds Rules**”) including new requirements related to quarterly statements, financial statement audits, restricted activities and the preferential treatment of certain investors. Furthermore, on May 3, 2023, the SEC approved amendments to Form PF (the “**Form PF Amendments**”), which, among other things, require advisers to private equity funds to gather and report more information regarding fund strategies, use of leverage, fund investments in different levels of a single portfolio company's capital structure, and portfolio company restructurings or recapitalizations. The Form PF Amendments would also require that advisers report certain events to the SEC within 72 hours of their occurrence.

Separate cybersecurity rules (the “**Cybersecurity 23 Rules**” and, together with the Private Fund Rules and the Form PF Amendments, the “**Adopted Rules**”) were adopted on July 26, 2023, and require public companies to disclose both material cybersecurity incidents they experience and, on an annual basis, material information regarding their cybersecurity risk management, strategy, and governance. The SEC has proposed rules that will apply to registered investment advisers, investment companies, and business development companies which, if adopted, are expected to result in similar requirements for private fund advisers (such rules, the “**Proposed Cybersecurity Rules**”).

The SEC has also proposed amendments to rules and disclosure forms (the “**Proposed ESG Rules and Forms**”) to increase disclosure obligations regarding certain funds’ and advisers’ incorporation of environmental, social and governance factors in their investment process and a new oversight rule and rule amendments under the Advisers Act (the “**Proposed Outsourcing Rules**”) that would prohibit registered investment advisers from outsourcing certain services and functions without conducting due diligence and monitoring of the service providers. Finally, the SEC has also proposed new rules and amendments to Rule 206(4)-2 under the Advisers Act (the “**Proposed Custody Rule Changes**” and, together with the Proposed Cybersecurity Rules, Proposed ESG Rules and Forms and the Proposed Outsourcing Rules, the “**Proposed Rules**”), which would expand the current custody rule to cover a broader array of client assets and advisory activities and impose new custodial protections on client assets held under the Advisers Act.

The Adopted Rules, and if adopted as proposed, the Proposed Rules, are expected to increase the cost of operating the Funds (including those costs ultimately allocated to the Investors) and the time and resources that the Adviser and their personnel will be required to devote to reporting and compliance matters. In addition, if adopted as proposed and without the benefit of any “grandfathering” with respect to fund arrangements in place prior to the date of such adoption, the Proposed Rules could require amendments to such fund arrangements, which could be costly. The effect of the Proposed Rules, and any other future change in law or regulation that impact the U.S. private funds industry, on the Adviser, the Funds, their respective personnel or any of their respective Affiliates could be substantial and potentially adverse.

*Outbreaks of Infectious or Contagious Diseases.* A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the global outbreak of a disease caused by a novel and highly contagious form of coronavirus (COVID-19), could have an adverse impact on global, national and local economies, which in turn could negatively impact the Funds’ operations. An outbreak such as COVID-19, and the reactions to such an outbreak, are expected to adversely affect the performance of the U.S. and global economies, including due to market volatility, market and business uncertainty and closures, supply chain and travel interruptions, the need for employees to work at external locations and extensive medical absences among the workforce. Disruptions to commercial activity relating to the imposition of quarantines, stay-at-home orders or travel restrictions (or more generally, a failure of containment efforts) may adversely impact the Funds’ portfolio assets, including by causing supply chain disruptions or by causing staffing shortages, which may negatively impact the Funds’ portfolio assets. In addition, such restrictions may significantly impair the ability of the Adviser’s personnel to travel in connection with potential or existing investments or to the Adviser’s offices, which could negatively impact the ability of the Advisor to effectively identify, monitor, operate and dispose of the Funds’ portfolio assets.

Also, a public health crisis may contribute to, volatility in financial markets, including changes in interest rates and rate of inflation. A continued outbreak may reduce the availability of debt financing to the Funds and potential purchasers of the Funds’ portfolio assets, which could have material and adverse impact on the Funds’ returns.

The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to the Funds' performance.

*Bank Failures.* Recent bank failures have caused turmoil in the financial markets and other similar bank failures may increase market volatility and decrease consumer and business confidence. Bank failures and ripple effect of such failures on the Funds' investments may adversely affect the value of investments held by the Funds and/or the ability of the Funds to dispose of investments at attractive valuations.

### **Disciplinary Information**

Neither Proprium nor any of its principals have been the subject of any material legal proceeding required to be disclosed in response to this item.

### **Other Financial Industry Activities and Affiliations**

#### *Registered Broker-Dealers*

Neither Proprium nor any of its affiliates are registered as a broker-dealer.

#### *Registered Futures Commission Merchants, Commodity Pool Operators and Commodity Trading Advisors*

Neither Proprium nor any of its management persons are registered as a registered futures commission merchant, commodity pool operator or commodity trading advisor.

#### *Relationships with Related Persons*

As discussed in the section titled "*Participation or Interest in Client Transactions; Personal Trading*," Proprium and its related persons will, directly or indirectly, serve as the general partner, limited partners and/or managing members/general partners of the general partner of each of the Funds (except the Morgan Stanley Fund). Proprium and its related persons may spend substantially all of their business time on one or more of the Funds as required pursuant to the terms of each Fund's Governing Documents. Investors are requested to refer to the Governing Documents of each Fund for more complete information on the requisite time commitments of Proprium and its related persons to the Funds.

Employees of Proprium and its affiliates may serve as officers, advisors, directors or in comparable management functions for subsidiaries of the Funds including portfolio companies in which the Funds invest, or provide other services to subsidiaries of the Funds or portfolio companies, and may receive compensation in connection therewith which, in some cases, is paid for by the Funds. Employees of Proprium may also from time to time serve on the board of directors or a creditors committee of a portfolio company, or be given access for other reasons to confidential information relating to companies in which the

Funds invest. As a result, the Funds may, under certain circumstances, be prohibited for a period of time from engaging in transactions with respect to the debt or securities of such a portfolio company, which prohibition may have an adverse effect on the Funds. The above individuals may spend a substantial portion of their time with these related activities.

Proprium Capital Partners (Australia) Pty Ltd (“PCPA”) is a “participating affiliate” of Proprium as that term is used in relief granted by the staff of the SEC allowing U.S. registered investment advisers to use investment advisory resources of non-U.S. investment adviser affiliates subject to the regulatory supervision of the U.S. registered investment adviser. PCPA and employees of PCPA are subject to Proprium’s supervision and control and are treated as “persons associated with” Proprium. PCPA may recommend to its own clients the securities that are the subject of recommendations to clients of Proprium. PCPA has also agreed to submit to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the investment advisory services it provides for U.S. clients of Proprium.

#### *Relationship with Morgan Stanley*

As discussed above under “*Advisory Business*,” in connection with Mr. Morris’s departure from Morgan Stanley, Proprium agreed to continue to provide investment advisory services to the Morgan Stanley Fund. A portion of Proprium’s revenues are derived from the sub-advisory fees Proprium receives from the Morgan Stanley GP with respect to the Morgan Stanley Fund. As discussed above under “*Fees and Compensation*,” the Sub-Advisory Agreement with respect to the Morgan Stanley Fund may be terminated by the Morgan Stanley GP or the Morgan Stanley Fund’s limited partners in accordance with the terms of the Sub-Advisory Agreement and the limited partnership agreement of the Morgan Stanley Fund.

#### *Selection or Recommendation of Other Advisers*

From time to time, Proprium may invest a portion of a Fund’s assets in pooled investment vehicles managed by unaffiliated third-party investment advisers consistent with such Fund’s investment strategy, investment guidelines and investment restrictions. Except in the case of such investments, Proprium does not recommend or select other investment advisers for its Funds. Further, Proprium does not have any other business relationships with other advisers that would create a material conflict of interest in relation to the Funds.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### *Code of Ethics*

Proprium has adopted a Code of Ethics under Rule 204A-1 of the Advisers Act expressing Proprium’s commitment to ethical conduct. Proprium’s Code of Ethics and accompanying policies and procedures describe its fiduciary duties and responsibilities to its clients, and sets forth, among other things, Proprium’s (i) policies on receipt of gifts by employees and campaign contributions and (ii) practice of monitoring the personal securities transactions of supervised persons with access to client investment recommendations. Under Proprium’s Code of Ethics, all supervised personnel have a duty to act only in the best

interests of the Funds and all potential conflicts and violations of the Code of Ethics must be promptly reported to Proprium's Chief Compliance Officer ("CCO"). All supervised personnel must acknowledge the terms of the Code of Ethics annually, or as amended. It is the expressed policy of Proprium that no person employed by Proprium shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, Proprium requires that anyone associated with its advisory practices with access to advisory recommendations provide, or cause to be provided, annual securities holdings reports and, if applicable, quarterly transaction reports to the CCO. Proprium requires such "access persons" to also receive approval from the CCO prior to making certain types of investments, including, but not limited to, investments in any initial public offerings or private placements. Additionally, to ensure that client interests are placed above the personal interests of such access persons, Proprium's Code of Ethics generally prohibits access persons from transacting in the securities of an issuer which is the subject of a current or prospective portfolio investment by a Fund or other client account.

In an effort to prevent inappropriate securities transactions by Proprium's personnel, the CCO will from time to time establish and make available a list of restricted securities. The restricted securities list will be updated periodically and will include all securities where Proprium has, or is in a position to receive, material non-public information about the issuers of such securities as a result of a special relationship between Proprium (or an access person of Proprium) and such issuers or otherwise. Access persons are strictly prohibited from trading on their own behalf in restricted securities without obtaining the prior approval of the CCO.

Proprium requires that all individuals act in accordance with all applicable federal and state regulations governing investment advisory practices. Proprium's Code of Ethics also sets forth Proprium's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline or termination.

Proprium will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

#### *Participation or Interest in Client Transactions; Personal Trading*

As general partners, limited partners or managing members of the general partners of each of the Funds, Proprium and its related persons will have indirect beneficial interests in the securities owned by the Funds and will share in any profits and losses generated by the Funds' investments. Moreover, in certain situations, related persons of Proprium may hold or purchase interests in the same portfolio investments held by one or more Funds. All such transactions are subject to compliance with Proprium's Code of Ethics as described above and the Governing Documents of the applicable Funds. Any access person who has or acquires ownership of an issuer through a private placement (excluding any indirect investment in an issuer via a direct or indirect interest in a Fund) must affirmatively disclose that interest to the CCO if such access person is involved in considering or

determining any subsequent investment decision regarding an investment by a Fund in any security of that issuer or an affiliate.

Proprium and/or certain related persons of Proprium may, on rare occasions, directly or through one or more entities, sell securities in which they have a direct or indirect ownership interest to certain Funds in connection with certain “warehousing” or investment transactions, provided that the sale is consistent with Proprium’s fiduciary obligations to the Funds. Such transactions will be fully disclosed and the written consent of the appropriate Fund (which, in certain circumstances, may be provided by the Fund’s advisory committee) will be obtained prior to the consummation of any such transactions in accordance with Section 206(3) of the Advisers Act to the extent that such transactions constitute “principal transactions” under Section 206(3).

Moreover, Proprium may, in limited instances, cause a Fund to engage in “cross transactions” via the purchase or acquisition of a security from, or the sale or transfer of a security to, another Fund, provided that the transfer is consistent with Proprium’s fiduciary obligations to each Fund participating in the cross transaction.

While Proprium endeavors at all times to act in the best interests of the Funds, investors should be aware that such transactions described above create a potential conflict of interest.

### **Brokerage Practices**

#### *Discretionary Brokerage*

The Funds invest primarily in privately negotiated real estate investments, although they may acquire, sell or distribute public securities on occasion. When selecting real estate investment opportunities for the Funds, Proprium believes it satisfies its best execution responsibilities through negotiation of the terms of the investment.

With respect to those limited instances in which Proprium has discretionary power to purchase or sell or distribute publicly traded securities on behalf of the Funds through a broker-dealer, Proprium will seek to satisfy its best execution obligation by considering all relevant facts and circumstances, which may include the price and size of the order, the trading characteristics of the securities involved, the broker’s execution abilities, commission rates, and financial responsibility and responsiveness. Subject to the investment objectives, policies and restrictions of each Fund as set forth in such Fund’s Governing Documents, and Proprium’s duty to obtain best execution for such Fund, Proprium will generally have discretionary authority to: (i) select the broker or dealer to be used to execute transactions in securities on behalf of the Fund (which may, but need not be, a broker-dealer affiliated with Morgan Stanley) and (ii) negotiate the commission cost to be paid to such broker or dealer.

On at least an annual basis, Proprium’s best execution committee will evaluate broker-dealers that provide services to Proprium (or that are under consideration by Proprium) to determine whether such broker-dealers continue to provide services that maximize value for Proprium’s clients.



### *Research and Other Soft Dollar Benefits*

Proprium will not engage in soft dollar arrangements with respect to securities transactions for the Funds.

### *Brokerage for Client Referrals*

Proprium will not consider referrals of investors to the Funds in determining its selection of brokers or dealers.

### *Trade Aggregation*

Although Proprium does not expect to trade in public securities on a regular basis, in those circumstances where Proprium trades in public securities, Proprium will, to the extent possible, generally place a combined order for two or more Funds it manages that are engaged in the purchase or sale of the same security if, in its good faith determination, joint execution would be consistent with its duty to seek best execution, consistent with the terms of the participating Funds' Governing Documents, and otherwise in the best interest of the Funds.

## **Review of Accounts**

### *Review of Client Accounts*

Proprium will continuously monitor portfolio investments on behalf of each Fund. Investments will be reviewed in the context of each Fund's stated investment objectives and guidelines as set forth in the Governing Documents of such Fund and each Fund's investment performance. Proprium's senior management will meet regularly to determine and review overall investment objectives, risk tolerance and other information relevant to the Funds.

### *Reports to Clients*

The General Partners of each Fund will distribute quarterly and annually written reports to their respective limited partners. Annual reports of a Fund generally contain an individual capital account statement of each limited partner as of the end of such fiscal year, certain descriptive information relating to such Fund's investments (if applicable) and the audited financial statements of such Fund. The quarterly reports of a Fund will generally contain financial statements of such Fund for the applicable fiscal quarter and certain descriptive information relating to such Fund's investments. The General Partner of a Fund may, in certain circumstances, agree to provide a limited partner with additional tax-related or other information related to such Fund and its investments, including for purposes of: (i) assisting such limited partner in filing for tax refunds or (ii) such limited partner's tax planning.

Investors are requested to refer to the Governing Documents of each Fund for further information on the reports provided by a particular Fund to its investors.

## **Client Referrals and Other Compensation**

### *Third Party Compensation for Client Referrals*

Proprium and related persons of Proprium may enter into cash compensation arrangements with unaffiliated placement agents or third parties for introducing investors to a Fund. In accordance with the terms of the relevant Fund's Governing Documents, any sales charge associated therewith will ultimately be payable by Proprium and/or its related persons, either directly or through an offset of the advisory fee payable by the relevant Fund to Proprium unless otherwise provided in the relevant Fund's governing documents.

Proprium endeavors at all times to put the interests of the Funds first as part of Proprium's fiduciary duty. Nevertheless, the receipt of compensation by the placement agents creates a potential conflict of interest, and may affect the judgment of placement agents when referring potential investors to Proprium and the Funds.

## **Custody**

Proprium will not have physical custody of any client assets. Proprium may be deemed to have constructive custody (within the meaning of Advisers Act Rule 206(4)-2) of the assets of the Funds as a result of its authority over the Funds. Notwithstanding the foregoing, Proprium does not expect to be deemed to have constructive custody of the assets of the Morgan Stanley Fund or Project Alpha.

It is Proprium's policy to cause each Fund with assets over which Proprium is deemed to have "custody" to be audited annually and distribute audited financial statements, prepared in accordance with U.S. generally accepted accounting principles ("GAAP") except as otherwise permitted pursuant to relevant SEC guidance, to investors no later than 120 days after the end of each fiscal year. In addition, upon the final liquidation of any such Fund, Proprium will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP with respect to such Fund to all investors promptly after completion of the audit.

## **Investment Discretion**

Subject to the investment objectives, policies and restrictions of each Fund as set forth in the Governing Documents of such Fund, Proprium will have discretionary authority to determine the type, amount and price of securities and investments to be bought and sold on behalf of each Fund, including the selection of, and commissions paid to, broker-dealers. Proprium is provided with this authority pursuant to a limited power of attorney granted to it by each Fund's limited partners via such Fund's Governing Documents or, with respect to the Morgan Stanley Fund, the Sub Advisory Agreement referenced above.

## **Voting Client Securities**

Because Proprium will accept authority to vote securities held by a Fund, it has adopted policies and procedures (the "Proxy Voting Policies and Procedures") that have been designed to ensure that Proprium complies with the requirements of Rule 206(4)-6 and

Rule 204-2(c)(2) under the Advisers Act, and reflect Proprium's commitment to vote all Fund securities for which it exercises voting authority in a manner consistent with the best interest of the Funds.

In many situations, a Fund is a party to a stockholder or a similar agreement. These agreements are entered into in the best interests of the Funds, and may require Proprium 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, Proprium will comply with the applicable Funds' contractual obligations.

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

Proprium monitors the performance, activities and events related to each Fund investment. When exercising its voting authority over client securities, Proprium will consider such information, evaluate other issues that could have an impact on the value of the security and votes with a view toward maximizing overall value. Proprium votes all proxies in a prudent manner, considering the prevailing circumstances at such time, and in a manner consistent with the Proxy Voting Policies and Procedures and Proprium's fiduciary duties to its clients.

Proprium reviews each proposal submitted for a vote on a case-by-case basis to determine whether it is in the best interest of the client. As a result, depending on the client's particular circumstances, Proprium may vote one client's securities differently than it votes those of another client, or may vote differently on various proposals, even though the securities or proposals are similar (or identical). In some instances, Proprium may determine that it is in the client's best interest for Proprium to "abstain" from voting or not to vote at all, and will do so accordingly.

The following proxy voting procedures will be performed when proxy voting materials are received with respect to an investment:

- The investment professionals who are responsible for such investment will review the current performance, activities and events related to the investment and will ensure that Proprium has received all necessary voting materials.
- The investment professionals will determine how the securities should be voted, and will consult with senior management, the CCO and outside counsel if necessary or appropriate. The investment professionals will ensure that the voting and/or consent materials are completed and returned on time (unless it has been decided that it is in the client's best interests for Proprium to abstain from voting on such matter).

Prior to exercising voting authority, the investment professional reviews the relevant facts and determines whether or not a material conflict of interest may arise due to business, personal or family relationships of Proprium, its owners, its employees or its affiliates, with

Persons having an interest in the outcome of the vote. If a material conflict exists, the investment professional will consult with senior professionals, the CCO and outside counsel, as necessary or appropriate, and take steps to ensure that Proprium's voting decision is based on the best interests of the client and is not a product of the conflict. Proprium may, at its discretion, (A) seek the advice of the applicable advisory board of a Fund in voting such security (if any); (B) disclose the conflict of interest to the client or the applicable advisory board of a Fund and defer to the client's voting recommendation; (C) defer to the voting recommendation of an independent third party provider of proxy voting services; and/or (D) take such other action in good faith (in consultation with Proprium's outside counsel, if necessary) which would serve the best interests of the client. Depending on the particular circumstances involved, the appropriate resolution of one conflict of interest may differ from the resolution of another conflict of interest, even though the general facts underlying both conflicts may be similar (or identical).

If more than one client invests in the same portfolio company, the two or more clients may have different investment objectives, client-specific voting policies or ultimate economic interests. In these situations, opposing votes may be cast by the relevant clients.

Proprium will promptly deliver to each client upon written request a complete copy of its Proxy Voting Policies and Procedures and/or information on how it voted proxies for the applicable Fund(s).

#### **Financial Information**

Not applicable.